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*This announcement is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for securities.*

*This announcement does not constitute or form a part of any offer or solicitation to purchase or subscribe for securities in the United States. The notes to be issued under the Programme (as defined below) (the “Notes”) have not been and will not be registered under the United States Securities Act of 1933, as amended (the “Securities Act”), and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Notes are being offered and sold only outside the United States to non-U.S. persons (as defined in Regulation S under the Securities Act (“Regulation S”)) in offshore transactions in compliance with Regulation S.*

*This announcement and the listing document referred to herein have been published for information purposes only as required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and do not constitute an offer to sell nor a solicitation of an offer to buy any securities. Neither this announcement nor anything referred to herein (including the listing document) forms the basis for any contract or commitment whatsoever. For the avoidance of doubt, the publication of this announcement and the listing document referred to herein shall not be deemed to be an offer of securities made pursuant to a prospectus issued by or on behalf of the Issuer (as defined below) for the purposes of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong nor shall it constitute an advertisement, invitation or document containing an invitation to the public to enter into or offer to enter into an agreement to acquire, dispose of, subscribe for or underwrite securities for the purposes of the Securities and Futures Ordinance (Cap. 571) of Hong Kong.*

*Notice to Hong Kong investors: The Issuer confirms that the Notes are intended for purchase by professional investors (as defined in Chapter 37 of the Listing Rules) only, and the Programme has been, and the Notes (to the extent they are to be listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”)) will be, listed on the Stock Exchange on that basis. Accordingly, the Issuer confirms that the Notes are not appropriate as an investment for retail investors in Hong Kong. Investors should carefully consider the risks involved.*



**TECHTRONIC INDUSTRIES COMPANY LIMITED**

**創科實業有限公司**

*(Incorporated in Hong Kong with limited liability)*

**(Stock Code: 669)**

**PUBLICATION OF OFFERING CIRCULAR**

**U.S.\$500,000,000  
Medium Term Note Programme  
(the “Programme”)**

**Arrangers**

**Citigroup**

**HSBC**

**Dealers**

**ANZ**

**BOC International**

**Citigroup**

**HSBC**

**BofA Securities**

**Mizuho**

**MUFG**

**Standard  
Chartered Bank**

**UBS**

This announcement is issued by Techtronic Industries Company Limited (the “**Issuer**”) pursuant to Rule 37.39A of the Listing Rules.

Please refer to the offering circular dated 17 May 2024 (the “**Offering Circular**”) appended herein in relation to the Programme. As disclosed in the Offering Circular, the Notes are intended for purchase by professional investors (as defined in Chapter 37 of the Listing Rules) only, and the Programme has been, and the Notes (to the extent they are to be listed on the Stock Exchange) will be, listed on the Stock Exchange on that basis.

The Offering Circular does not constitute a prospectus, notice, circular, brochure or advertisement offering to sell any securities to the public in any jurisdiction, nor is it an invitation to the public to make offers to subscribe for or purchase any securities, nor is it circulated to invite offers by the public to subscribe for or purchase any securities.

The Offering Circular must not be regarded as an inducement to subscribe for or purchase any securities of the Issuer, and no such inducement is intended. In making an investment decision, investors must rely on their own examination of the Issuer, the Group (as defined in the Offering Circular) and the terms of the offering, including the merits and risks involved.

By order of the Board  
**Techtronic Industries Company Limited**  
**Horst Julius Pudwill**  
*Chairman*

Hong Kong, 20 May 2024

*As at the date of this announcement, the Board comprises six Group Executive Directors, namely Mr. Horst Julius Pudwill (Chairman), Mr. Stephan Horst Pudwill (Vice Chairman), Mr. Joseph Galli Jr. (Chief Executive Officer), Mr. Patrick Kin Wah Chan, Mr. Frank Chi Chung Chan and Mr. Camille Jojo, and six Independent Non-executive Directors, namely, Mr. Peter David Sullivan, Mr. Johannes-Gerhard Hesse, Mr. Robert Hinman Getz, Ms. Virginia Davis Wilmerding, Ms. Caroline Christina Kracht and Mr. Andrew Philip Roberts.*

## IMPORTANT NOTICE

THIS OFFERING IS AVAILABLE ONLY TO INVESTORS WHO ARE OUTSIDE THE UNITED STATES IN RELIANCE ON REGULATION S UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED.

**IMPORTANT:** You must read the following before continuing. The following applies to the offering circular following this page (the "**Offering Circular**"), and you are therefore advised to read this carefully before reading, accessing or making any other use of the Offering Circular. In accessing the Offering Circular, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information from us as a result of such access.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN THE UNITED STATES OR ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES, AND SECURITIES IN BEARER FORM ARE SUBJECT TO U.S. TAX LAW REQUIREMENTS. THE SECURITIES MAY NOT BE OFFERED, SOLD OR (IN THE CASE OF THE NOTES IN BEARER FORM) DELIVERED WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT ("**REGULATION S**")) EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS.

THIS OFFERING CIRCULAR MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER, AND IN PARTICULAR, MAY NOT BE FORWARDED TO ANY ADDRESS IN THE UNITED STATES. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT, IN WHOLE OR IN PART, IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

**Confirmation of your Representation:** In order to be eligible to view the Offering Circular or make an investment decision with respect to the securities, investors must be outside the United States in reliance on Regulation S under the Securities Act. The Offering Circular is being sent at your request and by accepting the e-mail and accessing the Offering Circular, you will be deemed to have represented to us that (1) you and any customers you represent are persons outside of the United States and that the electronic mail address that you gave us and to which the Offering Circular has been delivered is not located in the United States and (2) you consent to delivery of the Offering Circular by electronic transmission.

You are reminded that the Offering Circular has been delivered to you on the basis that you are a person into whose possession the Offering Circular may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorised to, deliver the Offering Circular to any other person.

The materials relating to the offering of securities to which the Offering Circular relates do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer and a Dealer or any affiliate of that Dealer is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by that Dealer or such affiliate on behalf of the Issuer (as defined in the Offering Circular) in such jurisdiction.

The Offering Circular has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of the Issuer, Citigroup Global Markets Limited, The Hongkong and Shanghai Banking Corporation Limited (each, an "**Arranger**" and together, "**Arrangers**"), Australia and New Zealand Banking Group Limited, BOCI Asia Limited, Merrill Lynch (Asia Pacific) Limited, Mizuho Securities Asia Limited, MUFG Securities EMEA plc, Standard Chartered Bank, and UBS AG Hong Kong Branch (together with the Arrangers, the "**Dealers**") any person who controls any Arranger or Dealer, any director, officer, employee or agent of the Issuer or the Arrangers or any Dealer, or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the Offering Circular distributed to you in electronic format and the hard copy version available to you on request from the Arrangers or the Dealers.

You are responsible for protecting against viruses and other destructive items. Your use of this e-mail is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

**TECHTRONIC INDUSTRIES COMPANY LIMITED**  
**(創科實業有限公司)**  
*(Incorporated in Hong Kong with limited liability)*  
**(Stock Code: 669)**

**U.S.\$500,000,000**  
**Medium Term Note Programme**

Under the U.S.\$500,000,000 Medium Term Note Programme described in this Offering Circular (the "**Programme**"), Techtronic Industries Company Limited (創科實業有限公司) (the "**Issuer**" or the "**Company**"), subject to compliance with all relevant laws, regulations and directives, may from time to time issue medium term notes (the "**Notes**").

Notes may be issued in bearer or registered form. The aggregate nominal amount of the Notes outstanding will not at any time exceed U.S.\$500,000,000 (or its equivalent in other currencies, subject to any duly authorised increase). The Notes may be issued on a continuing basis to one or more of the Dealers specified under "*Summary of the Programme*" or any additional Dealer appointed under the Programme from time to time by the Issuer (each a "**Dealer**" and together the "**Dealers**"), which appointment may be for a specific issue or on an ongoing basis. References in this Offering Circular to the "relevant Dealer" shall, in the case of an issue of the Notes being (or intended to be) subscribed for by more than one Dealer, be to all Dealers agreeing to subscribe for such Notes.

Application has been made to The Stock Exchange of Hong Kong Limited (the "**SEHK**") for the listing of the Programme by way of debt issues to professional investors (as defined in Chapter 37 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**Listing Rules**")) ("**Professional Investors**") only during the 12-month period after the date of this Offering Circular on the SEHK. This Offering Circular is for distribution to Professional Investors only.

**Notice to Hong Kong investors:** The Issuer confirms that the Notes to be issued under the Programme are intended for purchase by Professional Investors only, and the Programme and the Notes, to the extent such Notes are to be listed on the SEHK, will be listed on the SEHK on that basis. Accordingly, the Issuer confirms that the Notes are not appropriate as an investment for retail investors in Hong Kong. Investors should carefully consider the risks involved.

**The SEHK has not reviewed the contents of this Offering Circular, other than to ensure that the prescribed form disclaimer and responsibility statements, and a statement limiting distribution of this document to Professional Investors only have been reproduced in this Offering Circular. Listing of the Programme or the Notes on the SEHK is not to be taken as an indication of the commercial merits or credit quality of the Programme, the Notes, the Issuer or the Group (as defined below) or quality of disclosure in this Offering Circular.** Hong Kong Exchanges and Clearing Limited and the SEHK take no responsibility for the contents of this Offering Circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Offering Circular.

Notice of the aggregate nominal amount of the Notes, interest (if any) payable in respect of the Notes, the issue price of the Notes and any other terms and conditions not contained herein which are applicable to each Series (as defined under "*Terms and Conditions of the Notes*") and each term therein, a "**Condition**") of the Notes will be set out in a pricing supplement (the "**Pricing Supplement**") which, with respect to Notes to be listed on the SEHK, will be delivered to the SEHK, on or before the date of issue of the Notes of such Series. This Offering Circular may not be used to consummate sales of the Notes, unless accompanied by a Pricing Supplement.

The relevant Pricing Supplement in respect of the issue of any Notes will specify whether or not such Notes will be listed on the SEHK or any other stock exchange.

Each Series (as defined in "*Summary of the Programme*") of the Notes in bearer form ("**Bearer Notes**") will be represented on issue by a temporary global note (each a "**Temporary Global Note**") or a permanent global note (each a "**Permanent Global Note**"), and will be sold in an "offshore transaction" within the meaning of Regulation S ("**Regulation S**") under the United States Securities Act of 1933, as amended (the "**Securities Act**"). Interests in Temporary Global Notes generally will be exchangeable for interests in Permanent Global Notes (together with the Temporary Global Notes, the "**Global Notes**"), or if so stated in the relevant Pricing Supplement, definitive Notes ("**Definitive Notes**"), after the date falling 40 days after the later of the commencement of the offering and the relevant issue date of such Series, upon certification as to non-U.S. beneficial ownership. Interests in Permanent Global Notes will be exchangeable for Definitive Notes in whole but not in part as described under "*Summary of Provisions Relating to the Notes while in Global Form*".

The Notes of each Series to be issued in registered form ("**Registered Notes**") and which are sold in an "offshore transaction" within the meaning of Regulation S ("**Unrestricted Notes**") will initially be represented by a permanent registered global note certificate (each a "**Global Note Certificate**") without interest coupons, which may be deposited on the relevant issue date (a) in the case of a Series intended to be cleared through Euroclear Bank SA/NV ("**Euroclear**") and/or Clearstream Banking S.A. ("**Clearstream**"), with a common depository on behalf of Euroclear and/or Clearstream or (b) in the case of a Series intended to be cleared through the Central Moneymarkets Unit Service (the "**CMU**"), operated by the Hong Kong Monetary Authority (the "**HKMA**"), with a sub-custodian for the CMU, and (c) in the case of a Series intended to be cleared through a clearing system other than, or in addition to, Euroclear and/or Clearstream and/or the CMU, or delivered outside a clearing system, as agreed between the Issuer and the relevant Dealer. The provisions governing the exchange of interests in Global Notes for other Global Notes and Definitive Notes are described in "*Summary of Provisions Relating to the Notes while in Global Form*".

The Notes have not been, and will not be, registered under the Securities Act or the securities laws of any state or other jurisdiction of the United States. Subject to certain exceptions, the Notes may not be offered, sold or (in the case of Bearer Notes) delivered within the United States. Accordingly, the Notes may be offered and sold outside the United States in offshore transactions in reliance on Regulation S under the Securities Act. Any Series of the Notes may be subject to additional selling restrictions. The applicable Pricing Supplement in respect of such Series of the Notes will specify any such restrictions. See "*Subscription and Sale*" and the applicable Pricing Supplement. Bearer Notes are subject to U.S. tax requirements.

**IMPORTANT — EEA RETAIL INVESTORS** — If the Pricing Supplement in respect of any Notes includes a legend entitled "Prohibition of Sales to EEA Retail Investors", the Notes are not intended, to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**EU MiFID II**"); or (ii) a customer within the meaning of Directive (EU) 2016/97 (the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of EU MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the "**PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

**IMPORTANT — UK RETAIL INVESTORS** — If the Pricing Supplement in respect of any Notes includes a legend entitled "Prohibition of Sales to UK Retail Investors", the Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom ("**UK**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (the "**EUWA**"); or (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000, as amended (the "**FSMA**") and any rules or regulations made under the FSMA to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA. Consequently no key information document required by the PRIIPs Regulation as it forms part of domestic law by virtue of the EUWA (the "**UK PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

**EU MiFID II product governance / target market** — The Pricing Supplement in respect of any Notes may include a legend entitled "EU MiFID II Product Governance" which will outline the target market in respect of the Notes and which channels for distribution of the Notes are appropriate. Any person offering, selling or recommending the Notes (a "**distributor**") should take into consideration such target market; however, a distributor subject to EU MiFID II is responsible for undertaking its own target market assessment in respect of the Notes and determining appropriate distribution channels. A determination will be made in relation to each issue about whether, for the purpose of the Product Governance rules under EU Delegated Directive 2017/593 (the "**EU MiFID Product Governance Rules**"), any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Arranger nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the EU MiFID Product Governance Rules.

A determination will be made in relation to each issue about whether, for the purpose of the EU MiFID Product Governance Rules, any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Arrangers nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the EU MiFID Product Governance Rules.

**UK MiFIR product governance / target market** — The Pricing Supplement in respect of any Notes may include a legend entitled "UK MiFIR Product Governance" which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any distributor should take into consideration the target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the "**UK MiFIR Product Governance Rules**") is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the UK MiFIR Product Governance Rules, any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Arrangers nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the UK MiFIR Product Governance Rules.

**PRODUCT CLASSIFICATION PURSUANT TO SECTION 309B OF THE SECURITIES AND FUTURES ACT 2001** — The Pricing Supplement in respect of any Notes may include a legend entitled "Singapore Securities and Futures Act Product Classification" which will state the product classification of the Notes pursuant to section 309B(1) of the Securities and Futures Act 2001 of Singapore, as modified or amended from time to time (the "**SFA**"). If applicable, the Issuer will make a determination and provide the appropriate written notification to "relevant persons" in relation to each issue about the classification of the Notes being offered for purposes of section 309B(1)(a) and 309B(1)(c) of the SFA.

Notes issued under the Programme may be rated or unrated. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction, revision or withdrawal at any time by the assigning rating agency.

**Investing in Notes issued under the Programme involves certain risks and may not be suitable for all investors. See "Risk Factors" beginning on page 8 for a discussion of factors that you should consider carefully before investing in the Notes.**

This Offering Circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Issuer and the Group. The Issuer accepts full responsibility for the accuracy of the information contained in this Offering Circular and confirms, having made all reasonable enquiries, that to the best of its knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

|                  |                                |                        |
|------------------|--------------------------------|------------------------|
|                  | <b>Arrangers</b>               |                        |
| <b>Citigroup</b> |                                | <b>HSBC</b>            |
|                  | <b>Dealers</b>                 |                        |
| <b>ANZ</b>       | <b>Citigroup</b>               | <b>HSBC</b>            |
| <b>Mizuho</b>    | <b>Standard Chartered Bank</b> | <b>BofA Securities</b> |
|                  | <b>BOC International</b>       | <b>UBS</b>             |
|                  | <b>MUFG</b>                    |                        |

The date of this Offering Circular is 17 May 2024

Techtronic Industries Company Limited (創科實業有限公司) (the "**Issuer**", the "**Company**" or "**TTI**"), having made all reasonable enquiries, confirms that to its best knowledge and belief (i) this Offering Circular contains all information with respect to the Issuer and its subsidiaries taken as a whole (the "**Group**") and the Notes which is material in the context of the issue and offering of the Notes; (ii) the statements contained herein relating to the Issuer, the Group and the Notes are in every material respect true and accurate and not misleading and there are no other facts in relation to the Issuer, the Group or the Notes, the omission of which would, in the context of the issue and offering of the Notes, make any statement in this Offering Circular misleading in any material respect; and (iii) the statements of intention, opinion and belief or expectation contained in this Offering Circular with regard to the Issuer and the Group are honestly made or held.

Each Series (as defined herein) of the Notes will be issued on the terms set out herein under "*Terms and Conditions of the Notes*" as amended and/or supplemented by the Pricing Supplement specific to such Series. This Offering Circular must be read and construed together with any amendments or supplements hereto and with any information incorporated by reference herein and, in relation to any Series of the Notes, must be read and construed together with the relevant Pricing Supplement.

The distribution of this Offering Circular and any Pricing Supplement and the offering, sale and delivery of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes are required by the Issuer, Citigroup Global Markets Limited and The Hongkong and Shanghai Banking Corporation Limited (each, an "**Arranger**" and together, the "**Arrangers**") and the Dealers (as defined below) to inform themselves about and to observe any such restrictions. None of the Issuer, the Arrangers or the Dealers represents that this Offering Circular or any Pricing Supplement may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assumes any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer, the Arrangers or the Dealers, which would permit a public offering of any Notes or distribution of this Offering Circular or any Pricing Supplement in any jurisdiction where action for such purposes is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and none of this Offering Circular, any Pricing Supplement or any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations.

There are restrictions on the offer and sale of the Notes and the circulation of documents relating thereto, in certain jurisdictions including, but not limited to, the United States of America, the European Economic Area, the United Kingdom, the PRC, Hong Kong, Japan, Singapore and Taiwan, and to persons connected therewith. See "*Subscription and Sale*".

**The Notes may only be offered or sold outside the United States in offshore transactions in reliance on Regulation S. Any Series of the Notes may be subject to additional selling restrictions. Any additional restrictions on the sale or transfer of any Series of the Notes will be specified in the applicable Pricing Supplement for such Notes.**

#### **Important Notice to Prospective Investors Pursuant to Paragraph 21 of the Hong Kong SFC Code of Conduct**

Prospective investors should be aware that certain intermediaries in the context of certain offerings of Notes pursuant to this Programme (each such offering, a "**CMI Offering**"), including certain Dealers, may be "capital market intermediaries" ("**CMIs**") subject to Paragraph 21 of the Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission (the "**SFC Code**"). This notice to prospective investors is a summary of certain obligations the SFC Code imposes on such CMIs, which require the attention and cooperation of prospective investors. Certain CMIs may also be acting as "overall coordinators" ("**OCs**") for a CMI Offering and are subject to additional requirements under the SFC Code. The application of these obligations will depend on the role(s) undertaken by the relevant Dealer(s) in respect of each CMI Offering.

Prospective investors who are the directors, employees or major shareholders of the Issuer, a CMI or its group companies would be considered under the SFC Code as having an association ("**Association**") with the Issuer, the CMI or the relevant group company. Prospective investors associated with the Issuer or any CMI (including its group companies) should specifically disclose this when placing an order for the relevant Notes and should disclose, at the

same time, if such orders may negatively impact the price discovery process in relation to the relevant CMI Offering. Prospective investors who do not disclose their Associations are hereby deemed not to be so associated. Where prospective investors disclose their Associations but do not disclose that such order may negatively impact the price discovery process in relation to the relevant CMI Offering, such order is hereby deemed not to negatively impact the price discovery process in relation to the relevant CMI Offering.

Prospective investors should ensure, and by placing an order prospective investors are deemed to confirm, that orders placed are bona fide, are not inflated and do not constitute duplicated orders (i.e. two or more corresponding or identical orders placed via two or more CMIs). A rebate may be offered by the Issuer to all private banks for orders they place (other than in relation to Notes subscribed by such private banks as principal whereby it is deploying its own balance sheet for onward selling to investors), payable upon closing of the relevant CMI Offering based on the principal amount of the Notes distributed by such private banks to investors. Private banks are deemed to be placing an order on a principal basis unless they inform the CMIs otherwise. As a result, private banks placing an order on a principal basis (including those deemed as placing an order as principal) will not be entitled to, and will not be paid, the rebate. Details of any such rebate will be set out in the applicable Pricing Supplement or otherwise notified to prospective investors. If a prospective investor is an asset management arm affiliated with any relevant Dealer, such prospective investor should indicate when placing an order if it is for a fund or portfolio where the relevant Dealer or its group company has more than 50 per cent. interest, in which case it will be classified as a "proprietary order" and subject to appropriate handling by CMIs in accordance with the SFC Code and should disclose, at the same time, if such "proprietary order" may negatively impact the price discovery process in relation to the relevant CMI Offering. Prospective investors who do not indicate this information when placing an order are hereby deemed to confirm that their order is not a "proprietary order". If a prospective investor is otherwise affiliated with any relevant Dealer, such that its order may be considered to be a "proprietary order" (pursuant to the SFC Code), such prospective investor should indicate to the relevant Dealer when placing such order. Prospective investors who do not indicate this information when placing an order are hereby deemed to confirm that their order is not a "proprietary order". Where prospective investors disclose such information but do not disclose that such "proprietary order" may negatively impact the price discovery process in relation to the relevant CMI Offering, such "proprietary order" is hereby deemed not to negatively impact the price discovery process in relation to the relevant CMI Offering.

Prospective investors should be aware that certain information may be disclosed by CMIs (including private banks) which is personal and/or confidential in nature to the prospective investor. By placing an order, prospective investors are deemed to have understood and consented to the collection, disclosure, use and transfer of such information by the relevant Dealers and/or any other third parties as may be required by the SFC Code, including to the Issuer, any OCs, relevant regulators and/or any other third parties as may be required by the SFC Code, it being understood and agreed that such information shall only be used for the purpose of complying with the SFC Code, during the bookbuilding process for the relevant CMI Offering. Failure to provide such information may result in that order being rejected.

This Offering Circular is to be read in conjunction with all documents, which are deemed to be incorporated herein by reference (see "*Information Incorporated by Reference*"). This Offering Circular shall be read and construed on the basis that such documents are incorporated and form part of this Offering Circular.

Listing of the Programme or the Notes on the SEHK is not to be taken as an indication of the merits of the Issuer, the Group or the Notes. In making an investment decision, investors must rely on their own examination of the Issuer, the Group and the terms of the offering, including the merits and risks involved. See "*Risk Factors*" for a discussion of certain factors to be considered in connection with an investment in the Notes.

No person has been authorised by the Issuer to give any information or to make any representation not contained in or not consistent with this Offering Circular or any other document entered into in relation to the Programme and the sale of the Notes and, if given or made, such information or representation should not be relied upon as having been authorised by the Issuer, any Arranger or any Dealer.

Neither the delivery of this Offering Circular or any Pricing Supplement nor the offering, sale or delivery of any Note shall, in any circumstances, create any implication that the information contained in this Offering Circular is true subsequent to the date hereof or the date upon which this Offering Circular has been most recently amended or supplemented or that there has been no adverse change, or any event reasonably likely to involve any adverse change,

in the prospects or financial or trading position of the Issuer since the date thereof or, if later, the date upon which this Offering Circular has been most recently amended or supplemented or that any other information supplied in connection with the Programme is correct at any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

Neither this Offering Circular nor any Pricing Supplement constitutes an offer or an invitation to subscribe for or purchase any Notes and should not be considered as a recommendation by the Issuer, the Arrangers, the Dealers, the Agents or any director, officer, employee, agent or affiliate of any such person or any of them that any recipient of this Offering Circular or any Pricing Supplement should subscribe for or purchase any Notes. Each recipient of this Offering Circular or any Pricing Supplement shall be taken to have made its own investigation and appraisal of the condition (financial or otherwise) of the Issuer.

The maximum aggregate principal amount of the Notes outstanding at any one time under the Programme will not exceed U.S.\$500,000,000 (and for this purpose, any Notes denominated in another currency shall be translated into United States dollars at the date of the agreement to issue such Notes calculated in accordance with the provisions of the Dealer Agreement as defined under "*Subscription and Sale*"), provided that, the maximum aggregate principal amount of the Notes, which may be outstanding at any one time under the Programme, may be increased from time to time, subject to compliance with the relevant provisions of the Dealer Agreement as defined under "*Subscription and Sale*".

**In connection with the issue of any Series of Notes, the Dealer or Dealers (if any) named as stabilisation managers (the "Stabilisation Manager(s)") (or persons acting on behalf of any Stabilisation Manager(s)) in the applicable Pricing Supplement may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, stabilisation may not necessarily occur. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Series of Notes is made and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Series of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Any stabilisation action or over-allotment must be conducted by the relevant Stabilisation Manager(s) (or person(s) acting on behalf of any Stabilisation Manager(s)) in accordance with all applicable laws and rules.**

None of the Arrangers, the Dealers, the Trustee (as defined below) or any Agents (as defined below) has separately verified the information contained or incorporated by reference in this Offering Circular. None of the Arrangers, the Dealers, the Trustee or any Agent or any director, officer, employee, agent or affiliate of any such person makes any representation, warranty or undertaking, express or implied, or accepts any responsibility, with respect to the accuracy or completeness of any of the information contained or incorporated by reference in this Offering Circular. To the fullest extent permitted by law, none of the Arrangers, the Dealers, the Trustee or any Agent or any director, officer, employee, agent or affiliate of any such person accepts any responsibility for the contents of this Offering Circular or for any other statement made or purported to be made by the Arrangers, the Dealers, the Trustee, any Agent, or any director, officer, employee, agent or affiliate of any such person or on its behalf in connection with the Issuer, the Notes or the issue and offering of the Notes. The Arrangers, the Dealers, the Trustee and each Agent accordingly disclaim all and any liability whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of this Offering Circular or any such statement.

This Offering Circular does not describe all of the risks and investment considerations (including those relating to each investor's particular circumstances) of an investment in Notes of a particular issue. Each potential purchaser of the Notes should refer to and consider carefully the relevant Pricing Supplement for each particular issue of the Notes, which may describe additional risks and investment considerations associated with such Notes. The risks and investment considerations identified in this Offering Circular and the applicable Pricing Supplement are provided as general information only. Investors should consult their own financial and legal advisors as to the risks and investment considerations arising from an investment in an issue of the Notes and should possess the appropriate resources to analyse such investment and the suitability of such investment in their particular circumstances. None of the Arrangers, the Dealers, the Trustee, the Agents or any of their respective affiliates, employees, directors or advisors undertakes to review the financial condition or affairs of the Issuer during the life of the arrangements

contemplated by this Offering Circular nor to advise any investor or potential investor in the Notes of any information coming to the attention of the Arrangers, the Dealers, the Trustee or the Agents.

Neither this Offering Circular nor any other information provided or incorporated by reference in connection with the Programme are intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by any of the Issuer, the Arrangers, the Dealers, the Trustee or the Agents or any director, officer, employee, agent or affiliate of any such person that any recipient, of this Offering Circular or of any such information, should purchase the Notes. Each potential purchaser of the Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer and the Group. Each potential purchaser of the Notes should determine for itself the relevance of the information contained in this Offering Circular and its purchase of the Notes should be based upon such investigation, as it deems necessary. None of the Arrangers, the Dealers, the Trustee or the Agents or any agent or affiliate of any such person undertakes to review the financial condition or affairs of the Issuer or the Group during the life of the arrangements contemplated by this Offering Circular nor to advise any investor or potential investor in the Notes of any information coming to the attention of any of the Arrangers, the Dealers, the Trustee, the Agents or any of them.

In this Offering Circular, where information has been presented in thousands or millions of units, amounts may have been rounded up or down. Accordingly, totals of columns or rows of numbers in tables may not be equal to the apparent total of the individual items and actual numbers may differ from those contained herein due to rounding.

In this Offering Circular, unless otherwise specified or the context otherwise requires, all references to "U.S.\$", "USD" and to "U.S. dollars" are to United States dollars; all references to "HK\$" and to "HKD" are to Hong Kong dollars; all references to "RMB" or "Renminbi" are to the lawful currency of the PRC; all references to "sterling" and to "£" are to the lawful currency of the United Kingdom; all references to "EUR" is to the lawful currency of member states of the European Union that adopt the single currency introduced in accordance with the Treaty establishing the European Community, as amended from time to time; all references to "United States" or "U.S." are to the United States of America; references to "Hong Kong" are to the Hong Kong Special Administrative Region of the People's Republic of China and; all references to "PRC" or "China" are to the People's Republic of China and for geographical reference only (unless otherwise stated) exclude Taiwan, Macau and Hong Kong.

## **INFORMATION INCORPORATED BY REFERENCE**

This Offering Circular should be read and construed in conjunction with each relevant Pricing Supplement, the most recently published audited annual financial statements and any interim financial statements (whether audited or unaudited) published subsequently to such annual financial statements of the Issuer from time to time on the SEHK and all amendments and supplements from time to time to this Offering Circular, which shall be deemed to be incorporated in, and to form part of, this Offering Circular and which shall be deemed to modify or supersede the contents of this Offering Circular to the extent that a statement contained in any such document is inconsistent with such contents.

Any unaudited financial statements should not be relied upon to provide the same quality of information associated with information that has been subject to an audit nor taken as an indication of the expected financial condition and results of operations of the Issuer for the relevant full financial year. Potential investors must exercise caution when using such data to evaluate the Issuer's financial condition, results of operations and results.

Copies of all such documents which are so deemed to be incorporated in, and to form part of, this Offering Circular will be available free of charge during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted) from the office of the Trustee at 40/F Champion Tower, 3 Garden Road, Central, Hong Kong, and at the specified offices of the Paying Agents and the principal office in Hong Kong of the Principal Paying Agent (as defined under "*Summary of the Programme*") (or such other Paying Agent for the time being in Hong Kong) set out at the end of this Offering Circular.

## **PRESENTATION OF FINANCIAL INFORMATION**

The financial information as at and for the years ended 31 December 2021, 2022 and 2023 included in this Offering Circular has been derived from the Group's audited consolidated financial statements.

In this Offering Circular, where information has been presented in thousands or millions of units, amounts may have been rounded up or down. Accordingly, totals of columns or rows of numbers in tables may not be equal to the apparent total of the individual items, and actual numbers may differ from those contained herein due to rounding.

## FORWARD-LOOKING STATEMENTS

Certain statements in this Offering Circular may constitute "*forward-looking statements*". The words including "*believe*", "*expect*", "*plan*", "*anticipate*", "*schedule*", "*estimate*", "*aim*", "*intend*", "*project*", "*seek to*", "*predict*", "*future*", "*goal*" and similar words or expressions identify forward-looking statements. In addition, all statements other than statements of historical facts included in this Offering Circular, including, but without limitation, those regarding the financial position, business strategy, prospects, capital expenditure and investment plans of the Issuer or the Group and the plans and objectives of the management of the Issuer and the Group for its future operations (including development plans and objectives relating to the Group's operations), are forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors, which may cause actual results or performance of the Issuer or the Group to differ materially from those expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding the Issuer's and the Group's present and future business strategies of the Issuer and the Group and the environment in which the Issuer or the Group will operate in the future. The Issuer expressly disclaims any obligation or undertaking to release any updates or revisions to any forward-looking statements contained herein to reflect any change in the Issuer's or the Group's expectations with regard thereto or any change of events, conditions or circumstances, on which any such statements were based. This Offering Circular discloses, under "*Risk Factors*" and elsewhere, important factors that could cause actual results to differ materially from the Issuer's expectations. All subsequent written and forward-looking statements attributable to the Issuer or persons acting on behalf of the Issuer are expressly qualified in their entirety by such cautionary statements.

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## SUMMARY OF THE PROGRAMME

*This summary must be read as an introduction to this Offering Circular and any decision to invest in the Notes should be based on a consideration of the Offering Circular as a whole, including any information incorporated by reference. Words and expressions defined in the "Terms and Conditions of the Notes" below or elsewhere in this Offering Circular have the same meanings in this summary.*

|   |  |
|---|--|
| <b>Issuer</b> .....                                   | Techtronic Industries Company Limited (創科實業有限公司).  |
| <b>Programme Size</b> .....                           | Up to U.S.\$500,000,000 (or the equivalent in other currencies calculated as described in the Dealer Agreement (as defined in "Subscription and Sale")) outstanding at any time. The Issuer may increase the amount of the Programme in accordance with the terms of the Dealer Agreement.   |
| <b>Arrangers</b> .....                                | Citigroup Global Markets Limited and The Hongkong and Shanghai Banking Corporation Limited.  |
| <b>Dealers</b> .....                                  | Citigroup Global Markets Limited, The Hongkong and Shanghai Banking Corporation Limited, Australia and New Zealand Banking Group Limited, BOCI Asia Limited, Merrill Lynch (Asia Pacific) Limited, Mizuho Securities Asia Limited, MUFG Securities EMEA plc, Standard Chartered Bank, and UBS AG Hong Kong Branch and any other Dealer appointed from time to time by the Issuer either generally in respect of the Programme or in relation to a particular Series of the Notes.  |
| <b>Principal Paying Agent,<br/>Paying Agent</b> ..... | Citibank, N.A., London Branch (for Notes cleared through Euroclear/Clearstream).   |
| <b>Registrar</b> .....                                | Citibank, N.A., London Branch (for Notes cleared through Euroclear/Clearstream).   |
| <b>Transfer Agent</b> .....                           | Citibank, N.A., London Branch (for Notes cleared through Euroclear/Clearstream).   |
| <b>CMU Lodging and<br/>Paying Agent</b> .....         | Citicorp International Limited.  |
| <b>Trustee</b> .....                                  | Citicorp International Limited.  |
| <b>Method of Issue</b> .....                          | The Notes will be issued on a syndicated or non-syndicated basis. The Notes will be issued in series (each a " <b>Series</b> ") having one or more issue dates and on terms otherwise identical (or identical other than in respect of the first payment of interest and their issue price), and intended to be interchangeable with all other Notes of that Series. Each Series may be issued in tranches (each a " <b>Tranche</b> ") on the same or different issue dates. The specific terms of each Tranche (which will be completed, where necessary, with the relevant terms and conditions and, save in respect of the issue date, issue price, first payment date of interest and nominal amount of the Tranche, will be |

identical to the terms of other Tranches of the same Series) will be completed in the Pricing Supplement.

**Clearing Systems** ..... Euroclear, Clearstream, the CMU and such other clearing system as shall be agreed between the Issuer, the Trustee, the Agents and the relevant Dealer (each of Euroclear, Clearstream and the CMU, a "**Clearing System**"). See "*Clearing and Settlement*".

**Form of the Notes** ..... Notes may be issued in bearer form or in registered form. Registered Notes will not be exchangeable for Bearer Notes and *vice versa*. Each Series of Bearer Notes will initially be represented by a Temporary Global Note or a Permanent Global Note, as specified in the applicable Pricing Supplement, which, in each case, may be deposited on the issue date with a common depository for Euroclear, Clearstream or any other agreed clearing system compatible with Euroclear and Clearstream or a sub-custodian for the CMU. A Temporary Global Note will be exchangeable, in whole or in part, as described therein, for interests in a Permanent Global Note as described under "*Form of the Notes*". A Permanent Global Note may be exchanged, in whole but not in part, for Definitive Notes only upon the occurrence of an Exchange Event as described under "*Form of the Notes*". Any interest in a Temporary Global Note or a Permanent Global Note will be transferable only in accordance with the rules and procedures or the time being of Euroclear, Clearstream, the CMU and/or any other agreed clearing system, as appropriate.

Bearer Notes will be issued in compliance with applicable U.S. tax rules. Bearer Notes will be issued in compliance with rules in substantially the same form as U.S. Treasury Regulations §1.163-5(c)(2)(i)(D) for purposes of Section 4701 of the U.S. Internal Revenue Code (the "**D Rules**") unless (i) the applicable Pricing Supplement states that the Bearer Notes are issued in compliance with rules in substantially the same form as U.S. Treasury Regulation §1.163-5(c)(2)(i)(C) for purposes of Section 4701 of the U.S. Internal Revenue Code (the "**C Rules**") or (ii) the Bearer Notes are issued other than in compliance with the D Rules or the C Rules but in circumstance in which the Notes will not constitute "registration required obligations" for U.S. federal income tax purposes, which circumstance will be referred to in the applicable Pricing Supplement. Bearer Notes that are issued in compliance with the D Rules must be initially represented by a Temporary Global Note.

Each Series of Registered Notes will, unless otherwise specified in the applicable Pricing Supplement, be represented by a Global Note Certificate (as defined in the "*Form of the Notes*"), which will be deposited on or about its issue date with a Common Depository for, and registered in the name of a nominee of, Euroclear and/or Clearstream for the accounts of Euroclear and/or Clearstream or a sub-custodian for the CMU operated by the HKMA, as appropriate. With respect to all offers or sales by a Dealer of an unsold allotment or subscription, beneficial interests in a Global Note Certificate of such Series may be held only through Euroclear, Clearstream for the accounts of Euroclear and Clearstream or the CMU, as appropriate.

Global Note Certificates will be exchangeable for Definitive Notes only upon the occurrence of an Exchange Event as described in "Form of the Notes".

Application will be made to have Global Notes or Global Note Certificates of any Series accepted for clearance and settlement through the facilities of Euroclear, Clearstream and/or the CMU, as appropriate.

**Currencies** ..... Notes may be denominated in any currency or currencies, agreed between the Issuer and the relevant Dealer(s) subject to compliance with all applicable legal and/or regulatory and/or central bank requirements. Payments in respect of the Notes may, subject to such compliance, be made in and/or linked to, any currency or currencies other than the currency in which such Notes are denominated.

**Denominations** ..... Notes will be issued in such denominations as may be specified in the relevant Pricing Supplement, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements.

**Status of the Notes** ..... The Notes constitute direct, unconditional, unsubordinated and (subject to Condition 5 (*Negative Pledge*)) unsecured obligations of the Issuer which will at all times rank *pari passu* among themselves and at least *pari passu* with all other present and future unsecured and unsubordinated obligations of the Issuer, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application. See "Terms and Conditions of the Notes — Status".

**Issue Price** ..... Notes may be issued at their nominal amount or at a discount or premium to their nominal amount. Partly Paid Notes may be issued, the issue price of which will be payable in two or more instalments.

**Maturities** ..... Any maturity, subject, in relation to specific currencies, to compliance with all applicable legal and/or regulatory and/or central bank requirements. Where Notes have a maturity of less than one year and either (a) the issue proceeds are received by the Issuer in the United Kingdom or (b) the activity of issuing the Notes is carried on from an establishment maintained by the Issuer in the United Kingdom, such Notes must: (i) have a minimum redemption value of £100,000 (or its equivalent in other currencies) and be issued only to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses; or (ii) be issued in other circumstances which do not constitute a contravention of section 19 of the Finance Services and Markets Act 2000 ("FSMA") by the Issuer.

|                                  |  |
|----------------------------------|--|
| <b>Redemption</b> .....          | Notes may be redeemable at par or at such other Redemption Amount (detailed in a formula, index or otherwise) as may be specified in the relevant Pricing Supplement. Notes may also be redeemable in two or more instalments on such dates and in such manner as may be specified in the relevant Pricing Supplement.   |
| <b>Optional Redemption</b> ..... | If specified in the relevant Pricing Supplement, Notes may be redeemed before their stated maturity at the option of the Issuer (either in whole or in part) as described in Condition 10(c) ( <i>Redemption at the option of the Issuer</i> ) and/or the Noteholders to the extent (if at all) specified in the Condition 10(e) ( <i>Redemption at the option of the Noteholders</i> ).   |
| <b>Tax Redemption</b> .....      | Except as described in " <i>Optional Redemption</i> " above, early redemption of the Notes will only be permitted for tax reasons as described in Condition 10(b) ( <i>Redemption for tax reasons</i> ).   |
| <b>Interest</b> .....            | Notes may be interest bearing or non-interest bearing. Interest (if any) may accrue at a fixed rate or a floating rate or other variable rate and the method of calculating interest may vary between the issue date and the maturity date of the relevant Series. All such information will be set out in the relevant Pricing Supplement.  |
| <b>Negative Pledge</b> .....     | The Notes will contain a negative pledge as further described in Condition 5 ( <i>Negative Pledge</i> ).   |
| <b>Cross Default</b> .....       | The Notes will contain a cross default provision as further described in Condition 14 ( <i>Events of Default</i> ).  |
| <b>Withholding Tax</b> .....     | All payments in respect of the Notes will be made free and clear of withholding taxes of Hong Kong, unless the withholding is required by law. In that event, the Issuer will (subject to certain exceptions as described in Condition 13 ( <i>Taxation</i> )) pay such additional amounts as will result in the Noteholders receiving such amounts as they would have received in respect of such Notes, had no such withholding been required.   |
| <b>Listing and Trading</b> ..... | <p>Application has been made to the SEHK for the listing of the Programme by way of debt issues to Professional Investors only during the 12-month period after the date of this Offering Circular on the SEHK.</p> <p>Notes listed on the SEHK will be traded on the SEHK in a board lot size of at least HK\$500,000 (or its equivalent in other currencies).</p> <p>However, unlisted Notes and Notes to be listed, traded or quoted on or by any other competent authority, stock exchange or quotation system may be issued pursuant to the Programme. The relevant Pricing Supplement in respect of the issue of any Notes will specify whether or not such Notes will be listed on the SEHK or listed, traded or quoted on or by any other competent authority, exchange or quotation system.</p> |

**Governing Law** ..... The Notes, the Agency Agreement and the Trust Deed and any non-contractual obligations arising out of or in connection with the Notes will be governed by, and shall be construed in accordance with, English law.

**Rating** ..... Notes issued under the Programme may be rated or unrated, as specified in the applicable Pricing Supplement.

A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction, revision or withdrawal at any time by the assigning rating agency.

**Selling Restrictions** ..... For a description of certain restrictions on offers, sales and deliveries of the Notes and on the distribution of offering materials in the United States of America, the European Economic Area, the United Kingdom, the PRC, Hong Kong, Japan, Singapore and Taiwan, see "*Subscription and Sale*" below.

In connection with the offering and sale of a particular Series of the Notes, additional restrictions may be imposed which will be set out in the applicable Pricing Supplement. Bearer Notes will be issued in compliance the D Rules unless (i) the applicable Pricing Supplement states that the Bearer Notes are issued in compliance with the C Rules or (ii) the Bearer Notes are issued other than in compliance with the D Rules or the C Rules but in circumstance in which the Notes will not constitute "registration required obligations" for U.S. federal income tax purposes, which circumstance will be referred to in the applicable Pricing Supplement; Bearer Notes with a term of 365 days or less (taking into account unilateral extensions and rollovers) will be issued other than in compliance with the D Rules or the C Rules and will be referred to in the applicable Pricing Supplement as a transaction to which the United States Tax Equity and Fiscal Responsibility Act of 1982 ("**TEFRA**") is not applicable.

**Initial Delivery of the Notes** ..... On or before the issue date for each Series, the Global Note representing Bearer Notes or the Global Note Certificate representing Registered Notes may be deposited with a common depository for Euroclear and Clearstream or deposited with a sub-custodian for the CMU and deposited on or about the issue date or any other clearing system or may be delivered outside any clearing system *provided that* the method of such delivery has been agreed in advance by the Issuer, the Trustee, the Principal Paying Agent and the relevant Dealer. Registered Notes that are to be credited to one or more clearing systems on issue will be registered in the name of, or in the name of a nominee or a sub custodian for, such clearing systems.

**Legal Entity Identifier** ..... 549300HZW2SBE758OK89.

## SUMMARY OF FINANCIAL INFORMATION

The summary consolidated financial statements as of and for the years ended 31 December 2021, 2022 and 2023 have been derived from the Group's audited consolidated financial statements for the years ended 31 December 2022 and 2023 included elsewhere in this Offering Circular.

The summary financial data below should be read in conjunction with the audited consolidated financial statements and related notes thereto and the reviewed consolidated financial statements and related notes thereto included elsewhere or incorporated by reference in this Offering Circular. The Group's historical results for any prior periods are not necessarily indicative of results to be expected for any future period.

### Summary Consolidated Statement of Profit or Loss

|  | Year ended 31 December |           |           |
|--|------------------------|-----------|-----------|
|  | 2021                   | 2022      | 2023      |
|  | (Audited)              | (Audited) | (Audited) |
|  | (U.S.\$ in millions)   |           |           |
| <b>Revenue</b> .....   | 13,203.2               | 13,253.9  | 13,731.4  |
| Cost of sales .....  | (8,081.6)              | (8,041.3) | (8,311.8) |
| <b>Gross profit</b> .....  | 5,121.6                | 5,212.6   | 5,419.6   |
| Other income.....  | 13.0                   | 13.5      | 16.8      |
| Interest income.....   | 32.0                   | 25.9      | 45.0      |
| Selling, distribution and advertising expenses .....                 | (2,165.4)              | (2,191.0) | (2,347.2) |
| Administrative expenses .....  | (1,351.7)              | (1,349.9) | (1,406.2) |
| Research and development costs.....                                  | (425.7)                | (484.3)   | (548.3)   |
| Finance costs .....  | (42.0)                 | (69.9)    | (124.1)   |
| <b>Profit before share of result of an associate and taxation...</b> | 1,181.8                | 1,156.9   | 1,055.6   |
| Share of result of an associate .....                                | 0.0                    | 0.0       | 0.0       |
| <b>Profit before taxation</b> .....                                  | 1,181.8                | 1,156.9   | 1,055.6   |
| Taxation charge.....   | (82.7)                 | (79.7)    | (79.3)    |
| <b>Profit for the year</b> .....                                     | 1,099.1                | 1,077.2   | 976.3     |
| <b>Profit for the year attributable to:</b>                          |                        |           |           |
| Owners of the Company.....   | 1,099.1                | 1,077.2   | 976.3     |
| Non-controlling interests.....                                       | 0.0                    | -         | -         |

### Summary Consolidated Statement of Financial Position

|  | As of 31 December    |           |           |
|--|----------------------|-----------|-----------|
|  | 2021                 | 2022      | 2023      |
|  | (Audited)            | (Audited) | (Audited) |
|  | (U.S.\$ in millions) |           |           |
| Non-current assets.....                        | 3,946.0              | 4,778.5   | 5,279.3   |
| Current assets .....                           | 9,061.6              | 8,537.1   | 7,122.7   |
| Current liabilities.....                       | 6,679.0              | 6,222.3   | 4,783.4   |
| Net current assets .....                       | 2,382.6              | 2,314.8   | 2,339.3   |
| Total assets less current liabilities.....     | 6,328.6              | 7,093.3   | 7,618.6   |
| Equity .....                                   | 4,722.5              | 5,205.5   | 5,747.6   |
| Non-current liabilities .....                  | 1,606.1              | 1,887.8   | 1,871.0   |
| Total equity and non-current liabilities ..... | 6,328.6              | 7,093.3   | 7,618.6   |

### Summary Consolidated Statement of Cash Flows

|  | Year ended 31 December |           |           |
|--|------------------------|-----------|-----------|
|  | 2021                   | 2022      | 2023      |
|  | (Audited)              | (Audited) | (Audited) |
|  | (U.S.\$ in millions)   |           |           |
| Net cash from/(used in) operating activities.....          | (100.9)                | 1,233.1   | 2,103.9   |
| Net cash used in investing activities .....                | (1,024.9)              | (919.2)   | (778.8)   |
| Net cash (used in)/from financing activities.....          | 1,472.0                | (712.8)   | (1,801.6) |
| Net increase/(decrease) in cash and cash equivalents ..... | 346.2                  | (398.9)   | (476.5)   |
| Cash and cash equivalents at beginning of the year .....   | 1,533.9                | 1,874.4   | 1,428.9   |
| Effect of foreign exchange rate changes .....              | (5.7)                  | (46.6)    | 0.8       |
| Cash and cash equivalents at end of the year .....         | 1,874.4                | 1,428.9   | 953.2     |

### Other Financial Data

|   | Year ended 31 December                  |           |         |
|---|---|-----------|---------|
|   | 2021                                    | 2022      | 2023    |
|   | (U.S.\$ in millions, except for ratios) |           |         |
| Net Cash/(Debt) <sup>(1)(2)</sup> ..... | (1,333.4)                               | (1,669.6) | (981.1) |
| Interest Expense .....                  | 42.0                                    | 69.9      | 124.1   |
| <b>Ratios:</b>                          |   |           |         |
| Gearing ratio (%) <sup>(3)</sup> .....  | 28.2                                    | 32.1      | 17.1    |

*Notes:*

- (1) Net cash/(debt) is calculated as bank balances, deposits and cash minus debt.
- (2) Debt comprises discounted bills with recourse and unsecured borrowings but excluding bank advances from factored trade receivables.
- (3) Gearing ratio is calculated by dividing net cash/(debt) (excluding bank advances from factored trade receivables) by equity attributable to owners of the Company.

## RISK FACTORS

*Any investment in the Notes involves a high degree of risk. You should consider carefully the following information about the risks described below, together with the other information contained in this Offering Circular, before making an investment decision. If any of the following risks actually occurs, the Group's business, financial condition, results of operations or prospects could be materially and adversely affected. Additional risks or uncertainties not presently known to the Group, or that it currently deems immaterial, may also impair its business operations. There can be no assurance that any of the events discussed in the risk factors below will not occur and if such events do occur, you may lose all or part of your original investment in the Notes.*

### RISKS RELATING TO THE GROUP'S BUSINESS

**Changes in customer preferences, the inability to maintain mutually beneficial relationships with large customers, inventory reductions by customers, and the inability to penetrate new channels of distribution could adversely affect the Group's business.**

The Group has certain significant customers, particularly home centres and major retailers. For the years ended 31 December 2021, 2022 and 2023, the Group's largest customer comprised 47.5%, 47.8% and 44.0% of revenue, respectively, and the Group's top five customers comprised 59.1%, 58.3% and 53.6% of revenue, respectively. The loss or material reduction of business, the lack of success of sales initiatives, or changes in customer preferences or loyalties, for the Group's products related to any such significant customer could have a material adverse impact on the Group's results of operations and cash flows. In addition, the Group's major customers are volume purchasers, a few of which are much larger than the Group, and have strong bargaining power with the Group as they account for such a significant portion of the Group's sales. This limits the Group's ability to recover cost increases through higher selling prices and has considerable influence on the other aspects of its operations as well. For example, for business reasons of their own, the Group's key customers may decide to reduce inventory levels of its products, leading to shortages of the Group's products in their stores despite demand. The Group cannot provide assurances that it will be able to retain any of its key customers or that these customers will place orders with it in the future at the same levels as in the past. The Group plans its manufacturing volumes, inventory levels and transportation logistics based on orders with its key customers. If the Group's customers change their marketing and inventory plans and purchasing patterns, the Group may be unable to react to such changes and fulfill their demands in a timely manner, if at all, and may be forced to carry significant volumes of unsold inventory. The trend toward consolidation in the retail sector may also affect the Group's customer relations and its product distribution model. The Group's customers may also choose to discontinue or change the target market of their private labels for which it designs and manufactures products, or may decide to use other sources altogether for the design and manufacture of products under their private labels.

In addition, the business of the Group's key customers, and therefore their demand for its products, may decline as a result of a disruption in its business relations or a general worsening of economic conditions in its customers' key markets, particularly the home improvement and residential construction markets. The Group's customers may experience liquidity fluctuations or a decline in access to credit as a result of any downturn in these and their other key markets. If any of the Group's key customers terminate their purchase or supply agreements with it or significantly change, reduce, delay or cancel the products ordered from it, or if it is unable to collect fully the Group's accounts receivable from a key customer in a timely manner or at all, the Group's sales may decline significantly and its business, financial condition and results of operations may be materially and adversely affected.

**Low demand for new products and the inability to develop and introduce new products at favorable margins could adversely impact the Group's performance and prospects for future growth.**

The Group's growth and success depend on its ability to develop and introduce new products in a timely manner at favorable margins. Rapid innovation shortens product life-cycles as products are replaced by those more technologically advanced and with a newer product design. Once a new design or technology becomes available, the demand for and price of products made with older technologies or designs declines rapidly. Any delay in the development of reliable products with advanced features may lead to a decline in brand recognition and market penetration. Product innovation and development are thus critical factors in improving margins and enabling net sales growth in all of the Group's product lines.

The uncertainties associated with developing and introducing new products, such as fluctuating market demand, cost and the time it takes may impede the successful development and introduction of new products on a consistent basis. The Group develops new products based in part on its market research and also in collaboration with its key customers based on assumptions concerning consumer needs and preferences as well as in reaction to the products being developed by its competitors. Such assumptions include price points, tool performance, weight and appearance, all of which may not be in line with actual consumer preferences. Consumer preferences may also change in line with trends in other markets, for example, how customer demand for better environmental performance is currently partially driving product development. Furthermore, market acceptance of the Group's new products and the level of sales generated from these new products are affected by the Group's and the Group's key customers' investment in advertising campaigns and product promotions, any of which may not attract the kind or number of consumers for which the products are intended. Consumer loyalties may also shift due to factors affecting the Group's key competitors' market position or other circumstances beyond its control. If the Group's assumptions concerning current and future customer preferences and the products being developed by its competitors are incorrect or it fails to identify and respond to market trends, the Group may be unable to sell its products at favorable margins, if at all.

Introduction of new technology may result in higher costs to the Group than that of the technology replaced. That increase in costs, which may continue indefinitely or if and until increased demand and greater availability in the sources of the new technology drive its cost down, could adversely affect the Group's results of operations. Market acceptance of the new products introduced in recent years and scheduled for introduction in 2023 and beyond may not meet sales expectations due to various factors, such as the failure to accurately predict market demand, end-user preferences, and evolving industry standards. Moreover, the ultimate success and profitability of the new products may depend on the Group's ability to resolve technical and technological challenges in a timely and cost-effective manner, and to achieve manufacturing efficiencies. The Group's investments in productive capacity and commitments to fund advertising and product promotions in connection with these new products could erode profits if those expectations are not met. The Group cannot provide assurances that its research and development ("R&D") efforts will be successful or that the technologies it chooses to invest in will lead to products that are well received by its customers. The Group may see limited or no returns on its R&D investment. If the Group is unsuccessful in developing new products and production processes in the future or if projects are discontinued for technical, economic, commercial, regulatory or any other reasons, the Group's competitive position and operating results will be harmed. The same holds true if other companies develop alternative technologies and solutions that meet customer preferences better than the Group's products.

**The Group's major markets are affected by seasonal fluctuations.**

The Group has experienced in the past and expects to continue to experience seasonal fluctuations in demand for its products. Consumer spending on floorcare and cleaning and power tools generally increases in the third and fourth quarters of the year, while consumer spending on outdoor products increases in the spring. In general, the Group operates at a higher capacity utilisation level during the third and fourth quarters of the year. If the Group is unable to increase its manufacturing capacity to meet seasonal demand, it may lose potential sales and its contract customers may seek other manufacturing sources to meet their needs. If the Group is unable to manage its manufacturing capacity during a seasonal or market-related downturn in demand, it may be unable to control

costs. The Group's inability to react to changes in seasonal or cyclical demand on a timely basis may have a material adverse effect on its business, financial condition and results of operations.

**The Group faces active global competition and if it does not compete effectively, its business may suffer.**

The Group faces active competition and resulting pricing pressures. The Group's products compete on the basis of, among other things, its reputation for product quality, its well-known brands, price, innovation and customer service capabilities. The Group competes with both larger and smaller companies that offer the same or similar products and services or that produce different products appropriate for the same uses. To remain profitable and defend its market share, the Group must maintain a competitive cost structure, develop new products and services, lead product innovation, respond to competitor innovations and enhance its existing products in a timely manner. The Group may not be able to compete effectively on all of these fronts and with all of its competitors, and the failure to do so could have a material adverse effect on its sales and profit margins.

The Group is actively involved in creating a powerful, streamlined, fast-paced and comprehensive product development system. In the event the Group is not successful in effectively applying its R&D and speed-to-market strategies, its future earnings and ability to compete could be adversely affected.

In addition, the Group may have to reduce prices on its products and services, or make other concessions, to stay competitive and retain market share. Price reductions taken by the Group in response to customer and competitive pressures, as well as price reductions and promotional actions taken to drive demand that may not result in anticipated sales levels, could also negatively impact its business. If the Group is forced to reduce its prices as a result of competitive pressures in the markets, it may be unable to pass any increases in the prices of raw materials and components on to the Group's customers. Such price reductions taken by the Group may not generate the anticipated revenues and it may be unable to reduce its total costs in line with the revenues, which may have a material adverse effect on the Group's business, financial condition and results of operations.

**The Group's results of operations could be negatively impacted by its ability to obtain raw materials, component parts, freight, energy, labor and sourced finished goods in a timely and cost-effective manner and inflationary or deflationary economic conditions.**

The Group's products are manufactured using both ferrous and non-ferrous metals including, but not limited to, steel, zinc, copper, brass, aluminum and nickel. Additionally, the Group uses other commodity-based materials for components and packaging including, but not limited to, plastics, resins, wood and corrugated products. The Group's cost base also reflects significant elements for freight, energy and labor. The Group also sources certain finished goods directly from vendors. Any significant increases in the Group's cost of raw materials may increase its cost of sales and negatively affect its profit margin and, more generally, its business, financial condition, results of operations and prospects.

Furthermore, the Group typically does not enter into long-term contracts with its suppliers or sourcing partners. Most raw materials and sourced goods are obtained on a "purchase order" basis; however, in limited cases where the Group has supply contracts with fixed prices, the Group may be required to purchase raw materials at above-market prices, which could adversely impact gross margins. In addition, in some instances the Group maintains single-source or limited-source sourcing relationships, either because multiple sources are not available or the relationship is advantageous due to performance, quality, support, delivery, capacity or price considerations. Factors including supply interruptions of production materials resulting from shortages, labour strikes and disputes or supplier insolvencies or other factors, could have a negative effect on the Group's profitability. The Group does not enter into hedging arrangements with respect to the price of the raw materials used to produce its products but indirectly through fixed price long-term contracts.

Furthermore, if the Group is unable to mitigate any inflationary increases through various customer pricing actions and cost reduction initiatives, its profitability may be adversely affected. In the event there is deflation, the Group may experience pressure from its customers to reduce prices, and there can be no assurance that the Group would

be able to reduce its cost base (through negotiations with suppliers or other measures) to offset any such price concessions which could adversely impact results of operations and cash flows.

As a result of inflationary or deflationary economic conditions, the Group believes it is possible that a limited number of suppliers may either cease operations or require additional financial assistance from the Group in order to fulfill their obligations. In a limited number of circumstances, the magnitude of the Group's purchases of certain items is of such significance that a change in established supply relationships with suppliers or increase in the costs of purchased raw materials, component parts or finished goods could result in manufacturing interruptions, delays, inefficiencies or an inability to market products. Changes in value-added tax rebates currently available to the Group or to its suppliers could also increase the costs of the Group's manufactured products as well as purchased products and components and could adversely affect the Group's results.

The prices or availability of raw materials, energy or other production factors vary with market conditions and may be highly volatile. There have been in the past, and may be in the future, periods during which the Group may not be able to pass raw material price increases on to customers.

**The Group's manufacturing operations in the PRC, Vietnam and other countries are subject to increasing costs due to inflation and other changes.**

The Group has successfully diversified its manufacturing footprint into Vietnam, Mexico and the United States, while maintaining its world-class facility in the PRC. As measured by production capacity, the majority of the Group's manufacturing operations are currently located at its manufacturing and R&D complex in the PRC and Vietnam. Furthermore, many of its important suppliers and subcontractors are located in the PRC. While the PRC and Vietnam economies have experienced rapid growth, such economic growth has led to growth in the money supply and rising inflation. General inflation has also led to an increase in labor, transportation, commodity and borrowing costs. In order to control inflation in the past, the PRC government had imposed controls on bank credits, limits on loans for fixed assets and restrictions on state bank lending to slow economic growth. The Vietnamese government had also increased its policy rates, sought to control market liquidity, reduced taxes and fees of essential and strategic commodities, implemented price-freezing policies in certain industries and services including power, raised the ceiling deposit and lending interest rates and widened the exchange rate band, to achieve similar goals. If these measures are unsuccessful and commodity, utility and supply costs increase at a higher rate than the Group's prices, particularly if combined with adverse changes in foreign currency exchange rates, it may not realise the expected cost efficiencies of diversifying the geographical profile of its manufacturing footprint and centralizing its manufacturing operations in the PRC and Vietnam.

In addition, the Group cannot provide assurances that the current preferential tax treatments and the current level of any enterprise income tax enjoyed by its subsidiaries in the PRC or the programs aimed at increasing manufacturing in the PRC and Vietnam, such as toll processing and other programs, will continue. Any discontinuation of any such preferential tax treatments or other programs currently available to it and any increase in the enterprise income tax may decrease the Group's net income.

Similar economic trends may occur in the other countries in which the Group has manufacturing and R&D facilities. If the Group is unable to realise the expected cost efficiencies of relocating a rising percentage of its manufacturing and R&D operations to Vietnam or to other low-cost countries, its business, financial condition and results of operations may be materially and adversely affected.

**The Group's business depends on third-party suppliers.**

The Group's production activities depend on delivery of raw materials and components in a timely manner from a number of different suppliers. From time to time, the Group's suppliers may extend lead times and may fail to deliver raw materials or components required for production as scheduled. Even if only one supplier is unable to deliver on schedule or the products supplied do not meet the Group's specifications, the entire production process

may be delayed. As a result, the Group may be unable to fulfil its customer's orders or may have to delay the sales commencement date of new products, resulting in decreases in sales.

Furthermore, if the Group's suppliers experience financial or other difficulties or if worldwide demand for the raw materials and components they provide increases significantly, the availability of these raw materials and components could be limited. It could be difficult, costly and time-consuming to obtain alternative sources for these raw materials or components, or to change product design to make use of alternative raw materials and components. Difficulties in transitioning from an existing supplier to a new supplier could create delays in the availability of raw materials and components which would have a significant adverse impact on the Group's ability to fulfill orders for its products. If the Group is unable to obtain a sufficient supply of raw materials and components, or if it experiences any interruption in the supply of raw materials and components, its product shipments could be reduced or delayed. Any or all such disruptions in supply may affect its ability to meet scheduled product deliveries, damage the Group's reputation in the market and cause it to lose market share.

In addition, some of the Group's raw materials and components are specifically designed for use in its manufacturing and assembly processes. They are generally obtained from a limited number of qualified suppliers for whom the Group provides the engineering design and specifications. The Group cannot provide assurances that its efforts to control quality will be successful or that in the event the Group must change suppliers it will be able to obtain satisfactory alternative sources of supply. The Group also sources a large percentage of its raw materials and components from suppliers located within the PRC. If the Group's PRC-based suppliers experience increased costs due to changes in PRC labor laws or other regulations or increases in the PRC commodity and raw material costs, the Group may find it difficult and costly to change its supply chain to include suppliers in other countries or regions. If the Group's suppliers fail to satisfy its pricing or quality requirements, it may lose sales or be subject to increased raw materials and components costs.

The Group has policies and control measures in place in respect of human rights and forced labour and, in the process of reviewing and evaluating its suppliers, requires its suppliers to also adhere to such policies. Despite such measures, any allegations against the Group's third-party suppliers may have an adverse impact on the Group's business, financial position and share price, notwithstanding that such allegations may be false. There is no assurance that the Group will be able to minimise or reverse the harm to its business, financial position and share price that might be caused by such allegations.

The occurrence of any of the above could have a material adverse effect on the Group's business, financial condition and results of operations.

#### **Customer consolidation could have a material adverse effect on the Group's business.**

A significant portion of the Group's products are sold through home centres and mass merchant distribution channels in the U.S. and Europe. A consolidation of retailers in both North America and abroad has occurred over time and the increasing size and importance of individual customers creates risk of exposure to potential volume loss. A loss of the larger home centres as customers would have a material adverse effect on the Group's business until either such customers were replaced or the Group made the necessary adjustments to compensate for the loss of business.

#### **If the Group does not continue to develop and maintain consumer-meaningful brands, its operating results may suffer.**

The Group's ability to compete successfully also depends increasingly on its ability to develop and maintain consumer-meaningful brands so that its retailers and other customers will continue to purchase the Group's products in order to meet consumer demand. Consumer-meaningful brands allow the Group to realise economies of scale in its operations. The development and maintenance of such brands require significant investment in brand-building and marketing initiatives. While the Group plans to continue increasing its expenditure for advertising and other brand-building and marketing initiatives over the long term, the initiatives may not deliver

the anticipated results. Further, the results of such initiatives may not cover the costs of the increased investment. If the Group is unsuccessful in promoting its brands or fails to maintain its brand position among its targeted consumer groups, market perception and consumer acceptance of its brands may erode. Because the Group's brands are primarily sold through its home centre and mass market customers, the marketing of the Group's brands may be part of a centralised marketing campaign conducted by the brand's primary sellers, over which the Group has no control. The failure of one of the Group's brands in its primary market segment or the poor performance of any marketing campaign could significantly impair the Group's sales of products under such brand and have a material adverse effect on the business, financial condition and results of operations of the Group.

**The Group's brands are important assets of its businesses and violation of its trademark rights by imitators, or the failure of its licensees or vendors to comply with the Group's product quality, manufacturing requirements, marketing standards, and other requirements could negatively impact revenues and brand reputation. The Group's business depends in part on its ability to protect its intellectual property rights and operating without infringing on the rights of third parties.**

The Group's trademarks enjoy a reputation for quality and value and are important to its success and competitive position. Unauthorised use of the Group's trademark rights may not only erode sales of the Group's products, but may also cause significant damage to its brand name and reputation, interfere with its ability to effectively represent the Group to its customers, contractors, suppliers and/or licensees, and increase litigation costs. Similarly, failure by licensees or vendors to adhere to the Group's standards of quality and other contractual requirements could result in loss of revenue, increased litigation, and/or damage to the Group's reputation and business. There can be no assurance that the Group's on-going effort to protect its brand and trademark rights and ensure compliance with its licensing and vendor agreements will prevent all violations.

The Group also relies on patents, copyrights, contractual rights, trade secret protection rights and other intellectual property rights to protect its proprietary technologies and products. The Group may in the future have difficulty obtaining patents, copyrights, registered trademarks and other intellectual property rights, and the patents, copyrights and registered trademarks the Group receives may be insufficient to provide it with meaningful protection or commercial advantage. The Group also licenses its intellectual property rights to third parties and cannot provide assurance that the Group has sufficient protections in place for such intellectual property rights. Furthermore, the Group cannot provide assurance that any patent, copyright, registered trademark or other intellectual property right owned by, or licensed to, the Group will be enforceable or will not be invalidated, circumvented or otherwise challenged in the countries where the Group operates. If the Group is unable to protect the proprietary technology and intellectual property involved, the Group may be unable to compete in the market, and the Group's business, financial condition and results of operations may be materially and adversely affected.

The Group's design and technology and manufacturing processes are complex and involve the integration of many different elements. The Group's success therefore also depends on operating without infringing the proprietary rights of others. The Group may be unaware of the intellectual property rights of competitors or other third parties or unfamiliar with the laws governing those rights in other countries in which the Group's products are or may be sold. As the number of patents, copyrights and other intellectual property rights in its industry increases, the Group may face more frequent intellectual property infringement claims. The Group may in the future receive notices from competitors or other third parties alleging that the Group's products or manufacturing processes infringe on the intellectual property rights of third parties. If the Group is unable to defend against third party claims of infringement, the Group's business, financial condition and results of operations may be materially and adversely affected.

**The Group's success relies on key executives, product design and development engineers, its sales force and other personnel.**

The success of the Group's efforts to grow its business depends on the contributions and abilities of key executives, experienced product design and development engineers, its sales force and other personnel, including the ability of its sales force to adapt to any changes made in the sales organization and achieve adequate customer coverage.

The Group must therefore continue to recruit, retain and motivate management, sales and other personnel sufficiently to maintain its current business and support its projected growth. A shortage of these key employees might jeopardise the Group's ability to implement its growth strategy. If the Group loses the services of any of its key executives or senior managers and cannot replace them in a timely manner, the Group's business, financial condition and results of operations may be materially and adversely affected.

The Group must recruit engineers with expertise in cutting-edge technologies in order to realise its strategy to improve its market position by continuing to introduce new products and advanced manufacturing processes. The Group therefore depends on the continued service of, and its ability to attract, retain and motivate experienced R&D engineers, especially during periods of rapid growth. Competition for such qualified personnel is intense and, in particular, excellent and experienced engineers are in short supply in the PRC. The Group additionally face competition for such personnel from competitors in its industry. If the Group is unable to attract or retain experienced R&D and engineering personnel or skilled labor, and is unable to replace such personnel as necessary, its business, financial condition and results of operations may be materially and adversely affected.

**The Group's manufacturing capabilities depend on labor supply and middle management.**

The Group has manufacturing facilities in the PRC, Vietnam, the United States, Europe and Mexico. While the Group's assembly line requires certain manual workers, its labor costs may increase if the labor supply was to decrease or if the job availability rate was to increase sharply as a result of a sudden increase in manufacturing facilities in the regions in which its facilities are located. In addition, new labor laws, employee benefit systems or labor taxes may be put into place by local governments that affect the Group's labor costs. The Group therefore cannot provide assurances that it will be able to hire unskilled labor at the same cost as in the past.

Consistent product quality is partly a result of middle management supervision, including quality control supervisors and line supervisors. The availability of skilled middle management capable of directing the manufacture of the Group's products and of adapting quickly to the demands of new production processes used to manufacture new products varies considerably in many of the regions in which the Group locates its manufacturing facilities, including the PRC. In those countries in which competition for middle management is intense, the Group may encounter increased costs in recruitment, training and retention. If the Group is unable to retain or attract middle management at a reasonable cost, or at all, the Group may encounter delays or slowdowns in its manufacturing schedule and deterioration in its product quality. As a result, its business, financial condition and results of operations may be materially and adversely affected.

**The Group has operations in a number of different countries and jurisdictions, including in the PRC, which are subject to political, economic and other risks inherent in international and cross-border operations.**

The Group has operating activities and generates revenue in a number of different countries and jurisdictions with international and cross-border operations, including in the PRC. As a result, the Group is subject to political, economic and other risks inherent in operating in certain countries, such as:

- the difficulty of enforcing agreements and protecting assets through legal systems in certain countries, particularly in emerging markets;
- managing widespread operations and enforcing internal policies and procedures such as compliance with U.S. and foreign anti-bribery and anti-corruption regulations;
- trade protection measures and import or export licensing requirements;
- the application of certain labor regulations in those countries and jurisdictions;
- compliance with a wide variety of laws and regulations in those countries and jurisdictions;

- changes in the general political and economic conditions in the countries where the Group operates, particularly in emerging markets;
- the threat of nationalization and expropriation;
- increased costs and risks of doing business in a wide variety of jurisdictions;
- government controls limiting importation of goods;
- government controls limiting payments to suppliers for imported goods;
- limitations on repatriation of earnings; and
- exposure to wage, price and capital controls.

The global financial markets have experienced significant disruptions since 2008, and most of the world's major economies have experienced recession. The recovery from the downturn has been challenging and unstable. The impact of uncertainty regarding the United States federal budget, the signs of cooling of the PRC economy, the volatility in the geopolitical environment in many parts of the world and other disruptions may continue to put pressure on global economic conditions and result in continuing uncertainty for the overall prospects for the global economy. Moreover, there are on-going concerns about the uncertainty around the exit of the United Kingdom from the European Union ("**Brexit**"), the political gridlock in the United States over government spending and debt levels and the consequences for economic growth and investor confidence in the United States and raising of interest rates by the U.S. Federal Reserve. On 31 January 2020, the United Kingdom officially exited the European Union following a UK-EU Withdrawal Agreement signed in October 2019. In December 2020, the United Kingdom, the European Union and the European Atomic Energy Community concluded the EU-UK Trade and Cooperation Agreement (the "**TCA**"), which applied from 1 January 2021 and following a decision by the Council of the European Union, was ratified and entered into force on 1 May 2021. However, the TCA is limited in its scope to primarily the trade of goods, transport, energy links and fishing, and uncertainties remain relating to certain aspects of the UK's future economic, trading and legal relationships with the EU and with other countries. Given the lack of precedent, the effect of Brexit remains uncertain, and Brexit has and may continue to create negative economic impact and increase volatility in the global market. There is also considerable uncertainty over the long-term effects of the expansionary monetary and fiscal policies that have been adopted by the central banks and financial authorities of some of the world's leading economies, including the PRC. While some governments worldwide are implementing or may implement "exit strategies" (in the form of reduced government spending, higher interest rates or otherwise) with respect to the economic stimulus measures adopted in response to the global financial crisis, such strategies may, for reasons related to timing, magnitude or other factors, have the unintended consequence of prolonging or worsening global economic and financial difficulties.

Inflationary pressures have also increased as the rebound in global commodity prices and weak domestic currencies have led businesses to pass on the increased input costs to consumers through higher selling prices. The globally rising interest rates to combat inflationary pressures have also increased the cost of new borrowings and the interest cost of outstanding floating rate borrowings. To the extent that these fluctuations and uncertainties regarding the economic outlook negatively impact the costs of borrowing and operation as well as consumer confidence globally, the Group's business and results of operations could likewise be significantly and adversely affected.

Changes in the political or economic environments in the countries in which the Group operates could have a material adverse effect on its financial condition, results of operations or cash flows.

### **The Group's business may be affected by the occurrence of contagious diseases.**

Any natural disasters or outbreaks of health epidemics and contagious diseases, including avian influenza, severe acute respiratory syndrome or SARS, swine flu caused by the H1N1 virus or H1N1 Flu, and the coronavirus disease 2019 ("COVID-19") may adversely affect the business, financial condition or results of operations of the Group. For instance, the outbreak of the COVID-19, which was declared a "pandemic" by the World Health Organisation in March 2020, as well as the governmental policies designed to suppress the adverse impacts and reverse the trend of the ever-growing COVID-19 cases also inevitably had the repercussions of limiting economic growth potential. Although most of the anti-coronavirus measures have been lifted so that cities have opened up, the extent to which the global and regional economies are capable of reverting to or even improving on its pre-coronavirus rate of growth remains to be seen.

The breakout of any other contagious diseases as well as the continuance of the COVID-19 pandemic, alongside any resulting restrictions and closures, may impact demand, supply and efficient functioning of financial markets. The Group's business operations may be disrupted if third-party suppliers and counterparties with whom the Group transacts businesses are unable to work effectively or meet their obligations owed to the Group. Lockdowns and disruptions to commercial activities may also adversely affect the Group's ability to promptly and effectively protect its intellectual property rights on which the Group's businesses depend in part. There is no assurance that, going forward, these factors will not result in disruptions to the Group's operations, supply chains on which the Group's business may rely and the movement of goods across borders and potentially dampen demand of the Group's products and services. There is also no assurance that contagious diseases will not lead to decreased demand for the goods and services provided by the Group, nor is there assurance that contagious diseases will not adversely affect the Group's ability to keep normal operations and provide uninterrupted goods and services to its customers. It is not possible to estimate the longer-term or residual effects that the COVID-19 pandemic could have on the business, financial condition or results of operations of the Group. The Group also cannot predict how legal and regulatory responses to concerns about contagious diseases and related public health issues may impact its businesses. The Group's responsible sourcing strategy is therefore built around preparing for future impacts and recognise that it is imperative to act promptly to ensure the Group's business continuity.

Any future outbreak of a contagious disease and any accompanying measure taken by different governments to reduce such impacts and outbreaks may have an adverse impact on the business, financial condition or results of operations of the Group.

### **The Group's business is subject to risks associated with sourcing and manufacturing overseas and international operations.**

The Group purchases from different countries and jurisdictions large quantities of finished goods, component parts and raw materials. Substantially all of its cross-border trade operations are subject to customs requirements and to tariffs and quotas set by governments through mutual agreements, bilateral actions or, in some cases, unilateral action. In addition, the countries in which the Group's products and materials are manufactured or traded may from time to time impose additional quotas, duties, tariffs or other restrictions on its cross-border trading activities (including restrictions on manufacturing operations) or adversely modify existing restrictions. Cross-border trading is also subject to unpredictable foreign currency variation which may increase the Group's cost of goods sold. Adverse changes in these cross-border trading costs and restrictions, or the Group's suppliers' failure to comply with customs regulations or similar laws, could harm the Group's business.

The Group's operations are also subject to the effects of international trade agreements and regulations such as the North American Free Trade Agreement, and the activities and regulations of the World Trade Organization. Trade agreements generally have positive effects on trade liberalization, sourcing flexibility and cost of goods by reducing or eliminating the duties and/or quotas assessed on products manufactured in a particular country. However trade agreements can also impose requirements that adversely affect the Group's business, such as setting quotas on products that may be imported from a particular country into key markets including the U.S. or the

European Union, or making it easier for other companies to compete, by eliminating restrictions on products from countries where the Group's competitors source products.

The Group's ability to purchase products from different countries and jurisdictions in a timely and cost-effective manner may also be affected by conditions at ports or issues that otherwise affect transportation and warehousing providers, such as port and shipping capacity, labor disputes, severe weather or increased homeland security requirements in the U.S. and other countries. These issues could delay cross-border trading of products or require the Group to locate alternative ports or warehousing providers to avoid disruption to customers. These alternatives may not be available on short notice or could result in higher transit costs, which could have an adverse impact on the Group's business and financial condition.

The Group conducts its international operations in Asia, Europe, Australia and New Zealand, and the Americas, and the Group continues to consider additional opportunities to make foreign acquisitions and construct new foreign facilities. As a result of its international operations, the Group is affected by economic and political conditions in foreign countries, including the imposition of government controls, political and economic instability, trade restrictions, changes in tariffs, laws and policies affecting trade and investment, the lack of development of local infrastructure, labour unrest and difficulties in staffing, coordinating communications among and managing international operations, fluctuations in currency exchange rates, earnings expatriation restrictions, difficulties in obtaining export licenses, and misappropriation of intellectual property.

**The Group may be unable to react in a cost-effective manner to changes in global transportation patterns resulting from higher fuel prices or other disruptions in international shipping patterns.**

The Group relies on transportation timetables in order to reduce the inventory carrying costs of its finished goods and in order to respond quickly to changes in customer demand. The Group and its suppliers also require reliable and timely transportation in order to avoid carrying a large inventory of raw materials or half-finished components. Timeliness in transportation also affects the Group's manufacturing and assembly lines and the delivery of its products to its customers. Changes in the price of oil have affected components of the Group's cost of sales in the past, and the price of oil may increase again. Shipping companies have reacted by passing increased fuel prices to their customers as well as by slowing their shipping times in order to save fuel. Trucking companies have also increased their prices and slowed their shipping schedules. Changes in transportation costs and schedules may therefore require the Group to change the way it organises its supply chain and product distribution plans. In addition, global shipping routes and land transportation routes are vulnerable to the threat of social or political instability and international hostilities, including war, as well as natural disasters, work stoppages and longshoreman strikes. If the Group's efforts to spread the costs, manage inventory levels for key products, work around disruptions in transportation routes or otherwise reduce the effects of changes in global transportation patterns are inefficient or costly, its business, financial condition or results of operations may be materially and adversely affected.

**The Group's success depends on its ability to improve productivity and streamline operations to control or reduce costs.**

The Group is committed to continuous productivity improvement and evaluating opportunities to reduce fixed costs, simplify or improve processes, and eliminate excess capacity. The Group is continuously seeking opportunities to streamline its processes, though there can be no assurance that the savings of these actions will not be mitigated by various factors, including economic weakness, competitive pressures, and decisions to increase costs in areas such as sales promotion or R&D above levels that were otherwise assumed. Failure to achieve or delays in achieving projected levels of efficiencies and cost savings from such measures, or unanticipated inefficiencies resulting from manufacturing and administrative reorganization actions in progress or contemplated, would adversely affect the Group's results. The Group's rapid growth has and is expected to continue to place a strain on its administrative and operational infrastructure, in particular on its internal accounting and financial reporting processes and systems. Over the past years, the Group's expansion has required it to expand its management personnel numbers and increase the complexity of its management structure. There

can be no assurance that the new personnel and management structure will enable the Group to successfully execute its strategy or that it will be able to integrate the new personnel and new structure in a timely manner and without incurring unexpected costs and inefficiencies. The Group will continue to require additional resources to manage relationships with new customers in new geographic areas, as well as other third parties, including contracted suppliers, equipment providers and consultants, as its operations expand. The Group's ability to manage its operations and growth will require it to continue to improve its operational, financial and management controls and reporting systems and procedures. If the Group is unable to manage its growth and execute its business strategy effectively, its business, financial condition or results of operations may be materially and adversely affected.

**The performance of the Group may suffer from business disruptions associated with information technology, system implementations, or catastrophic losses affecting distribution centres and other infrastructure.**

The Group relies heavily on computer systems to manage and operate its businesses, and record and process transactions. Computer systems are important to production planning, customer service and order fulfillment among other business-critical processes. Consistent and efficient operation of the computer hardware and software systems is imperative to the successful sales and earnings performance of the various businesses in many countries.

Despite efforts to prevent such situations, insurance policies and loss control and risk management practices that partially mitigate these risks, the Group's systems may be affected by damage or interruption from, among other causes, power outages, computer viruses, or security breaches. Computer hardware and storage equipment that is integral to efficient operations, such as e-mail, telephone and other functionality, is concentrated in certain physical locations in the various continents in which the Group operates.

The Group may need to upgrade, convert or integrate its information systems from time to time. There can be no assurances that expected expense synergies will be achieved or that there will not be delays to the expected timing of such synergies. It is possible the costs to complete the system conversions may exceed current expectations, and that significant costs may be incurred that will require immediate expense recognition as opposed to capitalization. The risk of disruption to key operations is increased when complex system changes are undertaken. If systems fail to function effectively, or become damaged, operational delays may ensue and the Group may be forced to make significant expenditures to remedy such issues. Any significant disruption in the Group's computer operations could have a material adverse impact on its business and results.

The Group's operations are significantly dependent on infrastructure which is concentrated in various geographic locations, notably the manufacturing and R&D complex in the PRC and Vietnam. If any of these were to experience a catastrophic loss, such as a fire, earthquake, hurricane, or flood, it could disrupt operations, delay production, shipments and revenue and result in large expenses to repair or replace the facility. The Group maintains business interruption insurance, but it may not fully protect the Group against all adverse effects that could result from significant disruptions. There can be no assurance that the Group will be able to maintain such insurance or other insurance on acceptable terms, if at all, at all times in the future or that claims will not exceed, or fall outside of, its insurance coverage, or its provisions for uninsured or uncovered losses will be sufficient to cover out ultimate loss or expenditure. If the Group incurs losses in excess of the insurance coverage, the Group's business, financial condition and results of operations may be materially and adversely affected.

Unforeseen events, including war, terrorism and other international conflicts and public health issues (such as any prolonged recurrence of avian influenza, SARS, swine flu, COVID-19 or other adverse public health developments), natural disasters, whether occurring in the United States or abroad, could disrupt the Group's operations, disrupt the operations of its suppliers or customers, or result in political or economic instability. These events could reduce demand for its products and make it difficult or impossible for the Group to manufacture its products, deliver products to customers, or to receive materials from suppliers.

**Uncertainty about the financial stability of several countries in the European Union (EU), the risk that those countries may default on their sovereign debt and related stresses on the European economy could have a significant adverse effect on the Group's business, results of operations and financial condition.**

For the year ended 31 December 2023, the Group generated approximately 15.2% of its revenue from Europe. Each of the Group's segments generate sales from the European marketplace, with the sales activity being somewhat concentrated within France, the Nordic region, Germany and the UK. While the Group believes any downturn in the European marketplace would be offset to some degree by sales growth in emerging markets and relative stability in North America, the Group's future growth, profitability and financial liquidity could be affected, in several ways, including but not limited to the following:

- depressed consumer and business confidence may decrease demand for products and services;
- customers may implement cost-reduction initiatives or delay purchases to address inventory levels;
- significant declines of foreign currency values in countries where the Group operates could impact both the revenue growth and overall profitability in those geographies;
- a devaluation of or a break-up of the Euro could have an effect on the credit worthiness (as well as the availability of funds) of customers impacting the collectability of receivables;
- a devaluation of or break of the Euro could have an adverse effect on the value of financial assets of the Group in the affected countries; and
- the impact of an event (individual country default or break up of the Euro) could have an adverse impact on the global credit markets and global liquidity potentially impacting the Group's ability to access these credit markets and to raise capital.

Despite recent stabilisation of the sovereign debt of several countries of the Eurozone, not all uncertainties regarding the stability and overall standing of the European Monetary Union have disappeared. Concerns that the Eurozone sovereign debt crisis could worsen again may lead to the reintroduction of national currencies in one or more Eurozone countries or, in more extreme circumstances, to the dissolution of the Eurozone. The withdrawal or risk of withdrawal of one or more countries from the Eurozone and/or the entire dissolution or the risk of the entire dissolution of the Eurozone could have major negative effects on both existing contractual relations and the fulfilment of obligations by the Group and/or the Group's customers, which could have a material adverse effect on the Group's business, results of operations and financial position.

**The Group is exposed to market risk from changes in foreign currency exchange rates which could negatively impact profitability.**

The Group manufactures and sells its products in many countries throughout the world. As a result, there is exposure to foreign currency risk as the Group enters into transactions and makes investments denominated in multiple currencies. For example, changes in currency exchange rates may affect the relative prices at which the Group and its competitors sell products in the same market and the cost of products and services the Group requires for its operations. The Group's predominant exposures are in the currencies of the U.S., Eurozone, Hong Kong, the PRC and Vietnam. The Group is subject to risks arising from the translation of balance sheets and income statements of the Group members to U.S. dollar as well as risk arising from the export of products and sales outside the country of manufacture. With respect to the effects on translated earnings, if the U.S. dollar strengthens relative to local currencies, the Group's earnings could be negatively impacted. The translational and transactional impacts will vary over time and may be more material in the future. Although the Group utilises risk management tools, including hedging, as it deems appropriate, to mitigate a portion of potential market fluctuations in foreign currencies, there can be no assurance that such measures will result in all market fluctuation exposure being eliminated.

The Group manufactures and sources many products from China and other Asian low-cost countries for sale or resale in other regions. To the extent the RMB or other currencies appreciate, the Group may experience cost increases on such operations or purchases. The Group may not be successful at implementing customer pricing or other actions in an effort to mitigate the related cost increases and thus its profitability may be adversely impacted.

**The Group has incurred, and may incur in the future, significant indebtedness, or issue additional equity securities, in connection with mergers or acquisitions which may impact the manner in which it conducts business or the Group's access to external sources of liquidity. The potential issuance of such securities may limit the Group's ability to implement elements of its growth strategy and may have a dilutive effect on earnings.**

After any offering of the Notes, the Group will have a substantial amount of indebtedness and may incur substantial additional indebtedness in the future. The Group's substantial indebtedness may have important consequences to the holders of the Notes. For example, it may:

- limit the Group's ability to satisfy its obligations under the Notes and other indebtedness;
- increase the Group's vulnerability to adverse general economic and industry conditions;
- require the Group to dedicate a substantial portion of its cash flow from operations to servicing and repaying its indebtedness, thereby reducing the availability of its cash flow to fund working capital, capital expenditures and other general corporate purposes;
- limit the Group's flexibility in planning for or reacting to changes in its businesses and the industry in which it operates;
- place the Group at a competitive disadvantage compared to its competitors that have less indebtedness;
- limit, along with the financial and other restrictive covenants of the Group's indebtedness, among other things, its ability to borrow additional funds; or
- increase the cost of additional financing.

The Group's ability to generate sufficient cash to satisfy its outstanding and future indebtedness will depend upon its future operating performance, which will be affected by prevailing economic conditions and financial, business and other factors, many of which are beyond its control. The Group may not generate sufficient cash flow to meet its anticipated operating expenses and to service its indebtedness as they become due. If the Group is unable to service its indebtedness, it will be forced to adopt an alternative strategy that may include actions such as reducing or delaying capital expenditures, selling assets, restructuring or refinancing its indebtedness or seeking equity capital. These strategies may not be instituted on satisfactory terms, if at all.

The restrictions in the Notes and the Group's other financing arrangements may negatively affect its ability to react to changes in market conditions, take advantage of business opportunities the Group believes to be desirable, obtain future financing, fund needed capital expenditures, or withstand a continuing or future downturn in its business. Any of these factors may materially and adversely affect the Group's ability to satisfy its obligations under the Notes and its other indebtedness.

**The Group is exposed to counterparty risk in its hedging arrangements.**

From time to time, the Group enters into arrangements with financial institutions to hedge exposure to fluctuations in exchange and interest rates, including foreign currency forward contracts and interest rate swap agreements.

The failure of one or more counterparties to the Group's hedging arrangements to fulfill their obligations could adversely affect the Group's results of operations.

**Tight capital and credit markets could adversely affect the Group by limiting the Group's ability to borrow or otherwise access liquidity.**

The Group's long-term growth plans are dependent on, among other things, the availability of funding to support corporate initiatives and complete appropriate acquisitions and the ability to increase sales of existing product lines. While the Group has not encountered financing difficulties to date, the capital and credit markets experienced extreme volatility and disruption in recent years. Market conditions could make it more difficult for the Group to borrow or otherwise obtain the cash required for significant new corporate initiatives and acquisitions. In addition, there could be a number of follow-on effects from such a credit crisis on the Group's businesses, including insolvency of key suppliers resulting in product delays, inability of customers to obtain credit to finance purchases of the Group's products and services and/or customer insolvencies.

**The Group's acquisitions may result in certain risks for its business and operations.**

The Group's business strategy involves acquisitions and investments in its core businesses or establishing new businesses. As at 31 December 2023, 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. In April 2023 the Group acquired 100% equity interest in Green Planet Distribution Centre Company Limited, to continue the expansion of the Group's manufacture of power equipment and outdoor power equipment products business. In January 2022, the Group acquired 100% equity interest in C4 Carbides Limited, which is engaged in the manufacture and sale of saw blades, also to continue the expansion of the Group's power equipment business.

Acquisitions involve a number of risks, including:

- the possibility that the acquired companies will not be successfully integrated or that anticipated cost savings, synergies, or other benefits will not be realised,
- the acquired businesses will lose market acceptance or profitability,
- the diversion of Group management's attention and other resources,
- the incurrence of unexpected liabilities, and
- the loss of key personnel and clients or customers of acquired companies.

In addition, the success of the Group's long-term growth and repositioning strategy will depend in part on its ability to:

- identify suitable future acquisition candidates,
- obtain the necessary financing,
- combine operations,
- integrate departments, systems and procedures, and
- obtain cost savings and other efficiencies from the acquisitions.

Failure to effectively integrate or manage future acquisitions may adversely affect the Group's existing businesses and harm its operational results due to large write-offs, contingent liabilities, substantial depreciation, adverse tax or other consequences. The Group is still in the process of integrating the businesses and operations of recent acquisitions. The Group cannot ensure that such integrations will be successfully completed or that all of the planned synergies will be realised. In addition, certain of the acquisition agreements by which the Group has acquired brands or companies require the former owners to indemnify it against certain liabilities related to the operation of each of their companies before the Group acquired it. In most of these agreements, however, the liability of the former owners is limited, and certain former owners may not be able to meet their indemnification responsibilities. The Group cannot provide assurances that these indemnification provisions will fully protect it, and as a result the Group may face unexpected liabilities which may have a material adverse effect on its business, financial condition and results of operations.

**Circumstances associated with the Group's divestitures and product line exits could adversely affect the Group's results of operations and financial condition.**

The Group continues to evaluate the performance and strategic fit of its businesses and products and may decide to sell or discontinue a business or product based on such an evaluation. A decision to divest or discontinue a business or product may result in asset impairments, including those related to goodwill and other intangible assets, and losses upon disposition, both of which could have an adverse effect on the Group's results of operations and financial condition. In addition, the Group may encounter difficulty in finding buyers or executing alternative exit strategies at acceptable prices and terms and in a timely manner. In addition, prospective buyers may have difficulty obtaining financing. Divestitures and business discontinuations could involve additional risks, including the following:

- difficulties in the separation of operations, services, products and personnel;
- the diversion of management's attention from other business concerns;
- the retention of certain current or future liabilities in order to induce a buyer to complete a divestiture;
- the disruption of the Group's business; and
- the potential loss of key employees.

The Group may not be successful in managing these or any other significant risks that it may encounter in divesting or discontinuing a business or exiting product lines, which could have a material adverse effect on its business.

**Expansion of the Group's activity in emerging markets may result in risks due to differences in business practices and cultures.**

The Group's growth plans include efforts to increase revenue from emerging markets through both organic sales and acquisitions. Local business practices in these regions may not comply with US laws, local laws or other laws applicable to the Group. When investigating potential acquisitions, the Group seeks to identify historical practices of target companies that would create liability or other exposures for the Group if they were to continue post-completion or as a successor to the target. Where such practices are discovered, the Group assesses the risk to determine whether it is prepared to proceed with the transaction. In assessing the risk, the Group looks at, among other factors, the nature of the violation, the potential liability, including any fines or penalties that might be incurred, the ability to avoid, minimise or obtain indemnity for the risks, and the likelihood that the Group would be able to ensure that any such practices are discontinued following completion of the acquisition through implementation of its own policies and procedures. Due diligence and risk assessment are, however, imperfect processes, and it is possible that the Group will not discover problematic practices until after completion, or that the Group will underestimate the risks associated with historical activities. Should that occur, the Group may

incur fees, fines, penalties, injury to its reputation or other damage that could negatively impact the Group's earnings.

**Changes in taxation on the Group's business may materially and adversely affect its business, financial condition and results of operations.**

The Group's business and operations are subject to the tax laws and regulations of the countries and markets in which it is organised and in which it operates. Changes in tax laws, tax regulations or interpretations of these laws or regulations may have a material adverse effect on the Group's business, financial condition and results of operations. These changes also could materially reduce the sales of some of the Group's products. The Group cannot predict whether any tax laws or regulations impacting corporate taxes or insurance products will be enacted, what the specific terms of any such laws or regulations will be or whether, if at all, any laws or regulations would have a material adverse effect on the Group's business, financial condition and results of operations.

**The Group's failure to continue to successfully avoid, manage, defend, litigate and accrue for claims and litigation could negatively impact its results of operations or cash flows.**

The Group is exposed to and becomes involved in various litigation matters arising out of the ordinary routine conduct of its business, including, from time to time, actual or threatened litigation relating to such items as commercial transactions, product liability, workers compensation, the Group's distributors and franchisees, intellectual property claims and regulatory actions.

In addition, the Group is subject to environmental laws in each jurisdiction in which business is conducted. Some of the Group's products incorporate substances that are regulated in some jurisdictions in which it conducts manufacturing operations. The Group could be subject to liability if it does not comply with these regulations. In addition, the Group may be held responsible for remedial investigations and clean-up costs resulting from the discharge of hazardous substances into the environment, including sites that have never been owned or operated by the Group but at which it has been identified as a potentially responsible party under federal and state environmental laws and regulations. Changes in environmental and other laws and regulations in jurisdictions where it conducts business could adversely affect the Group's operations due to increased costs of compliance and potential liability for non-compliance.

The Group manufactures products, configures and installs security systems and performs various services that create exposure to product and professional liability claims and litigation. If such products, systems and services are not properly manufactured, configured, installed, designed or delivered, personal injuries, property damage or business interruption could result, which could subject the Group to claims for damages. The costs associated with defending product liability claims and payment of damages could be substantial. The Group's reputation could also be adversely affected by such claims, whether or not successful. Furthermore, defective products could result in loss of sales or loss of customers and would consequently have a materially adverse effect on the Group's reputation and market perception which in turn could have a significant adverse effect on the Group's sales and results of operations and its financial position.

Potential damages claimed by customers, delayed deliveries, or the Group's failure to comply with quality requirements could negatively affect the market acceptance of other products of the Group and its market reputation in various market segments. The realisation of any of these risks could have a material adverse effect on the Group's business, financial position and results of operations.

The Group may also be subject to third party reports containing allegations that could cause harm to the Group's business, financial position and share price, notwithstanding that such allegations may be false. Whilst the Group may disprove such reports, there can be no assurance that the Group will be able to minimise or reverse the harm to its business, financial position and share price that might be caused by such allegations.

There can be no assurance that the Group will be able to continue to successfully avoid, manage and defend such matters. In addition, given the inherent uncertainties in evaluating certain exposures, actual costs to be incurred in future periods may vary from the Group's estimates for such contingent liabilities. The Group cannot provide assurance that its reserve set aside and/or product liability insurance it purchased with third-party carriers will be sufficient to cover these or other liabilities and costs. If the Group is unable to defend itself against material product liability or warranty claims, its business, financial condition and results of operations may be materially and adversely affected.

**The Group's products could be recalled.**

The U.S. Consumer Product Safety Commission or other applicable regulatory bodies may require the recall, repair or replacement of the Group's products if those products are found not to be in compliance with applicable standards or regulations. A recall could increase costs and adversely impact the Group's reputation and result in large quantities of finished products not being able to be sold.

**Failure to accurately forecast demand may result in excess or insufficient inventory levels.**

Incorrect forecasting of demand in the future could result in the Group experiencing an excess or a shortage of inventory. The long lead times between ordering and delivery and the need to commit for seasonal products a long time in advance make it more difficult to accurately match the demand for such items. If orders do not match actual demand, the Group could have higher or lower than anticipated stock levels and this could lead to higher interest charges or less interest income, price reductions or write downs of slow moving or excess stock resulting in lower profits.

The Group's ability to track the ultimate retail sales by its retail outlets, and consequently their respective inventory levels, is limited. The Group's current policy requests its home centre and mass market customers to provide it with weekly or monthly inventory and sales reports. The purpose of tracking inventory levels is mainly to gather sufficient information and data regarding the market acceptance of the Group's products so that it can reflect the consumers' preferences in the design of its products in the next season. The tracking of inventory level also provides useful information such as the market recognition of the Group's products in a particular region so that it can realign its marketing strategy if needed. However, the implementation of the policy requires the cooperation of the retail outlets in accurately and timely reporting and submitting the relevant data to the Group, and the Group may not be able to ensure the accuracy of the data provided by the retail outlets or identify or prevent any excessive inventory build-up at these retail outlets. If the Group is unable to track its sales and use the data to manage inventory and reflect consumer preferences in its product design, its business, financial condition and results of operations may be materially and adversely affected.

**The Group is exposed to credit risk on its accounts receivable.**

The Group's outstanding trade receivable are not generally covered by collateral or credit insurance. While the Group has procedures to monitor and limit exposure to credit risk on its trade and non-trade receivable, there can be no assurance such procedures will effectively limit its credit risk and avoid losses, which could have an adverse effect on the Group's financial condition and operating results. The Group's customers may also face difficulties in borrowing or otherwise obtaining the cash to support their own activities. If the Group or its customers are unable to borrow or otherwise obtain cash on favorable terms, or at all, its business, financial condition and results of operations may be materially and adversely affected.

**If the Group was required to write down all or part of its goodwill, indefinite-lived trade names, or other definite-lived intangible assets, its net income and net worth could be materially adversely affected.**

The Group has U.S.\$604.3 million of goodwill and U.S.\$224.4 million of indefinite-lived trade names as at 31 December 2023. The Group is required to periodically, at least annually, determine if its goodwill or indefinite-lived trade names have become impaired, in which case it would write down the impaired portion of the intangible

asset. The definite-lived intangible assets, including customer relationships, are amortised over their estimated useful lives; such assets are also evaluated for impairment when appropriate. Impairment of intangible assets may be triggered by developments outside of the Group's control, such as worsening economic conditions, technological change, intensified competition or other factors resulting in deleterious consequences. If the Group was required to write down all or part of its intangible assets, its business, financial condition and results of operations may be materially and adversely affected.

**If the investments in employee benefit plans do not perform as expected, the Group may have to contribute additional amounts to these plans, which would otherwise be available to cover operating expenses or other business purposes.**

The Group sponsors pension and other post-retirement defined benefit and contribution plans. The Group's defined benefit and contribution plan assets are currently invested in equity securities, government and corporate bonds and other fixed income securities, money market instruments and insurance contracts. The Group's funding policy is generally to contribute amounts determined annually on an actuarial basis to provide for current and future benefits in accordance with applicable law which require, among other things, that the Group make cash contributions to under-funded pension plans.

There can be no assurance that the value of the defined benefit plan assets, or the investment returns on those plan assets, will be sufficient in the future. It is therefore possible that the Group may be required to make higher cash contributions to the plans in future years which would reduce the cash available for other business purposes, and that the Group will have to recognise a significant pension liability adjustment which would decrease the net assets of the Group and result in higher expense in future years. The fair value of these assets as at 31 December 2023 was nil.

**Unfavourable economic and political conditions in the markets in which the Group operates may adversely affect the Group's sales.**

The Group's business is dependent on the strength of the retail, commercial and industrial sectors and general global economic conditions, particularly within Europe, the United States, Asia and emerging countries. A significant deterioration of global economic conditions, such as a temporary or continued economic slowdown, recessions or sustained loss of consumer confidence and consumer demand, could trigger a decline (including decreasing production and reduction of capacity) in industries and markets in which the Group operates (which may react with even more volatility than in the case of a downturn of overall global or regional economic conditions) and therefore have a material adverse effect on the Group's business, results of operations and financial position. The Group could also be negatively impacted by economic crises in specific countries or regions, including the deterioration in the creditworthiness of, or a default by, the issuers of sovereign debt. Such events could negatively impact the Group's overall liquidity and/or create significant credit risks relative to its local customers and depository institutions. The Group's business and prospects depend heavily on the performance of the home improvement, residential construction and infrastructure construction markets, particularly in the United States and Europe. In 2023, approximately 76.6% and 15.2% of the Group's revenue was attributed to sales in North America and Europe, respectively. As a result, the Group's profitability may be materially and adversely affected as a result of the cyclical nature of economic conditions in such major markets. Significant factors that impact the home improvement and residential construction markets include the inventory levels of unsold new and existing homes, general and regional economic conditions, consumer confidence and credit, terms and availability of mortgage financing, affordability of homes, interest rates, energy costs and, on a more localised basis, weather conditions and natural disasters.

Demand for some of the Group's products may decline if the U.S. markets deteriorate or there is any prolonged downturn in the U.S. markets. If the infrastructure construction market is affected by such economic conditions, demand for the Group's professional and high-end tools may decline. Demand may also decline if the home improvement and infrastructure construction markets in Europe and Australasia or in other regions where the Group operates deteriorate. In addition, the general weakness in the Group's major markets in the United States

and Europe, both of which are heavily dependent on consumer confidence and credit, may further erode the credit-worthiness of certain customers resulting in increased write-offs of customer receivables. If demand for the Group's products in its major markets declines, the Group's business, financial condition and results of operations may be materially and adversely affected.

In addition, the Group may be adversely affected by political, geopolitical, economic or social developments in any of the countries in which the Group operates. For instance, the Group currently maintains a representative office in Russia which does not have any substantive or material business operation. Despite the insignificance of the Group's presence in Russia, the military incursion by Russia into Ukraine as well as the series of severe economic sanctions imposed by various governments in response, may adversely impact macroeconomic conditions, give rise to regional instability and result in heightened economic sanctions from the international community in a manner and to an extent that send shockwaves across the banking system and financial markets and cause elevated levels of political unrest and market volatility. Hence, while the military incursion has not caused any material adverse impact on the Group's results of operations and cash flows, the business, financial condition and results of operations of the Group may still be affected in ways unforeseen by the Group. Similarly, the political, geopolitical, economic or social developments in other countries in which the Group operates may also adversely affect the business, financial condition and results of operations of the Group.

The Group's operations are also subject to a variety of other risks and uncertainties related to trading in numerous foreign countries, including political or economic upheaval and the imposition of any import, export, investment or currency restrictions, including tariffs and import or export quotas or any restrictions on the repatriation of earnings and capital. The materialisation of such risks or uncertainties could have a material adverse effect on the Group's business, results of operations and financial position.

## **RISKS RELATING TO GOVERNMENT REGULATIONS**

**The Group is subject to regulatory and other risks associated with international and cross-border operations.**

The Group's sales are made to customers primarily in the United States and Europe, but also in Canada, Australasia, Latin America, Asia and the Middle East. The Group sources its supplies of raw materials and components from suppliers within the PRC and in Korea, Japan and other Asian countries, and it locates its manufacturing facilities in the PRC, Vietnam, the United States, Europe and Mexico.

As a result of its worldwide operations, the Group is subject to a wide variety of international laws, regulations and controls and various non-binding treaties and guidelines and exposed to a variety of international and cross-border risks, any or all of which may have a material adverse effect on its business, financial condition and results of operations, including:

- adverse changes in international laws and agreements, especially those affecting trade and investment;
- the instability of governments, including the threat of war,
- terrorist attacks or inter-regional authority;
- sanctions against certain countries or organizations, or prohibitions on certain activities;
- pandemics, such as the avian flu, which may have cross-border effects; and
- foreign currency exchange and transfer restrictions.

Among these risks, the Group faces particular risks relating to international trade agreements and regulations such as the United States-Mexico-Canada Agreement and the activities and regulations of the World Trade

Organization. For instance, there is uncertainty as to how the implementation of the United States-Mexico-Canada Agreement, which only came into effect in July 2020, may be different from the implementation of the now-replaced North American Free Trade Agreement. Also, the Group cannot provide assurances that the reduction or elimination of certain duties or trade quotas implemented by these trade agreements will continue. These trade agreements may also impose additional requirements, such as setting quotas on products that may be imported from a particular country into key markets such as those of the U.S. or the E.U. Any increased costs resulting from compliance with these trade agreements may have a material adverse effect on the Group's business, financial condition and results of operations.

In addition, any or all of these risks are also faced by the Group's suppliers, many of which supply internationally, and the shipping and warehousing providers that ship the Group's supplies to its manufacturing facilities and its products to market. As a result, even if international or cross-border events occur in regions in which the Group does not operate, such events may still affect its supply and distribution networks and may have a material adverse effect on its business, financial condition and results of operations.

**The Group is subject to import and export regulations.**

In importing or exporting supplies or finished goods among the different countries in which the Group does business, it is subject to customs requirements and to tariffs and quotas set by governments through mutual agreements, bilateral actions or, in some cases, unilateral action (e.g., anti-dumping and counter-veiling tariffs). Additional quotas, duties, tariffs or other restrictions on imports and exports, including restrictions on manufacturing operations, may be imposed from time to time and compliance may be costly. Adverse changes in import and export laws and regulations or the Group's failure or the failure of the Group's suppliers to comply with customs regulations or similar laws may expose it to increased costs and delay the transportation of its products to market. As most of the Group's sales are made in the United States, its success depends particularly on various U.S. import laws and export control and economic sanctions laws, which may affect its transactions with its customers, business partners and other persons, including in certain cases dealings with or between the Group's employees and subsidiaries. The Group also has manufacturing operations located in several countries and are subject to diverse raw material and component import controls and product export controls. In certain countries, economic sanctions regulations may prohibit the export of certain products, services and technologies, or the Group may be required to obtain an export license prior to the export of the controlled item. Compliance with the various import and export laws that apply to its business can restrict the Group's access to, and increase the cost of obtaining, certain products and at times can interrupt its supply of imported inventory price or exchange controls could limit its operations in certain countries and make the repatriation of profits difficult.

**The Group is subject to national and local environmental and health and safety directives, laws and regulations.**

The Group's manufacturing operations are subject to numerous national and local environmental, health and safety directives, laws and regulations, including those pertaining to the storage, handling, treatment, transportation and disposal of hazardous and toxic materials, the construction and operation of its facilities and standards relating to the discharge of pollutants to air, soil and water. For example, the Group must package and transport its lithium-ion batteries and products containing such batteries in accordance with relevant international and national laws and regulations, including the UN Model Regulations on the Transport of Dangerous Goods and similar regulations published by the International Civil Aviation Organization and the Air Transport Association, as well as US and Canadian regulations governing the import and transport of dangerous goods. The Group has experienced instances where certain government agencies have raised questions regarding potential noncompliance with such laws and regulations in the past, and it may experience such instances in the future. In addition, risks of substantial costs and liabilities, including those related to the investigation and remediation of past or present contamination, are inherent in the Group's ongoing operations and in its ownership or occupation of industrial properties, and may arise specifically from its planned closure of certain of its manufacturing facilities. Claims for damages to property or injury to persons resulting from environmental, health or safety impacts of the Group's operations or past contamination, could suspend its operations, result in the imposition of fines, penalties

or liens, or give rise to civil or criminal liability. Compliance with these regulations may also require the Group to alter its manufacturing processes and its supply sourcing. In addition, some environmental directives specifically regulate environmental impacts associated with electrical and electronic equipment, such as the Waste Electrical and Electronic Equipment directive in the European Union that imposes responsibility on manufacturers and importers of electrical and electronic equipment for the cost of recycling, treatment and disposal of such equipment after its useful life. The Group cannot provide assurances that its policies and procedures to ensure compliance with these directives will be sufficient. The Group cannot provide assurances that it will not incur health and safety or environmental losses beyond the limits, or outside the coverage, of any insurance or that its provisions for health and safety and environmental remediation or related costs will be sufficient to cover the ultimate loss or expenditure. Furthermore, over time, environmental and health and safety laws and regulations and the enforcement thereof may become increasingly stringent and the Group may incur material costs associated with compliance with new laws and regulations. Any or all of the above factors and risks may have a material adverse effect on the Group's business, financial condition and results of operations.

**The Group's manufacturing operations are located in several different countries, each with its own regulatory regime.**

The Group has successfully diversified its manufacturing footprint into Vietnam, Mexico and the United States, while maintaining its world-class facility in the PRC. The Group expects that manufacturing in, and sourcing its supplies from, the PRC and Vietnam will represent a substantial portion of its total production capacity. Both the PRC and Vietnam have complex regulatory regimes governing manufacturing. The regulatory regimes of the PRC and Vietnam differ from those found in most developed countries, particularly in the level of government involvement.

Although the PRC government has for the past two decades implemented economic reforms that affect the regulatory regimes applied to manufacturing and other facilities, many of these reforms are experimental or unprecedented and may have unexpected results affecting the Group's manufacturing operations and supply sources in the PRC. The PRC government has also expressed an intention to take measures to maintain economic growth at a sustainable level including certain restrictions on bank loans, any of which may affect the operating liquidity of the Group's, or the Group's suppliers', manufacturing and other facilities.

Similarly, while the Vietnamese government has implemented various incentive schemes to support industries related to the supply of raw materials, spare parts and components to manufacturing industries such as electronics and mechanical engineering industries, garment and textile, leather, and footwear industries, hi-tech industries, and the automotive industry, its local authorities are known to scrutinise documents resulting in additional time for approvals. Foreign investors must register their foreign investments in Vietnam and seek the necessary approvals from various governmental authorities. Vietnamese environmental laws can also be cumbersome, along with land use limitations, thereby restricting the rate of manufacturing growth there. A pre-approval requirement has also been put in place, applicable to mergers and acquisitions transactions that involve local entities with the right to use land plots located on islands, border or coastal areas, or other areas affecting national defense and security.

In each of the countries in which the Group locates its manufacturing or other facilities, particularly the PRC and Vietnam, it will continue to be exposed to unexpected changes in regulatory requirements, potentially adverse tax and regulatory consequences, currency exchange restrictions, tariffs and other trade barriers, political instability and the threat that its operations or property could be subject to nationalization or expropriation. Any or all of the above factors and risks may have a material adverse effect on the Group's business, financial condition and results of operations.

**The Group has a large labor force and its labor costs may be increased due to changes in applicable labor laws.**

The Group's manufacturing and R&D facilities are located in various countries including the PRC, Vietnam, Mexico and the United States, and the Group employs over 47,000 people as of 31 December 2023. The labor laws and protections given to employees differ in each of the jurisdictions in which the Group operates and such laws and protections are subject to change. The trend toward increasing employee protection in each of the countries in which the Group locates its manufacturing operations may increase its labor costs. With the Group's large work force, it is also exposed to the risk of work stoppages and union and other potential labor disputes. If such labor disputes are resolved in favor of its employees, the Group may be required to change its employment and compensation policies. The Group also cannot provide assurances that its present employment policies are or will remain in compliance with all applicable laws and regulations and that it will not be required to pay associated penalties. If the Group is exposed to penalties for non-compliance with applicable labor laws and regulations or if it is unable to maintain its relations with its employees, the Group's business, financial condition and results of operations may be materially and adversely affected.

**RISKS RELATING TO NOTES ISSUED UNDER THE PROGRAMME**

**Notes may not be a suitable investment for all investors.**

Each potential investor in any Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- (i) have sufficient knowledge and experience to make a meaningful evaluation of the relevant Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Offering Circular or any applicable supplement;
- (ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact such investment will have on its overall investment portfolio;
- (iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including where principal or interest is payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor's currency;
- (iv) understand thoroughly the terms of the Notes and be familiar with the behaviour of any relevant financial markets; and
- (v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

**Investors shall pay attention to any modification, waivers and substitution.**

The Conditions contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders, including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

The Conditions may be amended, modified, or varied in relation to any Series of Notes by the terms of the relevant Pricing Supplement in relation to such Series. The Conditions also provide that the Trustee may, without the consent of the Noteholders, agree to (a) any modification (except certain modifications, including increasing quorum requirements relating to meetings) of the Conditions or the Trust Deed which is not materially prejudicial to the interests of the Noteholders or (b) any modification of the Notes or the Trust Deed which is of a formal, minor or technical nature or is to correct a manifest error.

**The Notes may be represented by Global Notes and holders of a beneficial interest in a Global Note must rely on the procedures of the relevant Clearing System(s).**

Notes issued under the Programme may be represented by one or more Global Notes. Such Global Notes will be deposited with a common depository for Euroclear and Clearstream, or lodged with a sub-custodian for the CMU (each of Euroclear, Clearstream and the CMU). Except in the circumstances described in the relevant Global Note, investors will not be entitled to receive definitive Notes. The relevant Clearing System(s) will maintain records of the beneficial interests in the Global Notes. While the Notes are represented by one or more Global Notes, investors will be able to trade their beneficial interests only through the Clearing Systems.

While the Notes are represented by one or more Global Notes, the Issuer will discharge its payment obligations under the Notes by making payments to the relevant Clearing System for distribution to their account holders or, in the case of the CMU, to the persons for whose account(s) interests in such Global Note are credited as being held in the CMU in accordance with the CMU Rules as notified by the CMU to the Group in a relevant CMU Issue Position Report or any other notification by the CMU.

A holder of a beneficial interest in a Global Note must rely on the procedures of the relevant Clearing System(s) to receive payments under the relevant Notes. The Issuer does not have any responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Notes.

**The Issuer may be unable to redeem the Notes.**

On certain dates, including the occurrence of any early redemption event specified in the relevant Pricing Supplement or otherwise and at maturity of the Notes, the Issuer, may, and at maturity, will, be required to redeem all of the Notes. If such an event were to occur, the Issuer, may not have sufficient cash on hand and may not be able to arrange financing to redeem the Notes in time, or on acceptable terms, or at all. The ability to redeem the Notes in such event may also be limited by the terms of other debt instruments. The Issuer's failure to repay, repurchase or redeem tendered Notes would constitute an event of default under the Notes, which may also constitute a default under the terms of other indebtedness of the Group.

**The Notes are unsecured obligations.**

As the Notes are unsecured obligations, the repayment of the Notes may be adversely affected if, as the Issuer:

- (i) the Issuer enters into bankruptcy, liquidation, reorganisation or other winding-up proceedings;
- (ii) there is a default in payment under the Issuer's future secured indebtedness or other unsecured indebtedness; or
- (iii) there is an acceleration of any of the Issuer's indebtedness.

If any of these events were to occur, the Issuer's assets may not be sufficient to pay amounts due on the Notes.

**The Trustee may request the Noteholders to provide an indemnity and/or security and/or prefunding to its satisfaction.**

In certain circumstances, including without limitation giving of notice to the Issuer pursuant to Condition 14 of the Terms and Conditions and taking enforcement steps pursuant to Condition 19 of the Terms and Conditions, the Trustee may, at its sole discretion, request the Noteholders to provide an indemnity and/or security and/or prefunding to its satisfaction before it takes actions on behalf of the Noteholders. The Trustee shall not be obliged to take any such actions if not indemnified and/or secured and/or prefunded to its satisfaction. Negotiating and agreeing to an indemnity and/or security and/or prefunding can be a lengthy process and may impact on when such actions can be taken. The Trustee may not be able to take actions, notwithstanding the provision of an indemnity or security or prefunding to it, in breach of the terms of the Trust Deed or the Terms and Conditions

and in circumstances where there is uncertainty or dispute as to the applicable laws or regulations and, to the extent permitted by the agreements and the applicable law, it will be for the Noteholders to take such actions directly.

**The Notes will be structurally subordinated to all obligations of the Issuer's existing and future subsidiaries and consolidated affiliated entities.**

The Notes will not be guaranteed by any of the Issuer's existing or future subsidiaries and consolidated affiliated entities, who together hold substantially all of the Issuer's operating assets and conduct substantially all of the Issuer's business. The Issuer's subsidiaries and consolidated affiliated entities will have no obligation, contingent or otherwise, to pay amounts due under the Notes or to make any funds available to pay those amounts, whether by dividend, distribution, loan or other payment. The Notes will be structurally subordinated to all indebtedness and other obligations of the Issuer's subsidiaries and consolidated affiliated entities such that in the event of insolvency, liquidation, reorganisation, dissolution or other winding up of any of the Issuer's subsidiary or consolidated affiliated entity, all of that subsidiary's or consolidated affiliated entity's creditors (including trade creditors) would be entitled to payment in full out of that subsidiary's or consolidated affiliated entity's assets before the Issuer would be entitled to any payment.

In addition, the Trust Deed governing the Notes will not contain any limitation on the amount of any additional indebtedness or other liabilities, such as trade payable, that may be incurred by these subsidiaries and consolidated affiliated entities.

**The terms of the Notes provide only limited protection against significant corporate events that could adversely impact your investment in the Notes.**

While the terms of the Notes contain terms intended to provide protection to noteholders upon the occurrence of certain events involving significant corporate transactions and the Issuer's creditworthiness, these terms are limited and may not be sufficient to protect your investment in the Notes. See "*Terms and Conditions of the Notes*".

The Trust Deed for the Notes also does not:

- require the Issuer to maintain any financial ratios or specific levels of net worth, revenue, income, cash flows or liquidity;
- limit the Issuer's ability to incur indebtedness that is equal in right of payment to the Notes;
- restrict the Issuer's subsidiaries' or consolidated affiliated entities' ability to issue unsecured securities;
- or otherwise incur unsecured indebtedness that would be senior to the Issuer's equity interests in the Group's subsidiaries or consolidated affiliated entities and therefore rank effectively senior to the Notes;
- limit the ability of the Issuer's subsidiaries or consolidated affiliated entities to service indebtedness;
- restrict the Issuer's ability to repurchase or prepay any other of the Issuer's securities or other indebtedness; or
- restrict the Issuer's ability to make investments or to repurchase or pay dividends or make other payments in respect of the Issuer's shares or other securities ranking junior to the Notes.

As a result of the foregoing, when evaluating the terms of the Notes, you should be aware that the terms of the Notes do not restrict the Issuer's ability to engage in, or to otherwise be a party to, a variety of corporate transactions, circumstances and events that could have an adverse impact on your investment in the Notes.

**The Notes do not restrict the Group's ability to incur additional debt or to take other actions that could negatively impact holders of the Notes.**

Subject to the negative pledge covenant (see "*Terms and Conditions of the Notes — Negative Pledge*"), the Group is not restricted under the Terms and Conditions from incurring additional debt, including secured debt, or from repurchasing the Notes. In addition, the covenants applicable to the Notes do not require the Group to achieve or maintain any minimum financial results relating to the Group's financial position or results of operations. The Group's ability to recapitalise, incur additional debt and take other actions that are not limited by the Terms and Conditions could diminish the Group's ability to make payments on the Notes and amortising bonds when due.

**Considerations related to a particular issue of the Notes.**

A wide range of the Notes may be issued under the Programme. A number of these Notes may have features which contain particular risks for potential investors. Set out below is a description of certain such features:

***Notes subject to optional redemption by the Issuer***

An optional redemption feature is likely to limit the market value of Notes. During any period when the Issuer may elect to redeem Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

The Issuer may be expected to redeem Notes when its cost of borrowing is lower than the interest rate on the Notes. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

***Dual Currency Notes***

The Issuer may issue Notes with principal or interest payable in one or more currencies which may be different from the currency in which the Notes are denominated. Potential investors should be aware that:

- (i) the market price of such Notes may be volatile;
- (ii) they may receive no interest;
- (iii) the payment of principal or interest may occur at a different time or in a different currency than expected; and
- (iv) the amount of principal payable at redemption may be less than the nominal amount of such Notes or even zero.

***Partly-paid Notes***

The Issuer may issue Notes where the issue price is payable in more than one instalment. Failure to pay any subsequent instalment could result in an investor losing all of its investment.

***Variable rate Notes with a multiplier or other leverage factor***

Notes with variable interest rates can be volatile investments. If they are structured to include multipliers or other leverage factors, or caps or floors, or any combination of those features or other similar related features, their market values may be even more volatile than those for securities that do not include those features.

### ***Inverse Floating Rate Notes***

Inverse Floating Rate Notes have an interest rate equal to a fixed rate minus a rate based upon a reference rate. The market values of such Notes are typically more volatile than market values of other conventional floating rate debt securities based on the same reference rate (and with otherwise comparable terms). Inverse Floating Rate Notes are more volatile because an increase in the reference rate not only decreases the interest rate of the Notes, but may also reflect an increase in prevailing interest rates, which further adversely affects the market value of these Notes.

### ***Fixed/Floating Rate Notes***

Fixed/Floating Rate Notes may bear interest at a rate that the Issuer may elect to convert from a fixed rate to a floating rate, or from a floating rate to a fixed rate. The Issuer's ability to convert the interest rate will affect the secondary market and the market value of such Notes since the Issuer may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If the Issuer converts from a fixed rate to a floating rate, the spread on the Fixed/Floating Rate Notes may be less favourable than then prevailing spreads on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. If the Issuer converts from a floating rate to a fixed rate, the fixed rate may be lower than then prevailing rates on its Notes.

### ***Certain benchmark rates, including EURIBOR, may be discontinued or reformed in the future***

The Euro Interbank Offered Rate ("**EURIBOR**") and other interest rates or other types of rates and indices which are deemed to be benchmarks are the subject of ongoing national and international regulatory discussions and proposals for reform. Some of these reforms are already effective whilst others are still to be implemented.

Regulation (EU) No. 2016/1011 (the "**EU Benchmarks Regulation**") applies, subject to certain transitional provisions, to the provision of benchmarks, the contribution of input data to a benchmark and the use of a benchmark, within the EU. Regulation (EU) No. 2016/1011 as it forms part of domestic law of the United Kingdom by virtue of the European Union (Withdrawal) Act 2018 (the "**UK Benchmarks Regulation**") applies to the provision of benchmarks, the contribution of input data to a benchmark and the use of a benchmark, within the UK. The EU Benchmarks Regulation or the UK Benchmarks Regulation, as applicable, could have a material impact on any Notes linked to EURIBOR or another benchmark rate or index, in particular, if the methodology or other terms of the benchmark are changed in order to comply with the terms of the EU Benchmarks Regulation or UK Benchmarks Regulation, and such changes could (amongst other things) have the effect of reducing or increasing the rate or level, or affecting the volatility of the published rate or level, of the benchmark. More broadly, any of the international, national or other proposals for reform, or the general increased regulatory scrutiny of benchmarks, could increase the costs and risks of administering or otherwise participating in the setting of a benchmark and complying with any such regulations or requirements. Such factors may have the effect of discouraging market participants from continuing to administer or contribute to certain "benchmarks," trigger changes in the rules or methodologies used in certain "benchmarks" or lead to the discontinuance or unavailability of quotes of certain "benchmarks".

As an example of such benchmark reforms, on 21 September 2017, the European Central Bank announced that it would be part of a new working group tasked with the identification and adoption of a "risk free overnight rate" which can serve as a basis for an alternative to current benchmarks used in a variety of financial instruments and contracts in the euro area. On 13 September 2018, the working group on Euro risk-free rates recommended the new Euro short-term rate ("**€STR**") as the new risk-free rate for the euro area. The €STR was published for the first time on 2 October 2019. Although EURIBOR has subsequently been reformed in order to comply with the terms of the Benchmark Regulation, it remains uncertain as to how long it will continue in its current form, or whether it will be further reformed or replaced with €STR or an alternative benchmark.

The elimination of EURIBOR or any other benchmark, or changes in the manner of administration of any benchmark, could require or result in an adjustment to the interest calculation provisions of the Conditions (as further described in Condition 7(j) (*Benchmark Replacement (Independent Adviser)*)) or result in adverse consequences to holders of any Notes linked to such benchmark (including Floating Rate Notes whose interest rates are linked to EURIBOR or any other such benchmark that is subject to reform). Furthermore, even prior to the implementation of any changes, uncertainty as to the nature of alternative reference rates and as to potential changes to such benchmark may adversely affect such benchmark during the term of the relevant Notes, the return on the relevant Notes and the trading market for securities (including the Notes) based on the same benchmark.

The Conditions provide for certain fallback arrangements in the event that a published benchmark (including any page on which such benchmark may be published (or any other successor service)) becomes unavailable or a Benchmark Event or a Benchmark Transition Event (each as defined in the Conditions), as applicable, otherwise occurs. Such an event may be deemed to have occurred prior to the issue date for a Series of Notes. Such fallback arrangements include the possibility that the rate of interest could be set by reference to a successor rate or an alternative rate and that such successor rate or alternative reference rate may be adjusted (if required) in accordance with the recommendation of a relevant governmental body or in order to reduce or eliminate, to the extent reasonably practicable in the circumstances, any economic prejudice or benefit (as applicable) to investors arising out of the replacement of the relevant benchmark, although the application of such adjustments to the Notes may not achieve this objective. Any such changes may result in the Notes performing differently (which may include payment of a lower interest rate) than if the original benchmark continued to apply. In certain circumstances the ultimate fallback of interest for a particular Interest Period may result in the rate of interest for the last preceding Interest Period being used.

This may result in the effective application of a fixed rate for Floating Rate Notes based on the rate which was last observed on the Relevant Screen Page. In addition, due to the uncertainty concerning the availability of successor rates and alternative reference rates and the involvement of an Independent Adviser (as defined in the Conditions) in certain circumstances, the relevant fallback provisions may not operate as intended at the relevant time.

Furthermore, the Issuer has agreed that it shall not name any Agent as Calculation Agent in the Conditions, Pricing Supplement and/or any other transaction document (together, the "**Transaction Documents**") for any Series of Notes where the Calculation Agent is required to form an opinion and/or exercise discretion and/or determine the Reference Rate, Successor Rate, Alternative Rate, Relevant Screen Page, Adjustment Spread, market disruptions or selections of Reference Banks (each as defined in the Conditions), and that if, for whatever reason, any clause or reference or statement in the Transaction Documents refers to the Calculation Agent forming an opinion and/or exercising and/or determining the Reference Rate, Successor Rate, Alternative Rate, Relevant Screen Page, Adjustment Spread, market disruptions or selections of Reference Banks and any Agent has been appointed in such capacity, then such reference to the Calculation Agent will be construed as a reference to the Issuer exercising such opinions and/or discretions and/or making such determinations and/or selections for the relevant Series of Notes. This may create uncertainty on the operation of the relevant fallback provisions in the relevant Transaction Documents with regards to the determination of Reference Rate, Successor Rate, Alternative Rate, Relevant Screen Page, Adjustment Spread, market disruptions or selections of Reference Banks.

Any such consequences could have a material adverse effect on the value of and return on any such Notes.

Investors should consult their own independent advisers and make their own assessment about the potential risks arising from the possible cessation or reform of certain reference rates in making any investment decision with respect to any Notes linked to or referencing a benchmark.

***The market continues to develop in relation to risk-free rates (including overnight rates) as reference rates for Floating Rate Notes***

The use of risk-free rates, including those such as the Secured Overnight Financing Rate ("SOFR"), as reference rates for Eurobonds continues to develop. This relates not only to the substance of the calculation and the development and adoption of market infrastructure for the issuance and trading of bonds referencing such rates, but also how widely such rates and methodologies might be adopted.

The market or a significant part thereof may adopt an application of risk-free rates that differs significantly from that set out in the Conditions and used in relation to Notes that reference risk-free rates issued under this Programme. The Issuer may in the future also issue Notes referencing SOFR or the SOFR Compounded Index that differ materially in terms of interest determination when compared with any previous Notes issued by it under this Programme. The development of risk-free rates for the Eurobond markets could result in reduced liquidity or increased volatility, or could otherwise affect the market price of any Notes that reference a risk-free rate issued under this Programme from time to time.

In addition, the manner of adoption or application of risk-free rates in the Eurobond markets may differ materially compared with the application and adoption of risk-free rates in other markets, such as the derivatives and loan markets. Investors should carefully consider how any mismatch between the adoption of such reference rates in the bond, loan and derivatives markets may impact any hedging or other financial arrangements which they may put in place in connection with any acquisition, holding or disposal of Notes referencing such risk-free rates.

In particular, investors should be aware that several different methodologies have been used in risk-free rate notes issued to date. No assurance can be given that any particular methodology, including the compounding formula in the terms and conditions of the Notes, will gain widespread market acceptance. In addition, market participants and relevant working groups are still exploring alternative reference rates based on risk-free rates, including various ways to produce term versions of certain risk-free rates (which seek to measure the market's forward expectation of an average of these reference rates over a designated term, as they are overnight rates) or different measures of such risk-free rates. If the relevant risk-free rates do not prove to be widely used in securities like the Notes, the trading price of such Notes linked to such risk-free rates may be lower than those of Notes referencing indices that are more widely used.

Investors should consider these matters when making their investment decision with respect to any Notes which reference SOFR or any related indices.

***Risk-free rates may differ from LIBOR and other inter-bank offered rates in a number of material respects and have a limited history***

Risk-free rates may differ from The London Interbank Offered Rate ("LIBOR") and other inter-bank offered rates in a number of material respects. These include (without limitation) being backwards-looking, in most cases, calculated on a compounded or weighted average basis, risk-free, overnight rates and, in the case of SOFR, secured, whereas such interbank offered rates are generally expressed on the basis of a forward-looking term, are unsecured and include a risk-element based on interbank lending. As such, investors should be aware that risk-free rates may behave materially differently to interbank offered rates as interest reference rates for the Notes. Furthermore, SOFR is a secured rate that represents overnight secured funding transactions, and therefore will perform differently over time to an unsecured rate. For example, since publication of SOFR began on 3 April 2018, daily changes in SOFR have, on occasion, been more volatile than daily changes in comparable benchmarks or other market rates.

Risk-free rates offered as alternatives to interbank offered rates also have a limited history. For that reason, future performance of such rates may be difficult to predict based on their limited historical performance. The level of such rates during the term of the Notes may bear little or no relation to historical levels. Prior observed patterns, if any, in the behaviour of market variables and their relation to such rates such as correlations, may change in the

future. Investors should not rely on historical performance data as an indicator of the future performance of such risk-free rates nor should they rely on any hypothetical data.

Furthermore, interest on Notes which reference a backwards-looking risk-free rate is only capable of being determined immediately prior to the relevant Interest Payment Date. It may be difficult for investors in Notes which reference such risk-free rates reliably to estimate the amount of interest which will be payable on such Notes, and some investors may be unable or unwilling to trade such Notes without changes to their IT systems, both of which could adversely impact the liquidity of such Notes. Further, in contrast to Notes linked to interbank offered rates, if Notes referencing backwards-looking rates become due and payable as a result of an Event of Default under Condition 14 (*Events of Default*), or are otherwise redeemed early on a date which is not an Interest Payment Date, the final Rate of Interest Rate payable in respect of such Notes shall be determined by reference to a shortened period ending immediately prior to the date on which the Notes become due and payable or are scheduled for redemption.

***The administrator of SOFR or any related indices may make changes that could change the value of SOFR or any related index, or discontinue SOFR or any related index***

The Federal Reserve or the Bank of New York (or their successors) as administrators of SOFR (and the SOFR Compounded Index), may make methodological or other changes that could change the value of these risk-free rates and/or indices, including changes related to the method by which such risk-free rate is calculated, eligibility criteria applicable to the transactions used to calculate SOFR, or timing related to the publication of SOFR or any related indices. In addition, the administrator may alter, discontinue or suspend calculation or dissemination of SOFR or any related index (in which case a fallback method of determining the interest rate on the Notes will apply). The administrator has no obligation to consider the interests of Noteholders when calculating, adjusting, converting, revising or discontinuing any such risk-free rate.

## **RISKS RELATING TO RENMINBI DENOMINATED NOTES**

A description of risks which may be relevant to an investor in Notes denominated in Renminbi ("**Renminbi Notes**") is set out below.

**Renminbi is not freely convertible and there are regulations on the remittance of Renminbi into and out of the PRC which may adversely affect the liquidity of Renminbi Notes.**

Renminbi is not freely convertible at present. The government of the PRC (the "**PRC Government**") continues to regulate conversion between Renminbi and foreign currencies, including the Hong Kong dollar.

However, there has been significant reduction in regulation by the PRC Government in recent years, particularly in respect of trade transactions involving import and export of goods and services as well as other frequent routine foreign exchange transactions. These transactions are known as current account items.

On the other hand, remittance of Renminbi into and out of the PRC for the settlement of capital account items, such as capital contributions, debt financing and securities investment, is generally only permitted upon obtaining specific approvals from, or completing specific registrations or filings with, the relevant authorities on a case-by-case basis and is subject to a strict monitoring system. Regulations in the PRC on the remittance of Renminbi into and out of the PRC for settlement of capital account items are being adjusted from time to time to match the policies of the PRC Government.

Although the People's Bank of China (the "**PBoC**") has implemented policies improving accessibility to Renminbi to settle cross-border transactions in the past, there is no assurance that the PRC Government will liberalise cross-border remittance of Renminbi in the future, that the schemes for Renminbi cross-border utilisation will not be discontinued or that new regulations in the PRC will not be promulgated in the future which have the effect of restricting or eliminating the remittance of Renminbi into or out of the PRC. Despite the Renminbi

internationalisation pilot programme and efforts in recent years to internationalise the currency, there can be no assurance that the PRC Government will not impose interim or long-term regulations on the cross-border remittance of Renminbi. In the event that funds cannot be repatriated out of the PRC in Renminbi, this may affect the overall availability of Renminbi outside the PRC and the ability of the Issuer to source Renminbi to finance its obligations under Notes denominated in Renminbi.

**There is only limited availability of Renminbi outside the PRC, which may affect the liquidity of the Renminbi Notes and the Issuer's ability to source Renminbi outside the PRC to service Renminbi Notes.**

As a result of the regulations on cross-border Renminbi fund flows, the availability of Renminbi outside the PRC is limited. While the PBoC has entered into agreements (the "**Settlement Arrangements**") on the clearing of Renminbi business with financial institutions (the "**Renminbi Clearing Banks**") in a number of financial centres and cities, including but not limited to Hong Kong, has established the Cross-Border Inter-Bank Payments System (CIPS) to facilitate cross-border Renminbi settlement and is further in the process of establishing Renminbi clearing and settlement mechanisms in several other jurisdictions, the current size of Renminbi denominated financial assets outside the PRC is limited.

There are regulations imposed by the PBoC on Renminbi business participating banks in respect of cross-border Renminbi settlement, such as those relating to direct transactions with PRC enterprises. Furthermore, Renminbi business participating banks do not have direct Renminbi liquidity support from the PBoC, although the PBoC has gradually allowed participating banks to access the PRC's onshore inter-bank market for the purchase and sale of Renminbi. The Renminbi Clearing Banks only have limited access to onshore liquidity support from the PBoC for the purpose of squaring open positions of participating banks for limited types of transactions and are not obliged to square for participating banks any open positions resulting from other foreign exchange transactions or conversion services. In cases where the participating banks cannot source sufficient Renminbi through the above channels, they will need to source Renminbi from outside the PRC to square such open positions.

Although it is expected that the offshore Renminbi market will continue to grow in depth and size, its growth is subject to many constraints as a result of PRC laws and regulations on foreign exchange. There is no assurance that new PRC regulations will not be promulgated or the Settlement Arrangements will not be terminated or amended in the future which will have the effect of restricting availability of Renminbi outside the PRC. The limited availability of Renminbi outside the PRC may affect the liquidity of the Renminbi Notes. To the extent the Issuer is required to source Renminbi in the offshore market to service its Renminbi Notes, there is no assurance that the Issuer will be able to source such Renminbi on satisfactory terms, if at all.

**Investment in the Renminbi Notes is subject to exchange rate risks.**

The value of Renminbi against other foreign currencies fluctuates from time to time and is affected by changes in the PRC and international political and economic conditions as well as many other factors. The PBoC has in recent years implemented changes to the way it calculates the Renminbi's daily mid-point against the U.S. dollar to take into account market-maker quotes before announcing such daily mid-point. This change, and others that may be implemented, may increase the volatility in the value of the Renminbi against foreign currencies. All payments of interest and principal will be made in Renminbi with respect to Renminbi Notes unless otherwise specified. As a result, the value of these Renminbi payments may vary with the changes in the prevailing exchange rates in the marketplace. If the value of Renminbi depreciates against another foreign currency, the value of the investment made by a holder of the Renminbi Notes in that foreign currency will decline.

**Payments with respect to the Renminbi Notes may be made only in the manner designated in the Renminbi Notes.**

All payments to investors in respect of the Renminbi Notes will be made solely (i) for so long as the Renminbi Notes are represented by global certificates held with the common depository or common safekeeper, as the case may be, for Clearstream and Euroclear or any alternative clearing system, by transfer to a Renminbi bank account

maintained in Hong Kong or a financial centre in which a Renminbi Clearing Bank clears and settles Renminbi, if so specified in the Pricing Supplement, (ii) for so long as the Renminbi Notes are represented by global certificates lodged with a sub-custodian for or registered with the CMU, by transfer to a Renminbi bank account maintained in Hong Kong in accordance with prevailing CMU rules and procedures, (iii) for so long as the Renminbi Notes are in definitive form, by transfer to a Renminbi bank account maintained in Hong Kong or a financial centre in which a Renminbi Clearing Bank clears and settles Renminbi, if so specified in the Pricing Supplement in accordance with prevailing rules and regulations or (iv) by transfer through the Cross-Border Interbank Payment System in accordance with relevant rules and regulations, if so specified in the Pricing Supplement. The Issuer cannot be required to make payment by any other means (including in any other currency or by transfer to a bank account in the PRC).

#### **Gains on the transfer of the Renminbi Notes may become subject to income taxes under the PRC tax laws.**

Under the *PRC Enterprise Income Tax Law*, the *PRC Individual Income Tax Law* and the relevant implementing rules, as amended from time to time, any gain realised on the transfer of Renminbi Notes by non-PRC resident enterprise or individual Holders may be subject to PRC enterprise income tax ("EIT") or PRC individual income tax ("IIT") if such gain is regarded as income derived from sources within the PRC. The *PRC Enterprise Income Tax Law* levies EIT at the rate of 20 per cent. of the PRC-sourced gains derived by such non-PRC resident enterprise from the transfer of Renminbi Notes but its implementation rules have reduced the EIT rate to 10 per cent. The *PRC Individual Income Tax Law* levies IIT at a rate of 20 per cent. of the PRC-sourced gains derived by such non-PRC resident individual Holder from the transfer of Renminbi Notes.

However, uncertainty remains as to whether the gain realised from the transfer of Renminbi Notes by non-PRC resident enterprise or individual Holders would be treated as income derived from sources within the PRC and thus become subject to EIT or IIT. This will depend on how the PRC tax authorities interpret, apply or enforce the *PRC Enterprise Income Tax Law*, the *PRC Individual Income Tax Law* and the relevant implementing rules. According to the arrangement between the PRC and Hong Kong, for avoidance of double taxation, Holders who are residents of Hong Kong, including enterprise Holders and individual Holders, will not be subject to EIT or IIT on capital gains derived from a sale or exchange of the Notes.

Therefore, if enterprise or individual resident Holders which are non-PRC residents are required to pay PRC income tax on gains derived from the transfer of Renminbi Notes, unless there is an applicable tax treaty between the PRC and the jurisdiction in which such non-PRC enterprise or individual Holders of Renminbi Notes reside that reduces or exempts the relevant EIT or IIT, the value of their investment in Renminbi Notes may be materially and adversely affected.

#### **RISKS RELATING TO THE MARKET FOR THE NOTES GENERALLY**

**Notes issued under the Programme have no current active trading market and may trade at a discount to their initial offering price and/or with limited liquidity.**

Notes issued under the Programme will be new securities which may not be widely distributed and for which there is currently no active trading market (unless in the case of any particular Tranche, such Tranche is to be consolidated with and form a single series with a Tranche of the Notes which is already issued). If the Notes are traded after their initial issuance, they may trade at a discount to their initial offering price, depending upon prevailing interest rates, the market for similar securities, general economic conditions and the Issuer's financial condition. If the Notes are trading at a discount, investors may not be able to receive a favourable price for their Notes, and in some circumstances investors may not be able to sell their Notes at all or at their fair market value. Although an application will be made for the Notes issued under the Programme to be listed on the SEHK or other stock exchanges, there is no assurance that such application will be accepted, that any particular Tranche of the Notes will be so listed or that an active trading market will develop. Furthermore, the ability of the Dealers to make a market in the Notes may be impacted by changes in regulatory requirements applicable to the marketing, holding and trading of, and issuing quotations with respect to, the Notes. In addition, the market for investment

grade and crossover grade debt has been subject to disruptions that have caused volatility in prices of securities similar to the Notes issued under the Programme. Accordingly, there is no assurance as to the development or liquidity of any trading market, or that disruptions will not occur, for any particular Tranche of the Notes. In addition, the Notes are being offered pursuant to exemptions from registration under the Securities Act and, as a result, you will only be able to resell your Notes in transactions that have been registered under the Securities Act or in transactions not subject to or exempt from registration under the Securities Act.

**If any Notes are assigned credit ratings, such ratings may not reflect all risks.**

One or more independent credit rating agencies may assign credit ratings to an issue of the Notes. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time. There can be no assurance that the ratings assigned to any Notes will remain in effect for any given period or that the ratings will not be revised or withdrawn by the rating agencies in the future if, in their judgement, the circumstances so warrant. The Group has no obligation to inform holders of the Notes of any such suspension, revision, downgrade or withdrawal. A suspension, downgrade or withdrawal of the ratings of any Notes at any time may adversely affect the market price of the Notes.

**Bearer Notes where denominations involve integral multiples: definitive Bearer Notes.**

In relation to any issue of Bearer Notes which have denominations consisting of a minimum Specified Denomination plus one or more higher integral multiples of another smaller amount, it is possible that such Notes may be traded in amounts that are not integral multiples of such minimum Specified Denomination. In such a case a holder who, as a result of trading such amounts, holds an amount which is less than the minimum Specified Denomination in his account with the relevant clearing system would not be able to sell the remainder of such holding without first purchasing a principal amount of Bearer Notes at or in excess of the minimum Specified Denomination such that its holding amounts to a Specified Denomination. Further, a holder who, as a result of trading such amounts, holds an amount which is less than the minimum Specified Denomination in his account with the relevant clearing system at the relevant time may not receive a definitive Bearer Note in respect of such holding (should such Notes be printed) and would need to purchase a principal amount of the Notes at or in excess of the minimum Specified Denomination such that its holding amounts to a Specified Denomination.

If definitive Bearer Notes are issued, holders should be aware that definitive Notes which have a denomination that is not an integral multiple of the minimum Specified Denomination may be illiquid and difficult to trade.

**There may be less publicly available information about the Group than is available in certain other jurisdictions.**

There may be less publicly available information about companies listed in Hong Kong than is regularly made available by public companies in certain other countries. In addition, the Group's financial statements are prepared and presented in accordance with HKFRS, which differs in certain respects from IFRS.

**It may be difficult to effect service of process upon the Group or to enforce against it in the PRC and Hong Kong any judgments obtained from non-PRC or non-Hong Kong courts.**

The Issuer is incorporated in Hong Kong. A substantial proportion of the Group's manufacturing assets are located within the PRC. It may not be possible for investors to effect service of process upon the Group inside the PRC or Hong Kong or to enforce against it in the PRC or Hong Kong any judgments obtained from non-PRC or non-Hong Kong courts. While United States court civil judgments for a monetary sum in respect of private law liabilities are, in principle, enforceable in Hong Kong if certain criteria are satisfied (relating to matters including jurisdiction, finality, due process and the absence of fraud), those criteria are often not satisfied and even where they are, arguable, satisfied, the procedure for demonstrating this often proves costly, time-consuming and

uncertain. Where the United States court judgment is based on the civil liability provisions of the United States federal securities laws, the defendant will often have scope for raising a further objection to the effect that such liabilities are, in substance, public or penal in nature and, as such, unenforceable in Hong Kong.

## **RISKS RELATING TO FORWARD-LOOKING STATEMENTS**

**This Offering Circular contains forward-looking statements that are the Group's management's present expectations of future events and are subject to certain factors and uncertainties that could cause actual results to differ materially from those described in the forward-looking statements.**

In addition to the risks related to the Group's business discussed above, other factors could cause actual results to differ materially from those described in the various forward-looking statements contained in this Offering Circular. These factors include, but are not limited to, the following:

- general economic, business and political conditions;
- adverse trends in regulatory, legislative and judicial developments;
- the ability of third parties to perform in accordance with contractual terms and specifications;
- changes in interest rates;
- declines in consumer confidence;
- changes in competitive conditions; and
- conditions in the financial markets.

By their nature, certain disclosures relating to these and other risks are only estimates and should one or more of these uncertainties or risks materialise, actual results may vary materially from those estimated, anticipated or projected, as well as from historical results. Specifically but without limitation, revenues could decrease, costs (including capital costs) could increase, investments could be delayed and anticipated improvements in performance might not be fully realised.

The Group cautions you not to place undue reliance on the forward-looking statements, which speak only as of the date of this Offering Circular. Except as required by law, the Group is not under any obligation, and expressly disclaim any obligation, to update or alter any forward-looking statements attributable, whether as a result of new information, future events or otherwise. All subsequent forward-looking statements attributable to the Group or any person acting on its behalf are expressly qualified in their entirety by the cautionary statements contained or referred to in this section.

## FORM OF THE NOTES

### **Bearer Notes**

Each Series of the Notes to be issued in bearer form ("**Bearer Notes**") will initially be in the form of either a temporary global note in bearer form (the "**Temporary Global Note**"), without interest coupons, or a permanent global note in bearer form (the "**Permanent Global Note**"), without interest coupons, in each case as specified in the relevant Pricing Supplement. Each Temporary Global Note or, as the case may be, Permanent Global Note (each a "**Global Note**") will be deposited on or around the issue date of the relevant Series of the Notes with a depositary or a common depositary for Euroclear as operator of the Euroclear System and/or Clearstream and/or any other relevant clearing system and/or a sub-custodian for the CMU.

In the case of each Tranche of Bearer Notes, the relevant Pricing Supplement will also specify whether the "C Rules" or the "D Rules" are applicable in relation to the Notes or, if the Notes do not have a maturity of more than 365 days, that neither the C Rules nor the D Rules are applicable.

In the case of each Tranche of Bearer Notes, the relevant Pricing Supplement will also specify whether rules in substantially the same form as United States Treasury Regulation §1.163-5(c)(2)(i)(C) for purposes of Section 4701 of the U.S. Internal Revenue Code (the "**C Rules**") or rules in substantially the same form as United States Treasury Regulation §1.163-5(c)(2)(i)(D) for purposes of Section 4701 of the U.S. Internal Revenue Code (the "**D Rules**") are applicable in relation to the Notes or, if the Notes do not have a maturity of more than 365 days (taking into account unilateral rights to extend or rollover) or are in registered form for U.S. federal income tax purposes, that neither the C Rules nor the D Rules are applicable. Notes issued in compliance with the D Rules must be initially issued in the form of a Temporary Global Note. Whilst any Bearer Note issued under the D Rules is represented by a Temporary Global Note, payments of principal, interest (if any) and any other amount payable in respect of the Notes due prior to the Exchange Date (as defined below) will be made against presentation of the Temporary Global Note only to the extent that certification generally to the effect that the beneficial owners of interests in such Note are not U.S. persons or persons who have purchased for resale to any U.S. person, as required by U.S. Treasury regulations, has been received by Euroclear and/or Clearstream and/or any other relevant clearing system, and Euroclear and/or Clearstream, as applicable, has given a like certification (based on the certifications it has received) to the relevant Paying Agent (or in the case of Bearer Notes held through the CMU, received by the CMU Lodging and Paying Agent from CMU Members).

Bearer Notes issued in compliance with the D Rules will be issued through the CMU only if the CMU Members and the CMU Lodging and Paying Agent have procedures in place for the certification of non-U.S. beneficial ownership as required under the D Rules.

### ***Temporary Global Note exchangeable for Permanent Global Note***

If the relevant Pricing Supplement specifies the form of the Notes as being "Temporary Global Note exchangeable for a Permanent Global Note", then the Notes will initially be issued in the form of a Temporary Global Note which will be exchangeable, in whole or in part, for interests in a Permanent Global Note, without interest coupons, from the date (the "**Exchange Date**") which is 40 days after the issue date of the relevant Tranche of the Notes upon certification as to non-U.S. beneficial ownership. No payments will be made under the Temporary Global Note after the Exchange Date unless exchange for interests in the Permanent Global Note is improperly withheld or refused. In addition, interest payments in respect of Temporary Global Notes cannot be collected without such certification of non-U.S. beneficial ownership, as described above.

Whenever any interest in the Temporary Global Note is to be exchanged for an interest in a Permanent Global Note, the Issuer shall procure (in the case of first exchange) the delivery of a Permanent Global Note, to the bearer of the Temporary Global Note or (in the case of any subsequent exchange) an increase in the principal amount of the Permanent Global Note in accordance with its terms against:

- (i) presentation and (in the case of final exchange) presentation and surrender of the Temporary Global Note to or to the order of the Principal Paying Agent; and
- (ii) in the case that the D Rules are applicable, receipt by the Principal Paying Agent of a certificate or certificates of non-U.S. beneficial ownership as described above,

within 7 days of the bearer requesting such exchange.

***Temporary Global Note exchangeable for Definitive Notes***

If the relevant Pricing Supplement specifies the form of the Notes as being "Temporary Global Note exchangeable for Definitive Notes" and also specifies that the C Rules are applicable or that neither the C Rules nor the D Rules are applicable, then the Notes will initially be in the form of a Temporary Global Note which will be exchangeable, in whole but not in part, for Definitive Notes not earlier than 40 days after the issue date of the relevant Tranche of the Notes.

If the relevant Pricing Supplement specifies the form of the Notes as being "Temporary Global Note exchangeable for Definitive Notes" and also specifies that the D Rules are applicable, then the Notes will initially be issued in the form of a Temporary Global Note which will be exchangeable, in whole or in part, for Definitive Notes on or after the Exchange Date for the relevant Tranche of the Notes upon, certification as to non-U.S. beneficial ownership as described above. Interest payments in respect of the Notes cannot be collected without such certification of non-U.S. beneficial ownership.

Whenever the Temporary Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons and Talons attached (if so specified in the relevant Pricing Supplement), in an aggregate principal amount equal to the principal amount of the Temporary Global Note to the bearer of the Temporary Global Note against the surrender of the Temporary Global Note and in the case where the D Rules are applicable, certification as to non-U.S. beneficial ownership, as described above, to or to the order of the Principal Paying Agent within 30 days of the bearer requesting such exchange. Any exchange shall be in the Specified Denominations.

***Permanent Global Note exchangeable for Definitive Notes***

If the relevant Pricing Supplement specifies the form of the Notes as being "Permanent Global Note exchangeable for Definitive Notes", then the Notes will initially be issued in the form of a Permanent Global Note which will be exchangeable in whole, but not in part, for Definitive Notes:

- (i) on the expiry of such period of notice as may be specified in the relevant Pricing Supplement; or
- (ii) at any time, if so specified in the relevant Pricing Supplement; or
- (iii) if the relevant Pricing Supplement specifies "in the limited circumstances described in the Permanent Global Note", then if either of the following event occurs:
  - (a) Euroclear or Clearstream, the CMU or any other relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business; or
  - (b) an Event of Default as defined in Condition 14 (*Events of Default*) occurs in respect of any Note of the relevant Tranche and the Notes become due and payable.

Whenever the Permanent Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons and Talons attached (if so specified in the relevant Pricing Supplement), in an aggregate principal amount equal to the

principal amount of the Permanent Global Note to the bearer of the Permanent Global Note against the surrender of the Permanent Global Note to or to the order of the Principal Paying Agent within 30 days of the bearer requesting such exchange. Any exchange shall be in the Specified Denominations.

Notes issued as Permanent Global Notes may not be issued using the D Rules.

### ***Terms and Conditions applicable to the Notes***

The terms and conditions applicable to any Definitive Note will be endorsed on that Note and will consist of the terms and conditions set out under "*Terms and Conditions of the Notes*" below and the provisions of the relevant Pricing Supplement which supplement, amend and/or replace those terms and conditions.

The terms and conditions applicable to any Note in global form will differ from those terms and conditions which would apply to the Note were it in definitive form to the extent described under "*Summary of Provisions Relating to the Notes while in Global Form*" below.

### **Registered Notes**

Each Tranche of the Notes in registered form ("**Registered Notes**") will be represented by either:

- (i) individual Note Certificates in registered form ("**Individual Note Certificates**"); or
- (ii) one or more unrestricted global note certificates ("**Global Note Certificate(s)**") in the case of Registered Notes sold outside the United States in reliance on Regulation S ("**Unrestricted Notes**"),

in each case as specified in the relevant Pricing Supplement.

Each Note represented by a Global Note Certificate will be registered in the name of a common depositary (or its nominee) for Euroclear and/or Clearstream, a sub-custodian for the CMU and/or any other relevant clearing system, and the relevant Global Note Certificate will be deposited on or about the issue date with the common depositary or sub-custodian.

If the relevant Pricing Supplement specifies the form of the Notes as being "Individual Note Certificates", then the Notes will at all times be represented by Individual Note Certificates issued to each Noteholder in respect of their respective holdings.

### ***Global Note Certificate exchangeable for Individual Note Certificates***

If the relevant Pricing Supplement specifies the form of the Notes as being "Global Note Certificate exchangeable for Individual Note Certificates", then the Notes will initially be represented by one or more Global Note Certificates, each of which will be exchangeable in whole, but not in part, for Individual Note Certificates:

- (i) on the expiry of such period of notice as may be specified in the relevant Pricing Supplement; or
- (ii) at any time, if so specified in the relevant Pricing Supplement; or
- (iii) if the relevant Pricing Supplement specifies "in the limited circumstances described in the Global Note Certificate", then:
  - (a) in the case of any Global Note Certificate held by or on behalf of Euroclear and/or Clearstream and/or any other clearing system, if Euroclear, Clearstream or any other relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business; and

- (b) in any case, if any of the circumstances described in Condition 14 (Events of Default) occurs in respect of any Note of the relevant Tranche.

Whenever a Global Note Certificate is to be exchanged for Individual Note Certificates, each person having an interest in a Global Note Certificate must provide the Registrar (through the relevant clearing system) with such information as the Issuer and the Registrar may require to complete and deliver Individual Note Certificates (including the name and address of each person in which the Notes represented by the Individual Note Certificates are to be registered and the principal amount of each such person's holding).

Whenever a Global Note Certificate is to be exchanged for Individual Note Certificates, the Issuer shall procure that Individual Note Certificates will be issued in an aggregate principal amount equal to the principal amount of the Global Note Certificate within five business days of the delivery, by or on behalf of the registered holder of the Global Note Certificate to the Registrar of such information as is required to complete and deliver such Individual Note Certificates against the surrender of the Global Note Certificate at the specified office of the Registrar.

Such exchange will be effected in accordance with the provisions of the Trust Deed and the Agency Agreement and the regulations concerning the transfer and registration of the Notes scheduled to the Agency Agreement and, in particular, shall be effected without charge to any holder, but against such indemnity as the Registrar may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such exchange.

***Terms and Conditions applicable to the Notes***

The terms and conditions applicable to any Individual Note Certificate will be endorsed on that Individual Note Certificate and will consist of the terms and conditions set out under "*Terms and Conditions of the Notes*" below and the provisions of the relevant Pricing Supplement which supplement, amend and/or replace those terms and conditions.

The terms and conditions applicable to any Global Note Certificate will differ from those terms and conditions which would apply to the Note were it in definitive form to the extent described under "*Summary of Provisions Relating to the Notes while in Global Form*" below.

## **USE OF PROCEEDS**

The net proceeds from each issue of Notes will be used by the Issuer for refinancing existing indebtedness and for general corporate purposes. If, in respect of any particular issue, there is a particular identified use of proceeds, this will be stated in the applicable Pricing Supplement.

## TERMS AND CONDITIONS OF THE NOTES

The following is the text of the terms and conditions which, as supplemented, amended and/or replaced by the relevant Pricing Supplement, will be endorsed on each Note in definitive form issued under the Programme. The terms and conditions applicable to any Note in global form will differ from those terms and conditions which would apply to the Note were it in definitive form to the extent described under "Summary of Provisions Relating to the Notes while in Global Form" below.

### 1. Introduction

- (a) **Programme:** Techtronic Industries Company Limited (創科實業有限公司) (the "**Issuer**") has established a Medium Term Note Programme (the "**Programme**") for the issuance of up to U.S.\$500,000,000 in aggregate principal amount of notes (the "**Notes**").
- (b) **Pricing Supplement:** Notes issued under the Programme are issued in series (each, a "**Series**") and each Series may comprise one or more tranches (each, a "**Tranche**") of Notes. The terms and conditions applicable to any particular Tranche of Notes are set out in the relevant pricing supplement (the "**Pricing Supplement**") which supplements, amends and/or replaces these terms and conditions (the "**Conditions**"). In the event of any inconsistency between these Conditions and the relevant Pricing Supplement, the relevant Pricing Supplement shall prevail.
- (c) **Trust Deed:** The Notes are constituted by, are subject to, and have the benefit of an amended and restated trust deed dated 17 May 2024 (as amended and/or supplemented from time to time, the "**Trust Deed**") between the Issuer and Citicorp International Limited as trustee (the "**Trustee**", which expression includes all persons for the time being trustee or trustees appointed under the Trust Deed).
- (d) **Agency Agreement:** The Notes are the subject of an amended and restated issue and paying agency agreement dated 17 May 2024 (as amended and/or supplemented from time to time, the "**Agency Agreement**") between the Issuer, Citibank, N.A., London Branch as principal paying agent, transfer agent and registrar (the "**Principal Paying Agent**", "**Transfer Agent**" and "**Registrar**", respectively, which expression includes any successor principal paying agent, successor or additional transfer agent or successor registrar appointed from time to time in connection with the Notes), Citicorp International Limited as CMU lodging and paying agent (the "**CMU Lodging and Paying Agent**", which expression includes any successor CMU lodging and paying agent appointed from time to time in connection with the Notes), the paying agents named therein (together with the Principal Paying Agent and the CMU Lodging and Paying Agent, the "**Paying Agents**", which expression includes any successor or additional paying agents appointed from time to time in connection with the Notes) and the Trustee. In these Conditions references to the "**Agents**" are to the Principal Paying Agent, the CMU Lodging and Paying Agent, the Registrar, the Paying Agents and the Transfer Agent and any reference to an "**Agent**" is to any one of them.
- (e) **The Notes:** The Notes may be issued in bearer form ("**Bearer Notes**"), or in registered form ("**Registered Notes**"). Bearer Notes will not be sold in the United States or to U.S. persons. All subsequent references in these Conditions to "**Notes**" are to the Notes which are the subject of the relevant Pricing Supplement. Copies of the relevant Pricing Supplement are available for viewing and copies may be obtained from the Specified Office of each of the Paying Agents and Transfer Agent.
- (f) **Summaries:** Certain provisions of these Conditions are summaries of the Trust Deed (as defined below) and the Agency Agreement and are subject to their detailed provisions. Noteholders and the holders of the related interest coupons, if any, (the "**Couponholders**" and the "**Coupons**", respectively) are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and the Agency Agreement applicable to them. Copies of the Trust Deed and the Agency Agreement are available for inspection by Noteholders during normal business hours with reasonable prior written notification at the Specified Offices of the Paying Agents.

### 2. Interpretation

- (a) **Definitions:** In these Conditions the following expressions have the following meanings:

"**Accrual Yield**" has the meaning given in the relevant Pricing Supplement;

**"Additional Business Centre(s)"** means the city or cities specified as such in the relevant Pricing Supplement;

**"Additional Financial Centre(s)"** means the city or cities specified as such in the relevant Pricing Supplement;

**"Business Day"** means:

- (i) in relation to any sum payable in euro, a TARGET Settlement Day and a day on which commercial banks and foreign exchange markets settle payments generally in each (if any) Additional Business Centre;
- (ii) in relation to any sum payable in a currency other than euro and Renminbi, a day on which commercial banks and foreign exchange markets settle payments generally, in the Principal Financial Centre of the relevant currency and in each (if any) Additional Business Centre;
- (iii) for the purposes of Notes denominated in Renminbi only, any day (other than a Sunday or a Saturday) on which commercial banks and foreign exchange markets are open for business and settle Renminbi payments in Hong Kong and are not authorised or obligated by law or executive order to be closed; and
- (iv) in respect of Notes for which the Reference Rate is specified as SOFR in the relevant Pricing Supplement, any weekday that is a U.S. Government Securities Business Day and is not a legal holiday in New York and each (if any) Additional Business Centre(s) and is not a date on which banking institutions in those cities are authorised or required by law or regulation to be closed.

**"Business Day Convention"**, in relation to any particular date, has the meaning given in the relevant Pricing Supplement and, if so specified in the relevant Pricing Supplement, may have different meanings in relation to different dates and, in this context, the following expressions shall have the following meanings:

- (i) **"Following Business Day Convention"** means that the relevant date shall be postponed to the first following day that is a Business Day;
- (ii) **"Modified Following Business Day Convention"** or **"Modified Business Day Convention"** means that the relevant date shall be postponed to the first following day that is a Business Day unless that day falls in the next calendar month in which case that date will be the first preceding day that is a Business Day save in respect of Notes for which the Reference Rate is SOFR, for which the final Interest Payment Date will not be postponed and interest on that payment will not accrue during the period from and after the scheduled final Interest Payment Date;
- (iii) **"Preceding Business Day Convention"** means that the relevant date shall be brought forward to the first preceding day that is a Business Day;
- (iv) **"FRN Convention"**, **"Floating Rate Convention"** or **"Eurodollar Convention"** means that each relevant date shall be the date which numerically corresponds to the preceding such date in the calendar month which is the number of months specified in the relevant Pricing Supplement as the Specified Period after the calendar month in which the preceding such date occurred *provided*, however, that:
  - (A) if there is no such numerically corresponding day in the calendar month in which any such date should occur, then such date will be the last day which is a Business Day in that calendar month;
  - (B) if any such date would otherwise fall on a day which is not a Business Day, then such date will be the first following day which is a Business Day unless that day falls in the next calendar month, in which case it will be the first preceding day which is a Business Day; and
  - (C) if the preceding such date occurred on the last day in a calendar month which was a Business Day, then all subsequent such dates will be the last day which is a Business

Day in the calendar month which is the specified number of months after the calendar month in which the preceding such date occurred; and

- (v) **"No Adjustment"** means that the relevant date shall not be adjusted in accordance with any Business Day Convention;

**"Calculation Agent"** means the Principal Paying Agent or such other Person, in each case as specified in the relevant Pricing Supplement as the party responsible for calculating the Rate(s) of Interest and Interest Amount(s) and/or such other amount(s) as may be specified in the relevant Pricing Supplement;

**"Calculation Amount"** has the meaning given in the relevant Pricing Supplement;

**"CMU"** means the Central Moneymarkets Unit Service, operated by the Hong Kong Monetary Authority;

**"Code"** means the US Internal Revenue Code of 1986;

**"Coupon Sheet"** means, in respect of a Note, a coupon sheet relating to the Note;

**"Day Count Fraction"** means, in respect of the calculation of an amount for any period of time (the **"Calculation Period"**), such day count fraction as may be specified in these Conditions or the relevant Pricing Supplement and:

- (i) if **"Actual/Actual (ICMA)"** is so specified, means:
- (A) where the Calculation Period is equal to or shorter than the Regular Period during which it falls, the actual number of days in the Calculation Period divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year; and
  - (B) where the Calculation Period is longer than one Regular Period, the sum of:
    - (1) the actual number of days in such Calculation Period falling in the Regular Period in which it begins divided by the product of (a) the actual number of days in such Regular Period and (b) the number of Regular Periods in any year; and
    - (2) the actual number of days in such Calculation Period falling in the next Regular Period divided by the product of (a) the actual number of days in such Regular Period and (b) the number of Regular Periods in any year;
- (ii) if **"Actual/365"** or **"Actual/Actual (ISDA)"** is so specified, means the actual number of days in the Calculation Period divided by 365 (or, if any portion of the Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);
- (iii) if **"Actual/365 (Fixed)"** is so specified, means the actual number of days in the Calculation Period divided by 365;
- (iv) if **"Actual/360"** is so specified, means the actual number of days in the Calculation Period divided by 360;
- (v) if **"30/360"** is so specified, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"Y<sub>1</sub>" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"Y<sub>2</sub>" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"M<sub>1</sub>" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"M<sub>2</sub>" is the calendar month, expressed as number, in which the day immediately following the last day included in the Calculation Period falls;

"D<sub>1</sub>" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D<sub>1</sub> will be 30; and "D<sub>2</sub>" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D<sub>1</sub> is greater than 29, in which case D<sub>2</sub> will be 30;

(vi) if "**30E/360**" or "**Eurobond Basis**" is so specified, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"Y<sub>1</sub>" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"Y<sub>2</sub>" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"M<sub>1</sub>" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"M<sub>2</sub>" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"D<sub>1</sub>" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D<sub>1</sub> will be 30; and "D<sub>2</sub>" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31, in which case D<sub>2</sub> will be 30; and

(vii) if "**30E/360 (ISDA)**" is so specified, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"Y<sub>1</sub>" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"Y<sub>2</sub>" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"M<sub>1</sub>" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"**M<sub>2</sub>**" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**D<sub>1</sub>**" is the first calendar day, expressed as a number, of the Calculation Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D<sub>1</sub> will be 30; and

"**D<sub>2</sub>**" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D<sub>2</sub> will be 30,

*provided, however, that* in each such case the number of days in the Calculation Period is calculated from and including the first day of the Calculation Period to but excluding the last day of the Calculation Period;

"**Early Redemption Amount (Tax)**" means, in respect of any Note, its principal amount or such other amount as may be specified in, or determined in accordance with, the relevant Pricing Supplement;

"**Early Termination Amount**" means, in respect of any Note, its principal amount or such other amount as may be specified in, or determined in accordance with, these Conditions or the relevant Pricing Supplement;

"**Extraordinary Resolution**" has the meaning ascribed to it in the Trust Deed;

"**Final Redemption Amount**" means, in respect of any Note, its principal amount or such other amount as may be specified in, or determined in accordance with, the relevant Pricing Supplement;

"**First Interest Payment Date**" means the date specified in the relevant Pricing Supplement;

"**Fixed Coupon Amount**" has the meaning given in the relevant Pricing Supplement;

"**Group**" means the Issuer and its Subsidiaries, taken as a whole;

"**Guarantee**" means, in relation to any indebtedness of any Person, any obligation of another Person to pay such indebtedness including (without limitation):

- (i) any obligation to purchase such indebtedness;
- (ii) any obligation to lend money, to purchase or subscribe shares or other securities or to purchase assets or services in order to provide funds for the payment of such indebtedness;
- (iii) any indemnity against the consequences of a default in the payment of such indebtedness; and
- (iv) any other agreement to be responsible for such indebtedness;

"**Holder**", in the case of Bearer Notes, has the meaning given in Condition 3(b) (*Title to Bearer Notes*) and, in the case of Registered Notes, has the meaning given in Condition 3(d) (*Title to Registered Notes*);

"**Hong Kong**" means the Hong Kong Special Administrative Region of the PRC;

"**Interest Amount**" means, in relation to a Note and an Interest Period, the amount of interest payable in respect of that Note for that Interest Period;

"**Interest Commencement Date**" means the Issue Date of the Notes or such other date as may be specified as the Interest Commencement Date in the relevant Pricing Supplement;

"**Interest Determination Date**" has the meaning given in the relevant Pricing Supplement;

"**Interest Payment Date**" means the First Interest Payment Date and any date or dates specified as such in, or determined in accordance with the provisions of, the relevant Pricing Supplement and, if a Business Day Convention is specified in the relevant Pricing Supplement:

- (i) as the same may be adjusted in accordance with the relevant Business Day Convention; or
- (ii) if the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention and an interval of a number of calendar months is specified in the relevant Pricing Supplement as being the Specified Period, each of such dates as may occur in accordance with the FRN Convention, Floating Rate Convention or Eurodollar Convention at such Specified Period of calendar months following the Interest Commencement Date (in the case of the first Interest Payment Date) or the previous Interest Payment Date (in any other case);

**"Interest Period"** means each period beginning on (and including) the Interest Commencement Date or any Interest Payment Date and ending on (but excluding) the next Interest Payment Date (or, if the Notes are redeemed on any earlier date, the relevant redemption date);

**"ISDA Definitions"** means the 2006 ISDA Definitions (as amended and updated as at the date of issue of the first Tranche of the Notes of the relevant Series (as specified in the relevant Pricing Supplement) as published by the International Swaps and Derivatives Association, Inc.) unless otherwise specified in the relevant Pricing Supplement;

**"Issue Date"** has the meaning given in the relevant Pricing Supplement;

**"Margin"** has the meaning given in the relevant Pricing Supplement;

**"Material Subsidiaries"** means a Subsidiary of the Issuer whose revenue (calculated on the same basis as the revenue of the Group after intercompany eliminations) represents 15 per cent. or more of the revenue, of the Group calculated on a consolidated basis after intercompany eliminations and a report by the Issuer's auditors that a Subsidiary is or is not a Material Subsidiary shall, in the absence of manifest error, be conclusive and binding on the Trustee and the Noteholders;

**"Maturity Date"** has the meaning given in the relevant Pricing Supplement;

**"Maximum Redemption Amount"** has the meaning given in the relevant Pricing Supplement;

**"Minimum Redemption Amount"** has the meaning given in the relevant Pricing Supplement;

**"Noteholder"**, in the case of Bearer Notes, has the meaning given in Condition 3(b) (*Form, Denomination, Title and Transfer - Title to Bearer Notes*) and, in the case of Registered Notes, has the meaning given in Condition 3(d) (*Form, Denomination, Title and Transfer - Title to Registered Notes*);

**"Officer"** means the chairman of the board of directors, the chief executive officer, the president, the chief financial officer, any vice president or director, the treasurer or the secretary of the Issuer, or a person duly authorised to act on behalf of the Issuer;

**"Officers' Certificate"** means a certificate signed by two Officers of the Issuer, one of whom is the principal executive officer, the principal financial officer, the treasurer or the principal accounting officer, or by an Officer and either an assistant treasurer or an assistant secretary of the Issuer;

**"Opinion of Counsel"** means an opinion (in form and substance reasonably acceptable to the Trustee) of independent legal advisers of recognised international standing that is reasonably acceptable to the Trustee;

**"Optional Redemption Amount (Call)"** means, in respect of any Note, its principal amount or such other amount as may be specified in, or determined in accordance with, the relevant Pricing Supplement;

**"Optional Redemption Amount (Put)"** means, in respect of any Note, its principal amount or such other amount as may be specified in, or determined in accordance with, the relevant Pricing Supplement;

**"Optional Redemption Date (Call)"** has the meaning given in the relevant Pricing Supplement;

**"Optional Redemption Date (Put)"** has the meaning given in the relevant Pricing Supplement;

**"Payment Business Day"** means:

- (i) if the currency of payment is euro, any day which is:

- (A) a day on which (a) banks in the relevant place of presentation are open for presentation and payment of bearer debt securities and for dealings in foreign currencies; and (b) a day on which commercial banks are open for general business (including dealings in foreign currencies) in the city where the Principal Paying Agent or, as the case may be, the CMU Lodging and Paying Agent has its Specified Office; and
  - (B) in the case of payment by transfer to an account, (a) a TARGET Settlement Day and (b) a day on which dealings in foreign currencies may be carried on in each (if any) Additional Financial Centre; or
- (ii) if the currency of payment is not euro, any day which is:
- (A) a day on which (a) banks in the relevant place of presentation are open for presentation and payment of bearer debt securities and for dealings in foreign currencies and (b) a day on which commercial banks are open for general business (including dealings in foreign currencies) in the city where the Principal Paying Agent or, as the case may be, the CMU Lodging and Paying Agent has its Specified Office; and
  - (B) in the case of payment by transfer to an account, a day on which dealings in foreign currencies (including, in the case of Notes denominated in Renminbi, settlement of Renminbi payments) may be carried on in the Principal Financial Centre of the currency of payment and in each (if any) Additional Financial Centre;

**"Person"** means any individual, company, corporation, firm, partnership, joint venture, association, organisation, state or agency of a state or other entity, whether or not having separate legal personality;

**"PRC"** means, for the purpose of these Conditions, the People's Republic of China excluding Hong Kong, Macau and Taiwan;

**"Principal Financial Centre"** means, in relation to any currency, the principal financial centre for that currency *provided, however, that:*

- (i) in relation to euro, it means the principal financial centre of such Member State of the European Communities as is selected (in the case of a payment) by the payee or (in the case of a calculation) by the Calculation Agent;
- (ii) in relation to Australian dollars, it means Sydney and in relation to New Zealand dollars, it means Auckland, in each case as is selected (in the case of a payment) by the payee or (in the case of a calculation) by the Calculation Agent or, in each case, the principal financial centre as is specified in the applicable Pricing Supplement; and
- (iii) in relation to Renminbi, it means Hong Kong or the principal financial centre as is specified in the applicable Pricing Supplement;

**"Put Option Notice"** means a notice which must be delivered to a Paying Agent by any Noteholder wanting to exercise a right to redeem a Note at the option of the Noteholder;

**"Put Option Receipt"** means a receipt issued by a Paying Agent to a depositing Noteholder upon deposit of a Note with such Paying Agent by any Noteholder wanting to exercise a right to redeem a Note at the option of the Noteholder;

**"Rate of Interest"** means the rate or rates (expressed as a percentage per annum) of interest payable in respect of the Notes specified in the relevant Pricing Supplement or calculated or determined in accordance with the provisions of these Conditions and/or the relevant Pricing Supplement;

**"Redemption Amount"** means, as appropriate, the Final Redemption Amount, the Early Redemption Amount (Tax), the Optional Redemption Amount (Call), the Optional Redemption Amount (Put), the Early Termination Amount or such other amount in the nature of a redemption amount as may be specified in, or determined in accordance with the provisions of, the relevant Pricing Supplement;

**"Reference Banks"** has the meaning given in the relevant Pricing Supplement or, if none, four major banks selected by the Issuer in the market that is most closely connected with the Reference Rate and notified in writing to the Trustee and the Calculation Agent;

**"Reference Price"** has the meaning given in the relevant Pricing Supplement;

**"Reference Rate"** means EURIBOR, SOFR or any other applicable benchmarks as specified in the relevant Pricing Supplement in respect of the currency and period specified in the relevant Pricing Supplement. Other than in the case of U.S. dollar-denominated floating rate Notes or a Note for which the "Reference Rate" is specified in the relevant Pricing Supplement as being SOFR, the term Reference Rate shall, following the occurrence of a Benchmark Event under Condition 7(j) (*Floating Rate Note Provisions - Benchmark Replacement (Independent Adviser)*), include any Successor Rate or Alternative Rate and shall, if a Benchmark Event should occur subsequently in respect of any such Successor Rate or Alternative Rate, also include any further Successor Rate or further Alternative Rate;

**"Regular Period"** means:

- (i) in the case of Notes where interest is scheduled to be paid only by means of regular payments, each period from and including the Interest Commencement Date to but excluding the first Interest Payment Date and each successive period from and including one Interest Payment Date to but excluding the next Interest Payment Date;
- (ii) in the case of Notes where, apart from the first Interest Period, interest is scheduled to be paid only by means of regular payments, each period from and including a Regular Date falling in any year to but excluding the next Regular Date, where **"Regular Date"** means the day and month (but not the year) on which any Interest Payment Date falls; and
- (iii) in the case of Notes where, apart from one Interest Period other than the first Interest Period, interest is scheduled to be paid only by means of regular payments, each period from and including a Regular Date falling in any year to but excluding the next Regular Date, where **"Regular Date"** means the day and month (but not the year) on which any Interest Payment Date falls other than the Interest Payment Date falling at the end of the irregular Interest Period.

**"Relevant Date"** means, in relation to any payment, whichever is the later of (a) the date on which the payment in question first becomes due and (b) if the full amount payable has not been received by the Principal Paying Agent or the Trustee on or prior to such due date, the date on which (the full amount having been so received) notice to that effect has been given to the Noteholders;

**"Relevant Financial Centre"** has the meaning given in the relevant Pricing Supplement;

**"Relevant Indebtedness"** means any indebtedness which is in the form of, or represented or evidenced by, bonds, notes, debentures, debenture stock, loan stock, certificates or other securities or similar instruments which for the time being are, or are capable of being or are commonly, quoted, listed or dealt in or traded on any stock exchange or over-the-counter or other securities market;

**"Relevant Screen Page"** means the page, section or other part of a particular information service (including, without limitation, Reuters) specified as the Relevant Screen Page in the relevant Pricing Supplement, or such other page, section or other part as may replace it on that information service or such other information service, in each case, as may be nominated by the Person providing or sponsoring the information appearing there for the purpose of displaying rates or prices comparable to the Reference Rate;

**"Relevant Time"** has the meaning given in the relevant Pricing Supplement;

**"Reserved Matter"** means any proposal to change any date fixed for payment of principal or interest in respect of the Notes, to reduce the amount of principal or interest payable on any date in respect of the Notes, to alter the method of calculating the amount of any payment in respect of the Notes or the date for any such payment, to change the currency of any payment under the Notes or to change the quorum requirements relating to meetings or the majority required to pass an Extraordinary Resolution;

**"Security Interest"** means any mortgage, charge, pledge, lien or other security interest including, without limitation, anything analogous to any of the foregoing under the laws of any jurisdiction;

"**Specified Currency**" has the meaning given in the relevant Pricing Supplement;

"**Specified Denomination(s)**" has the meaning given in the relevant Pricing Supplement;

"**Specified Office**" has the meaning given in the Agency Agreement;

"**Specified Period**" has the meaning given in the relevant Pricing Supplement;

"**Subsidiary**" means, in relation to any company or corporation, a company or corporation:

- (i) which is controlled, directly or indirectly, by the first mentioned company or corporation;
- (ii) more than half the issued equity share capital of which is beneficially owned, directly or indirectly, by the first mentioned company or corporation;
- (iii) the financial statements of which are, in accordance with applicable law and generally accepted accounting standards, required to be consolidated with that first mentioned company or corporation; or
- (iv) which is a Subsidiary of another Subsidiary of the first mentioned company or corporation,

and for this purpose, a company or corporation shall be treated as being controlled by another if that other company or corporation is able to direct its affairs and/or to control the composition of its board of directors or equivalent body;

"**T2**" means the real time gross settlement system operated by the Eurosystem, or any successor system;

"**Talon**" means a talon for further Coupons;

"**TARGET Settlement Day**" means any day on which T2 is open for the settlement of payments in euro;

"**Treaty**" means the Treaty establishing the European Communities, as amended; and

"**Zero Coupon Note**" means a Note specified as such in the relevant Pricing Supplement.

(b) **Interpretation:** In these Conditions:

- (i) if the Notes are Zero Coupon Notes or are Registered Notes, references to Coupons and Couponholders are not applicable;
- (ii) if Talons are specified in the relevant Pricing Supplement as being attached to the Notes at the time of issue, references to Coupons shall be deemed to include references to Talons;
- (iii) if Talons are not specified in the relevant Pricing Supplement as being attached to the Notes at the time of issue, references to Talons are not applicable;
- (iv) any reference to principal shall be deemed to include the Redemption Amount, any Additional Amounts (as defined in Condition 13 (*Taxation*)), any premium payable in respect of a Note and any other amount in the nature of principal payable pursuant to these Conditions;
- (v) any reference to interest shall be deemed to include any Additional Amounts and any other amount in the nature of interest payable pursuant to these Conditions;
- (vi) references to Notes being "**outstanding**" shall be construed in accordance with the Trust Deed;
- (vii) if an expression is stated in Condition 2(a) (*Interpretation - Definitions*) to have the meaning given in the relevant Pricing Supplement, but the relevant Pricing Supplement gives no such meaning or specifies that such expression is "**not applicable**" then such expression is not applicable to the Notes; and
- (viii) any reference to the Trust Deed or the Agency Agreement shall be construed as a reference to the Trust Deed or the Agency Agreement, as the case may be, as amended and/or supplemented up to and including the Issue Date of the Notes.

3. **Form, Denomination, Title and Transfer**

- (a) **Bearer Notes:** Bearer Notes are in the Specified Denomination(s) with Coupons and, if specified in the relevant Pricing Supplement, Talons attached at the time of issue. In the case of a Series of Bearer Notes with more than one Specified Denomination, Bearer Notes of one Specified Denomination will not be exchangeable for Bearer Notes of another Specified Denomination.

*Bearer Notes issued in compliance with United States Treasury Regulation § 1.163-5(c)(2)(i)(D) or any successor provision for purposes of Section 4701 of the US Internal Revenue Code ("TEFRA D") must be initially represented by a Temporary Global Note exchangeable for interests in a Permanent Global Note or definitive Bearer Notes upon certification of non-U.S. beneficial ownership in accordance with the TEFRA D rules.*

- (b) **Title to Bearer Notes:** Title to Bearer Notes and the Coupons will pass by delivery. In the case of Bearer Notes, "**Holder**" means the holder of such Bearer Note and "**Noteholder**" and "**Couponholder**" shall be construed accordingly.
- (c) **Registered Notes:** Registered Notes are in the Specified Denomination(s), which may include a minimum denomination specified in the relevant Pricing Supplement and higher integral multiples of a smaller amount specified in the relevant Pricing Supplement. Registered Notes are not exchangeable to Bearer Notes or vice versa.
- (d) **Title to Registered Notes:** The relevant Registrar will maintain a register outside the United Kingdom in accordance with the provisions of the Agency Agreement. A certificate (each, a "**Note Certificate**") will be issued to each Holder of Registered Notes in respect of its registered holding. Each Note Certificate will be numbered serially with an identifying number which will be recorded in the register (the "**Register**"). In the case of Registered Notes, "**Holder**" means the person in whose name such Registered Note is for the time being registered in the Register (or, in the case of a joint holding, the first named thereof) and "**Noteholder**" shall be construed accordingly.
- (e) **Ownership:** The Holder of any Note or Coupon shall (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing thereon or, in the case of Registered Notes, on the Note Certificate relating thereto (other than the endorsed form of transfer) or any notice of any previous loss or theft thereof) and no Person shall be liable for so treating such Holder. No person shall have any right to enforce any term or condition of any Note or the Trust Deed under the Contracts (Rights of Third Parties) Act 1999.
- (f) **Transfers of Registered Notes:** Subject to paragraphs (i) (*Closed periods*) and (j) (*Regulations concerning transfers and registration*) below, a Registered Note may be transferred upon surrender of the relevant Note Certificate, with the endorsed form of transfer duly completed, at the Specified Office of the relevant Registrar or any Transfer Agent, together with such evidence as such Registrar or (as the case may be) such Transfer Agent may reasonably require to prove the title of the transferor and the authority of the individuals who have executed the form of transfer; *provided, however, that* a Registered Note may not be transferred unless the principal amount of Registered Notes transferred and (where not all of the Registered Notes held by a Holder are being transferred) the principal amount of the balance of Registered Notes not transferred are Specified Denominations. Where not all the Registered Notes represented by the surrendered Note Certificate are the subject of the transfer, a new Note Certificate in respect of the balance of the Registered Notes will be issued to the transferor.
- (g) **Registration and delivery of Note Certificates:** Within five business days of the surrender of a Note Certificate in accordance with paragraph (f) (*Transfers of Registered Notes*) above, the relevant Registrar will register the transfer in question and deliver a new Note Certificate of a like principal amount to the Registered Notes transferred to each relevant Holder at its Specified Office or (as the case may be) the Specified Office of any Transfer Agent or (at the request and risk of any such relevant Holder) by uninsured first class mail (airmail if overseas) to the address specified for the purpose by such relevant Holder. In this paragraph, "**business day**" means a day on which commercial banks are open for general business (including dealings in foreign currencies) in the city where the relevant Registrar or (as the case may be) the relevant Transfer Agent has its Specified Office.

- (h) **No charge:** The transfer of a Registered Note will be effected without charge by or on behalf of the Issuer or the relevant Registrar or any Transfer Agent but against such indemnity by the transferor as such Registrar or (as the case may be) such Transfer Agent may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such transfer.
- (i) **Closed periods:** Noteholders may not require transfers to be registered:
- (i) during the period of 15 days ending on the due date for any payment of principal or interest in respect of the Registered Notes;
  - (ii) during the period of 15 days ending on any date on which Notes may be called for redemption by the Issuer at its option pursuant to Condition 10(b) (*Redemption and Purchase - Redemption for tax reasons*) or Condition 10(c) (*Redemption and Purchase - Redemption at the option of the Issuer*); and
  - (iii) after a Put Option Notice has been delivered in respect of the relevant Note(s) in accordance with Condition 10(e) (*Redemption and Purchase - Redemption at the option of the Noteholders*).
- (j) **Regulations concerning transfers and registration:** All transfers of Registered Notes and entries on the Register are subject to the detailed regulations concerning the transfer of Registered Notes scheduled to the Agency Agreement. The regulations may be changed by the Issuer with the prior written approval of the relevant Registrar. A copy of the current regulations will be mailed by the relevant Registrar to any Noteholder (at the cost and expense of such Noteholder) who requests in writing a copy of such regulations.

#### 4. **Status**

The Notes constitute direct, unconditional, unsubordinated and (subject to Condition 5 (*Negative Pledge*)) unsecured obligations of the Issuer which will at all times rank *pari passu* among themselves and at least *pari passu* with all other present and future unsecured and unsubordinated obligations of the Issuer, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

#### 5. **Negative Pledge**

So long as any Note remains outstanding (as defined in the Trust Deed), the Issuer shall, and shall procure that none of its Subsidiaries will, create or permit to subsist any Security Interest upon the whole or any part of its present or future undertaking, assets or revenues (including uncalled capital) to secure any Relevant Indebtedness or guarantee of Relevant Indebtedness without (i) at the same time or prior thereto securing the Notes equally and rateably therewith to the satisfaction of the Trustee or (ii) providing such other security for the Notes as may be approved by an Extraordinary Resolution of Noteholders.

#### 6. **Fixed Rate Note Provisions**

- (a) **Application:** This Condition 6 is applicable to the Notes only if the Fixed Rate Note Provisions are specified in the relevant Pricing Supplement as being applicable.
- (b) **Accrual of interest:** The Notes bear interest from (and including) the Interest Commencement Date at the Rate of Interest payable in arrear on each Interest Payment Date up to and including the Maturity Date, subject as provided in Conditions 11 (*Payments — Bearer Notes*) and 12 (*Payments — Registered Notes*). Each Note will cease to bear interest from the due date for final redemption unless, upon due presentation, payment of the Redemption Amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition 6 (both before and after judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is seven days after the Principal Paying Agent or the Trustee has notified the Noteholders of receipt of all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).
- (c) **Fixed Coupon Amount:** Unless specified in the relevant Pricing Supplement, the amount of interest payable in respect of each Note for any Interest Period shall be the relevant Fixed Coupon Amount and, if the Notes are in more than one Specified Denomination, shall be the relevant Fixed Coupon Amount in respect of the relevant Specified Denomination.

- (d) **Calculation of interest amount:** The amount of interest payable in respect of each Note for any period for which a Fixed Coupon Amount is not specified shall be calculated by applying the Rate of Interest to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards) and multiplying such rounded figure by a fraction equal to the Specified Denomination of such Note divided by the Calculation Amount. For this purpose a "sub-unit" means, in the case of any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of euro, means one cent.

## 7. Floating Rate Note Provisions

- (a) **Application:** This Condition 7 is applicable to the Notes only if the Floating Rate Note Provisions are specified in the relevant Pricing Supplement as being applicable.
- (b) **Accrual of interest:** The Notes bear interest from (and including) the Interest Commencement Date at the Rate of Interest payable in arrear on each Interest Payment Date, subject as provided in Conditions 11 (*Payments — Bearer Notes*) and 12 (*Payments — Registered Notes*). Each Note will cease to bear interest from the due date for final redemption unless, upon due presentation, payment of the Redemption Amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition (both before and after judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is seven days after the Principal Paying Agent or the Trustee has notified the Noteholders of receipt of all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).
- (c) **Screen Rate Determination:** If Screen Rate Determination is specified in the relevant Pricing Supplement as the manner in which the Rate(s) of Interest is/are to be determined, the Rate of Interest applicable to the Notes for each Interest Period will be (other than in respect of Notes for which SOFR is specified as the Reference Rate in the relevant Pricing Supplement) determined by the Calculation Agent on the following basis:
- (i) if the Reference Rate is a composite quotation or customarily supplied by one entity, the Calculation Agent will determine the Reference Rate which appears on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;
  - (ii) if Linear Interpolation is specified as applicable in respect of an Interest Period in the applicable Pricing Supplement, the Rate of Interest for such Interest Period shall be calculated by the Calculation Agent by straight-line linear interpolation by reference to two rates which appear on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date, where:
    - (A) one rate shall be determined as if the relevant period were the period of time for which rates are available next shorter than the length of the relevant Interest Period; and
    - (B) the other rate shall be determined as if the relevant period were the period of time for which rates are available next longer than the length of the relevant Interest Period;

*provided, however, that if no rate is available for a period of time next shorter or, as the case may be, next longer than the length of the relevant Interest Period, then the Calculation Agent shall determine such rate at such time and by reference to such sources as it determines appropriate;*
  - (iii) in any other case, the Calculation Agent will determine the arithmetic mean of the Reference Rates which appear on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;
  - (iv) if, in the case of (i) above, such rate does not appear on that page or, in the case of (ii) above, fewer than two such rates appear on that page or if, in either case, the Relevant Screen Page is unavailable, the Calculation Agent will:
    - (A) request the principal Relevant Financial Centre office of each of the Reference Banks to provide a quotation of the Reference Rate at approximately the Relevant Time on the

Interest Determination Date to prime banks in the Relevant Financial Centre interbank market in an amount that is representative for a single transaction in that market at that time; and

- (B) determine the arithmetic mean of such quotations;
- (v) if fewer than two such quotations are provided as requested, the Calculation Agent will determine the arithmetic mean of the rates (being the nearest to the Reference Rate, as determined by the Calculation Agent) quoted by major banks in the Principal Financial Centre of the Specified Currency, selected by the Issuer, at approximately 11.00 a.m. (local time in the Principal Financial Centre of the Specified Currency) on the first day of the relevant Interest Period for loans in the Specified Currency for a period equal to the relevant Interest Period and in an amount that is representative for a single transaction in that market at that time,

and the Rate of Interest for such Interest Period shall be the sum of the Margin and the rate or (as the case may be) the arithmetic mean so determined; *provided*, however, *that* if the Calculation Agent is unable to determine a rate or (as the case may be) an arithmetic mean in accordance with the above provisions in relation to any Interest Period, the Rate of Interest applicable to the Notes during such Interest Period will be the sum of the Margin and the rate or (as the case may be) the arithmetic mean last determined in relation to the Notes in respect of a preceding Interest Period; and

- (vi) notwithstanding the foregoing, if the Reference Rate from time to time in respect of Floating Rate Notes is specified hereon as CNH HIBOR:

- (A) the Rate of Interest for each Interest Period will, subject as provided below, be either:
  - (1) the offered quotation; or
  - (2) the arithmetic mean of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate which appears on the Relevant Screen Page as at 11.15 a.m. (Hong Kong time) or if, at or around that time it is notified that the fixing will be published at 2.30 p.m. (Hong Kong time), then 2.30 p.m. (Hong Kong time) on the Interest Determination Date in question as determined by the Calculation Agent.

- (B) and the Relevant Screen Page is not available or, if sub-paragraph (vi)(A)(1) above applies and no such offered quotation appears on the Relevant Screen Page, or, if subparagraph (vi)(A)(2) above applies and fewer than three such offered quotations appear on the Relevant Screen Page, in each case as at the time specified above, subject as provided below, the Calculation Agent shall request the principal Hong Kong office of each of the Reference Banks to provide the Calculation Agent with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate at approximately 11.15 a.m. (Hong Kong time) on the Interest Determination Date in question. If two or more of the Reference Banks provide the Calculation Agent with such offered quotations, the Rate of Interest for such Interest Period shall be the arithmetic mean of such offered quotations as determined by the Calculation Agent. If all four Reference Banks provide the Calculation Agent with such offered quotations, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Calculation Agent for the purpose of determining the arithmetic mean of such offered quotations;
- (C) if subparagraph (vi)(B) above applies and the Calculation Agent determines that fewer than two Reference Banks are providing offered quotations, subject as provided below, the Rate of Interest shall be the arithmetic mean of the rates per annum (expressed as a percentage) as communicated to (and at the request of) the Calculation Agent by the Reference Banks or any two or more of them, at which such banks were offered at approximately 11.15 a.m. (Hong Kong time) on the relevant Interest Determination Date, deposits in CNH for a period equal to that which would have been used for the Reference Rate by leading banks in the Hong Kong inter-bank market. If fewer than two of the

Reference Banks provide the Calculation Agent with such offered rates, the Rate of Interest shall be (i) the offered rate for deposits in CNH for a period equal to that which would have been used for the Reference Rate by a bank, or (ii) the arithmetic mean of the offered rates for deposits in CNH for a period equal to that which would have been used for the Reference Rate by two or more banks, in each case as informed to the Calculation Agent by such bank or banks (which shall be such bank or banks being in the opinion of the Issuer suitable for such purpose) as being quoted by each such bank at approximately 11.15 a.m. (Hong Kong time) on the relevant Interest Determination Date to leading banks in the Hong Kong inter-bank market, *provided that*, if the Rate of Interest cannot be determined in accordance with the foregoing provisions of this paragraph, the Rate of Interest shall be determined as at the last preceding Interest Determination Date (though substituting, where a different Margin or Maximum or Minimum Rate of Interest is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Margin or Maximum or Minimum Rate of Interest relating to the relevant Interest Period, in place of the Margin or Maximum or Minimum Rate of Interest relating to that last preceding Interest Period); and

- (D) in no event shall the Rate of Interest be less than zero per cent. per annum.

If the Reference Rate from time to time in respect of Floating Rate Notes is specified hereon as being other than CNH HIBOR, the Rate of Interest in respect of such Notes will be determined as provided hereon.

- (d) **ISDA Determination:** If ISDA Determination is specified in the relevant Pricing Supplement as the manner in which the Rate(s) of Interest is/are to be determined, the Rate of Interest applicable to the Notes for each Interest Period will be the sum of the Margin and the relevant ISDA Rate where "**ISDA Rate**" in relation to any Interest Period means a rate equal to the Floating Rate (as defined in the ISDA Definitions) that would be determined by the Calculation Agent under an interest rate swap transaction if the Calculation Agent were acting as Calculation Agent for that interest rate swap transaction under the terms of an agreement incorporating the ISDA Definitions and under which:
- (i) the Floating Rate Option (as defined in the ISDA Definitions) is as specified in the relevant Pricing Supplement;
  - (ii) the Designated Maturity (as defined in the ISDA Definitions) is a period specified in the relevant Pricing Supplement;
  - (iii) the relevant Reset Date (as defined in the ISDA Definitions) is either (A) if the relevant Floating Rate Option is based on (x) the Eurozone inter-bank offered rate (EURIBOR) or (y) the Hong Kong inter-bank offered rate (HIBOR) for a currency, the first day of that Interest Period or (B) in any other case, as specified in the relevant Pricing Supplement; and
  - (iv) if Linear Interpolation is specified as applicable in respect of an Interest Period in the applicable Pricing Supplement, the Rate of Interest for such Interest Period shall be calculated by the Calculation Agent by straight-line linear interpolation by reference to two rates based on the relevant Floating Rate Option, where:
    - (A) one rate shall be determined as if the Designated Maturity were the period of time for which rates are available next shorter than the length of the relevant Interest Period; and
    - (B) the other rate shall be determined as if the Designated Maturity were the period of time for which rates are available next longer than the length of the relevant Interest Period
- provided, however, that* if there is no rate available for a period of time next shorter than the length of the relevant Interest Period or, as the case may be, next longer than the length of the relevant Interest Period, then the Calculation Agent shall determine such rate at such time and by reference to such sources as it determines appropriate.
- (e) **Maximum or Minimum Rate of Interest:** If any Maximum Rate of Interest or Minimum Rate of Interest is specified in the relevant Pricing Supplement, then the Rate of Interest shall in no event be greater than the maximum or be less than the minimum so specified.

- (f) **Calculation of Interest Amount:** The Calculation Agent will, as soon as practicable after the time at which the Rate of Interest is to be determined in relation to each Interest Period, calculate the Interest Amount payable in respect of each Note for such Interest Period. The Interest Amount will be calculated by applying the Rate of Interest for such Interest Period to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards) and multiplying such rounded figure by a fraction equal to the Specified Denomination of the relevant Note divided by the Calculation Amount. For this purpose a "sub-unit" means, in the case of any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of euro, means one cent.
- (g) **Calculation of other amounts:** If the relevant Pricing Supplement specifies that any other amount is to be calculated by the Calculation Agent, the Calculation Agent will, as soon as practicable after the time or times at which any such amount is to be determined, calculate the relevant amount. The relevant amount will be calculated by the Calculation Agent in the manner specified in the relevant Pricing Supplement.
- (h) **Publication:** The Calculation Agent will cause each Rate of Interest and Interest Amount determined by it, together with the relevant Interest Payment Date, and any other amount(s) required to be determined by it together with any relevant payment date(s) to be notified to the Trustee and Paying Agents and each competent authority, stock exchange and/or quotation system (if any) by which the Notes have then been admitted to listing, trading and/or quotation as soon as practicable after such determination but (in the case of each Rate of Interest, Interest Amount and Interest Payment Date) in any event not later than the first day of the relevant Interest Period. Notice thereof shall also promptly be given to the Noteholders. The Calculation Agent will be entitled to recalculate any Interest Amount (on the basis of the foregoing provisions) without notice in the event of an extension or shortening of the relevant Interest Period, unless the Trustee requires otherwise. If the Calculation Amount is less than the minimum Specified Denomination the Calculation Agent shall not be obliged to publish each Interest Amount but instead may publish only the Calculation Amount and the Interest Amount in respect of a Note having the minimum Specified Denomination.
- (i) **Notifications etc:** All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition by the Calculation Agent will (in the absence of manifest error) be binding on the Issuer, the Paying Agents, the Noteholders and the Couponholders and (subject as aforesaid) no liability to any such Person will attach to the Calculation Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions for such purposes.
- (j) **Benchmark Replacement (Independent Adviser):**

Other than in the case of a U.S. dollar-denominated Floating Rate Note for which the Reference Rate is specified in the relevant Pricing Supplement as being "SOFR", if a Benchmark Event occurs in relation to the Reference Rate when the Rate of Interest (or any component part thereof) for any Interest Period remains to be determined by reference to such Reference Rate, then the Issuer shall use its reasonable endeavours to appoint an Independent Adviser, as soon as reasonably practicable, to determine a Successor Rate, failing which an Alternative Rate (in accordance with Condition 7(j)(i)) and, in either case, an Adjustment Spread, if any (in accordance with Condition 7(j)(ii)) and any Benchmark Amendments (in accordance with Condition 7(j)(iii)).

In the absence of bad faith or fraud, the Independent Adviser shall have no liability whatsoever to the Issuer, the Trustee, Agents or the Noteholders for any determination made by it pursuant to this Condition 7(j)) and the Trustee will not be liable for any loss, liability, cost, charge or expense which may arise as a result thereof

- (i) If the Independent Adviser determines in its discretion that:
- (A) there is a Successor Rate, then such Successor Rate shall (subject to adjustment as provided in Condition 7(j)(i)) subsequently be used in place of the Reference Rate to determine the Rate of Interest (or the relevant component part(s) thereof) for the relevant Interest Period and all following Interest Periods, subject to the subsequent operation of

this Condition 7(j) in the event of a further Benchmark Event affecting the Successor Rate; or

- (B) there is no Successor Rate but that there is an Alternative Rate, then such Alternative Rate shall (subject to adjustment as provided in Condition 7(j)(i)) subsequently be used in place of the Reference Rate to determine the Rate of Interest (or the relevant component part(s) thereof) for the relevant Interest Period and all following Interest Periods, subject to the subsequent operation of this Condition 7(j) in the event of a further Benchmark Event affecting the Alternative Rate.
- (ii) If the Independent Adviser determines in its discretion (A) that an Adjustment Spread is required to be applied to the Successor Rate or the Alternative Rate (as the case may be) and (B) the quantum of, or a formula or methodology for determining, such Adjustment Spread, then such Adjustment Spread shall apply to the Successor Rate or the Alternative Rate (as the case may be).
- (iii) If any relevant Successor Rate, Alternative Rate or Adjustment Spread is determined in accordance with this Condition 7(j) and the Independent Adviser determines in its discretion (i) that amendments to these Conditions are necessary to ensure the proper operation of such Successor Rate, Alternative Rate and/or Adjustment Spread (such amendments, the "**Benchmark Amendments**") and (ii) the terms of the Benchmark Amendments, then the Issuer shall, following consultation with the Calculation Agent (or the person specified in the relevant Pricing Supplement as the party responsible for calculating the Rate of Interest and the Interest Amount(s)), subject to giving notice thereof in accordance with Condition 7(j)(iv), without any requirement for the consent or approval of relevant Noteholders, vary these Conditions to give effect to such Benchmark Amendments with effect from the date specified in such notice (and for the avoidance of doubt, the Trustee shall, at the direction and expense of the Issuer, consent to and effect such consequential amendments to the Trust Deed, Agency Agreement and these Conditions as the Trustee may be required in order to give effect to this Condition 7(j)).
- (iv) If (A) the Issuer is unable to appoint an Independent Adviser or (B) the Independent Adviser appointed by it fails to determine a Successor Rate or, failing which, an Alternative Rate in accordance with this Condition 7(j) prior to the relevant Interest Determination Date, the Reference Rate applicable to the relevant Interest Period shall be the Reference Rate applicable as at the last preceding Interest Determination Date. If there has not been a first Interest Payment Date, the Reference Rate shall be the Reference Rate applicable to the first Interest Period. For the avoidance of doubt, any adjustment pursuant to this Condition 7(j)(iv) shall apply to the relevant Interest Period only. Any subsequent Interest Period may be subject to the subsequent operation of this Condition 7(j)).
- (v) Any Successor Rate, Alternative Rate, Adjustment Spread and the specific terms of any Benchmark Amendments, determined under this Condition 7(j) will be notified promptly by the Issuer to the Trustee, the Calculation Agent, the Paying Agents and, in accordance with Condition 21 (*Notices*), the Noteholders. Such notice shall be irrevocable and shall specify the effective date of the Benchmark Amendments, if any.
- (vi) No later than notifying the Trustee of the same, the Issuer shall deliver to the Trustee a certificate signed by two authorised signatories of the Issuer:
  - (A) confirming (x) that a Benchmark Event has occurred, (y) the relevant Successor Rate, or, as the case may be, the relevant Alternative Rate and, (z) where applicable, any relevant Adjustment Spread and/or the specific terms of any relevant Benchmark Amendments, in each case as determined in accordance with the provisions of this Condition 7(j); and
  - (B) certifying that (1) the relevant Benchmark Amendments are necessary to ensure the proper operation of such relevant Successor Rate, Alternative Rate and/or Adjustment Spread and (2) the intent of the drafting of such changes is solely to implement the relevant Benchmark Amendments.

(vii) The Successor Rate or Alternative Rate and the Adjustment Spread (if any) and the Benchmark Amendments (if any) specified in such certificate will (in the absence of manifest error or bad faith in the determination of such Successor Rate or Alternative Rate and such Adjustment Spread (if any) and such Benchmark Amendments (if any)) be binding on the Issuer, the Trustee and Principal Paying Agent, the Calculation Agent, the other Paying Agents and the Noteholders.

(viii) As used in this Condition 7(j):

**"Adjustment Spread"** means either a spread (which may be positive or negative), or the formula or methodology for calculating a spread, in either case, which the Independent Adviser determines is required to be applied to the relevant Successor Rate or the relevant Alternative Rate (as the case may be) and is the spread, formula or methodology which:

- (A) in the case of a Successor Rate, is formally recommended, or formally provided as an option for parties to adopt, in relation to the replacement of the Reference Rate with the Successor Rate by any Relevant Nominating Body; or
- (B) (if no such recommendation has been made, or in the case of an Alternative Rate), the Independent Adviser, determines is customarily applied to the relevant Successor Rate or Alternative Rate (as the case may be) in international debt capital markets transactions to produce an industry-accepted replacement rate for the Reference Rate; or
- (C) (if no such determination has been made) the Independent Adviser determines, is recognised or acknowledged as being the industry standard for over-the-counter derivative transactions which reference the Reference Rate, where such rate has been replaced by the Successor Rate or the Alternative Rate (as the case may be); or
- (D) (if the Independent Adviser determines that no such industry standard is recognised or acknowledged) the Independent Adviser determines to be appropriate to reduce or eliminate, to the extent reasonably practicable in the circumstances, any economic prejudice or benefit (as the case may be) to Noteholders as a result of the replacement of the Reference Rate with the Successor Rate or the Alternative Rate (as the case may be).

**"Alternative Rate"** means an alternative benchmark or screen rate which the Independent Adviser determines in accordance with this Condition 7(j) is customary in market usage in the international debt capital markets for the purposes of determining floating rates of interest (or the relevant component part thereof) for a commensurate period and in the Specified Currency;

**"Benchmark Amendments"** has the meaning given to it in Condition 7(j)(iii);

**"Benchmark Event"** means:

- (A) the relevant Reference Rate has ceased to be published on the Relevant Screen Page as a result of such benchmark ceasing to be calculated or administered; or
- (B) a public statement by the administrator of the relevant Reference Rate that (in circumstances where no successor administrator has been or will be appointed that will continue publication of such Reference Rate) it has ceased publishing such Reference Rate permanently or indefinitely or that it will cease to do so by a specified future date (the "**Specified Future Date**"); or
- (C) a public statement by the supervisor of the administrator of the relevant Reference Rate that such Reference Rate has been or will, by a specified future date (the "**Specified Future Date**"), be permanently or indefinitely discontinued; or
- (D) a public statement by the supervisor of the administrator of the relevant Reference Rate that means that such Reference Rate will, by a specified future date (the "**Specified Future Date**"), be prohibited from being used or that its use will be subject to restrictions or adverse consequences, either generally or in respect of the Notes; or

- (E) a public statement by the supervisor of the administrator of the relevant Reference Rate (as applicable) that, in the view of such supervisor, (i) such Reference Rate is or will, by a specified future date (the "**Specified Future Date**"), be no longer representative of an underlying market, or (ii) the methodology to calculate such Reference Rate has materially changed; or
- (F) it has or will, by a specified date within the following six months, become unlawful for the Calculation Agent to calculate any payments due to be made to any Noteholder using the relevant Reference Rate (as applicable) (including, without limitation, under the Benchmarks Regulation (EU) 2016/1011, if applicable).

Notwithstanding the sub-paragraphs above, where the relevant Benchmark Event is a public statement within sub-paragraphs (B), (C), (D) or (E) above and the Specified Future Date in the public statement is more than six months after the date of that public statement, the Benchmark Event shall not be deemed to occur until the date falling six months prior to such Specified Future Date.

**"Independent Adviser"** means an independent financial institution of international repute or other independent financial adviser experienced in the international capital markets, in each case appointed by the Issuer at its own expense;

**"Relevant Nominating Body"** means, in respect of a benchmark or screen rate (as applicable):

- (A) the central bank for the currency to which the benchmark or screen rate (as applicable) relates, or any central bank or other supervisory authority which is responsible for supervising the administrator of the benchmark or screen rate (as applicable); or
- (B) any working group or committee sponsored by, chaired or co-chaired by or constituted at the request of (a) the central bank for the currency to which the benchmark or screen rate (as applicable) relates, (b) any central bank or other supervisory authority which is responsible for supervising the administrator of the benchmark or screen rate (as applicable), (c) a group of the aforementioned central banks or other supervisory authorities or (d) the Financial Stability Board or any part thereof; and

**"Successor Rate"** means a successor to or replacement of the Reference Rate which is formally recommended by any Relevant Nominating Body.

(k) ***Interest - Floating Rate Notes referencing SOFR (Screen Rate Determination):***

- (i) This Condition 7(k) is applicable to the Notes only if the Floating Rate Note Provisions are specified in the relevant Pricing Supplement as being applicable, Screen Rate Determination is specified in the relevant Pricing Supplement as the manner in which the Rate(s) of Interest is/are to be determined, and the "Reference Rate" is specified in the relevant Pricing Supplement as being "SOFR".
- (ii) Where "SOFR" is specified as the Reference Rate in the Pricing Supplement, the Rate of Interest for each Interest Period will, subject as provided below, be the Benchmark plus or minus (as specified in the relevant Pricing Supplement) the Margin, all as determined by the Calculation Agent on each Interest Determination Date.
- (iii) For the purposes of this Condition 7(k):

**"Benchmark"** means Compounded SOFR, which is a compounded average of daily SOFR, as determined for each Interest Period in accordance with the specific formula and other provisions set out in this Condition 7(k).

*Daily SOFR rates will not be published in respect of any day that is not a U.S. Government Securities Business Day, such as a Saturday, Sunday or holiday. For this reason, in determining Compounded SOFR in accordance with the specific formula and other provisions set forth herein, the daily SOFR rate for any U.S. Government Securities Business Day that immediately precedes one or more days that are*

not U.S. Government Securities Business Days will be multiplied by the number of calendar days from and including such U.S. Government Securities Business Day to, but excluding, the following U.S. Government Securities Business Day.

If the Issuer determines that a Benchmark Transition Event and its related Benchmark Replacement Date have occurred in respect of Compounded SOFR (or the daily SOFR used in the calculation hereof) prior to the relevant SOFR Determination Time, then the provisions under Condition 7(k)(iv) below will apply.

**"Business Day"** means any weekday that is a U.S. Government Securities Business Day and is not a legal holiday in New York and each (if any) Additional Business Centre(s) and is not a date on which banking institutions in those cities are authorised or required by law or regulation to be closed;

**"Compounded SOFR"** with respect to any Interest Period, means the rate of return of a daily compound interest investment computed in accordance with the following formula (and the resulting percentage will be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point, with 0.000005 being rounded upwards to 0.00001):

$$\left[ \prod_{i=1}^{d_0} \left( 1 + \frac{SOFR_{i \times n_i}}{360} \right) - 1 \right] \times \frac{360}{d}$$

"d" is the number of calendar days in:

- (i) where "Lag" is specified as the Observation Method in the relevant Pricing Supplement, the relevant Interest Period; or
- (ii) where "Observation Shift" is specified as the Observation Method in the relevant Pricing Supplement, the relevant Observation Period.

"d<sub>0</sub>" is the number of U.S. Government Securities Business Days in:

- (i) where "Lag" is specified as the Observation Method in the relevant Pricing Supplement, the relevant Interest Period; or
- (ii) where "Observation Shift" is specified as the Observation Method in the relevant Pricing Supplement, the relevant Observation Period.

"i" is a series of whole numbers from one to d<sub>0</sub>, each representing the relevant U.S. Government Securities Business Day in chronological order from, and including, the first U.S. Government Securities Business Day in:

- (i) where "Lag" is specified as the Observation Method in the relevant Pricing Supplement, the relevant Interest Period; or
- (ii) where "Observation Shift" is specified as the Observation Method in the relevant Pricing Supplement, the relevant Observation Period,

to and including the last US Government Securities Business Day in such period;

**"Interest Determination Date"** means, in respect of any Interest Period, the date falling "p" U.S. Government Securities Business Days prior to the Interest Payment Date for such Interest Period (or the date falling "p" U.S. Government Securities Business Days prior to such earlier date, if any, on which the Notes are due and payable);

"n<sub>i</sub>" for any U.S. Government Securities Business Day "i" in the relevant Interest Period or Observation Period (as applicable), is the number of calendar days from, and including, such U.S. Government

Securities Business Day "i" to, but excluding, the following U.S. Government Securities Business Day ("i+1");

**"Observation Period"** in respect of an Interest Period means the period from, and including, the date falling "p" U.S. Government Securities Business Days preceding the first day in such Interest Period (and the first Interest Period shall begin on and include the Interest Commencement Date) to, but excluding, the date falling "p" U.S. Government Securities Business Days preceding the Interest Payment Date for such Interest Period (or the date falling "p" U.S. Government Securities Business Days prior to such earlier date, if any, on which the Notes become due and payable);

**"p"** for any Interest Period or Observation Period (as applicable) means the number of U.S. Government Securities Business Days specified as the "Lag Period" or the "Observation Shift Period" (as applicable) in the relevant Pricing Supplement or if no such period is specified, five U.S. Government Securities Business Days;

**"SOFR"** with respect to any U.S. Government Securities Business Day, means:

- (i) the Secured Overnight Financing Rate published for such U.S. Government Securities Business Day as such rate appears on the SOFR Administrator's Website at 3:00 p.m. (New York time) on the immediately following U.S. Government Securities Business Day (the **"SOFR Determination Time"**); or
- (ii) Subject to Condition 7(k)(iv) below, if the rate specified in (i) above does not so appear, the Secured Overnight Financing Rate as published in respect of the first preceding U.S. Government Securities Business Day for which the Secured Overnight Financing Rate was published on the SOFR Administrator's Website;

**"SOFR Administrator"** means the Federal Reserve Bank of New York (or a successor administrator of the Secured Overnight Financing Rate);

**"SOFR Administrator's Website"** means the website of the Federal Reserve Bank of New York, or any successor source;

**"SOFR<sub>i</sub>"** means the SOFR for:

- (i) where "Lag" is specified as the Observation Method in the applicable Pricing Supplement, the U.S. Government Securities Business Day falling "p" U.S. Government Securities Business Days prior to the relevant U.S. Government Securities Business Day "i"; or
- (ii) where "Observation Shift" is specified as the Observation Method in the relevant Pricing Supplement, the relevant U.S. Government Securities Business Day "i"; and

**"U.S. Government Securities Business Day"** means any day except for a Saturday, a Sunday or a day on which the Securities Industry and Financial Markets Association recommends that the fixed income departments of its members be closed for the entire day for purposes of trading in U.S. government securities.

- (iv) If the Issuer determines on or prior to the relevant Reference Time that a Benchmark Transition Event and its related Benchmark Replacement Date have occurred with respect to the then-current Benchmark, the Benchmark Replacement will replace the then-current Benchmark for all purposes relating to the Notes in respect of all determinations on such date and for all determinations on all subsequent dates. In connection with the implementation of a Benchmark Replacement, the Issuer will have the right to make Benchmark Replacement Conforming Changes from time to time, without any requirement for the consent or approval of the Noteholders.

Any determination, decision or election that may be made by the Issuer pursuant to this section, including any determination with respect to a tenor, rate or adjustment or of the occurrence or non-occurrence of an event, circumstance or date and any decision to take or refrain from taking any action or any selection:

- (i) will be conclusive and binding absent manifest error;
- (ii) will be made in the sole discretion of the Issuer; and
- (iii) notwithstanding anything to the contrary in the documentation relating to the Notes, shall become effective without consent from the holders of the Notes or any other party.

**"Benchmark"** means, initially, Compounded SOFR, as such term is defined above; provided that if the Issuer determines on or prior to the Reference Time that a Benchmark Transition Event and its related Benchmark Replacement Date have occurred with respect to Compounded SOFR (or the published daily SOFR used in the calculation thereof) or the then-current Benchmark, then "Benchmark" shall mean the applicable Benchmark Replacement.

**"Benchmark Replacement"** means the first alternative set forth in the order below that can be determined by the Issuer as of the Benchmark Replacement Date:

- (i) the sum of: (A) the alternate rate of interest that has been selected or recommended by the Relevant Governmental Body as the replacement for the then-current Benchmark and (B) the Benchmark Replacement Adjustment;
- (ii) the sum of: (A) the ISDA Fallback Rate and (B) the Benchmark Replacement Adjustment; or
- (iii) the sum of: (A) the alternate rate of interest that has been selected by the Issuer as the replacement for the then-current Benchmark giving due consideration to any industry-accepted rate of interest as a replacement for the then-current Benchmark for U.S. dollar-denominated floating rate notes at such time and (B) the Benchmark Replacement Adjustment;

**"Benchmark Replacement Adjustment"** means the first alternative set forth in the order below that can be determined by the issuer or its designee as of the Benchmark Replacement Date:

- (i) the spread adjustment, or method for calculating or determining such spread adjustment, (which may be a positive or negative value or zero) that has been selected or recommended by the Relevant Governmental Body for the applicable Unadjusted Benchmark Replacement;
- (ii) if the applicable Unadjusted Benchmark Replacement is equivalent to the ISDA Fallback Rate, the ISDA Fallback Adjustment; or
- (iii) the spread adjustment (which may be a positive or negative value or zero) that has been selected by the Issuer giving due consideration to any industry-accepted spread adjustment, or method for calculating or determining such spread adjustment, for the replacement of the then-current Benchmark with the applicable Unadjusted Benchmark Replacement for U.S. dollar-denominated floating rate notes at such time;

**"Benchmark Replacement Conforming Changes"** means, with respect to any Benchmark Replacement, any technical, administrative or operational changes (including changes to the timing and frequency of determining rates and making payments of interest, rounding of amounts or tenors, and other administrative matters) that the Issuer decides may be appropriate to reflect the adoption of such Benchmark Replacement in a manner substantially consistent with market practice (or, if the Issuer decides that adoption of any portion of such market practice is not administratively feasible or if the Issuer determines that no market practice for use of the Benchmark Replacement exists, in such other manner as the Issuer determines is reasonably necessary);

**"Benchmark Replacement Date"** means the earliest to occur of the following events with respect to the then-current Benchmark (including the daily published component used in the calculation thereof):

- (i) in the case of clause (i) or (ii) of the definition of "Benchmark Transition Event," the later of (a) the date of the public statement or publication of information referenced therein and (b) the date on which the administrator of the Benchmark permanently or indefinitely ceases to provide the Benchmark (or such component); or
- (ii) in the case of clause (iii) of the definition of "Benchmark Transition Event," the date of the public statement or publication of information referenced therein.

For the avoidance of doubt, if the event that gives rise to the Benchmark Replacement Date occurs on the same day as, but earlier than, the Reference Time in respect of any determination, the Benchmark Replacement Date will be deemed to have occurred prior to the Reference Time for such determination;

**"Benchmark Transition Event"** means the occurrence of one or more of the following events with respect to the then-current Benchmark (including the daily published component used in the calculation thereof):

- (i) a public statement or publication of information by or on behalf of the administrator of the Benchmark (or such component) announcing that such administrator has ceased or will cease to provide the Benchmark (or such component), permanently or indefinitely, provided that, at the time of such statement or publication, there is no successor administrator that will continue to provide the Benchmark (or such component); or
- (ii) a public statement or publication of information by the regulatory supervisor for the administrator of the Benchmark (or such component), the central bank for the currency of the Benchmark (or such component), an insolvency official with jurisdiction over the administrator for the Benchmark (or such component), a resolution authority with jurisdiction over the administrator for the Benchmark (or such component) or a court or an entity with similar insolvency or resolution authority over the administrator for the Benchmark, which states that the administrator of the Benchmark (or such component) has ceased or will cease to provide the Benchmark (or such component) permanently or indefinitely, provided that, at the time of such statement or publication, there is no successor administrator that will continue to provide the Benchmark (or such component); or
- (iii) a public statement or publication of information by the regulatory supervisor for the administrator of the Benchmark announcing that the Benchmark is no longer representative;

**"ISDA Definitions"** means the 2006 ISDA Definitions published by the International Swaps and Derivatives Association, Inc. or any successor thereto, as amended or supplemented from time to time, or (if specified in the relevant Pricing Supplement) the 2021 ISDA Definitions published by the International Swaps and Derivatives Association, Inc. or any successor thereto, as amended or supplemented from time to time or any successor definitional booklet for interest rate derivatives published from time to time;

**"ISDA Fallback Adjustment"** means the spread adjustment (which may be a positive or negative value or zero) that would apply for derivatives transactions referencing the ISDA Definitions to be determined upon the occurrence of an index cessation event with respect to the Benchmark;

**"ISDA Fallback Rate"** means the rate that would apply for derivatives transactions referencing the ISDA Definitions to be effective upon the occurrence of an index cessation date with respect to the Benchmark for the applicable tenor excluding the applicable ISDA Fallback Adjustment;

**"Reference Time"** with respect to any determination of the Benchmark means (i) if the Benchmark is Compounded SOFR, the SOFR Determination Time, and (ii) if the Benchmark is not Compounded SOFR, the time determined by the Issuer after giving effect to the Benchmark Replacement Conforming Changes;

**"Relevant Governmental Body"** means the Federal Reserve Board and/or the Federal Reserve Bank of New York, or a committee officially endorsed or convened by the Federal Reserve Board and/or the Federal Reserve Bank of New York or any successor thereto; and

**"Unadjusted Benchmark Replacement"** means the Benchmark Replacement excluding the Benchmark Replacement Adjustment.

- (v) Any Benchmark Replacement, Benchmark Replacement Adjustment and the specific terms of any Benchmark Replacement Conforming Changes, determined under Condition 7(k)(iv) above will be notified promptly by the Issuer to the Trustee, the Calculation Agent, the Paying Agents and, in accordance with Condition 21 (*Notices*), the Noteholders. Such notice shall be irrevocable and shall specify the effective date on which such changes take effect.

No later than notifying the Trustee of the same, the Issuer shall deliver to the Trustee a certificate signed by two authorised signatories of the Issuer:

- (A) confirming (x) that a Benchmark Transition Event has occurred, (y) the relevant Benchmark Replacement and, (z) where applicable, any Benchmark Replacement Adjustment and/or the specific terms of any relevant Benchmark Replacement Conforming Changes, in each case as determined in accordance with the provisions of this Condition 7(k); and
- (B) certifying that the relevant Benchmark Replacement Conforming Changes are necessary to ensure the proper operation of such Benchmark Replacement and/or Benchmark Replacement Adjustment.
- (vi) If the Rate of Interest cannot be determined in accordance with the foregoing provisions of this Condition 7(k), the Rate of Interest shall be (A) that determined as at the last preceding Interest Determination Date (though substituting, where a different Margin is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Margin relating to the relevant Interest Period, in place of the Margin relating to that last preceding Interest Period) or (B) if there is no such preceding Interest Determination Date, the initial Rate of Interest which would have been applicable to the Notes for the first Interest Period had the Notes been in issue for a period equal in duration to the scheduled first Interest Period but ending on (and excluding) the Interest Commencement Date (but applying the Margin applicable to the first Interest Period).

(l) *Interest - SOFR Compounded Index (Screen Rate Determination)*

- (i) This Condition 7(l) is applicable to the Notes only if the Floating Rate Note Provisions are specified in the relevant Pricing Supplement as being applicable, Screen Rate Determination is specified in the relevant Pricing Supplement as the manner in which the Rate(s) of Interest is/are to be determined, and "Index Determination" is specified in the relevant Pricing Supplement as being applicable.
- (ii) Where "Index Determination" is specified in the relevant Pricing Supplement as being applicable, the Rate of Interest for each Interest Period will be the compounded daily reference rate for the relevant Interest Period, calculated in accordance with the following formula:

$$\frac{(\text{SOFR Compounded Index End}}{\text{SOFR Compounded Index Start}} - 1) \times \frac{360}{d}$$

and rounded to the Relevant Decimal Place, plus or minus the Margin (if any), all as determined and calculated by the Fiscal Agent or the Calculation Agent, as applicable, where:

"**d**" is the number of calendar days from (and including) the day on which the SOFR Compounded Index Start is determined to (but excluding) the day on which the SOFR Compounded Index End is determined;

"**End**" means the SOFR Compounded Index value on the day falling the Relevant Number of Index Days prior to the Interest Payment Date for such Interest Period, or such other date on which the relevant payment of interest falls due (but which by its definition or the operation of the relevant provisions is excluded from such Interest Period);

"**Index Days**" means U.S. Government Securities Business Days;

"**Relevant Decimal Place**" shall, unless otherwise specified in the Pricing Supplement, be the seventh decimal place, rounded up or down, if necessary (with 0.000005 or, as the case may be, 0.0000005 being rounded upwards);

"**Relevant Number**" is as specified in the applicable Pricing Supplement, but, unless otherwise specified shall be five;

"**SOFR Compounded Index**" means the Compounded SOFR rate as published at 15:00 (New York time) by Federal Reserve Bank of New York (or a successor administrator of SOFR) on the website of the Federal Reserve Bank of New York, or any successor source; and

"**Start**" means the SOFR Compounded Index value on the day falling the Relevant Number of Index Days prior to the first day of the relevant Interest Period.

"**U.S. Government Securities Business Day**" means any day except for a Saturday, a Sunday or a day on which the Securities Industry and Financial Markets Association recommends that the fixed income departments of its members be closed for the entire day for purposes of trading in U.S. government securities.

Provided that a Benchmark Event has not occurred in respect of the SOFR Compounded Index, if, with respect to any Interest Period, the relevant rate is not published for the SOFR Compounded Index either on the relevant Start or End date, then the Calculation Agent shall calculate the rate of interest for that Interest Period as if Index Determination was not specified in the applicable Pricing Supplement and as if Compounded SOFR (as defined in Condition 7(k) (*Floating Rate Note Provision - Interest – Floating Rate Notes referencing SOFR (Screen Rate Determination)*)) had been specified instead in the Pricing Supplement, and in each case "Observation Shift" had been specified as the Observation Method in the relevant Pricing Supplement, and where the Observation Period for the purposes of that definition in Condition 7(k) (*Floating Rate Note Provision - Interest – Floating Rate Notes referencing SOFR (Screen Rate Determination)*) shall be deemed to be the same as the Relevant Number specified in the Pricing Supplement. For the avoidance of doubt, if a Benchmark Event has occurred in respect of the SOFR Compounded Index, the provisions of Condition 7(j) (*Floating Rate Note Provision - Benchmark Replacement (Independent Adviser)*) shall apply.

## 8. **Zero Coupon Note Provisions**

- (a) **Application:** This Condition 8 is applicable to the Notes only if the Zero Coupon Note Provisions are specified in the relevant Pricing Supplement as being applicable.
- (b) **Late payment on Zero Coupon Notes:** If the Redemption Amount payable in respect of any Zero Coupon Note is improperly withheld or refused, the Redemption Amount shall thereafter be an amount equal to the sum of:
  - (i) the Reference Price; and

- (ii) the product of the Accrual Yield (compounded annually) being applied to the Reference Price on the basis of the relevant Day Count Fraction from (and including) the Issue Date to (but excluding) whichever is the earlier of (A) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (B) the day which is seven days after the Principal Paying Agent or the Trustee has notified the Noteholders of receipt of all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

## 9. Dual Currency Note Provisions

- (a) **Application:** This Condition 9 is applicable to the Notes only if the Dual Currency Note Provisions are specified in the relevant Pricing Supplement as being applicable.
- (b) **Rate of Interest:** If the rate or amount of interest falls to be determined by reference to an exchange rate, the rate or amount of interest payable shall be determined in the manner specified in the relevant Pricing Supplement.

## 10. Redemption and Purchase

- (a) **Scheduled redemption:** Unless previously redeemed, or purchased and cancelled, each Note will be redeemed at its Final Redemption Amount on the Maturity Date, subject as provided in Conditions 11 (*Payments — Bearer Notes*) and 12 (*Payments — Registered Notes*).
- (b) **Redemption for tax reasons:** The Notes may be redeemed at the option of the Issuer in whole, but not in part:
  - (i) at any time (if the Floating Rate Note Provisions are not specified in the relevant Pricing Supplement as being applicable); or
  - (ii) on any Interest Payment Date (if the Floating Rate Note Provisions are specified in the relevant Pricing Supplement as being applicable),

on giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable), at their Early Redemption Amount (Tax), together with interest accrued (if any) to the date fixed for redemption, if immediately before giving such notice, (1) the Issuer has or will become obliged to pay Additional Amounts as provided or referred to in Condition 13 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of the Hong Kong or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after the date of issue of the first Tranche of the Notes; and (2) such obligation cannot be avoided by the Issuer taking reasonable measures available to it, *provided*, however, that no such notice of redemption shall be given earlier than:

- (1) where the Notes may be redeemed at any time, 90 days prior to the earliest date on which the Issuer would be obliged to pay such Additional Amounts if a payment in respect of the Notes were then due; or
- (2) where the Notes may be redeemed only on an Interest Payment Date, 60 days prior to the Interest Payment Date occurring immediately before the earliest date on which the Issuer would be obliged to pay such Additional Amounts if a payment in respect of the Notes were then due.

Prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver or procure that there is delivered to the Trustee (X) an Officers' Certificate of the Issuer stating that the circumstances in (1) and (2) prevail and setting out the details of such circumstances and (Y) an Opinion of Counsel to the effect that the Issuer has or will become obliged to pay such Additional Amounts as a result of such change or amendment. Upon the expiry of any such notice as is referred to in this Condition 10(b), the Issuer shall be bound to redeem the Notes in accordance with this Condition 10(b).

The Trustee shall be entitled without further enquiry to accept and rely upon such Officers' Certificate and Opinion of Counsel as sufficient evidence of the satisfaction of the circumstances set out above, in which event they shall be conclusive and binding on the Noteholders, Receipts and Coupons.

- (c) **Redemption at the option of the Issuer:** If the Call Option is specified in the relevant Pricing Supplement as being applicable, the Notes may be redeemed at the option of the Issuer in whole or, if so specified in the relevant Pricing Supplement, in part on any Optional Redemption Date (Call) at the relevant Optional Redemption Amount (Call) on the Issuer's giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable and shall oblige the Issuer to redeem the Notes or, as the case may be, the Notes specified in such notice on the relevant Optional Redemption Date (Call) at the Optional Redemption Amount (Call) plus accrued and unpaid interest (if any) to such date).
- (d) **Partial redemption:** If the Notes are to be redeemed in part only on any date in accordance with Condition 10(c) (*Redemption and Purchase - Redemption at the option of the Issuer*), in the case of Bearer Notes, the Notes to be redeemed shall be selected by the drawing of lots in such place as the Trustee approves and in such manner as the Trustee considers appropriate, subject to compliance with applicable law, the rules of each competent authority, stock exchange and/or quotation system (if any) by which the Notes have then been admitted to listing, trading and/or quotation and the notice to Noteholders referred to in Condition 10(c) (*Redemption and Purchase - Redemption at the option of the Issuer*) shall specify the serial numbers of the Notes so to be redeemed, and, in the case of Registered Notes, each Note shall be redeemed in part in the proportion which the aggregate principal amount of the outstanding Notes to be redeemed on the relevant Optional Redemption Date (Call) bears to the aggregate principal amount of outstanding Notes on such date. If any Maximum Redemption Amount or Minimum Redemption Amount is specified in the relevant Pricing Supplement, then the Optional Redemption Amount (Call) shall in no event be greater than the maximum or be less than the minimum so specified.
- (e) **Redemption at the option of the Noteholders:** If the Put Option is specified in the relevant Pricing Supplement as being applicable, the Issuer shall, at the option of the Holder of any Note redeem such Note on the Optional Redemption Date (Put) specified in the relevant Put Option Notice at the relevant Optional Redemption Amount (Put) together with interest (if any) accrued to such date. In order to exercise the option contained in this Condition 10(e), the Holder of a Note must, not less than 30 nor more than 60 days before the relevant Optional Redemption Date (Put), deposit with any Paying Agent such Note together with all unmatured Coupons relating thereto and a duly completed Put Option Notice in the form obtainable from any Paying Agent. The Paying Agent with which a Note is so deposited shall deliver a duly completed Put Option Receipt to the depositing Noteholder. No Note, once deposited with a duly completed Put Option Notice in accordance with this Condition 10(e), may be withdrawn; *provided*, however, that if, prior to the relevant Optional Redemption Date (Put), any such Note becomes immediately due and payable or, upon due presentation of any such Note on the relevant Optional Redemption Date (Put), payment of the redemption moneys is improperly withheld or refused, the relevant Paying Agent shall mail notification thereof to the depositing Noteholder at such address as may have been given by such Noteholder in the relevant Put Option Notice and shall hold such Note at its Specified Office for collection by the depositing Noteholder against surrender of the relevant Put Option Receipt. For so long as any outstanding Note is held by a Paying Agent in accordance with this Condition 10(e), the depositor of such Note and not such Paying Agent shall be deemed to be the Holder of such Note for all purposes. For as long as Bearer Notes issued under TEFRA D are represented by a temporary Global Note, a holder's Put Option will be available only to the extent that the certifications required under TEFRA D with respect to non-U.S. beneficial ownership has been received by the Issuer or Agent.
- (f) **No other redemption:** The Issuer shall not be entitled to redeem the Notes otherwise than as provided in paragraphs (a) to (e) above.
- (g) **Early redemption of Zero Coupon Notes:** Unless otherwise specified in the relevant Pricing Supplement, the Redemption Amount payable on redemption of a Zero Coupon Note at any time before the Maturity Date shall be an amount equal to the sum of:
- (i) the Reference Price; and
  - (ii) the product of the Accrual Yield (compounded annually) being applied to the Reference Price from (and including) the Issue Date to (but excluding) the date fixed for redemption or (as the case may be) the date upon which the Note becomes due and payable.

Where such calculation is to be made for a period which is not a whole number of years, the calculation in respect of the period of less than a full year shall be made on the basis of such Day Count Fraction as may be specified in the Pricing Supplement for the purposes of this Condition 10(g) or, if none is so specified, a Day Count Fraction of 30E/360.

- (h) **Purchase:** The Issuer or any of its Subsidiaries may at any time purchase Notes in the open market or otherwise and at any price, *provided that* all unmatured Coupons are purchased therewith.
- (i) **Cancellation:** All Notes so redeemed or purchased by the Issuer or any of its Subsidiaries and any unmatured Coupons attached to or surrendered with them shall be cancelled and may not be reissued or resold.

#### 11. **Payments—Bearer Notes**

- (a) **Principal:** Payments of principal and premium shall be made only against presentation and (*provided that* payment is made in full) surrender of Bearer Notes at the Specified Office of any Paying Agent outside the United States (i) in the case of a currency other than Renminbi, by transfer to an account denominated in that currency (or, if that currency is euro, any other account to which euro may be credited or transferred) and maintained by the payee with, a bank in the Principal Financial Centre of that currency, and (ii) in the case of Renminbi, by transfer to an account denominated in that currency and maintained by the payee with a bank in the Principal Financial Centre of that currency.
- (b) **Interest:** Payments of interest shall, subject to paragraph (h) below, be made only against presentation and (*provided that* payment is made in full) surrender of the appropriate Coupons at the Specified Office of any Paying Agent outside the United States in the manner described in paragraph (a) above.
- (c) **Payments in New York City:** Payments of principal, interest or premium may be made at the Specified Office of a Paying Agent in New York City if (i) the Issuer has appointed Paying Agents outside the United States with the reasonable expectation that such Paying Agents will be able to make payment of the full amount of the principal, premium and interest on the Notes in U.S. dollars when due, (ii) payment of the full amount of such principal, premium and interest at the offices of all such Paying Agents is illegal or effectively precluded by exchange controls or other similar restrictions and (iii) payment is permitted by applicable United States law.
- (d) **Payments subject to fiscal laws:** All payments in respect of the Bearer Notes are subject in all cases to (i) any applicable fiscal or other laws and regulations in the place of payment, but (except as described in (ii) below) subject to the provisions of Condition 13 (*Taxation*), and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the Code or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, any intergovernmental agreement with respect thereto, or any law implementing an intergovernmental approach thereto. No commissions or expenses shall be charged to the Noteholders or Couponholders in respect of such payments.
- (e) **Deductions for unmatured Coupons:** If the relevant Pricing Supplement specifies that the Fixed Rate Note Provisions are applicable and a Bearer Note is presented without all unmatured Coupons relating thereto:
  - (i) if the aggregate amount of the missing Coupons is less than or equal to the amount of principal due for payment, a sum equal to the aggregate amount of the missing Coupons will be deducted from the amount of principal due for payment; *provided, however, that* if the gross amount available for payment is less than the amount of principal due for payment, the sum deducted will be that proportion of the aggregate amount of such missing Coupons which the gross amount actually available for payment bears to the amount of principal due for payment;
  - (ii) if the aggregate amount of the missing Coupons is greater than the amount of principal due for payment:
    - (A) so many of such missing Coupons shall become void (in inverse order of maturity) as will result in the aggregate amount of the remainder of such missing Coupons (the "**Relevant Coupons**") being equal to the amount of principal due for payment; *provided, however, that* where this sub-paragraph would otherwise require a fraction of a missing Coupon to become void, such missing Coupon shall become void in its entirety; and
    - (B) a sum equal to the aggregate amount of the Relevant Coupons (or, if less, the amount of principal due for payment) will be deducted from the amount of principal due for payment; *provided, however, that,* if the gross amount available for payment is less than the amount of principal due for payment, the sum deducted will be that proportion of the

aggregate amount of the Relevant Coupons (or, as the case may be, the amount of principal due for payment) which the gross amount actually available for payment bears to the amount of principal due for payment.

Each sum of principal so deducted shall be paid in the manner provided in paragraph (a) above against presentation and (*provided that* payment is made in full) surrender of the relevant missing Coupons.

- (f) ***Unmatured Coupons void:*** If the relevant Pricing Supplement specifies that this Condition 11(f) is applicable or that the Floating Rate Note Provisions are applicable, on the due date for final redemption of any Note or early redemption in whole of such Note pursuant to Condition 10(b) (*Redemption and Purchase — Redemption for tax reasons*), Condition 10(c) (*Redemption and Purchase — Redemption at the option of the Issuer*), Condition 10(e) (*Redemption and Purchase — Redemption at the option of the Noteholders*) or Condition 14 (*Events of Default*), all unmatured Coupons relating thereto (whether or not still attached) shall become void and no payment will be made in respect thereof.
- (g) ***Payments on business days:*** If the due date for payment of any amount in respect of any Bearer Note or Coupon is not a Payment Business Day in the place of presentation, the Holder shall not be entitled to payment in such place of the amount due until the next succeeding Payment Business Day in such place and shall not be entitled to any further interest or other payment in respect of any such delay.
- (h) ***Payments other than in respect of matured Coupons:*** Payments of interest other than in respect of matured Coupons shall be made only against presentation of the relevant Bearer Notes at the Specified Office of any Paying Agent outside the United States (or in New York City if permitted by paragraph (c) above).
- (i) ***Partial payments:*** If a Paying Agent makes a partial payment in respect of any Bearer Note or Coupon presented to it for payment, such Paying Agent will endorse thereon a statement indicating the amount and date of such payment.
- (j) ***Exchange of Talons:*** On or after the maturity date of the final Coupon which is (or was at the time of issue) part of a Coupon Sheet relating to the Bearer Notes, the Talon forming part of such Coupon Sheet may be exchanged at the Specified Office of the Principal Paying Agent for a further Coupon Sheet (including, if appropriate, a further Talon but excluding any Coupons in respect of which claims have already become void pursuant to Condition 15 (*Prescription*)). Upon the due date for redemption of any Bearer Note, any unexchanged Talon relating to such Note shall become void and no Coupon will be delivered in respect of such Talon.

## 12. **Payments—Registered Notes**

- (a) ***Principal:*** Payments of principal and premium shall be made (i) in the case of a currency other than Renminbi, upon application by a Holder of a Registered Note to the Specified Office of the Principal Paying Agent not later than the fifteenth day before the due date for any such payment, by transfer to an account denominated in that currency (or, if that currency is euro, any other account to which euro may be credited or transferred) and maintained by the payee with a bank in the Principal Financial Centre of that currency, and (ii) in the case of Renminbi, by transfer to an account denominated in that currency and maintained by the payee with a bank in Hong Kong, and (in the case of redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Note Certificates at the Specified Office of any Paying Agent.
- (b) ***Interest:*** Payments of interest shall be made (i) in the case of a currency other than Renminbi, upon application by a Holder of a Registered Note to the Specified Office of the Principal Paying Agent not later than the fifteenth day before the due date for any such payment, by transfer to an account denominated in that currency (or, if that currency is euro, any other account to which euro may be credited or transferred) and maintained by the payee with a bank in the Principal Financial Centre of that currency, and (ii) in the case of Renminbi, by transfer to an account denominated in that currency and maintained by the payee with a bank in Hong Kong, and (in the case of interest payable on redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Note Certificates at the Specified Office of any Paying Agent.
- (c) ***Payments subject to fiscal laws:*** All payments in respect of the Registered Notes are subject in all cases to (i) any applicable fiscal or other laws and regulations in the place of payment, but (except as described

in (ii) below) subject to the provisions of Condition 13 (*Taxation*), and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the Code or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, any intergovernmental agreement with respect thereto or any law implementing an intergovernmental approach thereto. No commissions or expenses shall be charged to the Noteholders in respect of such payments.

- (d) **Payments on business days:** Where payment is to be made by transfer to an account, payment instructions (for value the due date, or, if the due date is not Payment Business Day, for value the next succeeding Payment Business Day) will be initiated. A Holder of a Registered Note shall not be entitled to any interest or other payment in respect of any delay in payment resulting from the due date for a payment not being a Payment Business Day.
- (e) **Partial payments:** If a Paying Agent makes a partial payment in respect of any Registered Note, the Issuer shall procure that the amount and date of such payment are noted on the Register and, in the case of partial payment upon presentation of a Note Certificate, that a statement indicating the amount and the date of such payment is endorsed on the relevant Note Certificate.
- (f) **Record date:** Each payment in respect of a Registered Note will be made to the person shown as the Holder in the Register at the opening of business in the place of the relevant Registrar's Specified Office on the fifth (in the case of Renminbi) and fifteenth (in the case of a currency other than Renminbi) day before the due date for such payment (the "**Record Date**").

### 13. **Taxation**

- (a) All payments of principal, premium and interest in respect of the Notes and the Coupons by or on behalf of the Issuer shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of Hong Kong or any political subdivision therein or any authority therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments, or governmental charges is required by law. In that event, the Issuer shall pay such additional amounts ("**Additional Amounts**") as will result in receipt by the Noteholders and the Couponholders after such withholding or deduction of such amounts as would have been received by them had no such withholding or deduction been required, except that no such Additional Amounts shall be payable in respect of any Note or Coupon:
  - (i) held by or on behalf of a Holder which is liable to such taxes, duties, assessments or governmental charges in respect of such Note or Coupon by reason of its or a beneficial owner having or having had some connection with the jurisdiction by which such taxes, duties, assessments or charges have been imposed, levied, collected, withheld or assessed other than the mere holding of the Note or Coupon; or
  - (ii) held by or on behalf of a Holder who would have been able to avoid such withholding or deduction by presenting the relevant Note or Coupon (where presentation is required) to another Paying Agent; or
  - (iii) where the relevant Note or Coupon or Note Certificate is presented (where presentation is required) or surrendered for payment more than 30 days after the Relevant Date except to the extent that the Holder of such Note or Coupon would have been entitled to such Additional Amounts on presenting or surrendering such Note or Coupon or Note Certificate for payment on the last day of such period of 30 days; or
  - (iv) where such withholding or deduction is imposed on a payment received by or on behalf of a holder of a Note, Receipt or Coupon who would be able to avoid such withholding or deduction by making a declaration of non-residence or other similar claim for exemption and does not make such declaration or claim; or
  - (v) any estate, inheritance, gift, sale, transfer, personal property or similar tax, assessment or other governmental charge; or
  - (vi) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the Code or otherwise imposed pursuant to Section 1471 through 1474 of the Code, any

regulations or agreements thereunder, any official interpretations thereof, any intergovernmental agreement with respect thereto or any law implementing an intergovernmental approach thereto.

- (b) If the Issuer or a successor is organised or becomes at any time tax resident in any jurisdiction other than Hong Kong, references in these Conditions to Hong Kong shall be construed as references to Hong Kong and/or such other jurisdiction.

#### 14. **Events of Default**

If any of the following events ("**Events of Default**") occurs and is continuing, the Trustee at its discretion may, and if so requested in writing by holders of at least 25 per cent. in nominal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution shall (subject to being indemnified and/or secured and/or pre-funded to its satisfaction by the Noteholders), give notice to the Issuer that the Notes are, and they shall immediately become, due and payable at their Early Termination Amount together (if applicable) with accrued interest (if any) without further action or formality:

- (a) **Non payment:** the Issuer (i) fails to pay any amount of principal or interest in respect of the Notes within five (5) Business Days of the due date of payment thereof;
- (b) **Breach of other obligations:** the Issuer defaults in the performance or observance of any of its other obligations under or in respect of the Notes, the Agency Agreement or Trust Deed and such default remains unremedied for thirty (30) days after written notice thereof has been delivered to the Issuer by the Trustee; or
- (c) **Cross default of Issuer or Subsidiary:**
- (i) any indebtedness of the Issuer or any of its Material Subsidiaries for borrowed money is not paid when due or (as the case may be) within any originally applicable grace period;
  - (ii) any such indebtedness for borrowed money becomes due and payable prior to its stated maturity otherwise than at the option of the Issuer or (as the case may be) the relevant Material Subsidiary; or
  - (iii) the Issuer or any of its Material Subsidiaries fails to pay when due any amount payable by it under any Guarantee of any indebtedness for borrowed money;

*provided that* the amount of indebtedness for borrowed money referred to in sub paragraph (i) and/or sub paragraph (ii) above and/or the amount payable under any Guarantee referred to in sub paragraph (iii) above individually or in the aggregate exceeds U.S.\$30,000,000 (or its equivalent in any other currency or currencies on the basis of the middle spot rate for the relevant currency against the U.S. dollar as quoted by any leading bank on the day on which a calculation is made under this Condition 14(c);

- (d) **Unsatisfied judgment:** one or more final and non-appealable judgment(s) or order(s) for payment is rendered against the Issuer or any Material Subsidiary and continue(s) unsatisfied and unstayed for a period of thirty (30) days after the date(s) thereof or, if later, the date therein specified for payment; or
- (e) **Security enforced, appointment of officer:** (i) a secured party takes possession, or (ii) a receiver, manager, administrator, liquidator or other similar officer is appointed (or application for any such appointment is made) in relation to the Issuer, any Material Subsidiary or the whole or any material part of the undertaking, assets or revenues of the Issuer or any Material Subsidiary and, in the case of (ii), such appointment is not discharged within thirty (30) days; or
- (f) **Insolvency, etc:** (i) the Issuer or any Material Subsidiary becomes insolvent or is unable to pay its debts as they fall due, or (ii) the Issuer or any Material Subsidiary takes any action for a readjustment or deferment of any of its obligations or makes a general assignment or an arrangement or composition with or for the benefit of its creditors or declares a moratorium in respect of any of its indebtedness or any guarantee of any indebtedness given by it; or
- (g) **Winding up, etc:** an order is made or an effective resolution is passed for the winding up, liquidation or dissolution of the Issuer or any Material Subsidiary (otherwise than, in the case of a Subsidiary of the Issuer, for the purposes of or pursuant to an amalgamation, reorganisation or restructuring whilst solvent)

*provided that* this paragraph (g) shall not apply to the extent such order is frivolous or vexatious and is discharged, stayed or dismissed within thirty (30) days of commencement; or

- (h) **Expropriation:** the authority or ability of the Issuer to conduct its business is wholly or substantially curtailed by any seizure, expropriation, nationalisation, intervention, restriction or other action by or on behalf of any governmental, regulatory or other authority or other person in relation to the Issuer or any of its assets; or
- (i) **Analogous event:** any event occurs which under the laws of Hong Kong has an analogous effect to any of the events referred to in paragraphs (d) to (h) above; or
- (j) **Cessation of business:** the Issuer or any Material Subsidiary suspends or ceases to, or threatens to suspend or cease to, carry on all or substantially all of its business (otherwise than, in the case of a Material Subsidiary of the Issuer only, for the purposes of or pursuant to an amalgamation, reorganisation or restructuring whilst solvent); or
- (k) **Authorisation and consents:** any action, condition or thing at any time required to be taken, fulfilled or done in order (i) to enable the Issuer lawfully to enter into, exercise their respective rights and perform and comply with its obligations under and in respect of the Notes and the Trust Deed, (ii) to ensure that those obligations are legal, valid, binding and enforceable and (iii) to make the Notes, the Coupons and the Trust Deed admissible in evidence in the courts of Hong Kong and England and Wales is not taken, fulfilled or done; or
- (l) **Unlawfulness:** it is or becomes unlawful for the Issuer to perform or comply with any of its obligations under or in respect of the Notes or the Trust Deed.

#### 15. **Prescription**

Claims for principal in respect of Bearer Notes shall become void unless the relevant Bearer Notes are presented for payment within ten years of the appropriate Relevant Date. Claims for interest in respect of Bearer Notes shall become void unless the relevant Coupons are presented for payment within five years of the appropriate Relevant Date. Claims for principal and interest on redemption in respect of Registered Notes shall become void unless the relevant Note Certificates are surrendered for payment within ten years of the appropriate Relevant Date.

#### 16. **Replacement of Notes and Coupons**

If any Note, Note Certificate or Coupon is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the Specified Office of the Principal Paying Agent, in the case of Bearer Notes, or the relevant Registrar, in the case of Registered Notes (and, if the Notes are then admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system which requires the appointment of a Paying Agent or Transfer Agent in any particular place, the Paying Agent or Transfer Agent having its Specified Office in the place required by such competent authority, stock exchange and/or quotation system), subject to all applicable laws and competent authority, stock exchange and/or quotation system requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer may reasonably require. Mutilated or defaced Notes, Note Certificates or Coupons must be surrendered before replacements will be issued.

#### 17. **Trustee and Agents**

Under the Trust Deed, the Trustee is entitled to be indemnified and/or pre-funded and/or provided with security to its satisfaction, as well as relieved from responsibility in certain circumstances and to be paid its fees, costs and expenses in priority to the claims of the Noteholders. In addition, the Trustee is entitled to enter into business transactions with the Issuer and any entity relating to the Issuer without accounting for any profit.

In the exercise of its powers and discretions under these Conditions and the Trust Deed, the Trustee will have regard to the interests of the Noteholders as a class and will not be responsible for any consequence for individual Holders of Notes as a result of such Holders being connected in any way with a particular territory or taxing jurisdiction.

In acting under the Agency Agreement and in connection with the Notes and the Coupons, the Agents act solely as agents of the Issuer and (to the extent provided therein) the Trustee and do not assume any obligations towards or relationship of agency or trust for or with any of the Noteholders or Couponholders.

The initial Agents and their initial Specified Offices are listed below. The initial Calculation Agent (if any) is specified in the relevant Pricing Supplement. The Issuer reserves the right (with the prior approval of the Trustee) at any time to vary or terminate the appointment of any Agent and to appoint a successor principal paying agent, registrar or calculation agent and additional or successor paying agents; *provided*, however, that:

- (i) the Issuer shall at all times maintain a principal paying agent and a registrar; and
- (ii) if a Calculation Agent is specified in the relevant Pricing Supplement, the Issuer shall at all times maintain a Calculation Agent; and
- (iii) the Issuer shall at all times maintain a CMU Lodging and Paying Agent in relation to Notes accepted for clearance through the CMU; and
- (iv) if and for so long as the Notes are admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system which requires the appointment of a Paying Agent and/or a Transfer Agent in any particular place, the Issuer shall maintain a Paying Agent and/or a Transfer Agent having its Specified Office in the place required by such competent authority, stock exchange and/or quotation system.

Notice of any change in any of the Agents or in their Specified Offices shall promptly be given to the Noteholders.

#### 18. **Meetings of Noteholders; Modification and Waiver**

- (a) **Meetings of Noteholders:** The Trust Deed contains provisions for convening meetings of Noteholders to consider matters relating to the Notes, including the modification of any provision of these Conditions or any modifications to the Trust Deed. Any such modification may be made if sanctioned by an Extraordinary Resolution. Such a meeting may be convened by the Issuer or by the Trustee and shall be convened by the Trustee upon the request in writing of Noteholders holding not less than 10 per cent. of the aggregate principal amount of the outstanding Notes. The quorum at any meeting convened to vote on an Extraordinary Resolution will be two or more Persons holding or representing not less than 50 per cent. of the aggregate principal amount of the outstanding Notes or, at any adjourned meeting, two or more Persons being or representing Noteholders whatever the principal amount of the Notes held or represented; *provided, however, that* Reserved Matters may only be sanctioned by an Extraordinary Resolution passed at a meeting of Noteholders at which two or more Persons holding or representing more than 75 per cent. or, at any adjourned meeting, one quarter of the aggregate principal amount of the outstanding Notes form a quorum. Any Extraordinary Resolution duly passed at any such meeting shall be binding on all the Noteholders and Couponholders, whether present or not.

In addition, a resolution in writing signed by or on behalf of Noteholders of not less than 90 per cent. of the aggregate principal amount outstanding will take effect as if it were an Extraordinary Resolution. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

- (b) **Modification and waiver:** The Trustee may, but shall not be obliged to, without the consent of the Noteholders, agree to any modification of these Conditions or the Trust Deed (other than in respect of a Reserved Matter) which is, in the opinion of the Trustee, proper to make if, in the opinion of the Trustee, such modification will not be materially prejudicial to the interests of Noteholders and to any modification of the Notes or the Trust Deed which is of a formal, minor or technical nature or is to correct a manifest error.

In addition, the Trustee may, but shall not be obliged to, without the consent of the Noteholders, authorise or waive any proposed breach or breach of the Notes or the Trust Deed (other than a proposed breach or breach relating to the subject of a Reserved Matter) if, in the opinion of the Trustee, the interests of the Noteholders will not be materially prejudiced thereby.

Any such authorisation, waiver or modification shall be binding on the Noteholders and unless the Trustee agrees otherwise, any such authorisation, waiver or modification shall be notified to the Noteholders as soon as practicable thereafter.

- (c) **Directions from Noteholders:** Notwithstanding anything to the contrary in these Conditions, the Trust Deed or the Agency Agreement, whenever the Trustee is required or entitled by the terms of these Conditions, the Trust Deed or the Agency Agreement to exercise any discretion or power, take any action, make any decision or give any direction or certification, the Trustee is entitled, prior to exercising any such discretion or power, taking any such action, making any such decision, or giving any such direction or certification, to seek directions from the Noteholders by way of an Extraordinary Resolution and shall have been indemnified and/or secured and/or pre-funded to its satisfaction against all action, proceedings, claims and demands to which it may be or become liable and all costs, charges, damages, expenses (including legal expenses) and liabilities which may be incurred by it in connection therewith, and the Trustee is not responsible for any loss or liability incurred by any person as a result of any delay in it exercising such discretion or power, taking such action, making such decision, or giving such direction or certification where the Trustee is seeking such directions.
- (d) **Certificates and Reports:** The Trustee may rely without liability to Noteholders on a report, confirmation or certificate or any advice of any lawyers, accountants, financial advisers, financial institution or any other expert, whether or not addressed to it and whether their liability in relation thereto is limited (by its terms or by any engagement letter relating thereto or in any other manner) by reference to a monetary cap, methodology or otherwise. The Trustee may accept and shall be entitled to rely on any such report, confirmation or certificate or advice and such report, confirmation or certificate or advice shall be binding on the Issuer, the Trustee and the Noteholders.

## 19. Enforcement

The Trustee may at any time, at its absolute discretion and without notice, institute such proceedings, actions or steps as it thinks fit to enforce its rights under the Trust Deed in respect of the Notes, but it shall not be bound to do so unless:

- (i) it has been so requested in writing by the Holders of at least one quarter of the aggregate principal amount of the outstanding Notes or has been so directed by an Extraordinary Resolution; and
- (ii) it has been indemnified and/or pre-funded and/or provided with security to its satisfaction.

No Noteholder may proceed directly against the Issuer unless the Trustee, having become bound to do so, fails to do so within a reasonable time and such failure is continuing.

## 20. Further Issues

The Issuer may from time to time, without the consent of the Noteholders or the Couponholders, and in accordance with the Trust Deed, create and issue additional notes having the same terms and conditions as the Notes in all respects (or in all respects except for the first payment of interest) so as to form a single series with the Notes; *provided that* in order for additional Registered Notes to be consolidated and form a single Series with outstanding Registered Notes of the relevant Series and in the case that the additional Registered Notes are issued as Restricted Notes, the additional Registered Notes must be fungible with the outstanding Registered Notes of such Series for U.S. federal income tax purposes; and provided further that, in the case of Bearer Notes that are issued under the "TEFRA D" rules and are initially represented by interests in a Temporary Global Note exchangeable for interests in a Permanent Global Note or definitive Bearer Notes, such consolidation may occur only following certification of non-U.S. beneficial ownership and exchange of interests in the Temporary Global Note for interests in the Permanent Global Note or definitive Bearer Notes in accordance with the TEFRA D rules.

## 21. Notices

- (a) **Bearer Notes:** Notices to the Holders of Bearer Notes shall be valid if published in a leading English language daily newspaper published in Hong Kong or if such publication is not practicable, in a leading English language daily newspaper having general circulation in Asia. Any such notice shall be deemed to have been given on the date of first publication (or if required to be published in more than one newspaper, on the first date on which publication shall have been made in all the required newspapers).

Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the Holders of Bearer Notes.

- (b) **Registered Notes:** Notices to the Holders of Registered Notes shall be sent to them by first class mail (or its equivalent) or (if posted to an overseas address) by airmail at their respective addresses on the Register. Any such notice shall be deemed to have been given on the fourth day after the date of mailing.

*So long as the Notes are represented by a Global Note or a Global Note Certificate and such Global Note or Global Note Certificate is held on behalf of Euroclear or Clearstream or any other clearing system, notices to the holders of Notes of that Series may be given by delivery of the relevant notice to that clearing system for communication by it to entitled accountholders in substitution for publication as required by the Conditions.*

## 22. **Currency Indemnity**

If any sum due from the Issuer in respect of the Notes or the Coupons or any order or judgment given or made in relation thereto has to be converted from the currency (the "**first currency**") in which the same is payable under these Conditions or such order or judgment into another currency (the "**second currency**") for the purpose of (a) making or filing a claim or proof against the Issuer, (b) obtaining an order or judgment in any court or other tribunal or (c) enforcing any order or judgment given or made in relation to the Notes, the Issuer shall indemnify each Noteholder, on the written demand of such Noteholder addressed to the Issuer and delivered to the Issuer or to the Specified Office of the Principal Paying Agent, against any loss suffered as a result of any discrepancy between (i) the rate of exchange used for such purpose to convert the sum in question from the first currency into the second currency and (ii) the rate or rates of exchange at which such Noteholder may in the ordinary course of business purchase the first currency with the second currency upon receipt of a sum paid to it in satisfaction, in whole or in part, of any such order, judgment, claim or proof.

This indemnity constitutes a separate and independent obligation of the Issuer and shall give rise to a separate and independent cause of action.

## 23. **Rounding**

For the purposes of any calculations referred to in these Conditions (unless otherwise specified in these Conditions or the relevant Pricing Supplement), (a) all percentages resulting from such calculations will be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 per cent. being rounded up to 0.00001 per cent.), (b) all United States dollar amounts used in or resulting from such calculations will be rounded to the nearest cent (with one half cent being rounded up), (c) all Japanese Yen amounts used in or resulting from such calculations will be rounded downwards to the next lower whole Japanese Yen amount, and (d) all amounts denominated in any other currency used in or resulting from such calculations will be rounded to the nearest two decimal places in such currency, with 0.005 being rounded upwards.

## 24. **Governing Law and Jurisdiction**

- (a) **Governing law:** The Notes, the Trust Deed and any non-contractual obligations arising out of or in connection with the Notes and the Trust Deed are governed by, and shall be construed in accordance with, English law.
- (b) **English courts:** The courts of England have exclusive jurisdiction to settle any dispute (a "**Dispute**") arising out of or in connection with the Notes (including a dispute relating to the existence, validity or termination of the Notes or any non-contractual obligation arising out of or in connection with the Notes) or the consequences of its nullity.
- (c) **Appropriate forum:** The Issuer agrees that the courts of England are the most appropriate and convenient courts to settle any Dispute and, accordingly, that it will not argue to the contrary.
- (d) **Rights of the Trustee and Noteholders to take proceedings outside England:** Condition 24(b) (*Governing Law and Jurisdiction - English courts*) is for the benefit of the Trustee and the Noteholders only. As a result, nothing in this Condition 24 prevents the Trustee or any Noteholder from taking proceedings relating to a Dispute ("**Proceedings**") in any other courts with jurisdiction. To the extent

allowed by law, the Trustee or Noteholders may take concurrent Proceedings in any number of jurisdictions.

- (e) **Process agent:** The Issuer has irrevocably appointed Techtronic Industries EMEA Ltd. at its registered office located at 22 Market Street, Maidenhead, England SL6 8AD (Attention: Mr. Thomas Turkington) to receive service of process in any Proceedings in England. If for any reason such agent shall cease to be such agent for service of process, the Issuer shall forthwith appoint a new agent for service of process in England and notify the Noteholders in accordance with Condition 21 (*Notices*) of such appointment. Nothing herein shall affect the right to serve process in any other manner permitted by law.

## FORM OF PRICING SUPPLEMENT

*The Pricing Supplement in respect of each Series of the Notes will be substantially in the following form, duly supplemented (if necessary), amended (if necessary) and completed to reflect the particular terms of the relevant Notes and their issue.*

**[PRIIPs REGULATION — PROHIBITION OF SALES TO EEA RETAIL INVESTORS —** The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("EEA"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "EU MiFID II"); or (ii) a customer within the meaning of Directive (EU) 2016/97 (the "Insurance Distribution Directive"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of EU MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the "PRIIPs Regulation") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.]

**[UK PRIIPs REGULATION — PROHIBITION OF SALES TO UK RETAIL INVESTORS —** The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom (the "UK"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (the "EUWA"); or (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (the "FSMA") and any rules or regulations made under the FSMA to implement the [Directive (EU) 2016/97 (the "Insurance Distribution Directive")][Insurance Distribution Directive], where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA. Consequently no key information document required by [Regulation (EU) No 1286/2014 (as amended, the "PRIIPs Regulation")][the PRIIPs Regulation] as it forms part of domestic law by virtue of the EUWA (the "UK PRIIPs Regulation") for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.]

**[EU MIFID II product governance / Professional investors and ECPS only target market —** Solely for the purposes of [the/each] manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in [Directive 2014/65/EU (as amended, "EU MiFID II")][EU MiFID II]; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a "distributor") should take into consideration the manufacturer['s/s'] target market assessment; however, a distributor subject to EU MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels.]

**[UK MiFIR product governance / Professional investors and ECPS only target market —** Solely for the purposes of [the/each] manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is only eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook ("COBS"), and professional clients, as defined in Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("UK MiFIR"); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a "distributor") should take into consideration the manufacturer['s/s'] target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the "UK MiFIR Product Governance Rules") is responsible for undertaking its own target market assessment in respect of the Notes (by

either adopting or refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels.]

[This document is for distribution to professional investors (as defined in Chapter 37 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "SEHK")) ("Professional Investors") only.

**Notice to Hong Kong investors:** The Issuer confirms that the Notes are intended for purchase by Professional Investors only and will be listed on the SEHK on that basis. Accordingly, the Issuer confirms that the Notes are not appropriate as an investment for retail investors in Hong Kong. Investors should carefully consider the risks involved.

**The SEHK has not reviewed the contents of this document, other than to ensure that the prescribed form disclaimer and responsibility statements, and a statement limiting distribution of this document to Professional Investors only have been reproduced in this document. Listing of the Programme or the Notes on the SEHK is not to be taken as an indication of the commercial merits or credit quality of the Programme, the Notes, the Issuer (each as defined below) or the Issuer and its subsidiaries taken as a whole or quality of disclosure in this document.** Hong Kong Exchanges and Clearing Limited and the SEHK take no responsibility for the contents of this document, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this document.]

[This document includes particulars given in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Issuer and its subsidiaries taken as a whole. The Issuer accepts full responsibility for the accuracy of the information contained in this document and confirms, having made all reasonable enquiries, that to the best of its knowledge and belief there are no other facts the omission of which would make any statement herein misleading.]

**[Singapore Securities and Futures Act Product Classification** — Solely for the purposes of its obligations pursuant to sections 309B(1)(a) and 309B(1)(c) of the Securities and Futures Act 2001 of Singapore (as modified or amended from time to time, the "SFA"), the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A of the SFA) that the Notes are ["prescribed capital markets products"/[capital markets products other than "prescribed capital markets products"] (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018).]<sup>1</sup>

## **Pricing Supplement dated [●]**

**Techtronic Industries Company Limited (創科實業有限公司) (the "Issuer")**

**Issue of [Aggregate Nominal Amount of Series] [Title of Notes] (the "Notes")  
under the U.S.\$500,000,000 Medium Term Note Programme (the "Programme")**

The document constitutes the Pricing Supplement relating to the issue of the Notes described herein.

Terms used herein shall be deemed to be defined as such for the purposes of the terms and conditions of the Notes (the "**Conditions**") set forth in the Offering Circular dated 17 May 2024. This Pricing Supplement contains the final terms of the Notes and must be read in conjunction with such Offering Circular [and the supplemental Offering Circular dated [date]].

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<sup>1</sup> To delete if the offering is only made to accredited investors and institutional investors in Singapore.

*[The following alternative language applies if the first tranche of an issue which is being increased was issued under an Offering Circular with an earlier date.]*

*Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the "Conditions") set forth in the Offering Circular dated [original date]. This Pricing Supplement contains the final terms of the Notes and must be read in conjunction with the Offering Circular dated [current date] [and the supplemental Offering Circular dated [●]], save in respect of the Conditions which are extracted from the Offering Circular dated [original date] and are attached hereto.]*

*[Include whichever of the following apply or specify as "Not Applicable" (N/A). Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs or sub-paragraphs. Italics denote guidance for completing the Pricing Supplement.]*

- |   |   |
|---|---|
| 1. Issuer:  | Techtronic Industries Company Limited<br>(創科實業有限公司)   |
| 2. (i) Series Number:                               | [●]   |
| (ii) Tranche Number:                                | [●]   |
| (iii) Date on which the Notes become fungible:      | [Not Applicable/The Notes shall be consolidated, form a single series and be interchangeable for trading purposes with the [●] on [[●]/the Issue Date/exchange of the Temporary Global Note for interests in the Permanent Global Note, as referred to in paragraph 25 below [which is expected to occur on or about [●]].] |
| 3. Specified Currency or Currencies:                | [●]   |
| 4. Aggregate Nominal Amount:                        | [●]   |
| (i) [Series]:                                       | [●]   |
| (ii) Tranche:                                       | [●]   |
| 5. (i) Issue Price:                                 | [●] per cent. of the Aggregate Nominal Amount [plus accrued interest from [insert date] (in the case of fungible issues only, if applicable)]   |
| (ii) Net Proceeds                                   | [●] [(Required only for listed issues)]   |
| 6. (i) Specified Denominations <sup>2, 3, 4</sup> : | [●]   |
| (ii) Calculation Amount:                            | [●]   |
| 7. (i) Issue Date:                                  | [●]   |

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<sup>2</sup> Notes (including Notes denominated in sterling) in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom or whose issue otherwise constitutes a contravention of section 19 of the FSMA and which have a maturity of less than one year and must have a minimum redemption value of £100,000 (or its equivalent in other currencies).

<sup>3</sup> If the specified denomination is expressed to be EUR50,000 (or EUR100,000, to the extent that Directive 2010/73/EU has been implemented in the relevant Member State) or its equivalent and multiples of a lower principal amount (for example EUR1,000), insert the additional wording as follows: EUR100,000, and integral multiples of [EUR1,000] in excess thereof up to and including [EUR199,000]. In relation to any issue of the Notes which are a "Global Note/Global Note Certificate exchangeable for Definitive Notes/Individual Note Certificates" in circumstances other than "in the limited circumstances specified in the Permanent Global Notes/Global Note Certificate", such Notes may only be issued in denominations equal to, or greater than, EUR100,000 (or equivalent) and multiples thereof.

<sup>4</sup> Notes to be listed on the SEHK are required to be traded with board lot size of at least HK\$500,000 (or equivalent in other currencies)

- (ii) Interest Commencement Date: [Specify/Issue Date/Not Applicable]
8. Maturity Date: [Specify date or (for Floating Rate Notes) Interest Payment Date falling in or nearest to the relevant month and year]<sup>5</sup>[If the Maturity Date is less than one year from the Issue Date and either (a) the issue proceeds are received by the Issuer in the United Kingdom, or (b) the activity of issuing the Notes is carried on from an establishment maintained by the Issuer in the United Kingdom, (i) the Notes must have a minimum redemption value of £100,000 (or its equivalent in other currencies) and be sold only to "professional investors" or (ii) another applicable exemption from section 19 of the FSMA must be available.]
9. Interest Basis: [[●] per cent. Fixed Rate] [[Specify reference rate] +/- [●] per cent. Floating Rate] [Zero Coupon] [Other (Specify)] (further particulars specified below)
10. Redemption/Payment Basis: [Redemption at par] [Dual Currency] [Partly Paid] [Other (Specify)]
11. Change of Interest or Redemption/ Payment Basis: [Specify details of any provision for convertibility of the Notes into another interest or redemption/payment basis]
12. Put/Call Options: [Put Option] [Call Option] [(further particulars specified below)]
13. Date [Board] approval for issuance of Notes obtained [●] (N.B. Only relevant where Board (or similar) authorisation is required for the particular tranche of Notes)
14. Listing: [SEHK/Other (specify)/None] (For Notes to be listed on the SEHK, insert the expected effective listing date of the Notes)
15. Method of distribution: [Syndicated/Non-syndicated]
- PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE
16. Fixed Rate Note Provisions [Applicable/Not Applicable] (If not applicable, delete the remaining sub-paragraphs of this paragraph)
- (i) Rate[(s)] of Interest: [●] per cent. per annum [payable [annually/ semi-annually/quarterly/monthly/other (specify)] in arrear]
- (ii) Interest Payment Date(s): [●] in each year [adjusted in accordance with [specify Business Day Convention and any applicable Business Centre(s) for the definition of "Business Day"/not adjusted]

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<sup>5</sup> Note that for Renminbi or Hong Kong dollar denominated Fixed Rate Notes where Interest Payment Dates are subject to modification it will be necessary to use the second option here.

|                                   |  |  |
|-----------------------------------|--|--|
| (iii)                             | Fixed Coupon Amount[(s)]:  | [●] per Calculation Amount <sup>6</sup>  |
| (iv)                              | Broken Amount(s):  | [●] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [●]   |
| (v)                               | Day Count Fraction:  | [Actual/Actual (ICMA) or Actual/Actual (ISDA) or Actual/365 (Fixed) or Actual/360 or 30/360 or 30E/360 or Eurobond Basis or 30E/360 (ISDA) or <i>[specify other]</i> ]   |
| (vi)                              | Other terms relating to the method of calculating interest for Fixed Rate Notes:   | [Not Applicable/ <i>give details</i> ]   |
| 17. Floating Rate Note Provisions |  | [Applicable/Not Applicable] ( <i>If not applicable, delete the remaining sub-paragraphs of this paragraph</i> )  |
| (i)                               | Interest Period(s):  | [●]  |
| (ii)                              | Specified Period:  | [●]  |
| (iii)                             | Specified Interest Payment Dates:  | [●] ( <i>Specified Period and Specified Interest Payment Dates are alternatives. A Specified Period, rather than Specified Interest Payment Dates, will only be relevant if the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention. Otherwise, insert "Not Applicable"</i> ) |
| (iv)                              | First Interest Payment Date:   | [●]  |
| (v)                               | Business Day Convention:   | [FRN Convention/Floating Rate Convention/ Eurodollar Convention/Following Business Day Convention/Modified Following Business Day Convention/Modified Business Day Convention/Preceding Business Day Convention/ <i>other (give details)</i> ]   |
| (vi)                              | Additional Business Centre(s):   | [Not Applicable/ <i>give details</i> ]   |
| (vii)                             | Manner in which the Rate(s) of Interest is/are to be determined:   | [Screen Rate Determination/ISDA Determination/ <i>other (give details)</i> ]   |
| (viii)                            | Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) (if not the [Principal Paying Agent]): | [[ <i>Name</i> ] shall be the Calculation Agent ( <i>no need to specify if the Principal Paying Agent is to perform this function</i> )]   |
| (ix)                              | Screen Rate Determination:   |  |
|                                   | • Reference Rate:  | [ <i>For example, EURIBOR or CNH HIBOR or SOFR</i> ]   |
|                                   | • Observation Method:  | [Lag / Observation Shift]  |

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<sup>6</sup> [or Renminbi or Hong Kong dollar denominated Fixed Rate Notes where the Interest Payment Dates are subject to modification the following alternative wording is appropriate: "Each Fixed Coupon Amount shall be calculated by multiplying the product of the Rate of Interest and the Calculation Amount by the Day Count Fraction and rounding the resultant figure to the nearest RMB0.01 (RMB0.005 being rounded upwards) in the case of Renminbi-denominated Fixed Rate Notes and to the nearest HK\$0.01 (HK\$0.005 being rounded upwards) in the case of Hong Kong dollar denominated Fixed Rate Notes.]

|        |  |   |
|--------|--|---|
| •      | Lag Period:  | [5 / [●] TARGET Settlement Days/U.S. Government Securities Business Days/London Banking Days/Not Applicable]  |
| •      | Observation Shift Period:  | [5 / [●] TARGET Settlement Days/U.S. Government Securities Business Days/London Banking Days /Not Applicable]   |
|        |  | <i>(NB: A minimum of 5 should be specified for the Lag Period or Observation Shift Period, unless otherwise agreed with the Calculation Agent)</i>  |
| •      | Index Determination  | [Applicable/Not Applicable]   |
| •      | SOFR Compounded Index  | [Applicable/Not Applicable]   |
| •      | Relevant Decimal Place   | [Not Applicable/[●]/[7] (unless otherwise specified in the Pricing Supplement, be the seventh decimal place in the case of the SOFR Compounded Index)]  |
| •      | Relevant Number of Index Days  | [Not Applicable/[●]/[5] (unless otherwise specified in the Pricing Supplement, the Relevant Number shall be 5)]   |
| •      | Interest Determination Date(s):  | [●]   |
| •      | Relevant Screen Page:  | [For example, Reuters EURIBOR 01]   |
| •      | Relevant Time:   | [For example, 11.00 a.m. Brussels time]   |
| •      | Relevant Financial Centre:   | [For example, Euro-zone (where Euro-zone means the region comprised of the countries whose lawful currency is the euro)]  |
| •      | Reference Banks:   | [●]   |
| (x)    | ISDA Determination:  |   |
| •      | Floating Rate Option:  | [●]   |
| •      | Designated Maturity:   | [●]   |
| •      | Reset Date:  | [●]   |
|        | 2021 ISDA Definitions  | [Applicable/Not Applicable]   |
| (xi)   | Linear interpolation:  | [Not Applicable/Applicable — the Rate of Interest for the [long/short] [first/last] Interest Period shall be calculated using Linear Interpolation ( <i>specify for each short or long interest period</i> )] |
| (xii)  | Margin(s):   | [+/-][●] per cent. per annum  |
| (xiii) | Minimum Rate of Interest:  | [●] per cent. per annum   |
| (xiv)  | Maximum Rate of Interest:  | [●] per cent. per annum   |
| (xv)   | Day Count Fraction:  | [●]   |
| (xvi)  | Fall back provisions, rounding provisions, denominator and any other terms relating to the method of calculating interest on Floating Rate | [●]   |

Notes, if different from those set out in the Conditions:

18. Zero Coupon Note Provisions [Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
- (i) Accrual Yield: [●] per cent. per annum
  - (ii) Reference Price: [●]
  - (iii) Day Count Fraction: [Actual/Actual (ICMA) or Actual/Actual (ISDA) or Actual/365 (Fixed) or Actual/360 or 30/360 or 30E/360 or Eurobond Basis or 30E/360 (ISDA) or *specify other*]
  - (iv) Any other formula/basis of determining amount payable: [*Consider whether it is necessary to specify a Day Count Fraction for the purposes of Condition 10(f)*]
19. Dual Currency Note Provisions [Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
- (i) Rate of Exchange/method of calculating Rate of Exchange: [*give details*]
  - (ii) Calculation Agent, if any, responsible for calculating the principal and/or interest due: [●]
  - (iii) Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable: [●]
  - (iv) Interest Determination Date(s): [●]
  - (v) Person at whose option Specified Currency(ies) is/are payable: [●]

#### PROVISIONS RELATING TO REDEMPTION

20. Call Option [Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
- (i) Optional Redemption Date(s) (Call): [●]
  - (ii) Optional Redemption Amount (Call) of each Note and method, if any, of calculation of such amount(s): [●] per Calculation Amount
  - (iii) If redeemable in part:
    - (a) Minimum Redemption Amount: [●] per Calculation Amount
    - (b) Maximum Redemption Amount: [●] per Calculation Amount
  - (iv) Notice period: [●]
21. Put Option [Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)

- (i) Optional Redemption Date(s) (Put): [●]
- (ii) Optional Redemption Amount (Put) of each Note and method, if any, of calculation of such amount(s): [●] per Calculation Amount
- (iii) Notice period: [●]
22. Final Redemption Amount of each Note [●] per Calculation Amount
23. Early Redemption Amount (Tax)/Early Termination Amount [Not Applicable]
- Early Redemption Amount(s) per Calculation Amount payable on redemption for taxation reasons, or on event of default or other early redemption and/or the method of calculating the same (if required or if different from that set out in the Conditions): *(If each of the Early Redemption Amount (Tax) and the Early Termination Amount is the principal amount of the Notes/specify the Early Redemption Amount (Tax) and/or the Early Termination Amount if different from the principal amount of the Notes)*

#### GENERAL PROVISIONS APPLICABLE TO THE NOTES

24. Form of the Notes: **Bearer Notes:**<sup>7</sup>
- [Temporary Global Note exchangeable for a Permanent Global Note on [●] days' notice/ in the limited circumstances specified in the Permanent Global Note]<sup>8</sup>[Temporary Global Note exchangeable for Definitive Notes on [●] days' notice]<sup>9</sup>[Permanent Global Note exchangeable for Definitive Notes on [●] days' notice/in the limited circumstances specified in the Permanent Global Note]<sup>10</sup>
- Registered Notes:**
- [Global Note Certificate exchangeable for Individual Note Certificates on [●] days, notice/in the limited circumstances described in the Global Note Certificate]
25. Additional Financial Centre(s) or other special provisions relating to payment dates: [Not Applicable/give details.] *Note that this paragraph relates to the date and place of payment, and not interest period end dates, to which sub paragraph 17(vi) relates]*

<sup>7</sup> Bearer Notes issued in compliance with the D Rules must initially be represented by a Temporary Global Note.

<sup>8</sup> if the Specified Denominations of the Notes in paragraph 6 includes language substantially to the following effect: "EUR100,000 and integral multiples of [EUR1,000] in excess thereof up to and including [EUR199,000]", the Permanent Global Note shall not be exchangeable on [●] days' notice.

<sup>9</sup> if the Specified Denominations of the Notes in paragraph 6 includes language substantially to the following effect: "[EUR50,000]/[EUR100,000] and integral multiples of [EUR1,000] in excess thereof up to and including [EUR99,000]/[EUR199,000]", the Temporary Global Note shall not be exchangeable on [●] days' notice.

<sup>10</sup> if the Specified Denominations of the Notes in paragraph 6 includes language substantially to the following effect: "EUR100,000 and integral multiples of [EUR1,000] in excess thereof up to and including [EUR199,000]", the Permanent Global Note shall not be exchangeable on [●] days' notice.

26. Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature): [Yes/No. If yes, *give details*]
27. Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made [and consequences (if any) of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment]: [Not Applicable/*give details*]
28. Details relating to Instalment Notes: amount of each instalment, date on which each payment is to be made: [Not Applicable/*give details*]
29. Redenomination, renominatisation and reconventioning provisions: [Not Applicable/The provisions annexed to this Pricing Supplement apply]
30. Consolidation provisions: The provisions in Condition 20 (*Further Issues*) [annexed to this Pricing Supplement] apply]
31. Other terms or special conditions: [Not Applicable/*give details*]
- DISTRIBUTION
32. (i) If syndicated, names of Managers: [Not Applicable/*give names*]  
(ii) Stabilisation Manager(s) (if any): [Not Applicable/*give name*]
33. If non-syndicated, name and address of Dealer: [Not Applicable/*give name and address*]
34. Total commission and concession: [●] per cent. of the Aggregate Principal Amount
35. U.S. Selling Restrictions: Reg. S Category [1/2] (*In the case of Bearer Notes*) — [C RULES/ D RULES/TEFRA not applicable]<sup>11</sup>
36. Prohibition of Sales to EEA Retail Investors: [Applicable/Not Applicable]  
*(If the Notes clearly do not constitute "packaged" products, "Not Applicable" should be specified. If the offer of the Notes may constitute "packaged" products and no KID will be prepared, "Applicable" should be specified.)*
37. Prohibition of Sales to UK Retail Investors [Applicable/Not Applicable]  
*If the Notes clearly do not constitute "packaged" products, "Not Applicable" should be specified. If the Notes may constitute "packaged" products and no KID will be prepared, "Applicable" should be specified.*
38. Additional selling restrictions: [Not Applicable/*give details*]

#### OPERATIONAL INFORMATION

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<sup>11</sup> TEFRA not applicable may only be used for Registered Notes, or Bearer Notes with a maturity of 365 days or less (taking into account any unilateral rights to extend or rollover). Bearer Notes with a maturity of more than 365 days (taking into account unilateral rights to extend or rollover) that are held through the CMU must be issued in compliance with the C Rules, unless at the time of issuance the CMU and the CMU Lodging and Paying Agent have procedures in place so as to enable compliance with the certification requirements under the D Rules.

39. ISIN Code: [●]
40. Common Code: [●]
41. Legal Entity Identifier: 549300HZW2SBE758OK89
42. CMU Instrument Number: [●]
43. Any clearing system(s) other than Euroclear/Clearstream and the relevant identification number(s): [CMU /Not Applicable/give name(s) and number(s)]
44. Delivery: Delivery [against/free of] payment
45. Additional Paying Agent(s) (if any): [●]

#### HONG KONG SFC CODE OF CONDUCT

46. Rebates [A rebate of [●] bps is being offered by the Issuer to all private banks for orders they place (other than in relation to Notes subscribed by such private banks as principal whereby it is deploying its own balance sheet for onward selling to investors), payable upon closing of this offering based on the principal amount of the Notes distributed by such private banks to investors. Private banks are deemed to be placing an order on a principal basis unless they inform the CMIs otherwise. As a result, private banks placing an order on a principal basis (including those deemed as placing an order as principal) will not be entitled to, and will not be paid, the rebate.] / [Not Applicable]

47. Contact email addresses of the [Overall Coordinators] / [Managers] where underlying investor information in relation to omnibus orders should be sent: [Include relevant contact email addresses of the [Overall Coordinators]/[Managers] where the underlying investor information should be sent – [OCs]/[Managers] to provide] / [Not Applicable]

48. Marketing and Investor Targeting Strategy [if different from the Offering Circular]

#### GENERAL

49. [Ratings: The Notes to be issued have been rated:  
[[●]: [●]];  
[[●]: [●]]; [and]  
(each a "Rating Agency").]

#### [USE OF PROCEEDS

*Give details if different from the "Use of Proceeds" section in the Offering Circular.]*

#### [STABILISING

In connection with this issue, [insert name of Stabilisation Manager] (the "**Stabilisation Manager**") (or persons acting on behalf of any Stabilisation Manager) may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilisation Manager (or persons acting on behalf of a Stabilisation Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Notes is made and, if begun, may be ended at any time, but it must end

no later than the earlier of 30 days after the issue date of the Notes and 60 days after the date of the allotment of the Notes. Any stabilisation action or over-allotment must be conducted by the relevant Stabilisation Manager (or persons acting on behalf of any Stabilisation Manager) in accordance with all applicable laws and rules.]

**PURPOSE OF PRICING SUPPLEMENT**

This Pricing Supplement comprises the final terms required for listing on the SEHK of the Notes described herein pursuant to the U.S.\$500,000,000 Medium Term Note Programme of the Issuer.

**RESPONSIBILITY**

The Issuer accepts responsibility for the information contained in this Pricing Supplement.

Signed on behalf of Techtronic Industries Company Limited (創科實業有限公司)

By: .....

Name: .....

Title: .....

## **SUMMARY OF PROVISIONS RELATING TO THE NOTES WHILE IN GLOBAL FORM**

### **Clearing System Accountholders**

In relation to any Series of the Notes represented by a Global Note, references in the Conditions to "Noteholder" are references to the bearer of the relevant Global Note which, for so long as the Global Note is held by a depository or a common depository for Euroclear and/or Clearstream and/or any other relevant clearing system and/or a sub-custodian for the CMU, will be that depository, common depository or, as the case may be, sub-custodian.

In relation to any Series of the Notes represented by one or more Global Note Certificates, references in the Conditions to "Noteholder" are references to the person in whose name the relevant Global Note Certificate is for the time being registered in the Register which in the case of any Global Note Certificate which is held by or on behalf of a depository or a common depository for Euroclear and/or Clearstream and/or any other relevant clearing system, will be that depository or common depository or a nominee for that depository or common depository.

Each of the persons shown in the records of Euroclear, Clearstream and/or any other relevant clearing system as being entitled to an interest in a Global Note or a Global Note Certificate (each an "**Accountholder**") must look solely to Euroclear, Clearstream and/or such other relevant clearing system (as the case may be) for such Accountholder's share of each payment made by the Issuer to the holder of such Global Note or Global Note Certificate and in relation to all other rights arising under such Global Note or Global Note Certificate. The extent to which, and the manner in which, Accountholders may exercise any rights arising under a Global Note or Global Note Certificate will be determined by the respective rules and procedures of Euroclear and Clearstream and any other relevant clearing system from time to time. For so long as the relevant Notes are represented by a Global Note or Global Note Certificate, Accountholders shall have no claim directly against the Issuer in respect of payments due under the Notes and such obligations of the Issuer will be discharged by payment to the holder of such Global Note or Global Note Certificate.

If a Global Note or a Global Registered Note is lodged with a sub-custodian for or registered with the CMU, the person(s) for whose account(s) interests in such Global Note or Global Registered Note are credited as being held in the CMU in accordance with the CMU Rules as notified by the CMU to the CMU Lodging and Paying Agent in a relevant CMU Issue Position Report or any other relevant notification by the CMU (which notification, in either case, shall be conclusive evidence of the records of the CMU save in the case of manifest error) shall be the only person(s) entitled or in the case of Registered Notes, directed or deemed by the CMU as entitled to receive payments in respect of the Notes represented by such Global Note or Global Registered Note and the Issuer will be discharged by payment to, or to the order of, such person(s) for whose account(s) interests in such Global Note or Global Note Certificate are credited as being held in the CMU in respect of each amount so paid. Each of the persons shown in the records of the CMU, as the beneficial holder of a particular nominal amount of the Notes represented by such Global Note or Global Registered Note must look solely to the CMU Lodging and Paying Agent for his share of each payment so made by the Issuer in respect of such Global Note or Global Registered Note.

### **Transfers of Interests in Global Notes and Global Note Certificates**

Transfers of interests in Global Notes and Global Note Certificates within Euroclear and Clearstream or any other relevant clearing system will be in accordance with their respective rules and operating procedures. None of the Issuer, the Registrar, the Dealers or the Agents will have any responsibility or liability for any aspect of the records of any Euroclear and Clearstream or any other relevant clearing system or any of their respective participants relating to payments made on account of beneficial ownership interests in a Global Note or Global Note Certificate or for maintaining, supervising or reviewing any of the records of Euroclear and Clearstream or any other relevant clearing system or the records of their respective participants relating to such beneficial ownership interests.

The laws of some states of the United States require that certain persons receive individual certificates in respect of their holdings of the Notes. Consequently, the ability to transfer interests in a Global Note Certificate to such

persons will be limited. Because clearing systems only act on behalf of participants, who in turn act on behalf of indirect participants, the ability of a person having an interest in a Global Note Certificate to pledge such interest to persons or entities which do not participate in the relevant clearing systems, or otherwise take actions in respect of such interest, may be affected by the lack of an Individual Note Certificate representing such interest.

On or after the issue date for any Series, transfers of the Notes of such Series between accountholders in Euroclear and/or Clearstream will generally have a settlement date three business days after the trade date (T+3). The customary arrangements for delivery versus payment will apply to such transfers.

Although Euroclear and Clearstream have agreed to the foregoing procedures in order to facilitate transfers of interests in the Global Note Certificates among participants and account holders of Euroclear and Clearstream, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. None of the Issuer, the Registrar, the Dealers, the Trustee or the Agents will have any responsibility for the performance by Euroclear or Clearstream or their respective direct or indirect participants or account holders of their respective obligations under the rules and procedures governing their respective operations.

While a Global Note Certificate is lodged with Euroclear, Clearstream or any relevant clearing system, Individual Note Certificates for the relevant Series of the Notes will not be eligible for clearing and settlement through such clearing systems.

### **Conditions applicable to Global Notes**

Each Global Note and Global Note Certificate will contain provisions which modify the Conditions as they apply to the Global Note or Global Note Certificate. The following is a summary of certain of those provisions:

*Payments:* All payments in respect of the Global Note or Global Note Certificate which, according to the Conditions, require presentation and/or surrender of a Note, Note Certificate or Coupon will be made against presentation and (in the case of payment of principal in full with all interest accrued thereon) surrender of the Global Note or Global Note Certificate to or to the order of any Paying Agent and will be effective to satisfy and discharge the corresponding liabilities of the Issuer in respect of the Notes. On each occasion on which a payment of principal or interest is made in respect of the Global Note, the Issuer shall procure that the payment is noted in a schedule thereto.

*Payment Business Day:* In the case of a Global Note or a Global Note Certificate, shall be: if the currency of payment is euro, any day which is a TARGET Settlement Day and a day on which dealings in foreign currencies may be carried on in each (if any) Additional Financial Centre; or, if the currency of payment is not euro, any day which is a day on which dealings in foreign currencies may be carried on in the Principal Financial Centre of the currency of payment and in each (if any) Additional Financial Centre.

*Payment Record Date:* Each payment in respect of a Global Note Certificate will be made to the person shown as the Holder in the Register at the close of business (in the relevant clearing system) on the Clearing System Business Day before the due date for such payment (the "Record Date") where "Clearing System Business Day" means a day on which each clearing system for which the Global Note Certificate is being held is open for business.

*Exercise of put option:* In order to exercise the option contained in Condition 10(e) (*Redemption at the option of the Noteholders*) the bearer of a Permanent Global Note or the holder of a Global Note Certificate must, within the period specified in the Conditions for the deposit of the relevant Note and put notice, give written notice of such exercise to the Principal Paying Agent specifying the principal amount of the Notes in respect of which such option is being exercised. Any such notice will be irrevocable and may not be withdrawn.

*Partial exercise of call option:* In connection with an exercise of the option contained in Condition 10(c) (*Redemption at the option of the Issuer*) in relation to some only of the Notes, the Permanent Global Note or

Global Note Certificate may be redeemed in part in the principal amount specified by the Issuer in accordance with the Conditions and the Notes to be redeemed will not be selected as provided in the Conditions but in accordance with the rules and procedures of Euroclear and/or Clearstream (to be reflected in the records of Euroclear and/or Clearstream as either a pool factor or a reduction in principal amount, at their discretion).

*Notices:* Notwithstanding Condition 21 (*Notices*), while all the Notes are represented by a Permanent Global Note (or by a Permanent Global Note and/or a Temporary Global Note) or a Global Note Certificate and the Permanent Global Note is (or the Permanent Global Note and/or the Temporary Global Note are), or the Global Note Certificate is, deposited with a depositary or a common depositary for Euroclear and/or Clearstream and/or any other relevant clearing system or a common safekeeper, notices to Noteholders may be given by delivery of the relevant notice to Euroclear and/or Clearstream and/or any other relevant clearing system and, in any case, such notices shall be deemed to have been given to the Noteholders in accordance with Condition 21 (*Notices*) on the date of delivery to Euroclear and/or Clearstream and/or any other relevant clearing system.

## CAPITALISATION AND INDEBTEDNESS

The following table sets forth the Group's debt and capitalisation as of 31 December 2023:

This table should be read in conjunction with "Use of Proceeds", the "Summary Consolidated Financial and Other Data" and the consolidated financial information included elsewhere in this Offering Circular.

|   | As of<br><b>31 December 2023</b> |
|---|----------------------------------|
|   | (U.S.\$ in millions)             |
| <b>Bank balances, deposits &amp; cash</b> .....           | 953.2                            |
| <b>Current liabilities:</b>                               |                                  |
| Discounted bills with recourse .....                      | 2.7                              |
| Unsecured borrowings — due within one year .....          | 920.2                            |
| Less: bank advances from factored trade receivables ..... | (19.5)                           |
| <b>Non-current liabilities:</b>                           |                                  |
| Unsecured borrowings — due after one year .....           | 1,031.0                          |
| <b>Debt<sup>(1)</sup></b> .....                           | 1,934.4                          |
| <b>Capital and reserves</b>                               |                                  |
| Share capital .....                                       | 685.4                            |
| Reserves .....  | 5,062.2                          |
| Equity attributable to Owners of the Company .....        | 5,747.6                          |
| Non-controlling interests .....                           | —                                |
| <b>Equity<sup>(2)</sup></b> .....                         | 5,747.6                          |
| <b>Total capitalisation<sup>(3)</sup></b> .....           | 7,682.0                          |

Except as otherwise disclosed above, there has been no material adverse change in the Group's consolidated capitalisation or indebtedness since 31 December 2023.

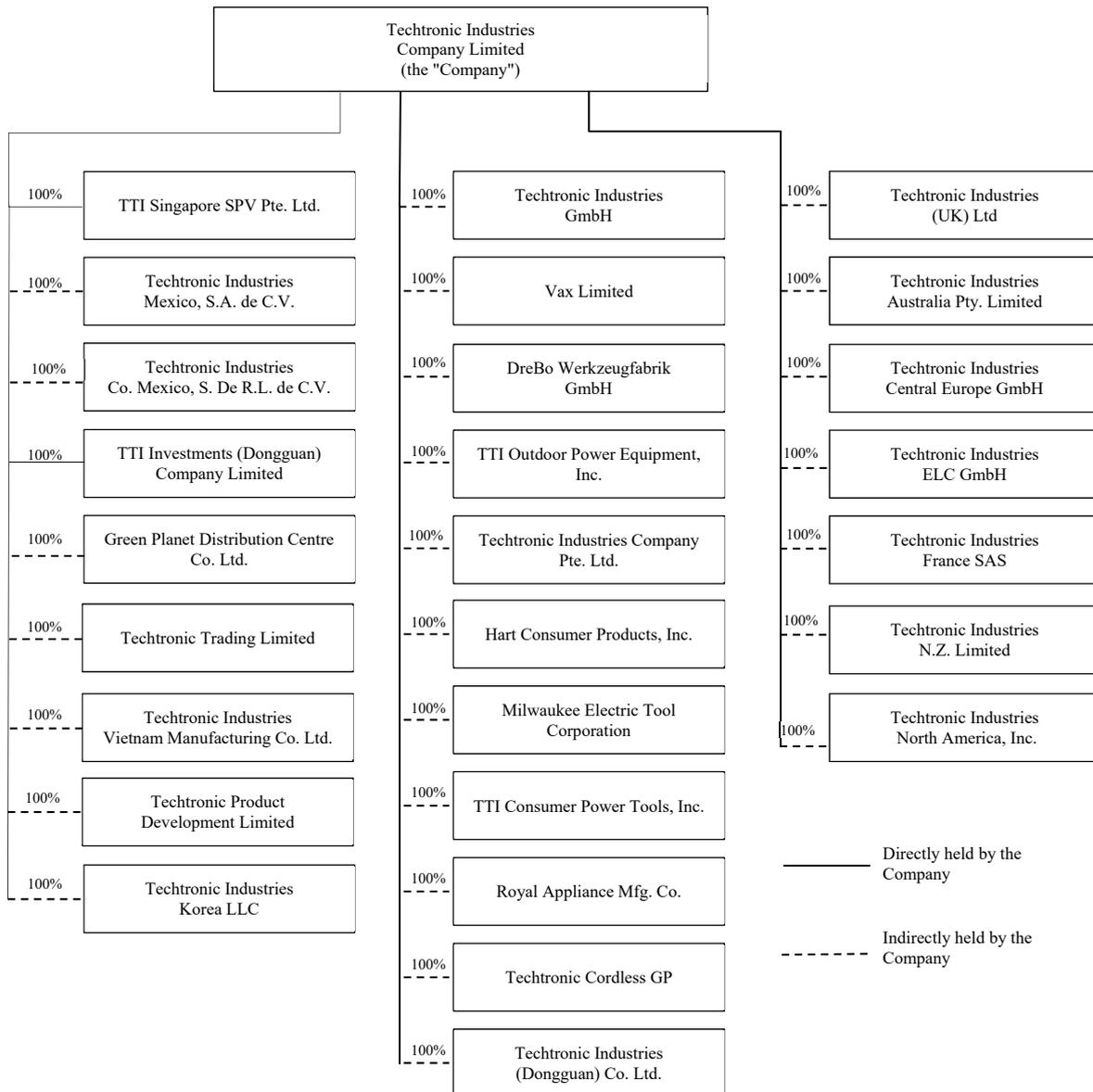
Note:

- (1) Debt comprises discounted bills with recourse and unsecured borrowings but excludes bank advances from factored trade receivables.
- (2) Equity includes all capital and reserves attributable to the owners of the Company.
- (3) Total capitalisation represents the sum of total debt and total equity.

## CORPORATE STRUCTURE

Techtronic Industries Company Limited (創科實業有限公司) (the "Issuer") was incorporated in Hong Kong on 24 May 1985 with limited liability. The Company's head office, principal place of business and registered office in Hong Kong is 29/F, Tower 2, Kowloon Commerce Centre, 51 Kwai Cheong Road, Kwai Chung, New Territories, Hong Kong. The Company's ordinary shares have been listed on the SEHK since 1990 and are currently listed under stock code 669. The Company has maintained an ADR Level 1 Program (TTNDY) with BNY Mellon since 1994. The Group's website is www.ttigroup.com. Information contained on the Group's website does not constitute part of this Offering Circular.

The following diagram illustrates the Group's principal corporate and share ownership structure as of 31 December 2023.



## BUSINESS

Techtronic Industries Company Limited (創科實業有限公司) (the "Issuer", the "Company" or "TTI") is a world leader in Power Tools, Accessories, Hand Tools, Outdoor Power Equipment, and Floorcare & Cleaning for Do-It-Yourself (DIY)/Consumer, professional and industrial users in the home improvement, repair, maintenance, construction and infrastructure industries. The Company is committed to accelerating the transformation of these industries through superior environmentally friendly cordless technology. The TTI brands like MILWAUKEE, RYOBI and HOOVER are recognised worldwide for their deep heritage and cordless product platforms of superior quality, outstanding performance, safety, productivity and compelling innovation.

Founded in 1985 and listed on The Stock Exchange of Hong Kong Limited ("SEHK") in 1990, TTI is included in the Hang Seng Index as one of their constituent stocks. The Company maintains a powerful brand portfolio, global manufacturing and product development footprint, healthy financial position with record 2023 worldwide sales of US\$13.7 billion and over 47,000 employees.

The Group's operations are classified into two divisions: Power Equipment and Floorcare & Cleaning.

The following table sets forth the percentage contribution of each business division as part of the Group's consolidated revenue for the years ended 31 December 2021, 2022 and 2023.

|                            | For the year ended 31 December |       |       |
|----------------------------|--------------------------------|-------|-------|
|                            | 2021                           | 2022  | 2023  |
| Power Equipment .....      | 90.6%                          | 93.0% | 93.2% |
| Floorcare & Cleaning ..... | 9.4%                           | 7.0%  | 6.8%  |

The following table sets forth the breakdown by geography of the Group's consolidated revenue for the years ended 31 December 2021, 2022 and 2023.

|                         | For the year ended 31 December |       |       |
|-------------------------|--------------------------------|-------|-------|
|                         | 2021                           | 2022  | 2023  |
| North America.....      | 77.4%                          | 77.2% | 76.6% |
| Europe .....            | 14.8%                          | 14.5% | 15.2% |
| Rest of the World ..... | 7.8%                           | 8.3%  | 8.2%  |

*Notes to trademarks:*

- (1) *All trademarks and trade names listed other than AEG, RYOBI, Dewalt, Shark, Bosch, Makita, Skil, Hitachi, Bissell, Eureka and Dyson are owned by the Group.*
- (2) *AEG is a registered trademark of AB Electrolux (publ.), and is used under license.*
- (3) *RYOBI is a registered trademark of Ryobi Limited, and is used under license.*
- (4) *DeWalt is a registered trademark of the Black & Decker Corporation.*
- (5) *Shark is a registered trademark of Shark Industries AG.*
- (6) *Bosch is a registered trademark of Robert Bosch GmbH.*
- (7) *Makita is a registered trademark of Makita Corporation.*
- (8) *Skil is a registered trademark of Robert Bosch Tool Corporation.*
- (9) *Hitachi is a registered trademark of Hitachi, Ltd.*
- (10) *Bissell is a registered trademark of Bissell Homecare, Inc.*
- (11) *Eureka is a registered trademark of Midea America Corp.*
- (12) *Dyson is a registered trademark of Dyson Technology Limited.*

## **Competitive Strengths**

### ***Strong portfolio of brands and innovative products***

The Group has developed one of the most comprehensive portfolios of well-recognised branded products in the industry. The Group's portfolio serves a broad range of customers through different distribution channels. In each of its business segments, the Group follows a multi-brand strategy that allows it to distinguish itself among each of the Group's key customer groups of Do-It-Yourselfer (DIY), professional and industrial users. This strategy allows the Group to address all key segments and access new vertical areas of business within the target markets while maintaining strong brand identity, delivering brand expansions through related business and entry into new related product categories while avoiding brand dilution. The Group's management believes that its comprehensive brand portfolio is key to the success of its expansion into new and under-represented geographic markets and enhances the Group's competitiveness relative to its competitors.

With the successful integration of the VAX, RYOBI, HOMELITE, DIRT DEVIL, MILWAUKEE, AEG, HOOVER, STILETTO, ORECK, EMPIRE, IMPERIAL BLADES, HART and KANGO brands, the Group's management believes it offers well-known products in both the consumer and the professional markets. The HOOVER brand is one of the oldest and iconic brands in floorcare and remains one of the world's most reputable and globally recognised brands. The MILWAUKEE and AEG brands are two of the leading global brand names in the industrial and professional power tools and accessories segment. The Group's management believes both brands are well positioned in the industrial and professional market and that they are associated with high quality, durability, innovative designs and advanced technology. In addition, the Group's investments in brand promotion and marketing campaigns have increased worldwide awareness of, and thereby increased demand for, the RYOBI brand which has become a leading global brand in the DIY power tool and outdoor products segment. Additionally, the RYOBI products have been recognised as providing "professional features at affordable prices" according to Total Research Corporation of Princeton, New Jersey.

In Europe and other markets outside of North America, the Group's management believes that the popularity and distribution reach of its Power Equipment and Floorcare & Cleaning division has laid the groundwork for its brands to become leaders in the segments they serve. The Group has developed a distribution network to continue its expansion into strategically targeted markets. The Group is focusing its targeted geographic expansion into well established regions with strong growth rates in infrastructure, construction and increasing economic wealth.

### ***Market leader in cordless technology***

MILWAUKEE, the Group's flagship brand, was the first power tool manufacturer to introduce lithium-ion batteries as direct upgrades for nickel cadmium cordless power tools dating back to 2005.

The Group continues to drive the development of the switch from corded to cordless products around the world by investment in battery, motor and electronics technologies to capture the leadership position across multiple cordless platforms. TTI's powerful brands offer go-to products to consumers and professionals with innovative design that are disrupting existing markets while creating new opportunities in a growing number of vertical disciplines in the industry. The Group's advanced technology improvements in power, run time, and durability are now delivering cordless innovation that will tackle heavy duty infrastructure projects. TTI is among the industry players that are at the vanguard of the migration to cordless generating growth opportunities.

The success of the Group's lithium-ion battery systems also drives its growing accessories business, including battery after-market sales and replacement battery sales, which remains an important contributor to the Group's turnover and profit. The Group believes its cordless expertise will continue to allow it to gain further market share from its competitors and provide the Group with a strong platform for its expansion in new or under-represented geographic markets.

### ***Leader in innovative design and product development***

The Group believes that the success of its products has been driven by its innovative designs that result from its focus on and investment in R&D and the cross-utilisation of its core technologies of batteries, electronic and motors and patented intellectual property. For example, the Group has leveraged its R&D on battery and cordless products to launch its market leading lithium-ion battery cordless products. The Group believes that it has a proven record in identifying and responding to market trends as well as applying new technologies to its products. Over the next few years, the Group intends to outpace its major competitors in introducing new and innovative products to the market using its broadening battery platforms, expanding its battery technologies across all product categories that require power and expanded its ranges of accessories, hand tools and storage products. At the higher end of its brands, it is delivering products that command higher margins and consistently improving margins across all product offerings and divisions through new product introductions. In addition, as a result of its R&D efforts, the Group believes that it has developed a comprehensive intellectual property portfolio.

The Group's R&D centres are located in the United States, the PRC, Hong Kong, UK and Germany. It has designed each of its R&D facilities to feature what it believes to be rapid prototyping capabilities that increase its speed to market relative to its competitors. The close proximity of the Group's R&D centres to its marketing divisions enables the Group to quickly analyze the effects of changes in design in cooperation with its business units.

Additionally, the Group has established a global network of "Innovation Centres" staffed with product design and development engineers focused on new product development. Gross margin improved to 39.5% in 2023 as compared to 39.3% in 2022. The margin improvement was the result of mix improvements by MILWAUKEE's growth and the high margin aftermarket battery business and accretive innovative new products.

### ***Powerful global sales and distribution network and strategic customer relationships***

The Group has established what it considers to be a powerful global sales and distribution network through significant and strong relationships with its biggest customers, including The Home Depot, B&Q (Kingfisher Plc), Leroy Merlin and Bunnings.

The Home Depot, one of the Group's largest customers, is the largest home improvement retailer in North America. The Group has a long term supply agreement with The Home Depot for the exclusive distribution of the RYOBI brand power tools. The Group's RYOBI and HOMELITE outdoor power equipment products are also sold in North America exclusively through The Home Depot retail stores. The Group believes that its exclusive arrangements with The Home Depot will continue to underpin the growth of the RYOBI, MILWAUKEE and HOMELITE brands because it is able to leverage off of The Home Depot's substantial marketing and promotion programs. In turn, the Group believes that its market-leading position in the power tool market makes it an important sales and marketing partner of The Home Depot.

MILWAUKEE maintains a leadership presence in its main market in the industrial tool channels and is sold throughout North America, in Europe and in Australia as well as having a growing presence throughout Asia, in particular, Korea, China, Taiwan and is continuing to develop well throughout South East Asia.

In the United Kingdom, RYOBI and HOMELITE power tools and outdoor power equipment are sold through B&Q, the United Kingdom's largest home improvement retailer. In Australasia, products under the AEG brand are sold exclusively through the Bunnings chain of home improvement centres. The Group believes that its customer base and close customer relationships have provided a concrete foundation for it to expand its existing business and develop more advanced products. In addition, it has also maintained what it believes to be a reputable OEM customer base.

The Group believes that its broadly distributed and dedicated sales force is crucial to its success. The Group currently has sales offices in the United States, Europe, Asia and Australasia. In the United States, the Group has

a dedicated team called "Team TTI" responsible for visiting each branch of The Home Depot, on an average of every two weeks per store, to check the displays of its products and assist the local branch managers with the sales and marketing efforts of the Group's products.

### ***Operational Excellence and diverse manufacturing presence***

An important element of the Group's strategic approach to continuous operational improvement is the Group's diversified global manufacturing network. With multiple manufacturing operations in Europe, Asia, the United States, Mexico and the Group's global supply chain, the Group has focused manufacturing capabilities that harness cost efficiencies with the flexibility to handle the Group's high level of growth while adapting to an ever changing market. TTI has made significant investments in the expansion of the Group's distribution, manufacturing and R&D capabilities in North America and added a new manufacturing complex in Vietnam in 2018 to support the rapid growth. The Group remains committed to delivering world class on-time fill rates with superior quality products while maintaining competitive cost. In addition to higher quality at better cost the Group also promotes environmental, social and governance requirements.

### ***Long-standing relationships with suppliers***

The vast majority of the Group's major suppliers are located in close proximity to its manufacturing facilities in the PRC. Because the Group's PRC facilities produce the majority of its products, the close proximity of its suppliers and its increased scale over the last few years provide it with substantial procurement benefits compared to most of its competitors. The Group has developed long-standing relationships with its key suppliers while maintaining a multi-sourcing strategy. Based on the Group's knowledge of and close cooperation with its key suppliers, the Group provides its suppliers with product specifications that fit their manufacturing capabilities, allowing its suppliers to manufacture in a more cost efficient manner. The close proximity of the Group's suppliers to its manufacturing facilities allows the Group to comply with the just-in-time inventory requirements of its customers and allow it to react quickly to changes in market demand.

### ***Strong management team and employee base***

The Group's senior management team, including its Group Executive Directors and senior managers, have extensive experience in design, manufacturing, sales and marketing as well as financial management in the power equipment and floorcare and cleaning appliances industry. Mr. Horst Julius Pudwill, Group Chairman and Co-Founder, has more than 30 years of industry experience. Mr. Stephan Horst Pudwill, Group Executive Director and Vice Chairman, previously held managerial positions at Daimler Chrysler AG and is now mainly responsible for managing and identifying synergistic business opportunities within the Group. Mr. Joseph Galli Jr, Chief Executive Officer and Group Executive Director, has more than 30 years of experience in the power tools and accessories industry and spent over 19 years at Black & Decker. During his tenure at Black & Decker, he was responsible for highly successful launch of the "DeWalt®" brand heavy duty power tools in 1992. Mr. Patrick Kin Wah Chan, Group Executive Director, has nearly 30 years of industry experience and is now in charge of the manufacturing operations of the Group. Mr. Frank Chi Chung Chan, Chief Financial Officer, Qualified Accountant and Group Executive Director, has over 30 years of experience in corporate affairs and financial management. Mr. Camille Jojo, Head of Group Legal, Compliance and Corporate Governance, has practiced as a lawyer in Hong Kong for a continuous period in excess of 35 years as a specialist in (i) civil litigation in the higher courts of Hong Kong, (ii) arbitration, and (iii) regulatory. The Group continues to recruit key executives, including presidents and chief financial officers for its operations in each of its major markets and product divisions. The Group believes that its management team's combined experience in the development of new products, power equipment and floorcare and cleaning appliances industries, prudent financial management as well as broad experience in R&D, financial management and information technology management has been essential to its rapid growth in recent years, and will be critical in implementing its key strategies in the future.

## **Strategies**

The Group's disciplined focus on its key strategic drivers is reflected in its financial performance and shows that the Group's strategy is working. These strategic drivers, namely, having recognizable brands, developing innovative products, building a strong company culture through exceptional people, and pursuing operational excellence, are described in further detail below.

### ***Continue to develop new products using innovative techniques and processes***

Developing innovative and higher margin products will continue to be the Group's focus and a key growth driver of its business. The Group intends to leverage its proven track record in innovative design and quality, its investment in design and research personnel and facilities, its close working relationships with its customers and suppliers and its low-cost manufacturing facilities to continue to enhance and expand its range of products while constantly increasing its margins. The Group will focus its new product development on: (i) development of innovative features that will keep the Group ahead of its competitors, (ii) improvement in quality while reducing overall costs and (iii) the replacement of matured product designs. In particular, the Group intends to continue to focus on developing new cordless power tools technology, with a particular focus on lithium-ion battery products.

The Group's new product development system is a rigorous process that aims to ensure the development of high-quality and innovative products and technologies such as the MILWAUKEE FUEL line and the use of lithium ion cordless technology in power tools, outdoor products, and floorcare and cleaning.

### ***Continue and expand the Group's close relationships with key customers***

The Group intends to continue to leverage its relationships with key customers to increase its brand loyalty with these customers. In parallel, the Group plans to expand its relationships with new home improvement retailers outside of North America and grow its relationships with its OEM and ODM customers by jointly developing engineering solutions to meet their requirements. One of the key factors in the Group's relationships with its customers has been the reputation for quality and value that its products enjoy, and the Group intends to continue to enhance this reputation by, among other things, establishing regional centres to improve after sales service and support for its products.

### ***Increase focus on innovation and commitment to the end-user***

The Group is investing strategically in its engineering capabilities to integrate advanced technologies into current and future products. The Group works closely with its end-users to understand their needs, lifestyles, habits and frustrations in search of product solutions. As a result, the Group is able to convert end-user feedback into demonstrative solutions with its innovative, high-performance products. The Group intends to continue such innovation and development through the development of new technology applications through R&D efforts across all product categories.

### ***Shortening speed to market in key geographies***

The Group has created a streamlined, fast-paced and comprehensive product development process. The Group intends to change its industries through innovation and is delivering on that by bringing a broad range of breakthrough, value-added, margin-enhancing products to market.

The Group has a number of brand-focused innovation centres in key markets dedicated to research, design, engineering technology and developing new products. In addition, the Group is qualified to certify its new products in-house rather than sending them to certification centres, shortening the time to market. As a result, any new product or technology developments that the Group makes can be brought to end-users in these key markets in a shorter period of time than if the R&D processes were conducted in a centralised location. The Group intends to continue to focus on streamlining its processes from initial design to retail, with the aim of targeting

geographic expansion and providing end-users with new products in a more efficient manner than the Group's competitors.

***Expand into new or under-represented geographic markets***

The Group intends to continue to leverage its core competencies to expand into new or under-represented geographic markets. In addition to the United States, the Group has established regional business units in Europe, the Middle East, Canada and Australasia. The Group has also strategically expanded into Mexico and Latin America, Eastern Europe and Asia. The Group believes that the growth of the infrastructure construction market will be a catalyst for its geographic expansion. The leaders of its new regional units, whom the Group hired because of their prior experience in their respective regions, are responsible for streamlining existing operations, developing strategic partnerships and expanding into under-represented markets in their geographic regions. The Group believes that the foundations are now in place for its development and expansion in such regions, all of which offer strong growth potential.

***Enhance operational and organizational efficiency and productivity***

To plan for its business growth, the Group intends to maintain a low-cost manufacturing base by strategically maintaining its facilities in China. In addition, the Group will focus on its strategy to ensure cost-effective manufacturing by raising the proportion of materials and components sourced in Asia. The Group will continue to look for improvements in cost efficiency and production quality, such as the use of flexible assembly lines and small-scale automation, with which it is able to optimise its mix of labor and selective automation to improve productivity and efficiency.

***Enhance brand development and recognition through marketing campaigns***

The Group intends to continue to strengthen the leading positions of its strategic brands through new product launches and targeted marketing. The Group will work closely with end-users in search of product solutions and invest strategically in R&D and engineering capabilities to integrate the Group's advanced technologies into new products. The Group's brand focused innovation centres in key markets will be dedicated to research, design, engineering technologies, and developing new products. The Group will also continue to expand into strategic under-represented geographic markets, seizing opportunities to drive the strategic deployment of the Group's brands.

***Continue to hire and develop exceptional employees and management***

While the Group has assembled an outstanding team of people, has business unit leaders that are industry veterans with exceptional track records and has a passion for serving its customers, the Group aims to continue to develop its employees worldwide in order to support its growth goals. The Group has implemented a disciplined operating cycle consisting of a series of annual, semi-annual and quarterly reviews of its operations. The Group holds strategic planning, organization review and budget meetings annually and holds semi-annual Global Product Summits, which are brain-storming sessions with its business managers and product design and development engineers. The Group has programs such as the Leadership Development Program which recruits high-potential graduates from top universities and focuses on training, mentoring and promoting them within the organization. The Group also provides other in-house job training to its employees and continues to offer competitive remuneration packages, discretionary share options and bonuses to eligible employees. The Group believes that such development and training of employees develops a universal culture of empowerment and creativity that motivates people to achieve their goals and reach their potential quickly. The Group expects that these highly-trained employees will, in turn, directly contribute to the Group's business, outperforming the competition and achieving positive financial results.

## **Business Divisions**

### ***Power Equipment***

The Group's Power Equipment segment delivered sales of US\$12.8 billion in 2023, up 3.8% in reported currency and up 4.1% in local currency.

#### ***MILWAUKEE***

In 2023, the Group's flagship MILWAUKEE business grew 10.7% in local currency with reported sales up 10.3%. All of the Group's MILWAUKEE growth categories performed well, with the Hand Tools, PACKOUT Storage, and Personal Protective Equipment (PPE) businesses outperforming the fleet average. In local currency, North America grew 9.9%, Europe delivered 13.7% growth and Rest of World delivered 13.0% growth.

MILWAUKEE further expanded its market leadership position in 2023 with the launch of the MILWAUKEE FORGE battery technology. MILWAUKEE pioneered lithium-ion batteries in the power tool industry in 2005. Since then, the Group has advanced this state-of-the-art cell technology. The RED LITHIUM MILWAUKEE FORGE batteries, used in conjunction with the advanced electronics in the Group's MILWAUKEE Superchargers, can reach 80% charge in 15 minutes or less. This advancement significantly boosts productivity for the Group's users on the jobsite and is just another example of demonstrably better product that commands a price premium. This is part of the Group's virtuous cycle of developing innovative products with an accretive gross margin, which funds strategic Selling, General & Administrative ("SG&A") investment to drive sales and further gross margin improvement.

The Group's MILWAUKEE M18 platform now contains 284 products for users in verticals like Infrastructure, Construction, Power Utility, Renewable Energy, Mining, Data-Com, and Transportation Maintenance, to name just a few. The MILWAUKEE M18 Strut Shear, commonly used in the Infrastructure vertical, is one example of breakthrough cordless innovation that allows users to make high quality cuts on the jobsite, saving time and energy versus the hydraulic competition.

MILWAUKEE continues to invest in the sub-compact MILWAUKEE M12 system which now features 153 products. The recently launched MILWAUKEE M12 Auto Technician Borescope is an example of a new product intended for users in the expanding Transportation Maintenance vertical.

At the recent World of Concrete event in Las Vegas, Nevada, the Group announced the addition of 5 MILWAUKEE MX FUEL Light Equipment products, bringing the total of this system to 23.

The Group's MILWAUKEE Hand Tool business continues to grow. In 2023, the Group launched a range of Made-in-USA electrician's hand tools manufactured in West Bend, Wisconsin. Pliers manufactured in the factory are forged for strength and each cutting edge is laser hardened for long life. Screwdrivers made in the Group's West Bend factory feature patent pending laser etched tips that provide superior grip when fastening.

MILWAUKEE PACKOUT modular storage solutions continue to perform well with end-users. This system now contains 102 interchangeable products that have changed the way professionals transport materials from the jobsite to their vehicles, and to their shops. MILWAUKEE PACKOUT is another example of the network effect at the Group. Like the Group's battery platforms, when the Group adds additional products to the MILWAUKEE PACKOUT system, it enhances the value of the network overall and increases the loyalty of end users already in the system.

The Group's MILWAUKEE Personal Protective Equipment (PPE) product line continues to gain end-user support and adoption. The innovation within the Group's MILWAUKEE BOLT hard hat and helmet system allows users to customize safety equipment to their specific jobsite needs. With the addition of the MILWAUKEE BOLT compatible Personal Cooling Solutions, this system now contains 49 interchangeable accessories.

## *RYOBI*

The Group's Consumer Power Equipment business improved in the second half of 2023, led by the strength of the Group's RYOBI brand worldwide. The actions the Group has taken to size the SG&A and overhead structure of this business to support the Group's DIY growth projections, have allowed it to improve profitability.

The Group announced the launch of its new RYOBI 18V LITHIUM HP EDGE Batteries. A combination of advanced lithium cell designs and onboard electronics enable these new batteries to enhance the performance of all of the Group's existing tools and take the RYOBI ONE+ system to a whole new level of performance.

The RYOBI 18V ONE+ platform now contains 307 products with 186 Power Tools, 89 Outdoor, and 32 Cleaning products. In 2023, the Group introduced the new RYOBI 18V ONE+ HP AIRSTRIKE Framing Nailer. The performance capability of the new cordless framing nailer showcases the Group's cordless innovation, allowing users to get the performance they need without the compressors, air hoses or gas cartridges of legacy competitors.

The RYOBI 40V platform powers 91 products including the Group's 21inch RYOBI WHISPER Series Mower. The transition to cordless has gained traction as many jurisdictions have begun to regulate noise and carbon emissions. As an example, in the United States, the state of Colorado is encouraging cordless adoption by offering consumer rebates for purchasing cordless outdoor power equipment. The Group is working with its partners to maximize this user conversion opportunity.

The Group's RYOBI USB LITHIUM series provides compact, portable, rechargeable solutions that are appropriate for day-to-day use. Offering a variety of products, from ratchets for household assembly projects, to clamp fans and other products for hobby and craft enthusiasts, this system has gained traction.

### ***Floorcare & Cleaning***

The Group's Floorcare & Cleaning business delivered sales growth in 2023 of 1.5% in local currency to US\$937 million and profit increased US\$65.3 million versus last year to US\$27.2 million. The Group's streamlined and refocused approach to this business has allowed it to improve profitability, while developing new products. In the last quarter of 2023, the Group introduced the industry's first cordless Carpet Washer with the launch of the HOOVER ONEPWR SMARTWASH Carpet Washer.

### **Research and Development**

The Group considers its R&D activities critical to the continuing success of its business and has always placed an emphasis on R&D as a means of developing innovative products, enhancing technological resources, consolidating technological developments and improving the competitiveness of its key products. The Group has a global network of "Innovation Centres" staffed with experienced product design and development engineers and operates various technology research and end-user research facilities in North America, Europe and the PRC. The Group's R&D centre in the United Kingdom focuses on its VAX brand and the R&D centre in Germany focuses on its AEG brand and products specific for the European market under MILWAUKEE and RYOBI brands. Both centres leverage on its R&D efforts in North America.

The Group's R&D organization is structured in three layers: (i) development of new technology at its Advanced Technology and Engineering Expert Groups, working in parallel with (ii) the Group's concept development efforts at its Concept Centres, and resulting in (iii) the development of new products at the Group's New Product Development ("NPD") centres:

- The Group has an Advanced Technology and Engineer Group for each of its brands. The Group's Advanced Technology and Engineering Expert Groups are responsible for developing new technology for its products, including technologies relating to motors, batteries, electronics and materials, with the goal of developing new technologies which better meet the needs of its customers.
- Working in parallel to its Advanced Technology and Engineering Expert Groups, the Group has a Concept Centre in each of its R&D centres in Wisconsin, North Carolina and South Carolina, United

States. The Group also has a Concept Centre in Hong Kong, which serves as a strategic link between its Concept Centres in North America and its manufacturing facilities in the PRC. The Group's Concept Centres serve as incubators for new concepts and innovations which address the changing needs and preferences of its end customers. The Group's Concept Centres take into account market feedback from its product management teams on market trends and customer needs and preferences, and are responsible for the development and commercialization of technology development to translate new concepts into tangible, customer level product designs.

- As a result of the effort at each of its advanced technology and concept centres, the Group develops new products at its NPD centres both in the market and in the PRC. The Group's NPD centres, in collaboration with its customers, focus on developing and implementing product solutions based on detailed product plans. The Group maintains a rigorous management approach at its NPD centres and, as a result, has a track record of developing very successful products on time, within budget and delivering target results to the Group.

The Group's greatest asset is its pool of talented people who create innovative products that add value to the lives of its consumers. They have the requisite management skills to manage the Group's R&D efforts and the ability to maintain strong relationships with the Group's customers around the world. The number of staff members engaged in R&D within the Group accounted for approximately 10.4% of its total workforce as of 31 December 2023.

The Group's global floorcare and cleaning R&D centres are located at the site of its North Carolina, Charlotte, North America and Droitwich, UK headquarters for its floorcare and cleaning appliances division and allows the Group to consolidate its global R&D activities for its floorcare and cleaning appliances products, thereby supporting a robust new product design and development pipeline. For its power equipment products segment, the Group has a R&D centre in Milwaukee, Wisconsin, for its MILWAUKEE brand. The Group has a R&D centre in South Carolina, United States, responsible for R&D for the development of branded products including RYOBI and HOMELITE. The Group also has a R&D centre in Germany which primarily focuses on the research and development of its AEG branded products and products specific for the European market under MILWAUKEE and RYOBI brands. The Group's Concept Centre in Hong Kong and the Asian Innovation Centre in the PRC serve as a supporting link for its R&D efforts globally. As a result of such global R&D setup, the Group manages to take advantage of various time zones and has been able to develop products around the clock and bring new products to the market faster than its competitors.

The Group continues to invest in its R&D efforts and is committed to leading technology standardization and securing intellectual property rights. The Group's aggregate R&D expenditure was U.S.\$425.7 million, U.S.\$484.3 million and U.S.\$548.3 million for the years ended 31 December 2021, 2022 and 2023, respectively, accounting for approximately 3.2%, 3.7% and 4.0%, of its total revenue for the same periods, respectively.

## **Sales and Marketing**

The Group markets its products to its customers worldwide. The Group's sales and marketing strategy focuses on further strengthening its close relationships with key customers, maintaining its position as an integral partner with its major customers and expanding its relationships with home improvement customers in North America, Europe and other markets. The Group believes that a dedicated sales force and strong distribution channels are two key components of success. As of 31 December 2023, the Group has sales offices globally organised by key sales regions: the United States, Canada, Latin America, Europe, the Middle East, Australasia and Asia.

The Group's internal sales staff are organised into sales teams and located in close proximity to its customers so as to bring dedicated expertise and knowledge to its customers. The Group's global functions include divisional marketing, channel management, alliance and partnership management and global support operations. Each of these global functions is subject to quarterly operating reviews as part of its operating cycle.

In order to fully serve its customers, the Group assigns an account and establishes a team dedicated specifically to each of its major customers. The account manager responsible for a specific customer works closely with both the customer and the Group's employees, including staff from its R&D teams and product design and development engineers from its manufacturing facilities, in order to develop products tailored to meet that customer's specific need. The Group believes that its model of maintaining close contacts between its staff, its customers and its end-users allows for a more meaningful understanding of market trends and leads to the innovative products that further strengthen its relationships with its customers. Furthermore, in the United States, the Group has a dedicated team called "Team TTI" responsible for visiting each branch of The Home Depot, on an average of every two weeks per store, to check the displays of its products and assist the local branch managers with the sales and marketing efforts of its products.

## **Competition**

The power tools and outdoor product industries are highly competitive. See "*Risk Factors — Risks Related to Group's Business — The Group faces active global competition and if it does not compete effectively, its business may suffer.*" The Group's business model is to position itself as a vertically integrated provider primarily of branded power tools, outdoor products and floorcare and cleaning appliances, although it also manufactures in an OEM capacity for the house brands of major retailers and home centres. In power tools and outdoor products, the Group considers its major competitors to be DeWalt, Shark, Bosch, Makita, Skil and Hitachi. The Group's major competitors in floorcare and cleaning appliances are Bissell, Eureka and Dyson. In addition, the Group faces competition from other OEM manufacturers.

The Group competes on the basis of what it believes to be the principal competitive factors in its industry, including its reputation for product quality, emphasis on product innovation and development, the breadth of its product lines, its speed to market, its well-known brands and its strong customer relationships and after sales services.

To its knowledge, all of the Group's competitors have manufacturing facilities in low-cost countries such as the PRC. Although some of its competitors have greater manufacturing, financial, R&D or marketing resources or geographical reach than it does, the Group maintains its competitive position and seeks to gain market share from its competitors by providing innovative products, maintaining high quality standards and managing its brand strategy to offer different products to different consumer categories.

## **Major Customers**

The Group categorises its customers into three categories: (1) home centres, (2) mass market retailers and (3) distributors and dealers. The Group's home centres customers include The Home Depot, B&Q and Bunnings, and its mass market retailer customers include Wal-Mart, Amazon and customers for whom it manufactures on a "private label" or OEM/ODM basis. The Group's distributor and dealer customers comprise of independent distributors and dealers of its products on a smaller scale and on a project basis, respectively.

During the years ended 31 December 2021, 2022 and 2023, the Group's largest customer contributed revenue of approximately U.S.\$6,275.2 million, U.S.\$6,333.1 million and U.S.\$6,047.0 million, respectively, representing approximately 47.5%, 47.8% and 44.0% of total Group revenue for those periods. Of those amounts, approximately U.S.\$6,206.6 million, U.S.\$6,293.9 million and U.S.\$6,016.6 million, for the years ended 31 December 2021, 2022 and 2023, respectively, was generated by the Power Equipment division and U.S.\$68.6 million, U.S.\$39.2 million and U.S.\$30.4 million was generated by the Floorcare & Cleaning segment for the same periods. The Group has no other customer contributing more than 10% of total revenue.

## **Employees**

As of 31 December 2023, the Group had approximately 47,224 full time employees globally.

Management believes that the relationship and co-operation between the Group's management and its employees is good and there have not been any major labour disputes.

#### *Share Option Plan*

The Company has two share option schemes in place – Scheme D and Scheme E. Scheme D was adopted on 29 May 2007 and expired on 28 May 2017, though its provisions shall remain in full force and effect in all other respects. Following the expiry of Scheme D, Scheme E was adopted on 19 May 2017 and subsequently amended and restated on 12 May 2023 ("**Scheme E Amendment Date**"), and will expire on 18 May 2027.

Both Scheme D and Scheme E are aimed for recognition of the contribution to the development and growth of the Group by the eligible persons. Below are summary of the principal terms of 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) Directors; or (iii) secondees; or (iv) any shareholders of any member of the Group or invested entity or controlling shareholders or any holders of any securities issued by any member of the Group; or (v) business partners; or (vi) suppliers; or (vii) customers; or (viii) advisers of the Group.

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

The maximum number of shares in respect of which share options may be granted under 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 the 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 immediately after vesting on each of the first and, depending on the vesting conditions, second and third anniversary of the relevant date of grant of the share option to the tenth anniversary of such date of grant. The exercise price is determined by the Directors of the Company, and will not be less than the higher of (i) the closing price of the Company's shares on the date of grant; and (ii) the average closing price of the shares for the five business days immediately preceding the date of grant.

In view of the amendments to Chapter 17 of the Listing Rules relating to share schemes of listed issuers effective from 1 January 2023, the scheme rules of Scheme E were amended and restated with effect from Scheme E Amendment Date as below:

The board of directors of the Company may, as its discretion and on such terms as it may think fit, grant such share options to eligible participants as it may in its absolute discretion select in accordance with the terms of Scheme E. Eligible participants include (i) employees; (ii) directors; (iii) related entity participants and (iv) service providers.

Share options granted must be taken up within 21 days of the date of grant, upon payment of consideration to be determined by the board of directors of the Company for the grant thereof. Share options may be exercised at any time, subject to vesting conditions, from the first date of vesting to the tenth anniversary of the date of grant. 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.

According to the scheme rules as amended and restated on 12 May 2023, the overall limit on the number of shares under share options from time to time under Scheme E and any other share scheme(s) of the Company shall not, in aggregate, exceed 10.0% of the total issued share capital of the Company as at Scheme E Amendment Date. Within the scheme mandate limit, the total number of shares which may be issued upon exercise of all options to be granted to service providers shall not exceed 1.0% of the total issued share capital of the Company as at Scheme E Amendment Date. Where any grant of share options to a share option grantee under Scheme E would result in shares issued and to be issued in respect of all share options or awarded shares granted to such person (excluding any share options and awarded shares lapsed in accordance with the terms of Scheme E or any other share scheme(s) of the Company) in the 12-month period up to and including the date of such grant representing in aggregate over 1.0% of the total issued share capital of the Company as at Scheme E Amendment Date, such grant of share options must be separately approved by the shareholders in general meeting with such share option grantee and his/her close associates (or his/her associates if the share option grantee is a connected person of the Company) abstaining from voting. Without prejudice to the above, where any grant of share options or awarded shares to a director (other than an Independent Non-executive Director) or chief executive of the Company, or any of their respective associates would result in the shares issued and to be issued in respect of all share options and awarded shares granted (excluding any share options or awarded shares lapsed in accordance with the terms of Scheme E or any other share scheme(s) of the Company) to such person in the 12-month period up to and including the date of such grant representing in aggregate over 0.10% of the total issued share capital of the Company as at Scheme E Amendment Date, such grant of share options or awarded shares must be approved by the shareholders in general meeting with such share option grantee, his/her associates and all core connected persons of the Company abstaining from voting at such general meeting. Without prejudice to the above, where any grant of share options or awarded shares to an Independent Non-executive Director or a substantial shareholder of the Company, or any of their respective associates, would result in the shares issued and to be issued in respect of all share options and awarded shares granted (excluding any share options or awarded shares lapsed in accordance with the terms of Scheme E or any other share scheme(s) of the Company) to such person in the 12-month period up to and including the date of such grant representing in aggregate over 0.10% of the total issued share capital of the Company as at Scheme E Amendment Date, such grant of share options or awarded shares must be approved by the shareholders in general meeting with such share option grantee, his/her associates and all core connected persons of the Company abstaining from voting at such general meeting. The total issued share capital of the Company as at Scheme E Amendment Date was 1,834,797,941 shares.

The directors or the Remuneration Committee of the Company (as the case may be) have the authority to establish performance target and/or clawback mechanism in relation to the granting of share options. The board of directors of the Company is of the view that the flexibility granted to the directors to specify appropriate conditions, restrictions and/or limitations on a case-by-case basis in their absolute discretion when offering and/or vesting share options to eligible participants could provide a more meaningful and functional means to achieve the purpose of Scheme E (whether as recognition of past contribution or as incentive to motivate, retain or attract suitable talents) in light of the particular circumstances of each offer of share options. General factors that the board of directors of the Company may take into account for imposing performance targets and clawback mechanisms include, but not limited to the Group's level and the individual's level. The board of directors of the Company or the Remuneration Committee (as the case may be) will carefully assess whether performance targets, if any, are satisfied upon receipt of any notice of exercise of share options from a grantee.

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

## **Insurance**

The Group maintains various insurance policies, including:

- business interruption insurance;
- property damage all risk insurance on its fixed assets, equipment and inventory;
- directors' and officers' liability insurance;
- marine cargo insurance;
- cyber security insurance;
- third-party liability insurance to cover claims in respect of personal injury or property damage arising from accidents; and
- product liability insurance.

The Group's business interruption insurance and property damage insurance covers its operations globally, and its product liability insurance applies to all of its products. The Group's marine and cargo insurance insures against losses of shipments in connection with its distribution to certain destinations and applies to all its shipments made worldwide.

The Group maintains product liability insurance up to such value that it considers customary and sufficient for its industry and its products. To mitigate the Group's product liability risk, it places significant emphasis on quality assurance. As of 31 December 2023, the Group has not received any material product liability or third party liability claims from its customers or any other third parties, and has not experienced any material business interruptions since it commenced its operations. The Group believes that it has sufficient insurance coverage for its assets and products, and its insurance coverage is in line with industry practice. The Group has not experienced any material business interruptions since it commenced its operations.

### **Legal Proceedings**

The Group is involved in certain disputes and legal actions arising in the ordinary course of its business. While it is not feasible to predict or determine the outcome of these proceedings based on a review with legal counsel, the Group believes that none of these disputes and legal actions is expected to have a material impact on its consolidated financial position, results of operations or cash flows. However, litigation is subject to inherent uncertainties, and an adverse result in these matters may arise from time to time that may harm the Group's business.

### **Government Regulations**

In the ordinary course of business, the Group's operations are subject to various laws and regulations in the jurisdictions in which it operates. The Group is subject to evolving and increasingly stringent health and safety, transportation and environmental laws and regulations governing its operations and products. The laws and regulations applicable to its operations address, among other things, the maintenance of safe conditions in the workplace, safety standards with respect to its products (including the types and amounts of materials or elements used or present in its products), and permitted levels of emissions of hazardous materials from its facilities. In addition, all of the Group's lithium-ion batteries products must be packaged and transported in accordance with the relevant domestic and international regulations governing the transport of dangerous goods.

The Group imposes safety and anti-pollution measures as well as regular internal safety and environmental inspections at all stages of the production process to minimise the possibility of work-related accidents and injuries, occupational illness and environmental contamination. The Group believes that its operations are in substantial compliance with the terms of all applicable health and safety, transport and environmental laws and regulations as currently interpreted. There are no existing or potential material claims against the Group, and it is presently

not in receipt of any written notification of material non-compliance and is not aware of any current investigation by governmental authorities of its potential material non-compliance with such regulations. Compliance with more stringent laws or regulations, as well as more vigorous enforcement policies of regulatory agencies or stricter or different interpretations of existing laws, could require additional expenditures by the Group that may be material. See "*Risk Factors — Risks Related to Government Regulations*".

#### *Health, Safety and Transport Regulation*

The Group is subject to health and safety laws and regulations in a number of jurisdictions in which it operates. For example, in the United States the Group must comply with the Occupational Safety and Health Act of 1970, as amended, as well as laws and regulations enforced by the Environmental Protection Agency. In the PRC, the Group is subject to various workplace safety regulatory requirements. In Europe, the Group is subject to the laws of the European Union as well as certain local regulations. Its products must meet safety standards in the jurisdictions in which they are sold and/or used, including standards promulgated under the Consumer Products Safety Act in the United States and local product safety acts of the member states incorporating the machinery directive including relevant harmonised standards in the European Union. In addition, since lithium is deemed a dangerous substance under the relevant regulations, the Group must package and transport its lithium-ion batteries and products containing such batteries in accordance with relevant international and national laws and regulations, including the United Nations Model Regulations on the Transport of Dangerous Goods and similar regulations published by the International Civil Aviation Organization and International Air Transport Association, as well as the United States Department of Transportation Hazardous Material Regulations.

#### *Environmental Regulation*

The Group is subject to extensive air, water and other environmental laws and regulations in a number of jurisdictions in which it operates. For example, in the United States the Group must comply with the Clean Air Act, the Clean Water Act and the Hazardous Materials Transportation Act. In Europe, the Group is subject to various environmental initiatives promulgated by the European Union. In the PRC, the Group is subject to environmental regulations such as Law of Prevention and Treatment of Environmental Pollution by Solid Wastes (固體廢物污染環境防治法).

The laws, regulations and regulatory authorities mentioned above are illustrative rather than exhaustive. Government agencies that are charged with monitoring these laws and regulations generally have the right to inspect the Group's facilities at any time.

### **Sustainability**

Sustainability is a core value in all aspects of the Group's business. Environmental, Social and Governance ("**ESG**") principles are essential to the Group's strategy, and are embedded in the Group's strategic drivers, through which the Group strives to deliver shared value to all stakeholders.

In 2023, the Group continued to make progress on partnerships and initiatives on sustainability matters. The Group continues to align to the United Nations Sustainable Development Goals (SDGs) and the Global Reporting Initiative (GRI) while reporting against the Sustainability Accounting Standards Board (SASB) Standards. The Group also complies with Appendix C2 to the Listing Rules: Environmental, Social, and Governance Reporting Guide. The Group has conducted climate risk analysis in line with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), while also prioritizing the Group's decarbonization agenda. As a founding member of the Better Mining Initiative (BMI) and active member of the Responsible Business Alliance (RBA), the Group has forged ahead to collaborate with industry partners to effect change on challenges in the Group's supply chain.

#### *Environment*

The Group manages environmental impact by prioritizing the responsible development of the Group's innovative products. The Group is dedicated to fully integrating diligent environmental management into the Group's business; as such a majority of the Group's manufacturing sites have comprehensive Environmental Management Systems (EMS) in place. The Group's commitment to increasing transparency and accountability throughout value chain is evident in the Group's approach to climate action, responsible sourcing, managing resources, materials and waste, and developing sustainable products.

In 2023, the Group has focused on accelerating its course towards decarbonization. The Group has made progress towards its goal of reducing greenhouse gas emissions (Scope 1 and 2) by 60% by 2030 against the Group's baseline year of 2021. The Group has also continued to strategically invest in clean technologies and developing products that have more sustainable attributes. Furthermore, the Group has established a target to increase the Group's waste-diverted-from-landfill rate to 90% by 2030. To ensure that all of the Group's business units are unified in continually improving performance and sustainability practices, the Group has established a number of key procedures and accountability mechanisms.

### *Social and Community*

The Group values the role of exceptional people in the Group's business. The Group is building a strong, diverse and inclusive culture with a shared set of beliefs supported by strategy, structure and communication.

At all levels, the Group strives to attract and retain talented people, and is dedicated to adapting initiatives to the needs of the Group's business and employees. As such, the Group places emphasis on providing incentives that are relevant to local employees. Work from home measures and extended flexibility are made available to employees, depending on their job function. Flex-time schedules are also made available for associates, including the option to set their own start and end times within specific limitations, varying based on the job role and the business unit. Providing comprehensive professional development opportunities, in the form of the Group's Leadership Development Program and other such initiatives has also remained important as employees are nurtured to further innovation and productivity. In addition, protection of people is a priority as the Group strives to maintain workplace conditions that are safe and healthy. Safety is also a key consideration when it comes to the Group's products.

The Group continually enhances product safety, quality and reliability while focusing on reducing the inherent impact of outdated technologies that contribute to noise and air pollution, providing customers with an accommodating and adaptive experience.

The Group continues to support programs that improve livelihoods within its communities. In 2023, the Group's focus was on activities that address developing people, developing communities, and preserving the environment. The Group's community initiatives involved collaboration with non-governmental organizations (NGOs), providing financial support and the donation of tools as well as employee volunteering. In 2023, the Group contributed over US\$1.0 million of donations in cash and in kind to community projects.

## Governance

The Group's strong corporate governance principles are embedded in the Group's culture, providing the foundation that helps to respond effectively to ever-changing environments while strengthening stakeholder confidence in the Group's business. The Group's governance strategy is predicated on codes of conduct and policies that reinforce accountability with systems to manage risks within its operations and across its supply chain. The Group has a robust risk management system in place which allows the Group to identify and address issues in an appropriate and timely manner as well as mitigate risk to the Group's business. The Group has identified legal and regulatory requirements related to ESG practices that have the potential to have a significant impact to the Group's operations and performance. In 2023, the Group has no reports of material ESG-related non-compliance.

The Group's governance structure is designed to enable effective planning, implementation and monitoring of the Group's performance. Good governance is championed by the Group's Board, which oversees the Group's commitment to creating stakeholder value as well as the progress of its sustainability strategy. The Board is supported in this area by the ESG Executive Committee, the Sustainability Sub-Committee, the ESG Working Committee and Business Unit leaders. They report to the Board on a regular basis and are responsible for driving execution, collecting and reporting data, tracking performance, setting targets to meet sustainability objectives and communicating the Group's approach and progress.

### Principal Subsidiaries

The principal directly and indirectly wholly owned subsidiaries of the Group are as follows:

|  |   |
|--|---|
| DreBo Werkzeugfabrik GmbH.....                     | Incorporated in Germany, mainly engaged in the trading and manufacturing of power equipment products                            |
| Green Planet Distribution Centre Co. Ltd. ....     | Incorporated in Vietnam, mainly engaged in manufacturing of power equipment and outdoor power equipment products                |
| Hart Consumer Products, Inc. ....                  | Incorporated in the United States, mainly engaged in trading of power equipment and outdoor power equipment products            |
| Milwaukee Electric Tool Corporation .....          | Incorporated in the United States, mainly engaged in trading and manufacturing of power equipment products                      |
| Royal Appliance Mfg. Co. ....                      | Incorporated in the United States, mainly engaged in trading and manufacturing of floorcare products                            |
| Techtronic Cordless GP.....                        | Incorporated in the United States, mainly engaged in trading of power equipment, floorcare and outdoor power equipment products |
| Techtronic Industries (Dongguan) Co. Ltd. ....     | Incorporated in the PRC, mainly engaged in manufacturing of power equipment, floorcare and outdoor power equipment products     |
| Techtronic Industries (UK) Ltd.....                | Incorporated in the United Kingdom, mainly engaged in trading of power equipment products                                       |
| Techtronic Industries Australia Pty. Limited ..... | Incorporated in Australia, mainly engaged in trading of power equipment, floorcare and outdoor power equipment products         |

|   |   |
|---|---|
| Techtronic Industries Central Europe GmbH.....            | Incorporated in Germany, mainly engaged in trading of power equipment products  |
| Techtronic Industries Company Pte. Ltd. ....              | Incorporated in Singapore, mainly engaged in holding investment   |
| Techtronic Industries ELC GmbH.....                       | Incorporated in Germany, mainly engaged in trading of power equipment products and outdoor power equipment products       |
| Techtronic Industries France SAS .....                    | Incorporated in France, mainly engaged in trading of power equipment products   |
| Techtronic Industries GmbH .....                          | Incorporated in Germany, mainly engaged in trading and manufacturing of power equipment products                          |
| Techtronic Industries Korea LLC .....                     | Incorporated in Korea, mainly engaged in trading of power equipment products  |
| Techtronic Industries Mexico, S.A. de C.V. ....           | Incorporated in Mexico, mainly engaged in trading of power equipment, floorcare and outdoor power equipment products      |
| Techtronic Industries Co. Mexico, S. De R.L. de C.V. .... | Incorporated in Mexico, mainly engaged in manufacturing of power equipment products                                       |
| Techtronic Industries N.Z. Limited .....                  | Incorporated in New Zealand, mainly engaged in trading of power equipment, floorcare and outdoor power equipment products |
| Techtronic Industries North America, Inc. ....            | Incorporated in the United States, mainly engaged in holding investment   |
| Techtronic Industries Vietnam Manufacturing Co. Ltd. .... | Incorporated in Vietnam, mainly engaged in manufacturing of power equipment and outdoor power equipment products          |
| Techtronic Product Development Limited .....              | Incorporated in Hong Kong, mainly engaged in research and development activities  |
| Techtronic Trading Limited .....                          | Incorporated in Hong Kong, mainly engaged in trading of power equipment, floorcare and outdoor power equipment products   |
| TTI Consumer Power Tools, Inc. ....                       | Incorporated in the United States, mainly engaged in trading of power equipment products                                  |
| TTI Investments (Dongguan) Company Limited .....          | Incorporated in Hong Kong, mainly engaged in holding investment   |
| TTI Outdoor Power Equipment, Inc.....                     | Incorporated in the United States, mainly engaged in the trading of outdoor power equipment products                      |
| TTI Singapore SPV Pte. Ltd.....                           | Incorporated in Singapore, mainly engaged in holding investment   |
| Vax Limited .....   | Incorporated in the United Kingdom, mainly engaged in trading of household electrical and floorcare products              |

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.

## DIRECTORS AND MANAGEMENT

### Directors

The Group's Board currently consists of twelve Directors, comprising six Group Executive Directors and six Independent Non-executive Directors. The following table sets out the name, age and position of the Group's Directors as of the date of this Offering Circular:

| Name                            | Age | Position   |
|---------------------------------|-----|--|
| Horst Julius Pudwill .....      | 79  | Group Executive Director/Chairman                      |
| Stephan Horst Pudwill.....      | 47  | Group Executive Director/Vice Chairman                 |
| Joseph Galli Jr.....            | 66  | Group Executive Director/Chief Executive Officer       |
| Patrick Kin Wah Chan .....      | 64  | Group Executive Director/Operations Director           |
| Frank Chi Chung Chan.....       | 70  | Group Executive Director/Group Chief Financial Officer |
| Camille Jojo .....              | 68  | Group Executive Director                               |
| Peter David Sullivan .....      | 76  | Independent Non-executive Director                     |
| Johannes-Gerhard Hesse .....    | 65  | Independent Non-executive Director                     |
| Robert Hinman Getz .....        | 62  | Independent Non-executive Director                     |
| Virginia Davis Wilmerding.....  | 54  | Independent Non-executive Director                     |
| Caroline Christina Kracht ..... | 51  | Independent Non-executive Director                     |
| Andrew Philip Roberts.....      | 68  | Independent Non-executive Director                     |

### Executive Directors

**Mr. Horst Julius Pudwill**, aged 79, is Chairman of the Company, a position he has held since he jointly founded the Group in 1985. Until 2008, he also served as Chief Executive Officer. As Chairman, Mr. Pudwill focuses on the strategic planning and development of the Group and continues to have oversight of the operations, with the Chief Executive Officer reporting directly to him. Mr. Pudwill has extensive experience in international trade, business and commerce. Mr. Pudwill is also a director of Sunning Inc. which has an interest in the equity of the Company.

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

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

**Mr. Stephan Horst Pudwill**, aged 47, joined the Group in 2004. Mr. Pudwill was appointed as Executive Director in 2006 and subsequently was appointed as the Vice Chairman of the Company on 1 October 2016. He is mainly responsible for managing, improving and monitoring internal operations and identifying synergistic business opportunities within the Group.

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

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

**Mr. Joseph Galli Jr**, aged 66, joined the Group in 2006 as the Chief Executive Officer of Techtronic Appliances and was appointed as Chief Executive Officer and Executive Director of the Company effective 1 February 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 Director, 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.

**Mr. Patrick Kin Wah Chan**, aged 64, joined the Group in 1988 and was appointed as Executive Director in 1990. He is now in charge of the manufacturing operations of the Group.

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

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

**Mr. Frank Chi Chung Chan**, aged 70, joined the Group in 1991 and was appointed as Executive Director in 1992. He is now responsible for corporate affairs and financial management of the Group.

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

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

**Mr. Camille Jojo**, aged 68, was first appointed as a Non-executive Director on 30 October 2015 and re-designated as an Executive Director with effect from 1 December 2023. Mr. Jojo was appointed as Head of Group Legal, Compliance and Corporate Governance on 1 December 2023. Mr. Jojo has practiced as a lawyer in Hong Kong for a continuous period in excess of 35 years as a specialist in (i) civil litigation in the higher courts of Hong Kong, (ii) arbitration and (iii) regulatory. He graduated with a LL.B. Hons. degree from the University of Cardiff in 1977 and obtained his Professional Qualifying Examination Certificate from Guildford College of Law in 1978. He was qualified and was admitted as a solicitor of the Supreme Court of England and Wales in 1980, as a solicitor of the Supreme Court of Hong Kong in 1982 and as a solicitor and barrister of the Supreme Court of Victoria, Australia in 1984. Mr. Jojo was admitted as a fellow of the Chartered Institute of Arbitrators in November 1997. He has been a member of the Law Society Insolvency Law Committee since 1996 and was granted Higher Rights of Audience as a solicitor advocate in respect of civil proceedings in the Hong Kong Courts in 2015. Mr. Jojo was awarded the Dispute Resolution Lawyer of the Year 2018 at the 17<sup>th</sup> Annual Hong Kong Law Awards.

#### **Independent Non-executive Directors**

**Mr. Peter David Sullivan** BS, aged 76, was appointed as an Independent Non-executive Director on 1 February 2008. He was the Chief Executive Officer and Executive Director of Standard Chartered Bank (Hong Kong) Limited, the largest single franchise in the Standard Chartered Group. Mr. Sullivan also held governance responsibility for the franchises in the Standard Chartered Group in Japan, Australia, the Philippines and was vice chairman in Standard Chartered's minority holding in Bohai Bank in Tianjin, China. He also held a number of other major appointments including the Chairman of the Hong Kong Association of Banks and Chairman of the British Chamber of Commerce.

Mr. Sullivan is currently Chairman of Circle BMI Health, the largest private hospital group in the United Kingdom. He is a member of the Audit Committee and is Chairman of the Remuneration Committee. He retired as a Non-

executive Director of AXA ASIA, AXA China Region Insurance Company Limited, AXA Wealth Management Limited and AXA General Insurance (Hong Kong) Limited in May 2021. He was also a member of the Audit Committee of AXA Asia.

Until retiring, Mr. Sullivan was the Lead Independent Director to the boards of the Standard Bank Group and the Standard Bank of South Africa where he held responsibility as Chairman of both the group IT Committee and Remuneration Committee. He was also a member of the Audit Committee and the Capital and Risk Committee.

In addition to his extensive industry experience in Banking, Insurance and Health Care, Mr. Sullivan had broad geographic experience having lived and worked in Australia, South Africa, Singapore, the USA, the United Kingdom and Hong Kong. Mr. Sullivan is a keen sportsman and played in 15 internationals for the Australian rugby team. He captained the Wallabies in 1972 and was the leader of the team that toured England and Wales in 1973. Mr. Sullivan holds a Bachelor of Science (Physical Education) degree from the University of NSW (Wollongong).

**Mr. Johannes-Gerhard Hesse** (commonly known as Hans-Gerd Hesse), aged 65, was appointed as an Independent Non-executive Director of the Company with effect from 1 October 2016. Mr. Hesse holds a graduate degree in Business Administration from the University of Cologne and has acquired extensive business management, strategy, leadership and corporate governance experience in Europe and Asia.

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

**Mr. Robert Hinman Getz**, aged 62, was appointed as an Independent Non-executive Director of the Company with effect from 1 January 2020. Mr. Getz has over 30 years of experience as a private equity investor and advisor. He has extensive experience in private and public equity and debt transactions and international mergers and acquisitions. Mr. Getz holds a Master of Business Administration Degree in Finance from New York University, and a Bachelor of Arts Degree in International Relations, cum laude, from Boston University.

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

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

**Ms. Virginia Davis Wilmerding**, aged 54, was appointed as an Independent Non-executive Director of the Company with effect from 9 April 2021. Ms. Wilmerding holds a A.B. degree in East Asian Studies from Princeton University and is an experienced reputational risk advisor, China specialist, and environmental, social and governance (ESG) expert.

Ms. Wilmerding is currently a Partner with FGS Global, (formed by the merger of Finsbury Glover Hering and Sard Verbinen), a global critical issues consultancy advising on the stakeholder economy, splitting her time between New York and Hong Kong. She counsels executives and boards of leading listed Asian, European and U.S. companies on critical issues and complex situations including capital markets transactions, corporate governance and stakeholder activism, U.S.-China geopolitical and regulatory challenges, reputation management and investor engagement. Prior to joining FGS Global, Ms. Wilmerding was a Partner at Brunswick Group, where she helped drive dramatic growth in the Asia business from 2010 to 2020.

During Ms. Wilmerding's consultancy career over more than 14 years at both firms, she has led the technology sector business across the Asia-Pacific region and has served as one of the global leads of the sustainability and governance practice. Other corporate experience includes business development and joint venture operational roles for Hutchison Whampoa and Lucent Technologies in Hong Kong and Shanghai from 1991 to 1996 and heading corporate affairs for U.S. private equity-backed Internet services companies in Boston. She speaks fluent conversational Mandarin and can read and write Chinese.

Ms. Wilmerding is a founding steering committee member of the 30% Club Hong Kong and was a Board Trustee of Princeton in Asia ("**PiA**") from 1997-2021, where she served on the Board's executive, nominating and development committees. In 2022, Ms. Wilmerding earned the CFA Institute Certificate in ESG Investing and in 2021, she earned the Financial Times Level 7 Non-Executive Director Diploma, a formally accredited, post-graduate qualification for non-executive directors. Ms. Wilmerding regularly writes on current affairs and ESG/governance issues and she published a business advice book for women in 2006 (John Wiley & Sons).

**Ms. Caroline Christina Kracht**, aged 51, was appointed as an Independent Non-executive Director of the Company with effect from 7 March 2022. Ms. Kracht is an expert adviser to boards and top management teams on business strategy and corporate finance, mergers and acquisitions, as well as capital markets. She holds a Master Degree in Management (with distinction), the German university degree of Diplom-Kauffrau and a French Diplôme de Grande Ecole from ESCP Business School. Ms. Kracht also attended the Advanced Management Program at the Harvard Business School.

Ms. Kracht is a co-founder and partner of MoreThan Capital, a Luxembourg based global investment and advisory firm founded, backed, and powered by a global community of business leaders, focused on investing in and helping companies on the verge of scaling-up enter new markets and transform from start-ups into mature businesses. She is also a sector expert in financial services, energy (oil and gas, power, renewables), industrials, chemicals, and other natural resources with global experience working in Asia (PRC, India, Indonesia, Japan, Malaysia, South Korea, Thailand), Europe (Germany, France, UK, Switzerland) and North America (Canada, U.S.).

Ms. Kracht was the head of investment banking (Asia-Pacific) and a member of Scotiabank's Asia-Pacific executive team for Scotiabank from 2016 to 2020. She joined Scotiabank in Hong Kong as managing director responsible for energy investment banking across Asia-Pacific in 2011. Prior to this, Ms. Kracht spent 13 years with Morgan Stanley with increasingly senior positions in investment banking and firm management in London, San Francisco, Frankfurt and Hong Kong. During Ms. Kracht's 22-year career at Scotiabank and Morgan Stanley, the executive management expertise she has gained is directly relevant to strategy, audit, risk and compliance, nomination and remuneration, and ethics committees. She speaks fluent English, German and French.

Ms. Kracht is a founder and board director of GJWHF Ltd., a Hong Kong non-profit organization on the economic empowerment of women. She was a member of the advisory board of the Mentoring Programme for Women Leaders of The Women's Foundation (TWF), a Hong Kong non-profit organization dedicated to challenging stereotypes, empowering women in poverty and growing the number of women in leadership positions.

**Mr. Andrew Philip Roberts**, aged 68, was appointed as an Independent Non-executive Director of the Company with effect from 1 January 2024. Mr. Roberts is a qualified chartered accountant of the Institute of England and Wales who obtained a BA (Honours) degree in Economics from the University of Manchester. Following his qualification, Mr. Roberts gained extensive experience working as an auditor with the global auditing firm of Deloitte during his formative professional years. From 1993 onwards until 2012, Mr. Roberts held senior leadership positions in finance at the Anglo-Dutch conglomerate, Shell Group, which included the following appointments: Executive Vice President of Finance in Shell Trading London, Chair of the Supervisory Board in Shell Asset Management, Executive Vice President of Finance in Shell Gas and Power, Executive Vice President of Finance in Shell Retail, Executive Vice President of Finance in Shell Trading North America, Shell Trading Controller and Compliance Officer. His responsibilities whilst at the Shell Group included strategy, planning, corporate governance, compliance, regulatory, risk management and treasury functions and also overall supervision and management of a large global finance team of 430 officers located in overseas offices. Mr. Roberts brought a wealth of experience to these roles, exemplifying a demonstrable ability to strategize, plan and successfully operationalize broad and complex portfolios within a robust risk, control and compliance framework.

In addition, Mr. Roberts' most recent role was Chief Financial Officer at Shelf Drilling in Dubai where he developed the finance, treasury, tax, internal audit function and associated IT systems with operations in multiple countries pre-IPO.

## **Board Committees**

### ***Audit Committee***

The Audit Committee is chaired by Mr. Peter David Sullivan with other members being Mr. Johannes-Gerhard Hesse, Mr. Robert Hinman Getz, Ms. Caroline Christine Kracht (who has been appointed as a member of Audit Committee with effect from 1 March 2023) and Mr. Andrew Philip Roberts (who has been appointed as a member of Audit Committee with effect from 1 May 2024). On 1 December 2023, Mr. Camille Jojo has been re-designated from a Non-executive Director to an Executive Director and ceased to be a member of the Audit Committee. All members are Independent Non-executive Directors. The Company has complied with Rule 3.21 of the Listing Rules in relation to the requirement of the Audit Committee.

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

### ***Nomination Committee***

The Nomination Committee is chaired by Mr. Horst Julius Pudwill (Chairman of the Board) with the other members being Mr. Johannes-Gerhard Hesse, Mr. Robert Hinman Getz and Ms. Virginia Davis Wilmerding. All members except Mr. Horst Julius Pudwill are Independent Non-executive Directors.

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

### ***Remuneration Committee***

The Remuneration Committee is chaired by Mr. Robert Hinman Getz with the other members being Mr. Peter David Sullivan and Ms. Virginia Davis Wilmerding (who has been appointed as a member of the Remuneration Committee with effect from 1 March 2023). On 1 December 2023, Mr. Camille Jojo has been re-designated from a Non-executive Director to an Executive Director and ceased to be a member of the Remuneration Committee. All members are Independent Non-executive Directors.

The Remuneration Committee develops and administers fair and transparent procedures for setting policy on the overall human resources strategy of the Group, including those related to the remuneration of the Group's directors and senior management. The Remuneration Committee is responsible for recommending the remuneration packages of directors of the Group taking into account their merit, competence and qualifications, individual performance, the Company's operating results and return to shareholders, and considering relevant market practices. The Remuneration Committee consults the Executive Chairman regarding the remuneration packages for the Chief Executive Officer (CEO) and other Executive Directors and makes recommendations to the Board on the remuneration packages of Executive Directors, including, without limitation, base salaries, incentive payments and grants of share awards and share options. 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.

### **Compensation of Directors and Senior Management**

The aggregate amount of compensation (including fees, basic salaries and allowances, contributions to retirement benefits schemes, bonus paid and share-based payments) paid or payable to the Group's Directors for each of the years ended 31 December 2021, 2022 and 2023 was U.S.\$87.2 million, U.S.\$77.5 million and U.S.\$67.5 million, respectively.

For the year ended 31 December 2023, a total of 3,420,000 options were granted to Executive Directors, Non-executive Directors and Independent Non-executive Directors, 1,437,500 awarded shares were granted to Executive Directors, Non-executive Director and Independent Non-executive Directors. For the year ended 31 December 2022, no option was granted to Executive Directors, Non-executive Directors and Independent Non-executive Directors, 3,011,000 awarded shares were granted to Executive Director and Non-executive Director. For the year ended 31 December 2021, a total of 3,221,500 options were granted to Executive Directors, Non-executive Directors and Independent Non-executive Directors, 3,530,500 awarded shares were granted to Executive Directors, Non-executive Directors and Independent Non-executive Directors.

During the years ended 31 December 2021, 2022 and 2023 and other than as set out above, no remuneration was paid by the Group to or receivable by its Directors as an inducement to join or upon joining the Group.

During these same years, no compensation was paid by the Group to or receivable by its Directors or past Directors for the loss of office as a Director or for loss of any other office in connection with the management of the Group's affairs.

During these same years, none of the Group's Directors waived any compensation.

The remuneration of members of the Group's senior management team is determined by the Remuneration Committee and is reviewed on an annual basis taking into consideration their merit, qualifications, and competence, and having regard to the Group's operating results, individual performance, and comparable market statistics.

Of the five individuals with the highest emoluments (including basic salaries and allowances, contributions to retirement benefits schemes, bonus paid, other benefits and share-based payments) in the Group for the year ended 31 December 2023, three of those were directors of the Company. Of the five individuals with the highest emoluments (including basic salaries and allowances, contributions to retirement benefits schemes, bonus paid, other benefits and share-based payments) in the Group for the year ended 31 December 2022, four of those were directors of the Company. Of the five individuals with the highest emoluments (including basic salaries and allowances, contributions to retirement benefits schemes, bonus paid, other benefits and share-based payments) in the Group for the year ended 31 December 2021, four of those were directors of the Company. Their aggregate compensation has been included in the aggregate compensation of all the Directors above. The emoluments of the remaining individual(s) with the highest emoluments in the Group (i.e. non-director individuals) during the years ended 31 December 2021, 2022 and 2023 were U.S.\$8.4 million, U.S.\$11.6 million and U.S.\$17.6 million, respectively. No compensation was paid/payable by us to such employees for the years ended 31 December 2021, 2022 and 2023 for loss of office in connection with the management of the Group's affairs.

Except as disclosed above, no other payments have been paid or payable by the Group or any of its subsidiaries to its Directors, with respect to the years ended 31 December 2021, 2022 and 2023.

## SUBSTANTIAL SHAREHOLDERS AND DIRECTORS' INTERESTS

### Substantial Shareholders' Interests

As at 31 December 2023, 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 Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) (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 |
|--|---------------------------|-----------|---|
| JPMorgan Chase & Co. <sup>(1)</sup>                    | 182,415,282               | (L)       | 9.94%   |
|  | 4,564,654                 | (S)       | 0.25%   |
|  | 111,491,009               | (LP)      | 6.08%   |
| The Bank of New York Mellon Corporation <sup>(2)</sup> | 91,822,534                | (L)       | 5.01%   |
|  | 35,813,385                | (S)       | 1.95%   |
|  | 53,690,030                | (LP)      | 2.93%   |
| The Capital Group Companies, Inc. <sup>(3)</sup>       | 147,533,933               | (L)       | 8.04%   |

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

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

| Name   | Remarks | Total interests in shares |           |                  |           | Approximate percentage of interests |
|--|---------|---------------------------|-----------|------------------|-----------|-------------------------------------|
|  |         | Direct interests          | (L/S/LP)* | Deemed interests | (L/S/LP)* |                                     |
| JPMorgan Chase & Co.                             | (1a)    | —                         | —         | 182,415,282      | (L)       | 9.94%                               |
|  |         | —                         | —         | 4,564,654        | (S)       | 0.25%                               |
|  |         | —                         | —         | 111,491,009      | (LP)      | 6.08%                               |
| JPMorgan Asset Management (Taiwan) Limited       | (1b)    | 220,500                   | (L)       | —                | —         | 0.01%                               |
| 55I, LLC   | (1b)    | 825                       | (L)       | —                | —         | 0.00%                               |
| J.P. Morgan SE                                   | (1b)    | 12,500                    | (L)       | —                | —         | 0.00%                               |
| J.P. Morgan Securities LLC                       | (1b)    | 2,126,903                 | (L)       | —                | —         | 0.12%                               |
|  |         | 282,000                   | (S)       | —                | —         | 0.02%                               |
| JPMORGAN CHASE BANK, N.A. - LONDON BRANCH        | (1b)    | 111,491,009               | (L)       | —                | —         | 6.08%                               |
| JPMORGAN ASSET MANAGEMENT (UK) LIMITED           | (1b)    | 5,649,500                 | (L)       | —                | —         | 0.31%                               |
| J.P. Morgan Investment Management Inc.           | (1b)    | 47,239,861                | (L)       | —                | —         | 2.58%                               |
| J.P. Morgan Prime Inc.                           | (1b)    | 7,500                     | (L)       | —                | —         | 0.00%                               |
| JPMorgan Asset Management (Japan) Limited        | (1b)    | 143,200                   | (L)       | —                | —         | 0.01%                               |
| J.P. Morgan Trust Company of Delaware            | (1b)    | 66,775                    | (L)       | —                | —         | 0.00%                               |
| JPMorgan Chase Bank, National Association        | (1b)    | 5,208,916                 | (L)       | —                | —         | 0.28%                               |
|  |         | 56,140                    | (S)       | —                | —         | 0.00%                               |
| JPMorgan Asset Management (Asia Pacific) Limited | (1b)    | 4,685,000                 | (L)       | —                | —         | 0.26%                               |
| J.P. MORGAN SECURITIES PLC                       | (1b)    | 5,529,978                 | (L)       | —                | —         | 0.30%                               |
|  |         | 4,226,514                 | (S)       | —                | —         | 0.23%                               |
| J.P. Morgan Private Wealth Advisors LLC          | (1b)    | 32,815                    | (L)       | —                | —         | 0.00%                               |
| JPMorgan Asset Management (Asia) Inc.            | (1b)    | —                         | —         | 5,048,700        | (L)       | 0.28%                               |

| <b>Total interests in shares</b>                |                |                         |                  |                         |                  |  |
|---|----------------|-------------------------|------------------|-------------------------|------------------|--|
| <b>Name</b>                                     | <b>Remarks</b> | <b>Direct interests</b> | <b>(L/S/LP)*</b> | <b>Deemed interests</b> | <b>(L/S/LP)*</b> | <b>Approximate percentage of interests</b> |
| JPMorgan Asset Management Holdings Inc.         | (1b)           | —                       | —                | 57,938,886              | (L)              | 3.16%                                      |
| JPMorgan Chase Holdings LLC                     | (1b)           | —                       | —                | 60,172,879              | (L)              | 3.28%                                      |
|   |                | —                       | —                | 282,000                 | (S)              | 0.02%                                      |
| 55 Institutional Partners, LLC                  | (1b)           | —                       | —                | 825                     | (L)              | 0.00%                                      |
| J.P. Morgan International Finance Limited       | (1b)           | —                       | —                | 5,542,478               | (L)              | 0.30%                                      |
|   |                | —                       | —                | 4,226,514               | (S)              | 0.23%                                      |
| JPMorgan Chase Bank, National Association       | (1b)           | —                       | —                | 117,033,487             | (L)              | 6.38%                                      |
|   |                | —                       | —                | 4,226,514               | (S)              | 0.23%                                      |
| J.P. Morgan Broker-Dealer Holdings Inc.         | (1b)           | —                       | —                | 2,134,403               | (L)              | 0.12%                                      |
|   |                | —                       | —                | 282,000                 | (S)              | 0.02%                                      |
| JPMORGAN ASSET MANAGEMENT INTERNATIONAL LIMITED | (1b)           | —                       | —                | 5,649,500               | (L)              | 0.31%                                      |
| J.P. Morgan Securities LLC                      | (1b)           | —                       | —                | 7,500                   | (L)              | 0.00%                                      |
| J.P. MORGAN CAPITAL HOLDINGS LIMITED            | (1b)           | —                       | —                | 5,529,978               | (L)              | 0.30%                                      |
|   |                | —                       | —                | 4,226,514               | (S)              | 0.23%                                      |

Remarks:

(1a) JPMorgan Chase & Co. is listed on New York Stock Exchange. The capacity of JPMorgan Chase & Co. in holding the 182,415,282 shares of long position, 4,564,654 shares of short position and 111,491,009 shares of lending pool respectively was as controlled corporation.

(1b) JPMorgan Asset Management (Taiwan) Limited, 55I, LLC, J.P. Morgan SE, J.P. Morgan Securities LLC, JPMORGAN CHASE BANK, N.A. - LONDON BRANCH, JPMORGAN ASSET MANAGEMENT (UK) LIMITED, J.P. Morgan Investment Management Inc., J.P. Morgan Prime Inc., JPMorgan Asset Management (Japan) Limited, J.P. Morgan Trust Company of Delaware, JPMorgan Chase Bank, National Association, JPMorgan Asset Management (Asia Pacific) Limited, J.P. MORGAN SECURITIES PLC, J.P. Morgan Private Wealth Advisors LLC, JPMorgan Asset Management (Asia) Inc., JPMorgan Asset Management Holdings Inc., JPMorgan Chase Holdings LLC, 55 Institutional Partners, LLC, J.P. Morgan International Finance Limited, JPMorgan Chase Bank, National Association, J.P. Morgan Broker-Dealer Holdings Inc., JPMORGAN ASSET MANAGEMENT INTERNATIONAL LIMITED, J.P. Morgan Securities LLC and J.P. MORGAN CAPITAL HOLDINGS LIMITED were all directly or indirectly owned by JPMorgan Chase & Co. and by virtue of the SFO, JPMorgan Chase & Co. was deemed to be interested in the shares held by these subsidiaries.

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

| <b>Total interests in shares</b>        |                |                         |                  |                         |                  |  |
|---|----------------|-------------------------|------------------|-------------------------|------------------|--|
| <b>Name</b>                             | <b>Remarks</b> | <b>Direct interests</b> | <b>(L/S/LP)*</b> | <b>Deemed interests</b> | <b>(L/S/LP)*</b> | <b>Approximate percentage of interests</b> |
| The Bank of New York Mellon Corporation | (2a)           | —                       | —                | 91,822,534              | (L)              | 5.01%                                      |
|   |                | —                       | —                | 35,813,385              | (S)              | 1.95%                                      |
|   |                | —                       | —                | 53,690,030              | (LP)             | 2.93%                                      |
| The Bank of New York Mellon             | (2b)           | 91,765,694              | (L)              | —                       | —                | 5.00%                                      |
|   |                | 35,813,385              | (S)              | —                       | —                | 1.95%                                      |
| BNY Mellon, National Association        | (2b)           | 56,415                  | (L)              | —                       | —                | 0.00%                                      |
| B.N.Y. Holdings (Delaware) Corporation  | (2b)           | —                       | —                | 425                     | (L)              | 0.00%                                      |
| BNY Mellon Trust of Delaware            | (2b)           | 425                     | (L)              | —                       | —                | 0.00%                                      |

Remarks:

(2a) The Bank of New York Mellon Corporation is listed on New York Stock Exchange. The capacity of The Bank of New York Mellon Corporation in holding the 91,822,534 shares of long position, 35,813,385 shares of short position and 53,690,030 shares of lending pool respectively was as controlling corporation.

(2b) The Bank of New York Mellon, BNY Mellon, National Association, B.N.Y. Holdings (Delaware) Corporation and BNY Mellon Trust of Delaware were all directly or indirectly owned by The Bank of New York Mellon Corporation and by virtue of the SFO, The Bank of New York Mellon Corporation was deemed to be interested in the shares held by these subsidiaries.

(3) The following is a breakdown of the interest in shares in the Company held by The Capital Group Companies, Inc.:

| Name  | Remarks | Total interests in shares |           |                  |           | Approximate percentage of interests |
|---|---------|---------------------------|-----------|------------------|-----------|-------------------------------------|
|   |         | Direct interests          | (L/S/LP)* | Deemed interests | (L/S/LP)* |                                     |
| The Capital Group Companies, Inc.                   | (3a)    | —                         | —         | 147,533,933      | (L)       | 8.04%                               |
| Capital Research and Management Company             | (3b)    | 144,937,933               | (L)       | —                | —         | 7.90%                               |
| Capital Group International, Inc.                   | (3b)    | —                         | —         | 2,596,000        | (L)       | 0.14%                               |
| Capital International Limited                       | (3b)    | 312,500                   | (L)       | —                | —         | 0.02%                               |
| Capital International Sarl                          | (3b)    | 490,500                   | (L)       | —                | —         | 0.03%                               |
| Capital International, Inc.                         | (3b)    | 1,743,000                 | (L)       | —                | —         | 0.10%                               |
| Capital Group Investment Management Private Limited | (3b)    | 50,000                    | (L)       | —                | —         | 0.00%                               |

Remarks:

(3a) The capacity of The Capital Group Companies, Inc. in holding the 147,533,933 shares of long position was as controlled corporation.

(3b) Capital Research and Management Company, Capital Group International, Inc., Capital International Limited, Capital International Sarl, Capital International, Inc. and Capital Group Investment Management Private Limited were all directly or indirectly owned by The Capital Group Companies, Inc. and by virtue of the SFO, The Capital Group Companies, Inc. 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 31 December 2023.

### Directors' Interests

As at 31 December 2023, 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 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 SEHK pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 (formerly known as Appendix 10) to the Listing Rules were as follows:

| Name of directors                   | Capacity/Nature of interests        | Interests in shares (other than pursuant to equity derivatives) <sup>(1)</sup> | Interests in underlying shares pursuant to equity derivatives <sup>(1)</sup> | Total interests in shares/ underlying shares | Approximate aggregate percentage of interests |
|-------------------------------------|-------------------------------------|--|--|--|---|
| Mr. Horst Julius Pudwill            | Beneficial owner                    | 146,714,000 <sup>(2)</sup>   | 805,500  | 364,439,294                                  | 19.87%  |
|                                     | Interests of spouse                 | 760,000  | —  |  |   |
|                                     | Interests of controlled corporation | 216,159,794 <sup>(3)</sup>   | —  |  |   |
| Mr. Stephan Horst Pudwill           | Beneficial owner                    | 5,234,500 <sup>(4)</sup>   | 6,250,000  | 45,492,000                                   | 2.48%   |
|                                     | Beneficiary of a trust              | 34,007,500 <sup>(5)</sup>  | —  |  |   |
| Mr. Joseph Galli Jr                 | Beneficial owner                    | 16,916,000 <sup>(6)</sup>  | 750,000  | 17,666,000                                   | 0.96%   |
| Mr. Kin Wah Chan                    | Beneficial owner                    | 766,000 <sup>(7)</sup>   | 4,950,000  | 5,716,000                                    | 0.31%   |
| Mr. Chi Chung Chan                  | Beneficial owner                    | 1,125,000 <sup>(8)</sup>   | 5,250,000  | 6,375,000                                    | 0.35%   |
| Mr. Camille Jojo                    | Beneficial owner                    | 151,500 <sup>(9)</sup>   | 286,000  | 437,500                                      | 0.02%   |
| Prof. Roy Chi Ping Chung GBS BBS JP | Beneficial owner                    | 49,190,948 <sup>(10)</sup>   | 486,000  | 86,751,978                                   | 4.73%   |
|                                     | Interests of controlled corporation | 37,075,030 <sup>(11)</sup>   | —  |  |   |
| Mr. Peter David Sullivan            | Beneficial owner                    | 532,000 <sup>(12)</sup>  | 139,000  | 671,000                                      | 0.04%   |
| Mr. Johannes-Gerhard Hesse          | Beneficial owner                    | 35,000 <sup>(13)</sup>   | 471,000  | 506,000                                      | 0.03%   |
| Mr. Robert Hinman Getz              | Beneficial owner                    | 85,674 <sup>(14)</sup>   | 214,000  | 299,674                                      | 0.02%   |
| Ms. Virginia Davis Wilmerding       | Beneficial owner                    | 25,000 <sup>(15)</sup>   | 89,500   | 114,500                                      | 0.01%   |
| Ms. Caroline Christina Kracht       | Beneficial owner                    | 12,500 <sup>(16)</sup>   | 60,000   | 72,500                                       | Less than 0.01%                               |

*Notes:*

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

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

- (2) These included Mr. Horst Julius Pudwill's interests in 125,000 awarded shares which remained unvested under the share award schemes of the Company as of 31 December 2023.
- (3) These shares were held by the following companies in which Mr. Horst Julius Pudwill has a beneficial interest:

|                                      | Number of shares   |
|--------------------------------------|--------------------|
| Sunning Inc.                         | 179,084,764        |
| Cordless Industries Company Limited* | 37,075,030         |
|                                      | <u>216,159,794</u> |

- (4) These included Mr. Stephan Horst Pudwill's interests in 75,000 awarded shares which remained unvested under the share award schemes of the Company as of 31 December 2023.
- (5) These shares were held by a trust of which Mr. Stephan Horst Pudwill is one of the beneficiaries.
- (6) These included Mr. Joseph Galli Jr's interests in 5,000,000 awarded shares which remained unvested under the share award schemes of the Company as of 31 December 2023 and the 4,000,000 shares which agreed but not yet granted to Mr. Galli.
- (7) These included Mr. Kin Wah Chan's interests in 75,000 awarded shares which remained unvested under the share award schemes of the Company as of 31 December 2023.
- (8) These included Mr. Chi Chung Chan's interests in 75,000 awarded shares which remained unvested under the share award schemes of the Company as of 31 December 2023.

- (9) These included Mr. Camille Jojo's interests in 12,500 awarded shares which remained unvested under the share award schemes of the Company as of 31 December 2023.
- (10) These included Prof. Roy Chi Ping Chung GBS BBS JP's interests in 12,500 awarded shares which remained unvested under the share award schemes of the Company as of 31 December 2023.
- (11) These shares were held by Cordless Industries Company Limited\* in which Prof. Roy Chi Ping Chung GBS BBS JP has a beneficial interest.
- \* Cordless Industries Company Limited is owned as to 70% by Mr. Horst Julius Pudwill and as to 30% by Prof. Roy Chi Ping Chung GBS BBS JP.
- (12) These included Mr. Peter David Sullivan's interests in 12,500 awarded shares which remained unvested under the share award schemes of the Company as of 31 December 2023.
- (13) These included Mr. Johannes-Gerhard Hesse's interests in 25,000 awarded shares which remained unvested under the share award schemes of the Company as of 31 December 2023.
- (14) These included Mr. Robert Hinman Getz's interests in 30,000 awarded shares which remained unvested under the share award schemes of the Company as of 31 December 2023.
- (15) These included Ms. Virginia Davis Wilmerding's interests in 25,000 awarded shares which remained unvested under the share award schemes of the Company as of 31 December 2023.
- (16) These included Ms. Caroline Christina Kracht's interests in 12,500 awarded shares which remained unvested under the share award schemes of the Company as of 31 December 2023.

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 31 December 2023.

## RELATED PARTY TRANSACTIONS

*The following discussion describes certain material related party transactions between the Group's consolidated subsidiaries and its Directors, executive officers and substantial shareholders and, in each case, the companies with whom associates are affiliated.*

The Company and its subsidiaries from time to time engage in transactions with associates of the Company in the ordinary course of their business. It is the Company's policy to conduct these transactions on normal commercial terms and on an arm's-length basis.

### Transactions with Associates

During the years ended 31 December 2021, 2022 and 2023, the Group entered into related party transactions with its associates as follows.

|                      | Year ended 31 December |      |      |
|----------------------|------------------------|------|------|
|                      | 2021                   | 2022 | 2023 |
|                      | (U.S.\$ in millions)   |      |      |
| Sales income .....   | 57.0                   | 75.2 | 59.6 |
| Service income ..... | 1.5                    | 2.5  | –    |
| Purchases .....      | 1.8                    | –    | –    |

### Remuneration of Directors and Other Key Management

The Company's Directors and management receive compensation including fees, salaries, bonuses, allowances and benefits in kind, share-based payment expenses and contribution to pension plans for their services to the Company.

|                                | Year ended 31 December |       |       |
|--------------------------------|------------------------|-------|-------|
|                                | 2021                   | 2022  | 2023  |
|                                | (U.S.\$ in millions)   |       |       |
| Short-term benefits .....      | 113.9                  | 113.0 | 104.0 |
| Post-employment benefits ..... | 1.5                    | 1.1   | 1.5   |
| Share-based payments .....     | 33.5                   | 38.2  | 28.7  |
| Total .....                    | 148.9                  | 152.3 | 134.2 |

## TAXATION

*The following is a general description of certain tax considerations relating to the Notes and is based on laws and relevant interpretation thereof in effect as at the date of this Offering Circular all of which are subject to changes and does not constitute legal or taxation advice. It does not purport to be a complete analysis of all tax considerations relating to the Notes, whether in those countries or elsewhere. Prospective purchasers of the Notes should consult their own tax advisers as to which countries' tax laws could be relevant to acquiring, holding and disposing of the Notes and receiving payments of interest, principal and/or other amounts under the Notes and the consequences of such actions under the tax laws of those countries. It is emphasised that none of the Issuer nor any other persons involved in the Programme accepts responsibility for any tax effects or liabilities resulting from the subscription for purchase, holding or disposal of the Notes.*

### **Hong Kong**

#### ***Withholding Tax***

No withholding tax is payable in Hong Kong in respect of payments of principal or interest on the Notes or in respect of any capital gains arising from the sale of the Notes.

#### ***Profits Tax***

Hong Kong profits tax is chargeable on every person carrying on a trade, profession or business in Hong Kong in respect of profits arising in or derived from Hong Kong from such trade, profession or business (excluding profits arising from the sale of capital assets).

Interest on the Notes may be subject to profits tax in Hong Kong in the following circumstances:

- (i) interest on the Notes is derived from Hong Kong and is received by or accrues to a company, other than a financial institution, carrying on a trade, profession or business in Hong Kong;
- (ii) interest on the Notes is derived from Hong Kong and is received by or accrues to a person, other than a company, carrying on a trade, profession or business in Hong Kong and is in respect of the funds of that trade, profession or business;
- (iii) interest on the Notes is received by or accrues to a financial institution (as defined in the Inland Revenue Ordinance (Cap.112) of Hong Kong (the "**IRO**") and arises through or from the carrying on by the financial institution of its business in Hong Kong; or
- (iv) interest on the Notes is received by or accrues to a corporation, other than a financial institution, and arises through or from the carrying on in Hong Kong by the corporation of its intra-group financing business (within the meaning of section 16(3) of the IRO).

Sums received by or accrued to a financial institution by way of gains or profits arising through or from the carrying on by the financial institution of its business in Hong Kong from the sale, disposal or redemption of the Notes may be subject to profits tax.

Sums derived from the sale, disposal or redemption of the Notes may be subject to Hong Kong profits tax where received by or accrued to a person, other than a financial institution, who carries on a trade, profession or business in Hong Kong and the sum has a Hong Kong source. The source of such sums will generally be determined by having regard to the manner in which the Notes are acquired and disposed.

In addition, the Inland Revenue (Amendment) (Taxation on Specified Foreign-sourced Income) Ordinance 2022 (Cap. 112) of Hong Kong (the "**Amendment Ordinance**") came into effect on 1 January 2023. Under the Amendment Ordinance, certain foreign-sourced interest on the Notes and gains from the sale, disposal or

redemption of Notes accrued to an MNE entity (as defined in the Amendment Ordinance) carrying on a trade, profession or business in Hong Kong are regarded as arising in or derived from Hong Kong and subject to Hong Kong profits tax when they are received in Hong Kong. The Amendment Ordinance also provides for relief against double taxation in respect of certain foreign-sourced income and transitional matters.

In certain circumstances, Hong Kong profits tax exemptions (such as concessionary tax rates) may be available. Investors are advised to consult their own tax advisors to ascertain the applicability of any exemptions to their individual position.

### ***Stamp Duty***

Stamp duty will not be payable on the issue of Bearer Notes issued outside Hong Kong in any circumstances or, if issued in Hong Kong, provided either:

- (i) such Bearer Notes are denominated in a currency other than the currency of Hong Kong and are not repayable in any circumstances in the currency of Hong Kong; or
- (ii) such Bearer Notes constitute loan capital (as defined in the Stamp Duty Ordinance (Cap.117) of Hong Kong (the "SDO")).

If stamp duty is payable, it is payable by the Issuer on the issue of Bearer Notes at a rate of 3 per cent. of the market value of the Bearer Notes at the time of issue. No stamp duty will be payable on any subsequent transfer of Bearer Notes.

No stamp duty is payable on the issue of Registered Notes.

Stamp duty may be payable on any transfer of Registered Notes if the relevant transfer is required to be registered in Hong Kong. Stamp duty will, however, not be payable on any transfers of Registered Notes provided that either:

- (i) such Registered Notes are denominated in a currency other than the currency of Hong Kong and are not repayable in any circumstances in the currency of Hong Kong; or
- (ii) such Registered Notes constitute loan capital (as defined in the SDO).

If stamp duty is payable in respect of the transfer of Registered Notes it will be payable at the rate of 0.20 per cent. (of which 0.10 per cent. is payable by the seller and 0.10 per cent. is payable by the purchaser) normally by reference to the value of the consideration. If, in the case of either the sale or purchase of such Registered Notes, stamp duty is not paid, both the seller and the purchaser may be liable jointly and severally to pay any unpaid stamp duty and also any penalties for late payment. If stamp duty is not paid on or before the due date (two days after the sale or purchase if effected in Hong Kong or 30 days if effected elsewhere) a penalty of up to 10 times the duty payable may be imposed. In addition, stamp duty is payable at the fixed rate of HK\$5 on each instrument of transfer executed in relation to any transfer of the Registered Notes if the relevant transfer is required to be registered in Hong Kong.

### **The proposed financial transactions tax ("FTT")**

On 14 February 2013, the European Commission published a proposal (the "**Commission's Proposal**") for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (except for Estonia, together the "**participating Member States**"). However, Estonia has since stated that it will not participate.

The Commission's Proposal has very broad scope and could, if introduced, apply to certain transactions and certain dealings in the Notes (including secondary market transactions). For example, to the extent that there are any conclusions of derivative contracts in the context of the Company's hedging arrangements or the purchase or sale

of securities (such as charged assets), any such tax liabilities that arise in relation to the FTT may result in holders of the Notes receiving less than expected in respect of such Notes. It should also be noted that the FTT could be payable in relation to relevant transactions by investors in respect of the Notes (including secondary market transactions) in certain circumstances. Pursuant to Article 5(c) of Regulation EC No 1287/2006, the issuance and subscription of Notes should, however, be exempt. There is however uncertainty in relation to the intended scope of this exemption for certain money market instruments and structured issues.

However, the FTT proposal remains subject to negotiation between the participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU member states may decide to participate.

Prospective holders of the Notes are advised to seek their own professional advice in relation to the FTT.

### **The U.S. Internal Revenue Code of 1986 ("FATCA")**

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a "foreign financial institution" may be required to withhold at a rate of 30 per cent. on certain payments it makes ("**foreign passthru payments**") to persons that fail to meet certain certification, reporting, or related requirements. The Issuer may be a foreign financial institution for these purposes. A number of jurisdictions (including Hong Kong) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA ("**IGAs**"), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, are uncertain and may be subject to change.

Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, proposed regulations have been issued that provide that such withholding would not apply prior to the date that is two years after the publication of the final regulations defining "foreign passthru payment" in the U.S. Federal Register. In the preamble to the proposed regulations, the U.S. Treasury Department indicated that taxpayers may rely on these proposed regulations until the issuance of final regulations. Additionally, Notes that are not treated as equity for U.S. federal income tax purposes and that have a fixed term generally would be "grandfathered" for purposes of FATCA withholding (i) in respect of Notes that give rise solely to "foreign passthru payments", if issued on or prior to the date that is six months after the date on which final Treasury regulations defining "foreign passthru payments" are filed with the U.S. Federal Register, and (ii) in respect of Notes that give rise to a dividend equivalent pursuant to Section 871(m) of the Code and the Treasury regulations promulgated thereunder, if issued on or prior to the date that is six months after the date on which obligations of its type are first treated as giving rise to dividend equivalents, in each case unless materially modified after such date (including by reason of a substitution of the Issuer). However, if additional notes (as described under "*Terms and Conditions of the Notes — Further Issues*") that are not distinguishable from previously issued Notes are issued after the expiration of the grandfathering period and are subject to withholding under FATCA, then withholding agents may treat all Notes, including the Notes offered prior to the expiration of the grandfathering period, as subject to withholding under FATCA. Holders should consult their own tax advisers regarding how these rules may apply to their investment in the Notes. In the event any withholding would be required pursuant to FATCA or an IGA with respect to interest, principal or other payments on the Notes, the Issuer, the Arrangers, the Dealers, paying agents, and any other persons involved in the Programme will not be required pursuant to the terms and conditions of the Notes to pay additional amounts as a result of the withholding. As a result, investors may receive less interest or principal than expected.

## CLEARANCE AND SETTLEMENT

*The information set out below is subject to any change in or reinterpretation of the rules, regulations and procedures of Euroclear or Clearstream or the CMU (together, the "Clearing Systems") currently in effect. The information in this section concerning the Clearing Systems has been obtained from sources that the Issuer believes to be reliable, but none of the Issuer or any Dealer takes any responsibility for the accuracy thereof. Investors wishing to use the facilities of any of the Clearing Systems are advised to confirm the continued applicability of the rules, regulations and procedures of the relevant Clearing System. None of the Issuer or any other party to the Agency Agreement will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Notes held through the facilities of any Clearing System or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.*

### **The Clearing Systems**

#### ***Euroclear and Clearstream***

Euroclear and Clearstream each hold securities for its customers and facilitate the clearance and settlement of securities transactions by electronic book-entry transfer between their respective account holders. Euroclear and Clearstream provide various services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream also deal with domestic securities markets in several countries through established depository and custodial relationships. Euroclear and Clearstream have established an electronic bridge between their two systems across which their respective participants may settle trades with each other.

Euroclear and Clearstream customers are world-wide financial institutions, including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Indirect access to Euroclear and Clearstream is available to other institutions that clear through or maintain a custodial relationship with an account holder of either system.

#### ***CMU***

The CMU is a central depository service provided by the Central Moneymarkets Unit of the HKMA for the safe custody and electronic trading between the members of this service ("**CMU Members**") of capital markets instruments ("**CMU Notes**") which are specified in the CMU Reference Manual as capable of being held within the CMU.

The CMU is only available to CMU Notes issued by a CMU Member or by a person for whom a CMU Member acts as agent for the purposes of lodging instruments issued by such persons. Membership of the CMU is open to all members of the Hong Kong Capital Markets Association and "authorised institutions" under the Banking Ordinance (Cap. 155 of the Laws of Hong Kong).

Compared to clearing services provided by Euroclear and Clearstream, the standard custody and clearing service provided by the CMU is limited. In particular (and unlike the European Clearing Systems), the HKMA does not as part of this service provide any facilities for the dissemination to the relevant CMU Members of payments (of interest or principal) under, or notices pursuant to the notice provisions of, the CMU Notes. Instead, the HKMA advises the lodging CMU Member (or a designated paying agent) of the identities of the CMU Members to whose accounts payments in respect of the relevant CMU Notes are credited, whereupon the lodging CMU Member (or the designated paying agent) will make the necessary payments of interest or principal or send notices directly to the relevant CMU Members. Similarly, the HKMA will not obtain certificates of non-U.S. beneficial ownership from CMU Members or provide any such certificates on behalf of CMU Members. The CMU Lodging and Paying Agent will collect such certificates from the relevant CMU Members identified from an issue position report obtained by request from the HKMA for this purpose.

An investor holding an interest through an account with either Euroclear or Clearstream in any Notes held in the CMU will hold that interest through the respective accounts which Euroclear and Clearstream each have with the CMU.

***Transfers of the Notes Represented by Global Notes Certificate***

Transfers of any interests in Notes represented by a Global Note Certificate within Euroclear and Clearstream will be effected in accordance with the customary rules and operating procedures of the relevant clearing system.

On or after the Issue Date for any Series, transfers of the Notes of such Series between accountholders in Clearstream and Euroclear will generally have a settlement date three business days after the trade date (T+3). The customary arrangements for delivery versus payment will apply to such transfers.

Clearstream and Euroclear have each published rules and operating procedures designed to facilitate transfers of beneficial interests in Registered Notes among participants and accountholders of Clearstream and Euroclear. However, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued or changed at any time. None of the Issuer, the Agents or any Dealer will be responsible for any performance by Clearstream or Euroclear, the CMU or their respective direct or indirect participants or accountholders of their respective obligations under the rules and procedures governing their operations and none of them will have any liability for any aspect of the records relating to or payments made on account of beneficial interests in the Notes represented by Global Notes Certificate or for maintaining, supervising or reviewing any records relating to such beneficial interests.

## SUBSCRIPTION AND SALE

### Summary of Dealer Agreement

The Dealers have, in an amended and restated dealer agreement dated 17 May 2024 (the "**Dealer Agreement**"), agreed with the Issuer a basis upon which they or any of them may from time to time agree to severally, and not jointly, subscribe the Notes. Any such agreement will extend to those matters stated under "*Form of the Notes*" and "*Terms and Conditions of the Notes*". The Issuer will pay each relevant Dealer a commission as agreed between them in respect of the Notes subscribed by it. Where the Issuer agrees to sell to the Dealer(s), who agree to subscribe and pay for, or to procure subscribers to subscribe and pay for, the Notes at an issue price (the "**Issue Price**"), any subsequent offering of those Notes to investors may be at a price different from such Issue Price. The Issuer has agreed to reimburse the Arrangers certain of their expenses incurred in connection with the establishment, and any future update, of the Programme and the Dealers certain of their activities in connection with the Programme. The commissions in respect of an issue of the Notes on a syndicated basis may be stated in the relevant Pricing Supplement. The Dealers and the Issuer may also, in relation to any Tranche of Notes, agree to pay private banks or other selling agents a commission in order to facilitate the offering of the Notes.

The Issuer has agreed to indemnify the Dealers against certain liabilities in connection with the offer and sale of the Notes. The Dealer Agreement entitles the Dealers to terminate any agreement that they make to subscribe Notes in certain circumstances prior to payment for such Notes being made to the Issuer.

In connection with the issue of any Series of Notes, the Dealer or Dealers (if any) named as Stabilisation Manager(s) (or persons acting on behalf of any Stabilisation Manager(s)) in the applicable Pricing Supplement may over allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, stabilisation may not necessarily occur. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Series of Notes is made and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Series of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Any stabilisation action or over allotment must be conducted by the relevant Stabilisation Manager(s) (or person(s) acting on behalf of any Stabilisation Manager(s)) in accordance with all applicable laws and rules.

In connection with each Series of the Notes issued under the Programme, the Dealers or certain of their affiliates may purchase Notes and be allocated Notes for asset management and/or proprietary purposes but not with a view to distribution. Further, the Dealers or their respective affiliates may purchase Notes for its or their own account and enter into transactions, including credit derivatives, such as asset swaps, repackaging and credit default swaps relating to such Notes and/or other securities of the Issuer or their respective subsidiaries or affiliates at the same time as the offer and sale of each Series of the Notes or in secondary market transactions. Such transactions would be carried out as bilateral trades with selected counterparties and separately from any existing sale or resale of the Series of the Notes to which a particular Pricing Supplement relates (notwithstanding that such selected counterparties may also be purchasers of such Series of the Notes).

The Dealers and their affiliates are full service financial institutions engaged in various activities which may include securities trading, commercial and investment banking, financial advice, investment management, principal investment, hedging, financing and brokerage activities. Each of the Dealers may have engaged in, and may in the future engage in, investment banking and other commercial dealings in the ordinary course of business with the Issuer or its subsidiaries, jointly controlled entities or associated companies from time to time. In the ordinary course of their various business activities, the Dealers and their affiliates may make or hold (on their own account, on behalf of clients or in their capacity of investment advisers) a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments and enter into other transactions, including credit derivatives (such as asset swaps, repackaging and credit default swaps) in relation thereto. Such transactions, investments and securities

activities may involve securities and instruments of the Issuer or its subsidiaries, jointly controlled entities or associated companies, including Notes issued under the Programme, may be entered into at the same time or proximate to offers and sales of the Notes or at other times in the secondary market and be carried out with counterparties that are also purchasers, holders or sellers of the Notes. Notes issued under the Programme may be purchased by or be allocated to any Dealer or an affiliate for asset management and/or proprietary purposes but not with a view to distribution.

If a jurisdiction requires that the offering be made by a licensed broker or dealer and a Dealer or any affiliate of that Dealer is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by that Dealer or such affiliate on behalf of the Issuer (as defined in this Offering Circular) in such jurisdiction.

## **Selling Restrictions**

### *United States of America*

In respect of Notes offered or sold in reliance on Category 1 as specified in the applicable Pricing Supplement, the Notes have not been and will not be registered under the Securities Act, and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Each Dealer has represented and agreed that it has not offered or sold, and will not offer or sell, any Notes constituting part of its allotment except in accordance with Rule 903 of Regulation S under the Securities Act.

In respect of Notes offered or sold in reliance on Category 2 as specified in the applicable Pricing Supplement, the Notes have not been and will not be registered under the Securities Act and may not be offered within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not offer, sell or deliver such Notes (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution, as determined and certified by the relevant Dealer or, in the case of an issue of Notes on a syndicated basis, the relevant lead manager, of all Notes of the Tranche of which such Notes are a part, within the United States or to, or for the account or benefit of, U.S. persons. Each Dealer has further agreed, and each further Dealer appointed under the Programme will be required to agree, that it will send to each dealer to which it sells any Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Until 40 days after the commencement of the offering of any Series of Notes, an offer or sale of such Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from registration under the Securities Act. The Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and regulations thereunder. The applicable Pricing Supplement will identify whether TEFRA C rules or TEFRA D rules apply or whether TEFRA is not applicable.

The issue of Dual Currency Notes shall be subject to such additional U.S. selling restrictions as the Issuer and the relevant Dealer may agree as a term of the issue and purchase of such Notes, which additional selling restrictions shall be set out in the applicable Pricing Supplement.

### ***Dealer's compliance with United States securities laws***

In relation to each Tranche of the Notes:

*Offers/sales only in accordance with Regulation S:* each Dealer has represented, warranted and undertaken, and each further Dealer appointed under the Programme will be required to represent, warrant and undertake to the Issuer that it has offered and sold the Notes, and will offer and sell the Notes as part of their distribution, at any time and only in accordance with Rule 903 of Regulation S under the Securities Act and, accordingly, that

- (A) neither it nor any of its affiliates (including any person acting on behalf of such Dealer or any of its affiliates) has engaged or will engage in any directed selling efforts with respect to the Notes; and
- (B) it and its affiliates have complied and will comply with Regulation S under the Securities Act; and
  - (a) *Prescribed form of confirmation:* each Dealer has undertaken, and each further Dealer appointed under the Programme will be required to undertake to the Issuer that, at or prior to confirmation of sale, it will have sent to each distributor, dealer or person receiving a selling concession, fee or other remuneration which purchases Notes from it a confirmation or notice in substantially the following form:

"The Securities covered hereby have not been and will not be registered under the United States Securities Act of 1933, as amended, (the "**Securities Act**") and may not be offered or sold within the United States, as part of their distribution at any time, except pursuant to an exemption from the registration requirements of the Securities Act. Terms used above have the meanings given to them by Regulation S";
  - (b) *Completion of distribution:* each Dealer, which has purchased Notes of such Tranche in accordance with the related subscription agreement, shall determine and certify to the Principal Paying Agent or the Issuer the completion of the distribution of the Notes of such Tranche purchased by it. In the case of a subscription agreement between the Issuer and more than one Dealer, the Principal Paying Agent or the Issuer shall notify each relevant Dealer when all relevant Dealers have certified as provided in this paragraph. In order to facilitate compliance by each Dealer with the foregoing, the Issuer undertakes that, prior to such certification with respect to such Tranche, it will notify each Dealer in writing of each acceptance by the Issuer of an offer to purchase and of any issuance of, Notes or other debt obligations of the Issuer which are denominated in the same currency or composite currency and which have substantially the same interest rate and maturity date as the Notes of such Tranche; and
  - (c) *No Solicitation:* Each Dealer has represented, warranted and undertaken to the Issuer that neither it nor any of its affiliates (including any person acting on behalf of such Dealer or any of its affiliates) has solicited or will solicit any offer to buy or offer to sell the Notes by any form of general solicitation or general advertising (as those terms are used in Rule 502(c) under the Securities Act) in the United States.

### ***Dealers compliance with the United States tax laws***

*Where the relevant Pricing Supplement for Bearer Notes specifies that the D Rules are applicable, the Bearer Notes will be issued in accordance with the provisions of the D Rules. Where the relevant Pricing Supplement for Bearer Notes specifies that the C Rules are applicable, the Bearer Notes will be issued in accordance with the provisions of C Rules. Where the relevant Pricing Supplement specifies that is not applicable, the Notes will not be issued in accordance with the provisions of either the D Rules or the C Rules.*

## ***The D Rules***

Where the D Rules are specified in the relevant Pricing Supplement as being applicable in relation to any Series of the Notes, each Dealer has represented, warranted and undertaken, and each further Dealer appointed under the Programme will be required to represent, warrant and undertake to the Issuer that:

- (a) *Restrictions on offers etc.*: except to the extent permitted under the D Rules:
  - (i) *No offers etc. to United States or United States persons*: it has not offered or sold, and during the restricted period will not offer or sell, any Notes to a person who is within the United States or its possessions or to a United States person; and
  - (ii) *No delivery of Definitive Notes in the United States*: it has not delivered and will not deliver in definitive form within the United States or its possessions any Notes sold during the restricted period,
- (b) *Internal compliance procedures*: it has, and throughout the restricted period will have, in effect procedures reasonably *designed* to ensure that its employees or agents who are directly engaged in selling Notes are aware that the Notes may not be offered or sold during the restricted period to a person who is within the United States or its possessions or to a United States person, except as permitted by the D Rules;
- (c) *Additional provision if Dealer is a United States person*: if it is a United States person, it is acquiring the Notes for the purposes of resale in connection with their original issuance and, if it retains Notes for its own account, it will only do so in accordance with the requirements of rules in substantially the same form as United States Treasury Regulation §1.163-5(c)(2)(i)(D)(6) for purposes of Section 4701 of the U.S. Internal Revenue Code;
- (d) *Affiliates*: with respect to each affiliate of such Dealer that acquires Notes from such Dealer for the purpose of offering or selling such Notes during the restricted period, such Dealer has undertaken, and each further Dealer appointed under the Programme will be required to undertake to the Issuer that it will obtain from such affiliate for the benefit of the Issuer the representations, warranties and undertakings contained in paragraph (a) (*Restrictions on offers, etc.*), paragraph (b) (*Internal procedures*) and paragraph (c) (*Additional provision if Dealer is a United States person*) and paragraph (d) (*Affiliates*); and
- (e) *Contracts*: with respect to each person, other than the Dealer's affiliate, with whom such Dealer enters into a written contract, as defined in United States Treasury Regulation §1.163-5(c)(2)(i)(D)(4) or any successor regulation in substantially the same form, such Dealer has undertaken, and each further Dealer appointed under the Program will be required to undertake to the Issuer that it will obtain from such person for the benefit of the Issuer the representations, warranties and undertakings contained in paragraph (a) (*Restrictions on offers, etc.*), paragraph (b) (*Internal procedures*) and paragraph (c) (*Additional provision if United States person*). Notes issued pursuant to the D Rules and any Coupons and Talons appertaining thereto will bear the following legend:

"ANY UNITED STATES PERSON WHO HOLDS THIS OBLIGATION WILL BE SUBJECT TO LIMITATIONS UNDER THE UNITED STATES INCOME TAX LAWS, INCLUDING THE LIMITATION PROVIDED IN SECTIONS 165(j) AND 1287(a) OF THE INTERNAL REVENUE CODE."

### ***The C Rules***

Where the C Rules are specified in the relevant Pricing Supplement as being applicable in relation to any Series of the Notes, the Notes must, in accordance with their original issuance, be issued and delivered outside the United States and its possessions and, accordingly, each Dealer has represented, warranted and undertaken, and each further Dealer appointed under the Programme will be required to represent, warrant and undertake to Issuer that, in connection with the original issuance of the Notes:

- (a) *No offers etc. in United States*: it has not offered, sold or delivered, and will not offer, sell or deliver, directly or indirectly, any Notes within the United States or its possessions; and
- (b) *No communications with United States*: it has not communicated, and will not communicate, directly or indirectly, with a prospective purchaser if such Dealer or such prospective purchaser is within the United States or its possessions and will not otherwise involve the United States office of such Dealer in the offer and sale of the Notes.

### ***Interpretation***

Terms used in the paragraph "*Dealers' compliance with United States securities laws*" have the meanings given to them by Regulation S under the Securities Act. Terms used in the paragraphs "*The D Rules*" and "*The C Rules*" have the meanings given to them by the United States Internal Revenue Code and regulations thereunder, including the C Rules and the D Rules.

### **European Economic Area**

#### ***Prohibition of Sales to EEA Retail Investors***

If the relevant Pricing Supplement in respect of any Notes includes a legend entitled "Prohibition of Sales to EEA Retail Investors", each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this Offering Circular as completed by the Pricing Supplement in relation thereto to any retail investor in the European Economic Area. For the purposes of this provision, the expression "retail investor" means a person who is one (or more) of the following:

- (a) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**EU MiFID II**"); or
- (b) a customer within the meaning of Directive (EU) 2016/97 (the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of EU MiFID II.

If the Pricing Supplement in respect of any Notes does not include a legend entitled "Prohibition of Sales to EEA Retail Investors", in relation to each Member State of the European Economic Area (each a "**Member State**"), each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that it has not made and will not make an offer of Notes which are the subject of the offering contemplated by the Offering Circular as completed by the Pricing Supplement in relation thereto (or are the subject of the offering contemplated by a supplemental offering circular, as the case may be) to the public in that Member State except that it may make an offer of such Notes to the public in that Member State:

- (a) *Qualified investors*: at any time to any legal entity which is a qualified investor as defined in the EU Prospectus Regulation;

- (b) *Fewer than 150 offerees*: at any time to fewer than 150, natural or legal persons (other than qualified investors as defined in the EU Prospectus Regulation), subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or
- (c) *Other exempt offers*: at any time in any other circumstances falling within Article 1(4) of the EU Prospectus Regulation.

**provided that** no such offer of the Notes referred to in (a) to (c) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the EU Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the EU Prospectus Regulation.

For the purposes of this provision, the expression an "**offer of Notes to the public**" in relation to any Notes in any Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes, and the expression "**EU Prospectus Regulation**" means Regulation (EU) 2017/1129.

## **United Kingdom**

### ***Prohibition of Sales to UK Retail Investors***

If the Pricing Supplement in respect of any Notes includes a legend entitled "Prohibition of Sales to UK Retail Investors", each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this Offering Circular as completed by the Pricing Supplement in relation thereto to any retail investor in the United Kingdom. For the purposes of this provision, the expression "retail investor" means a person who is one (or more) of the following:

- (a) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the EUWA; or
- (b) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA.

If the Pricing Supplement in respect of any Notes does not include a legend entitled "Prohibition of Sales to UK Retail Investors", each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree, that it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Offering Circular as completed by the Pricing Supplement in relation thereto to the public in the United Kingdom except that it may make an offer of such Notes to the public in the United Kingdom:

- (a) at any time to any legal entity which is a qualified investor as defined in Article 2 of the UK Prospectus Regulation;
- (b) at any time to fewer than 150 persons (other than qualified investors as defined in Article 2 of the UK Prospectus Regulation) in the United Kingdom subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or
- (c) at any time in any other circumstances falling within section 86 of the FSMA,

**provided that** no such offer of Notes referred to in (a) to (c) above shall require the Issuer or any Dealer to publish a prospectus pursuant to section 85 of the FSMA or supplement a prospectus pursuant to Article 23 of the UK Prospectus Regulation.

For the purposes of this provision, the expression "**an offer of Notes to the public**" in relation to any Notes means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes and the expression "**UK Prospectus Regulation**" means Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA.

#### ***Other regulatory restrictions***

In relation to each Tranche of Notes, each Dealer has represented, warranted and agreed and each further Dealer appointed under the Programme will be required to represent, warrant and agree that:

- (a) *No deposit-taking*: in relation to any Notes having a maturity of less than one year:
  - (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business; and
  - (ii) it has not offered or sold and will not offer or sell any Notes other than to persons:
    - (A) whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses; or
    - (B) who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses,

where the issue of the Notes would otherwise constitute a contravention of Section 19 of the FSMA by the Issuer.

- (b) *Financial promotion*: it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer.
- (c) *General compliance*: it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

#### **PRC**

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that the Notes may not be offered or sold directly or indirectly in the People's Republic of China (the "**PRC**") (which, for the sole purpose herein, does not include Hong Kong, Macau or Taiwan). This Offering Circular, the Notes and any material or information contained or incorporated by reference herein relating to the Notes have not been, and will not be, submitted to or approved/verified by or registered with the China Securities Regulatory Commission ("**CSRC**") or other relevant governmental and regulatory authorities in the PRC pursuant to relevant laws and regulations and thus may not be supplied to the public in the PRC or used in connection with any offer for the subscription or sale of the Notes in the PRC.

The Notes may only be invested by PRC investors that are authorised to engage in the investment in the Notes of the type being offered or sold. PRC investors are responsible for informing themselves about and observing all legal and regulatory restrictions, obtaining all relevant government regulatory approvals/licenses, verification and/or registrations themselves, including, but not limited to, any which may be required from the People's Bank of China, the State Administration of Foreign Exchange, CSRC, the National Administration of Financial Regulation and other relevant regulatory bodies, and complying with all relevant PRC regulations, including, but not limited to, all relevant foreign exchange regulations and/or overseas investment regulations.

## **Hong Kong**

In relation to each Series of the Notes to be issued by the Issuer under the Programme, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

- (a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes, except for Notes which are a "structured product" as defined in the SFO, other than (i) to "professional investors" as defined in the SFO and any rules made under the SFO; or (ii) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the "**C(WUMP)O**") or which do not constitute an offer to the public within the meaning of the C(WUMP)O; and
- (b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under the SFO.

## **Japan**

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the "**FIEA**"). Accordingly, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Notes in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan) or to others for re-offering or resale, directly or indirectly, in Japan or to any resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and other relevant laws and regulations of Japan.

## **Singapore**

Each Dealer has acknowledged, and each further Dealer appointed under the Programme will be required to acknowledge, that this Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that it has not offered or sold any Notes or caused the Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any Notes or cause the Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act 2001 of Singapore, as modified or amended from time to time (the "**SFA**")) pursuant to Section 274 of the SFA or (ii) to an accredited investor (as defined in Section 4A of the SFA) pursuant to and in accordance with the conditions specified in Section 275 of the SFA.

## **Taiwan**

The Notes have not been and will not be registered or filed with, or approved by the Financial Supervisory Commission of Taiwan and/or other regulatory authority or agency of Taiwan pursuant to relevant securities laws and regulations of Taiwan and may not be issued, offered or sold in Taiwan through a public offering or in circumstance which constitutes an offer within the meaning of the Securities and Exchange Act of Taiwan or relevant laws and regulations that requires a registration, filing or approval of the Financial Supervisory Commission and/or other regulatory authority or agency of Taiwan. No person or entity in Taiwan has been

authorised to offer or sell the Notes in Taiwan. The Notes may be made available outside Taiwan for purchase outside Taiwan by Taiwan resident investors, but may not be offered or sold in Taiwan.

### **Important Notice to CMI (including private banks) Pursuant to Paragraph 21 of the Hong Kong SFC Code of Conduct**

This notice to CMI (including private banks) is a summary of certain obligations the SFC Code imposes on CMI, which require the attention and cooperation of other CMI (including private banks). Certain CMI may also be acting as OCs for the relevant CMI Offering and are subject to additional requirements under the SFC Code. The application of these obligations will depend on the role(s) undertaken by the relevant Dealer(s) in respect of each CMI Offering.

Prospective investors who are the directors, employees or major shareholders of the Issuer, a CMI or its group companies would be considered under the SFC Code as having an Association with the Issuer, the CMI or the relevant group company. CMI should specifically disclose whether their investor clients have any Association when submitting orders for the relevant Notes. In addition, private banks should take all reasonable steps to identify whether their investor clients may have any Associations with the Issuer or any CMI (including its group companies) and inform the relevant Dealers accordingly.

CMI are informed that, unless otherwise notified, the marketing and investor targeting strategy for the relevant CMI Offering includes institutional investors, sovereign wealth funds, pension funds, hedge funds, family offices and high net worth individuals, in each case, subject to the selling restrictions and any EU MiFID II product governance language or any UK MiFIR product governance language set out elsewhere in this Offering Circular and/or the applicable Pricing Supplement.

CMI should ensure that orders placed are bona fide, are not inflated and do not constitute duplicated orders (i.e. two or more corresponding or identical orders placed via two or more CMI). CMI should enquire with their investor clients regarding any orders which appear unusual or irregular. CMI should disclose the identities of all investors when submitting orders for the relevant Notes (except for omnibus orders where underlying investor information may need to be provided to any OCs when submitting orders). Failure to provide underlying investor information for omnibus orders, where required to do so, may result in that order being rejected. CMI should not place "X-orders" into the order book.

CMI should segregate and clearly identify their own proprietary orders (and those of their group companies, including private banks as the case may be) in the order book and book messages.

CMI (including private banks) should not offer any rebates to prospective investors or pass on any rebates provided by the Issuer. In addition, CMI (including private banks) should not enter into arrangements which may result in prospective investors paying different prices for the relevant Notes. CMI are informed that a private bank rebate may be payable as stated above and in the applicable Pricing Supplement, or otherwise notified to prospective investors.

The SFC Code requires that a CMI disclose complete and accurate information in a timely manner on the status of the order book and other relevant information it receives to targeted investors for them to make an informed decision. In order to do this, those Dealers in control of the order book should consider disclosing order book updates to all CMI.

When placing an order for the relevant Notes, private banks should disclose, at the same time, if such order is placed other than on a "principal" basis (whereby it is deploying its own balance sheet for onward selling to investors). Private banks who do not provide such disclosure are hereby deemed to be placing their order on such a "principal" basis. Otherwise, such order may be considered to be an omnibus order pursuant to the SFC Code. Private banks should be aware that placing an order on a "principal" basis may require the relevant affiliated

Manager(s) (if any) to categorise it as a proprietary order and apply the "proprietary orders" requirements of the SFC Code to such order and will result in that private bank not being entitled to, and not being paid, any rebate.

In relation to omnibus orders, when submitting such orders, CMIs (including private banks) that are subject to the SFC Code should disclose underlying investor information in respect of each order constituting the relevant omnibus order (failure to provide such information may result in that order being rejected). Underlying investor information in relation to omnibus orders should consist of:

- The name of each underlying investor;
- A unique identification number for each investor;
- Whether an underlying investor has any "Associations" (as used in the SFC Code);
- Whether any underlying investor order is a "Proprietary Order" (as used in the SFC Code);
- Whether any underlying investor order is a duplicate order.

Underlying investor information in relation to omnibus order should be sent to the Managers named in the relevant Pricing Supplement.

To the extent information being disclosed by CMIs and investors is personal and/or confidential in nature, CMIs (including private banks) agree and warrant: (A) to take appropriate steps to safeguard the transmission of such information to any OCs; and (B) that they have obtained the necessary consents from the underlying investors to disclose such information to any OCs. By submitting an order and providing such information to any OCs, each CMI (including private banks) further warrants that they and the underlying investors have understood and consented to the collection, disclosure, use and transfer of such information by any OCs and/or any other third parties as may be required by the SFC Code, including to the Issuer, relevant regulators and/or any other third parties as may be required by the SFC Code, for the purpose of complying with the SFC Code, during the bookbuilding process for the relevant CMI Offering. CMIs that receive such underlying investor information are reminded that such information should be used only for submitting orders in the relevant CMI Offering. The relevant Dealers may be asked to demonstrate compliance with their obligations under the SFC Code, and may request other CMIs (including private banks) to provide evidence showing compliance with the obligations above (in particular, that the necessary consents have been obtained). In such event, other CMIs (including private banks) are required to provide the relevant Dealer with such evidence within the timeline requested.

By placing an order, prospective investors (including any underlying investors in relation to omnibus orders) are deemed to represent to the Dealers that it is not a Sanctions Restricted Person. A "Sanctions Restricted Person" means an individual or entity (a "Person"): (a) that is, or is directly or indirectly owned or controlled by a Person that is, described or designated in (i) the most current "Specially Designated Nationals and Blocked Persons" list (which as of the date hereof can be found at: <http://www.treasury.gov/ofac/downloads/sdnlist.pdf>) or (ii) the Foreign Sanctions Evaders List (which as of the date hereof can be found at: <http://www.treasury.gov/ofac/downloads/fse/fselist.pdf>) or (iii) the most current "Consolidated list of persons, groups and entities subject to EU financial sanctions" (which as of the date hereof can be found at: <https://data.europa.eu/data/datasets/consolidated-list-of-persons-groups-and-entities-subject-to-eu-financial-sanctions?locale=en>); or (b) that is otherwise the subject of any sanctions administered or enforced by any Sanctions Authority, other than solely by virtue of the following (i) to (vi) to the extent that it will not result in a violation of sanctions by the CMIs: (i) their inclusion in the most current "Sectoral Sanctions Identifications" list (which as of the date hereof can be found at: <https://www.treasury.gov/ofac/downloads/ssi/ssilist.pdf>) (the "SSI List"), (ii) their inclusion in Annexes 3, 4, 5 and 6 of Council Regulation No. 833/2014, as amended by Council Regulation No. 960/2014 (the "EU Annexes"), (iii) their inclusion in any other list maintained by a Sanctions Authority, with similar effect to the SSI List or the EU Annexes, (iv) them being the subject of restrictions imposed by the U.S. Department of Commerce's Bureau of Industry and Security ("BIS") under which BIS has restricted

exports, re-exports or transfers of certain controlled goods, technology or software to such individuals or entities; (v) them being an entity listed in the Annex to the new Executive Order of 3 June 2021 entitled "Addressing the Threat from Securities Investments that Finance Certain Companies of the People's Republic of China" (known as the Non-SDN Chinese Military- Industrial Complex Companies List), which amends the Executive Order 13959 of 12 November 2020 entitled "Addressing the threat from Securities Investments that Finance Chinese Military Companies"; or (vi) them being subject to restrictions imposed on the operation of an online service, Internet application or other information or communication services in the United States directed at preventing a foreign government from accessing the data of U.S. persons; or (c) that is located, organised or a resident in a comprehensively sanctioned country or territory, including Cuba, Iran, North Korea, Syria, the Crimea region of Ukraine, the Donetsk's People's Republic or Luhansk People's Republic. "Sanctions Authority" means: (a) the United Nations; (b) the United States; (c) the European Union (or any of its member states); (d) the United Kingdom; (e) the People's Republic of China; (f) any other equivalent governmental or regulatory authority, institution or agency which administers economic, financial or trade sanctions; and (g) the respective governmental institutions and agencies of any of the foregoing including, without limitation, the Office of Foreign Assets Control of the U.S. Department of the Treasury, the United States Department of State, the United States Department of Commerce and His Majesty's Treasury.

### **General**

These selling restrictions may be modified by the agreement of each of the Issuer and the Dealers following a change in a relevant law, regulation or directive. Any such modification will be set out in the relevant Pricing Supplement issued in respect of the issue of the Notes to which it relates or in a supplement to this Offering Circular.

## GENERAL INFORMATION

### 1. Listing

Application has been made to the SEHK for the listing of the Programme by way of debt issues to Professional Investors only during the 12-month period after the date of this Offering Circular on the SEHK. The issue price of the Notes listed on the SEHK will be expressed as a percentage of their nominal amount. Transactions will normally be effected for settlement in the relevant specified currency and for delivery by the end of the second trading day after the date of the transaction. It is expected that dealings will, if permission is granted to deal in and for the listing of such Notes, commence on or about the next business day following the date of listing of the relevant Notes. Notes to be listed on the SEHK are required to be traded with a board lot size of at least HK\$500,000 (or equivalent in other currencies).

### 2. Authorisation

The establishment of the Programme and the issue of the Notes thereunder were authorised by a resolution of the board of directors of the Issuer passed on 9 May 2024. The Issuer has obtained or will obtain from time to time all necessary consents, approvals and authorisations in connection with the issue and performance of the Notes.

### 3. Auditor

The Issuer's audited consolidated financial statements as at and for the years ended 31 December 2022 and 2023, which are included elsewhere in this Offering Circular, have been audited by Deloitte Touche Tohmatsu, Certified Public Accountants, as stated in its report appearing herein.

### 4. Documents on Display

For so long as Notes may be issued pursuant to this Offering Circular, copies of the following documents may be inspected during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) at the office of the Trustee at 40/F Champion Tower, 3 Garden Road, Central, Hong Kong, and the specified office of the Principal Paying Agent at c/o 1 North Wall Quay, Dublin 1, Ireland, for so long as the Notes are capable of being issued under the Programme:

- (i) the articles of association of the Issuer;
- (ii) the audited consolidated financial statements of the Issuer for the years ended 31 December 2022 and 2023;
- (iii) copies of the latest annual report and audited annual consolidated financial statements, and any consolidated interim financial statements (whether audited or unaudited) published subsequently to such audited annual financial statements, of the Issuer;
- (iv) each Pricing Supplement;
- (v) a copy of this Offering Circular together with any supplement to this Offering Circular;
- (vi) the Trust Deed (which contain the forms of the Notes in global and definitive form);
- (vii) the Agency Agreement; and
- (viii) the Programme Manual.

**5. Clearing of the Notes**

The Notes may be accepted for clearance through Euroclear, Clearstream and CMU. The appropriate common code and the International Securities Identification Number in relation to the Notes of each Series will be specified in the relevant Pricing Supplement. The relevant Pricing Supplement shall specify any other clearing system as shall have accepted the relevant Notes for clearance together with any further appropriate information.

**6. Significant or Material Change**

Save as disclosed in this Offering Circular, there has been no significant change in the financial or trading position of the Issuer and the Group since 31 December 2023 and there has been no material adverse change in the financial position or prospects of the Issuer and the Group since 31 December 2023.

**7. Litigation**

The Group is involved in various legal proceedings on a day to day basis. However, as at the date of this Offering Circular, save as disclosed in this Offering Circular, neither the Group nor its subsidiaries are involved in any legal proceedings which are material in the context of the issue of the Notes.

**8. Legal Entity Identifier**

Techtronic Industries Company Limited's legal entity identifier is 549300HZW2SBE758OK89.

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# Independent Auditor’s Report

# Deloitte.

# 德勤

**TO THE MEMBERS OF TECHTRONIC INDUSTRIES COMPANY LIMITED**

創科實業有限公司

(incorporated in Hong Kong with limited liability)

## Opinion

We have audited the consolidated financial statements of Techtronic Industries Company Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 96 to 193, which comprise the consolidated statement of financial position as at December 31, 2023, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information and other explanatory information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

## Basis for Opinion

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

## Key Audit Matters

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

### Key Audit Matter

#### RECOGNITION OF INCOME AND DEFERRED TAX

We identified the recognition of income and deferred tax as a key audit matter as the Group operates in a complex multinational tax environment, in which the tax amounts, including provisions for potential tax exposures and, the recognition of the deferred tax, are associated with a high degree of estimation and judgement.

As disclosed in Note 10 to the consolidated financial statements, as at December 31, 2023, the Group has recognized US\$79 million of income tax expense in the consolidated statement of profit or loss.

### How our Audit Addressed the Key Audit Matter

Our procedures in relation to management's assessment about the recognition of income and deferred tax included:

- Understanding and evaluating the management's processes and relevant controls regarding the estimation of the amount of income tax and deferred tax to be recognized;
- Understanding and evaluating management's judgements and assumptions pertaining to uncertain tax matters, we considered the status of the relevant tax authority inquiries, judgmental positions taken in the tax returns, the outcome of previous inquiries by tax authorities and developments in the tax environment;
- Involving our tax specialists to evaluate and challenge the adequacy of management's key assumptions and read the latest correspondence with the tax authorities to assess management's estimates; and
- Evaluating management's assessment supporting the recognition of deferred tax.

## Other Information

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

### Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong  
March 6, 2024

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended December 31, 2023

|  | Notes | 2023<br>US\$'000   | 2022<br>US\$'000 |
|--|-------|--------------------|------------------|
| Revenue  | 6     | <b>13,731,411</b>  | 13,253,917       |
| Cost of sales  |       | <b>(8,311,775)</b> | (8,041,340)      |
| Gross profit   |       | <b>5,419,636</b>   | 5,212,577        |
| Other income   | 7     | <b>16,820</b>      | 13,517           |
| Interest income  | 8     | <b>44,956</b>      | 25,852           |
| Selling, distribution and advertising expenses   |       | <b>(2,347,219)</b> | (2,191,001)      |
| Administrative expenses  |       | <b>(1,406,210)</b> | (1,349,840)      |
| Research and development costs   |       | <b>(548,338)</b>   | (484,343)        |
| Finance costs  | 9     | <b>(124,056)</b>   | (69,868)         |
| Profit before share of result of an associate and taxation   |       | <b>1,055,589</b>   | 1,156,894        |
| Share of result of an associate  |       | <b>27</b>          | 3                |
| Profit before taxation   |       | <b>1,055,616</b>   | 1,156,897        |
| Taxation charge  | 10    | <b>(79,276)</b>    | (79,747)         |
| Profit for the year attributable to Owners of the Company  | 11    | <b>976,340</b>     | 1,077,150        |
| 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>(38)</b>        | 19,376           |
| Items that may be reclassified subsequently to profit or loss, net of related income tax:                        |       |                    |                  |
| Fair value loss on foreign currency forward contracts and cross-currency interest rate swaps in hedge accounting |       | <b>(18,553)</b>    | (63,367)         |
| Exchange differences on translation of foreign operations  |       | <b>(18,383)</b>    | (128,382)        |
| Other comprehensive loss for the year  |       | <b>(36,974)</b>    | (172,373)        |
| Total comprehensive income for the year attributable to Owners of the Company                                    |       | <b>939,366</b>     | 904,777          |
| Earnings per share (US cents)  | 15    |                    |                  |
| Basic  |       | <b>53.36</b>       | 58.86            |
| Diluted  |       | <b>53.17</b>       | 58.67            |

# Consolidated Statement of Financial Position

As at December 31, 2023

|   | Notes | 2023<br>US\$'000 | 2022<br>US\$'000 |
|---|-------|------------------|------------------|
| <b>Non-current assets</b>                             |       |                  |                  |
| Property, plant and equipment                         | 16    | <b>2,310,537</b> | 2,085,871        |
| Right of use assets                                   | 17    | <b>866,009</b>   | 683,289          |
| Goodwill  | 18    | <b>604,297</b>   | 598,674          |
| Intangible assets                                     | 19    | <b>1,298,419</b> | 1,124,013        |
| Interest in an associate                              | 21    | <b>2,056</b>     | 2,029            |
| Financial assets at fair value through profit or loss | 22    | <b>8,732</b>     | 9,744            |
| Deposits  |       | <b>112,000</b>   | 177,300          |
| Finance lease receivables                             | 23    | <b>5,781</b>     | 8,487            |
| Derivative financial instruments                      | 29    | <b>8,084</b>     | 8,002            |
| Deferred tax assets                                   | 42    | <b>63,354</b>    | 81,082           |
|   |       | <b>5,279,269</b> | 4,778,491        |
| <b>Current assets</b>                                 |       |                  |                  |
| Inventories   | 24    | <b>4,098,161</b> | 5,084,951        |
| Right to returned goods asset                         | 25    | <b>8,734</b>     | 10,563           |
| Trade and other receivables                           | 26    | <b>1,811,592</b> | 1,639,563        |
| Deposits and prepayments                              |       | <b>187,349</b>   | 232,127          |
| Bills receivable                                      | 27    | <b>8,423</b>     | 6,887            |
| Finance lease receivables                             | 23    | <b>2,706</b>     | 2,589            |
| Tax recoverable                                       |       | <b>5,013</b>     | 36,231           |
| Trade receivables from an associate                   | 28    | <b>6,927</b>     | 5,026            |
| Derivative financial instruments                      | 29    | <b>14,455</b>    | 76,774           |
| Financial assets at fair value through profit or loss | 22    | <b>26,114</b>    | 13,466           |
| Bank balances, deposits and cash                      | 30    | <b>953,240</b>   | 1,428,930        |
|   |       | <b>7,122,714</b> | 8,537,107        |
| <b>Current liabilities</b>                            |       |                  |                  |
| Trade and other payables                              | 31    | <b>3,373,231</b> | 3,777,427        |
| Bills payable   | 32    | <b>18,424</b>    | 20,267           |
| Warranty provision                                    | 33    | <b>235,597</b>   | 205,350          |
| Tax payable   |       | <b>47,558</b>    | 56,750           |
| Derivative financial instruments                      | 29    | <b>16,062</b>    | 50,474           |
| Lease liabilities                                     | 34    | <b>153,523</b>   | 139,520          |
| Discounted bills with recourse                        | 35    | <b>2,708</b>     | 2,003            |
| Unsecured borrowings – due within one year            | 38    | <b>920,151</b>   | 1,952,947        |
| Refund liabilities from right of return               | 25    | <b>16,215</b>    | 17,577           |
|   |       | <b>4,783,469</b> | 6,222,315        |
| Net current assets                                    |       | <b>2,339,245</b> | 2,314,792        |
| Total assets less current liabilities                 |       | <b>7,618,514</b> | 7,093,283        |

|   | Notes | 2023<br>US\$'000 | 2022<br>US\$'000 |
|---|-------|------------------|------------------|
| <b>Capital and Reserves</b>                                   |       |                  |                  |
| Share capital   | 39    | <b>685,392</b>   | 684,710          |
| Reserves  |       | <b>5,062,158</b> | 4,520,771        |
| Equity attributable to Owners of the Company and total equity |       | <b>5,747,550</b> | 5,205,481        |
| <b>Non-current Liabilities</b>                                |       |                  |                  |
| Lease liabilities   | 34    | <b>734,369</b>   | 565,561          |
| Unsecured borrowings – due after one year                     | 38    | <b>1,030,971</b> | 1,198,002        |
| Retirement benefit obligations                                | 41    | <b>47,825</b>    | 47,671           |
| Other payables  | 31    | <b>31,530</b>    | 60,346           |
| Deferred tax liabilities                                      | 42    | <b>26,269</b>    | 16,222           |
|   |       | <b>1,870,964</b> | 1,887,802        |
| Total equity and non-current liabilities                      |       | <b>7,618,514</b> | 7,093,283        |

The consolidated financial statements on pages 96 to 193 were approved and authorized for issue by the Board of Directors on March 6, 2024 and are signed on its behalf by:

**Chi Chung Chan**  
Group Executive Director

**Stephan Horst Pudwill**  
Vice Chairman

# Consolidated Statement of Changes in Equity

For the year ended December 31, 2023

|   | Share capital<br>US\$'000 | Shares held for<br>share award<br>scheme<br>US\$'000 | Translation<br>reserve<br>US\$'000 | Employee<br>share-based<br>compensation<br>reserve<br>US\$'000 | Defined benefit<br>obligations<br>remeasurement<br>reserve<br>US\$'000 | Hedging<br>reserve<br>US\$'000 | Retained<br>profits<br>US\$'000 | Total<br>US\$'000 |
|---|---------------------------|--|------------------------------------|--|--|--------------------------------|---------------------------------|-------------------|
| At January 1, 2022  | 683,395                   | (105,740)  | (103,714)                          | 31,341   | (11,781)   | 81,900                         | 4,147,117                       | 4,722,518         |
| Profit for the year   | -                         | -  | -                                  | -  | -  | -                              | 1,077,150                       | 1,077,150         |
| Remeasurement of defined benefit obligations  | -                         | -  | -                                  | -  | 22,007   | -                              | -                               | 22,007            |
| Fair value loss on foreign currency forward contracts and<br>cross-currency interest rate swaps in hedge accounting | -                         | -  | -                                  | -  | -  | (63,671)                       | -                               | (63,671)          |
| Deferred tax liability on remeasurement of defined benefit<br>obligations   | -                         | -  | -                                  | -  | (2,631)  | -                              | -                               | (2,631)           |
| Deferred tax asset on hedging reserve   | -                         | -  | -                                  | -  | -  | 304                            | -                               | 304               |
| Exchange differences on translation of foreign operations   | -                         | -  | (128,382)                          | -  | -  | -                              | -                               | (128,382)         |
| Other comprehensive (loss) income for the year  | -                         | -  | (128,382)                          | -  | 19,376   | (63,367)                       | -                               | (172,373)         |
| Total comprehensive (loss) income for the year  | -                         | -  | (128,382)                          | -  | 19,376   | (63,367)                       | 1,077,150                       | 904,777           |
| Shares issued on exercise of options  | 1,315                     | -  | -                                  | (258)  | -  | -                              | -                               | 1,057             |
| Vesting of awarded shares   | -                         | 21,651   | -                                  | (21,651)   | -  | -                              | -                               | -                 |
| Shares for share award scheme   | -                         | (9,796)  | -                                  | -  | -  | -                              | -                               | (9,796)           |
| Recognition of share-based payments   | -                         | -  | -                                  | 47,346   | -  | -                              | -                               | 47,346            |
| Final dividend – 2021   | -                         | -  | -                                  | -  | -  | -                              | (236,104)                       | (236,104)         |
| Interim dividend – 2022   | -                         | -  | -                                  | -  | -  | -                              | (224,317)                       | (224,317)         |
| At December 31, 2022  | 684,710                   | (93,885)   | (232,096)                          | 56,778   | 7,595  | 18,533                         | 4,763,846                       | 5,205,481         |
| Profit for the year   | -                         | -  | -                                  | -  | -  | -                              | 976,340                         | 976,340           |
| Remeasurement of defined benefit obligations  | -                         | -  | -                                  | -  | 162  | -                              | -                               | 162               |
| Fair value loss on foreign currency forward contracts and<br>cross-currency interest rate swaps in hedge accounting | -                         | -  | -                                  | -  | -  | (19,208)                       | -                               | (19,208)          |
| Deferred tax liability on remeasurement of defined benefit<br>obligations   | -                         | -  | -                                  | -  | (200)  | -                              | -                               | (200)             |
| Deferred tax asset on hedging reserve   | -                         | -  | -                                  | -  | -  | 655                            | -                               | 655               |
| Exchange differences on translation of foreign operations   | -                         | -  | (18,383)                           | -  | -  | -                              | -                               | (18,383)          |
| Other comprehensive loss for the year   | -                         | -  | (18,383)                           | -  | (38)   | (18,553)                       | -                               | (36,974)          |
| Total comprehensive (loss) income for the year  | -                         | -  | (18,383)                           | -  | (38)   | (18,553)                       | 976,340                         | 939,366           |
| Shares issued on exercise of options  | 682                       | -  | -                                  | (132)  | -  | -                              | -                               | 550               |
| Buy-back and cancellation of shares   | -                         | -  | -                                  | -  | -  | -                              | (4,408)                         | (4,408)           |
| Vesting of awarded shares   | -                         | 23,479   | -                                  | (23,479)   | -  | -                              | -                               | -                 |
| Shares for share award scheme   | -                         | (3,525)  | -                                  | -  | -  | -                              | -                               | (3,525)           |
| Recognition of share-based payments   | -                         | -  | -                                  | 46,945   | -  | -                              | -                               | 46,945            |
| Final dividend – 2022   | -                         | -  | -                                  | -  | -  | -                              | (212,525)                       | (212,525)         |
| Interim dividend – 2023   | -                         | -  | -                                  | -  | -  | -                              | (224,334)                       | (224,334)         |
| At December 31, 2023  | 685,392                   | (73,931)   | (250,479)                          | 80,112   | 7,557  | (20)                           | 5,298,919                       | 5,747,550         |

# Consolidated Statement of Cash Flows

For the year ended December 31, 2023

|   | 2023<br>US\$'000 | 2022<br>US\$'000 |
|---|------------------|------------------|
| <b>Operating Activities</b>   |                  |                  |
| Profit before taxation  | <b>1,055,616</b> | 1,156,897        |
| Adjustments for:  |                  |                  |
| Amortization/write-off of intangible assets   | <b>198,268</b>   | 132,434          |
| Depreciation of property, plant and equipment   | <b>269,041</b>   | 240,428          |
| Depreciation of right of use assets   | <b>166,178</b>   | 139,998          |
| Fair value loss (gain) on foreign currency forward contracts  | <b>8,968</b>     | (4,339)          |
| Fair value (gain) loss on acquisition right of certain property, plant and equipment                | <b>(82)</b>      | 300              |
| Fair value (gain) loss on listed equity securities  | <b>(14,024)</b>  | 2,806            |
| Fair value loss on unlisted equity securities   | <b>1,000</b>     | –                |
| Finance costs   | <b>124,056</b>   | 69,868           |
| Gain on early termination of leases   | <b>(65)</b>      | (178)            |
| Gain on sale and leaseback transactions   | –                | (9,072)          |
| Impairment loss (reversal of impairment loss) on trade receivables under expected credit loss model | <b>9,738</b>     | (12,268)         |
| Interest income   | <b>(44,956)</b>  | (25,852)         |
| Loss on disposal of property, plant and equipment   | <b>18,079</b>    | 16,497           |
| Share-based payments expense  | <b>46,945</b>    | 47,346           |
| Share of result of an associate   | <b>(27)</b>      | (3)              |
| Write down of inventories   | <b>24,247</b>    | 61,611           |
| Operating cash flows before movements in working capital  | <b>1,862,982</b> | 1,816,473        |
| Decrease (increase) in inventories  | <b>946,369</b>   | (361,235)        |
| (Increase) decrease in trade and other receivables, deposits and prepayments                        | <b>(126,471)</b> | 119,405          |
| Decrease (increase) in right to returned goods asset  | <b>1,829</b>     | (871)            |
| (Increase) decrease in bills receivable   | <b>(1,536)</b>   | 756              |
| (Increase) decrease in trade receivables from an associate  | <b>(1,901)</b>   | 1,574            |
| Decrease in trade and other payables  | <b>(438,262)</b> | (178,038)        |
| Decrease in refund liabilities from right of return   | <b>(1,362)</b>   | (5,190)          |
| Decrease in bills payable   | <b>(1,843)</b>   | (27,282)         |
| Increase in warranty provision  | <b>29,034</b>    | 26,195           |
| Increase (decrease) in retirement benefit obligations   | <b>316</b>       | (6,462)          |
| Net payment for purchase of shares for share award scheme   | <b>(3,525)</b>   | (9,796)          |
| Cash generated from operations  | <b>2,265,630</b> | 1,375,529        |
| Interest paid   | <b>(124,056)</b> | (69,868)         |
| Hong Kong Profits Tax paid  | <b>(3,188)</b>   | (1,904)          |
| Overseas tax paid   | <b>(55,569)</b>  | (73,527)         |
| Hong Kong Profits Tax refunded  | <b>14,573</b>    | 41               |
| Overseas tax refunded   | <b>6,485</b>     | 2,832            |
| <b>Net Cash from Operating Activities</b>   | <b>2,103,875</b> | 1,233,103        |

|  | Notes | 2023<br>US\$'000   | 2022<br>US\$'000 |
|--|-------|--------------------|------------------|
| <b>Investing Activities</b>                                  |       |                    |                  |
| Acquisition of a subsidiary                                  | 43    | (4,524)            | (37,060)         |
| Additions to intangible assets                               |       | (372,588)          | (404,876)        |
| Interest received  |       | 44,956             | 25,852           |
| (Payment for) Proceeds from early termination of leases      |       | (435)              | 6                |
| Proceeds from disposal of listed equity securities           |       | 1,376              | –                |
| Proceeds from disposal of property, plant and equipment      |       | 51,417             | 3,643            |
| Proceeds from sale and leaseback transactions                |       | –                  | 78,572           |
| Purchase of property, plant and equipment                    |       | (501,573)          | (580,990)        |
| Purchase of unlisted equity securities                       |       | –                  | (4,800)          |
| Repayment in finance lease receivables                       |       | 2,589              | 423              |
| <b>Net Cash used in Investing Activities</b>                 |       | <b>(778,782)</b>   | <b>(919,230)</b> |
| <b>Financing Activities</b>                                  |       |                    |                  |
| Increase in discounted bills with recourse                   |       | 705                | 146              |
| Dividends paid   | 14    | (436,859)          | (460,421)        |
| New unsecured borrowings obtained                            |       | 5,597,039          | 4,839,103        |
| Proceeds from issue of shares                                |       | 550                | 1,057            |
| Repayment of lease liabilities                               |       | (159,919)          | (137,333)        |
| Repayment of unsecured borrowings                            |       | (6,798,749)        | (4,955,291)      |
| Payment on repurchase and cancellation of shares             |       | (4,408)            | –                |
| <b>Net Cash used in Financing Activities</b>                 |       | <b>(1,801,641)</b> | <b>(712,739)</b> |
| <b>Net Decrease in Cash and Cash Equivalents</b>             |       | <b>(476,548)</b>   | <b>(398,866)</b> |
| <b>Cash and Cash Equivalents at Beginning of the Year</b>    |       | <b>1,428,930</b>   | <b>1,874,401</b> |
| <b>Effect of Foreign Exchange Rate Changes</b>               |       | <b>858</b>         | <b>(46,605)</b>  |
| <b>Cash and Cash Equivalents at End of the Year</b>          |       | <b>953,240</b>     | <b>1,428,930</b> |
| <b>Analysis of the Balances of Cash and Cash Equivalents</b> |       |                    |                  |
| Represented by:  |       |                    |                  |
| Bank balances, deposits and cash                             |       | 953,240            | 1,428,930        |
|  |       | <b>953,240</b>     | <b>1,428,930</b> |

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

## 1. General Information

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

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

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

## 2. Application of New and Amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) and Changes in Other Accounting Policies

New and amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) for the first time, which are mandatorily effective for the Group’s annual period beginning on January 1, 2023 for the preparation of the consolidated financial statements:

|  |  |
|--|--|
| HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17) | Insurance Contracts  |
| Amendments to HKAS 8   | Definition of Accounting Estimates   |
| Amendments to HKAS 12  | Deferred Tax related to Assets and Liabilities arising from a Single Transaction |
| Amendments to HKAS 12  | International Tax Reform-Pillar Two Model Rules                                  |
| Amendments to HKAS 1 and HKFRS Practice Statement 2                            | Disclosure of Accounting Policies  |

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

### 2.1 Impacts on application of HKFRS 17 (including the October 2020 and February 2022 Amendments) Insurance Contracts

The Group has applied the new standard and the relevant amendments for the first time in the current year.

HKFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes HKFRS 4 *Insurance Contracts*.

HKFRS 17 defines an insurance contract as a contract under which the Group accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder.

In October 2020, the HKICPA issued Amendments to HKFRS 17 to address concerns and implementation challenges that were identified after HKFRS 17 was published. The amendments defer the date of initial application of HKFRS 17 (incorporating the amendments) to annual reporting periods beginning on or after January 1, 2023. At the same time, the HKICPA issued Amendments to HKFRS 4 *Extension of the Temporary Exemption from HKFRS 9* that extends the fixed expiry date of the temporary exemption from applying HKFRS 9 in HKFRS 4 to annual reporting periods beginning on or after January 1, 2023.

In February 2022, the HKICPA issued Amendment to HKFRS 17 *Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information* to address implementation challenges that were identified after HKFRS 17 was published. The amendment addresses challenges in the presentation of comparative information.

Certain contracts entered into by the Group meet the definition of insurance contracts under HKFRS 17. However, these contracts are specifically scoped out from HKFRS 17 and the Group continues to account for these contracts under relevant accounting standards. Therefore, the application of HKFRS 17 in the current year had no material impact on the consolidated financial statements.

## 2. Application of New and Amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) and Changes in Other Accounting Policies (continued)

### 2.2 Impacts on application of Amendments to HKAS 8 Definition of Accounting Estimates

The Group has applied the amendments for the first time in the current year. The amendments define accounting estimates as “monetary amounts in financial statements that are subject to measurement uncertainty”. An accounting policy may require items in financial statements to be measured in a way that involves measurement uncertainty. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policy. The amendments to HKAS 8 clarify the distinction between changes in accounting estimates, and changes in accounting policies and the correction of errors.

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

### 2.3 Impacts on application of Amendments to HKAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The Group has applied the amendments for the first time in the current year. The amendments narrow the scope of the recognition exemption of deferred tax liabilities and deferred tax assets in paragraphs 15 and 24 of HKAS 12 Income Taxes so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

In accordance with the transition provision:

- (i) the Group has applied the new accounting policy retrospectively to leasing transactions and provisions for decommissioning and restoration that occurred on or after January 1, 2022;
- (ii) the Group also, as at January 1, 2022, recognized a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized) and a deferred tax liability for all deductible and taxable temporary difference associated with right-of-use-assets and lease liabilities and decommissioning and restoration and the corresponding amounts recognized as part of the cost of the related asset.

The application of the amendments has had no material impact on the Group’s financial position and performance.

### 2.4 Impacts on application of Amendments to HKAS 12 Income Taxes International Tax Reform-Pillar Two model Rules

The Group has applied the amendments for the first time in the current year. HKAS 12 is amended to add the exception to recognizing and disclosing information about deferred tax assets and liabilities that are related to tax law enacted or substantively enacted to implement the Pillar Two model rules published by the Organization for Economic Co-operation and Development (the “Pillar Two legislation”). The revised standard requires that entities apply the amendments both retrospectively and immediately upon issuance. The revised standard also requires entities to separately disclose its qualitative and quantitative exposure relative to the Pillar Two. This disclosure requirement is effective for Pillar Two legislation enacted or substantially enacted but not yet in effect in annual reporting periods beginning on or after January 1, 2023.

For group entities operating in jurisdictions where the Pillar Two legislation is enacted or substantially enacted but not yet in effect, the Group has applied the temporary exception upon issue of these amendments. The qualitative and quantitative information about the Group’s exposure to Pillar Two income taxes is set out in Note 10.

The Group will disclose known or reasonably estimable information that helps users of financial statements to understand the Group’s exposure to Pillar Two income taxes in the Group’s annual consolidated financial statements when the Pillar Two legislation is enacted or substantially enacted and will disclose separately current tax expense/income related to Pillar Two income taxes when it is in effect.

## 2. Application of New and Amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) and Changes in Other Accounting Policies (continued)

### 2.5 Impacts on application of Amendments to HKAS 1 and HKFRS Practice Statement 2 Disclosure of Accounting Policies

The Group has applied the amendments for the first time in the current year. HKAS 1 *Presentation of Financial Statements* is amended to replace all instances of the term “significant accounting policies” with “material accounting policy information”. Accounting policy information is material if, when considered together with other information included in an entity’s financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

HKFRS Practice Statement 2 *Making Materiality Judgements* (the “Practice Statement”) is also amended to illustrate how an entity applies the “four-step materiality process” to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments has had no material impact on the Group’s financial positions and performance but has affected the disclosure of the Group’s accounting policies set out in Note 3 to the consolidated financial statements.

### 2.6 Change in accounting policy as a result of application of the HKICPA guidance on the accounting implications of the abolition of the Mandatory Provident Fund (“MPF”) – Long Service Payment (“LSP”) offsetting mechanism in Hong Kong

As disclosed in Note 41, the Company and several subsidiaries are operating in Hong Kong which are obliged to pay LSP to employees under certain circumstances. Meanwhile, the Group makes mandatory and voluntary MPF contributions to the trustee who administers the assets held in a trust solely for the retirement benefits of each individual employee. Offsetting of LSP against an employee’s accrued retirement benefits derived from employers’ MPF contributions was allowed under the Employment Ordinance (Cap.57). In June 2022, the Government of the HKSAR gazetted the Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (the “Amendment Ordinance”) which abolishes the use of the accrued benefits derived from employers’ mandatory MPF contributions to offset severance payment and LSP (the “Abolition”). The Abolition will officially take effect on May 1, 2025 (the “Transition Date”). In addition, under the Amendment Ordinance, the last month’s salary immediately preceding the Transition Date (instead of the date of termination of employment) is used to calculate the portion of LSP in respect of the employment period before the Transition Date.

In July 2023, the HKICPA published “Accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong” which provides guidance for the accounting for the offsetting mechanism and the impact arising from abolition of the MPF-LSP offsetting mechanism in Hong Kong. In light of this, the Group has implemented the guidance published by the HKICPA in connection with the LSP obligation retrospectively so as to provide more reliable and more relevant information about the effects of the offsetting mechanism and the Abolition.

The Group considered the accrued benefits arising from employer MPF contributions that have been vested with the employee and which could be used to offset the employee’s LSP benefits as a deemed contribution by the employee towards the LSP. Historically, the Group has been applying the practical expedient in paragraph 93(b) of HKAS 19 to account for the deemed employee contributions as a reduction of the service cost in the period in which the related service is rendered.

Based on the HKICPA’s guidance, as a result of the Abolition, these contributions are no longer considered “linked solely to the employee’s service in that period” since the mandatory employer MPF contributions after the Transition Date can still be used to offset the pre-transition LSP obligation. Therefore, it would not be appropriate to view the contributions as “independent of the number of years of service” and the practical expedient in paragraph 93(b) of HKAS 19 is no longer applicable. Instead, these deemed contributions should be attributed to periods of service in the same manner as the gross LSP benefit applying paragraph 93(a) of HKAS 19.

The change in accounting policy in the current year had no material impact on the consolidated financial statements.

## 2. Application of New and Amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) and Changes in Other Accounting Policies (continued)

### Amendments to HKFRSs in issue but not yet effective

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

|                                    |  |
|------------------------------------|--|
| Amendments to HKFRS 10 and HKAS 28 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>1</sup>                               |
| Amendment to HKFRS 16              | Lease Liability in a Sale and Leaseback <sup>2</sup>   |
| Amendments to HKAS 1               | Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) <sup>2</sup> |
| Amendments to HKAS 1               | Non-current Liabilities with Covenants <sup>2</sup>  |
| Amendments to HKAS 7 and HKFRS 7   | Supplier Finance Arrangements <sup>2</sup>   |
| Amendments to HKAS 21              | Lack of exchangeability <sup>3</sup>   |

<sup>1</sup> Effective for annual periods beginning on or after a date to be determined.

<sup>2</sup> Effective for annual periods beginning on or after January 1, 2024.

<sup>3</sup> Effective for annual periods beginning on or after January 1, 2025.

The directors of the Company anticipate that the application of all amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

### Amendments to HKRS 16 *Lease Liability in a Sale and Leaseback*

The amendments add subsequent measurement requirements for sale and leaseback transactions that satisfy the requirements of HKFRS 15 *Revenue from Contracts with Customers* (“HKFRS 15”) to be accounted for as a sale. The amendments require a seller-lessee to determine “lease payments” or “revised lease payments” such that the seller-lessee would not recognize a gain or loss that relates to the right of use retained by the seller-lessee. The amendments also clarify that applying the requirements does not prevent the seller-lessee from recognizing in profit or loss any gain or loss relating to subsequent partial or full termination of a lease.

As part of the amendments, Illustrative Example 25 accompanying HKFRS 16 *Leases* (“HKFRS 16”) is added to illustrate the application of the requirements in a sale and leaseback transaction with variable lease payments that do not depend on an index or rate.

The amendments are effective for annual reporting periods beginning on or after January 1, 2024, with early application permitted. The application of the amendments is not expected to have significant impact on the financial position and performance of the Group.

## 2. Application of New and Amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) and Changes in Other Accounting Policies (continued)

Amendments to HKAS 1 *Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)* (the “2020 Amendments”) and Amendments to HKAS 1 *Non-current Liabilities with Covenants* (the “2022 Amendments”)

The 2020 Amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

- clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity’s own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognizes the option separately as an equity instrument applying HKAS 32 *Financial Instruments: Presentation*.
- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that the classification should not be affected by management intentions or expectations to settle the liability within 12 months.

For rights to defer settlement for at least twelve months from reporting date which are conditional on the compliance with covenants, the requirements introduced by the 2020 Amendments have been modified by the 2022 Amendments. The 2022 Amendments specify that only covenants with which an entity is required to comply with on or before the end of the reporting period affect the entity’s right to defer settlement of a liability for at least twelve months after the reporting date. Covenants which are required to comply with only after the reporting period do not affect whether that right exists at the end of the reporting period.

In addition, the 2022 Amendments specify the disclosure requirements about information that enables users of financial statements to understand the risk that the liabilities could become repayable within twelve months after the reporting period, if an entity classifies liabilities arising from loan arrangements as non-current when the entity’s right to defer settlement of those liabilities is subject to the entity complying with covenants within twelve months after the reporting period.

The 2022 Amendments also defer the effective date of applying the 2020 Amendments to annual reporting periods beginning on or after January 1, 2024. The 2022 Amendments, together with the 2020 Amendments, are effective for annual reporting periods beginning on or after January 1, 2024, with early application permitted. If an entity applies the 2020 Amendments for an earlier period after the issue of the 2022 Amendments, the entity should also apply the 2022 Amendments for that period.

As at December 31, 2023, the Group’s right to defer settlement for borrowings of US\$1,030,971,000 are subject to compliance with certain financial ratios only after the reporting period. Such borrowings were classified as non-current as the Group met such ratios at December 31, 2023. Upon the application of the 2022 Amendments, such borrowings will still be classified as non-current as the covenants which the Group is required to comply with only after the reporting period do not affect whether that right exists at the end of the reporting date.

Except as described above, the application of the 2020 and 2022 Amendments will not affect the classification of the Group’s other liabilities as at December 31, 2023.

### 3. Basis of Preparation of Consolidated Financial Statements and Material Accounting Policy Information

#### Basis of Preparation of Consolidated Financial Statements

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) and by the Hong Kong Companies Ordinance (“CO”).

The directors of the Company have, at the time of approving the consolidated financial statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the consolidated financial statements.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair value at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 *Share-based Payment*, leasing transactions that are accounted for in accordance with HKFRS 16 and measurements that have some similarities to fair value but are not fair value, such as net realizable value in HKAS 2 *Inventories* or value in use in HKAS 36 *Impairment of Assets*.

### 3. Basis of Preparation of Consolidated Financial Statements and Material Accounting Policy Information (continued)

#### Material Accounting Policy Information

##### **BASIS OF CONSOLIDATION**

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has the power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

### 3. Basis of Preparation of Consolidated Financial Statements and Material Accounting Policy Information (continued)

#### Material Accounting Policy Information (continued)

##### BUSINESS COMBINATIONS

##### Business Combinations

A business is an integrated set of activities and assets which includes an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired processes are considered substantive if they are critical to the ability to continue producing outputs, including an organized workforce with the necessary skills, knowledge, or experience to perform the related processes or they significantly contribute to the ability to continue producing outputs and are considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognized in profit or loss as incurred.

The identifiable assets acquired and liabilities assumed must meet the definitions of an asset and a liability in the *Conceptual Framework for Financial Reporting* (the “Conceptual Framework”) except for transactions and events within the scope of HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* or HK(IFRIC)-Int 21 *Levies*, in which the Group applies HKAS 37 or HK(IFRIC)-Int 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination. Contingent assets are not recognized.

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

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognized and measured in accordance with HKAS 12 *Income Taxes* and HKAS 19 *Employee Benefits* respectively;
- lease liabilities are recognized and measured at the present value of the remaining lease payments (as defined in HKFRS 16) as if the acquired leases were new leases at the acquisition date, except for leases for which (a) the lease term ends within 12 months of the acquisition date; or (b) the underlying asset is of low value. Right of use assets (“ROU assets”) are recognized and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer’s previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary’s net assets in the event of liquidation are initially measured either at fair value or at the non-controlling interests’ proportionate share of the recognized amounts of the acquiree’s identifiable net assets.

### 3. Basis of Preparation of Consolidated Financial Statements and Material Accounting Policy Information (continued)

#### Material Accounting Policy Information (continued)

##### BUSINESS COMBINATIONS (continued)

##### Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less any accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units ("CGUs") that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A CGU to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the CGU to which goodwill has been allocated is tested for impairment before the end of that reporting period.

If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets of the unit on a pro-rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized directly in profit or loss in the consolidated statement of profit or loss and other comprehensive income. An impairment loss recognized for goodwill is not reversed in subsequent periods.

##### INTEREST IN AN ASSOCIATE

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 result and assets and liabilities of an associate are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of an associate used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, investment in an associate is initially recognized in the consolidated statement of financial position at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of an associate. Changes in net assets of an associate other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group.

When a group entity transacts with an associate of the Group (such as a sale or contribution of assets), profits and losses resulting from the transactions with the associate are recognized in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

### 3. Basis of Preparation of Consolidated Financial Statements and Material Accounting Policy Information (continued)

#### Material Accounting Policy Information (continued)

##### INTANGIBLE ASSETS

##### Intangible Assets Acquired Separately

Intangible assets acquired separately and with finite useful lives are carried at cost less accumulated amortization and any accumulated impairment losses. Amortization of intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less any subsequent accumulated impairment losses.

##### Intangible Assets Acquired in a Business Combination

Intangible assets acquired in a business combination are recognized separately from goodwill and are initially recognized at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at cost less accumulated amortization and any accumulated impairment losses, on the same basis as intangible assets that are acquired separately. Intangible assets acquired in a business combination with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses.

##### Internally-Generated Intangible Assets – Research and Development Expenditure

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

An internally-generated intangible asset arising from development activities (or from the development phase of an internal project) is recognized only if all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognized for an internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognized, development expenditure is recognized in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, an internally-generated intangible asset is reported at cost less accumulated amortization and accumulated impairment losses (if any), on the same basis as intangible assets acquired separately.

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss in the period when the asset is derecognized.

### 3. Basis of Preparation of Consolidated Financial Statements and Material Accounting Policy Information (continued)

#### Material Accounting Policy Information (continued)

##### LEASES

##### Definition of a Lease

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

For contracts entered into or modified on or after the date of initial application of HKFRS 16 or arising from business combinations, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

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

##### The Group as a Lessee

##### Short-term Leases and Leases of Low-value Assets

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

##### ROU Assets

The cost of ROU assets includes:

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

ROU assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

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

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

##### Refundable Rental Deposits

Refundable rental deposits paid are accounted under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of ROU assets.

### 3. Basis of Preparation of Consolidated Financial Statements and Material Accounting Policy Information (continued)

#### Material Accounting Policy Information (continued)

##### LEASES (continued)

##### The Group 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.

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

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

###### Lease Modifications

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

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

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

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant ROU asset.

##### The Group as a Lessor

###### Classification and measurement of leases

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Amounts due from lessees under finance leases are recognized as receivables at commencement date at amounts equal to net investments in the leases, measured using the interest rate implicit in the respective leases. Initial direct costs are included in the initial measurement of the net investments in the leases. Interest income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

###### Sublease

When the Group is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the ROU asset arising from the head lease, not with reference to the underlying asset.

The Group uses the discount rate used for the head lease (adjusted for any initial direct costs associated with the sublease) to measure the net investment in the sublease if the interest rate implicit in the sublease cannot be readily determined.

### 3. Basis of Preparation of Consolidated Financial Statements and Material Accounting Policy Information (continued)

#### Material Accounting Policy Information (continued)

##### SALE AND LEASEBACK TRANSACTIONS

The Group applies the requirements of HKFRS 15 to assess whether sale and leaseback transaction constitutes a sale by the Group.

##### The Group as a seller-lessee

For a transfer that satisfies the requirements as a sale, the Group as a seller-lessee measures the ROU asset arising from the leaseback at the proportion of the previous carrying amount of the asset and recognizes any gain or loss that relates to the rights transferred to the buyer-lessor only. ROU asset and lease liability with fixed payments are subsequently measured in accordance with the Group's accounting policies above.

If the fair value of the consideration for the sale does not equal the fair value of the asset, or if the payments for the lease are not at market rates, the Group makes the following adjustments to measure the sale proceeds at fair value:

- (a) any below-market terms is accounted for as a prepayment of lease payments; and
- (b) any above-market terms is accounted for as additional financing provided by the buyer-lessor to the seller-lessee.

##### PROPERTY, PLANT & EQUIPMENT ("PP&E")

PP&E are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes, other than freehold land and construction in progress as described below. PP&E are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Freehold land is not depreciated and are measured at cost less subsequent accumulated impairment losses.

Depreciation is recognized so as to write-off the cost of items of PP&E, other than freehold land and construction in progress, over their estimated useful lives and after taking into account of their estimated residual values, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

PP&E in the course of construction for production, supply or administrative purpose is carried at cost, less any recognized impairment loss. Cost includes any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and, for qualifying assets, borrowing costs capitalized in accordance with the Group's accounting policy. Construction in progress is classified to the appropriate category of PP&E when completed and ready for its intended use. Depreciation of these assets, on the same basis as other PP&E, commences when the assets are ready for their intended use.

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition. To the extent the allocation of the relevant payments can be made reliably, interest in leasehold is presented as "ROU assets" in the consolidated statement of financial position. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as PP&E.

An item of PP&E is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the period in which the item is derecognized.

### 3. Basis of Preparation of Consolidated Financial Statements and Material Accounting Policy Information (continued)

#### Material Accounting Policy Information (continued)

##### **IMPAIRMENT ON PP&E, ROU ASSETS AND INTANGIBLE ASSETS OTHER THAN GOODWILL**

At the end of the reporting period, the Group reviews the carrying amounts of its PP&E, ROU assets and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss, if any. Intangible assets with indefinite useful lives are tested for impairment at least annually, and whenever there is an indication that they may be impaired. The recoverable amount of PP&E, ROU assets and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the CGU to which the asset belongs.

In testing a CGU for impairment, corporate assets are allocated to the relevant CGU when a reasonable and consistent basis of allocation can be established. The recoverable amount is determined for the CGU to which the corporate asset belongs, and is compared with the carrying amount of the relevant CGU.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a CGU) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or a CGU) is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro-rata to the other assets of the unit. An impairment loss is recognized immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or CGU) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

##### **BANK BALANCES, DEPOSITS AND CASH**

Bank balances, deposits and cash presented on the consolidated statement of financial position include:

- (a) cash, which comprises of cash on hand and demand deposits, excluding bank balances that are subject to regulatory restrictions that result in such balances no longer meeting the definition of cash; and
- (b) cash equivalents, which comprises of short-term (generally with original maturity of three months or less), highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

For the purposes of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

### 3. Basis of Preparation of Consolidated Financial Statements and Material Accounting Policy Information (continued)

#### Material Accounting Policy Information (continued)

##### FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognized in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss ("FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

The effective interest method is a method of calculating the amortized cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

##### Financial Assets

##### Classification and Subsequent Measurement of Financial Assets

Financial assets that meet the following conditions are subsequently measured at amortized cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except for derivatives designated as cash flow hedge relationship.

##### Amortized Cost and Interest Income

Interest income is recognized using the effective interest method for financial assets measured subsequently at amortized cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognized by applying the effective interest rate to the amortized cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognized by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

##### Financial Assets at FVTPL

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognized in profit or loss. The net gain or loss recognized in profit or loss includes any dividend or interest earned on the financial assets.

### 3. Basis of Preparation of Consolidated Financial Statements and Material Accounting Policy Information (continued)

#### Material Accounting Policy Information (continued)

#### FINANCIAL INSTRUMENTS (continued)

#### Financial Assets (continued)

#### Impairment of Financial Assets and Other Item Subject to Impairment Assessment under HKFRS 9

The Group performs impairment assessment under expected credit loss (“ECL”) model on financial assets (including trade and other receivables, bills receivable, trade receivables from an associate, finance lease receivables, bank balances and deposits) which are subject to impairment assessment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL (“12m ECL”) represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessments are done based on the Group’s historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognizes lifetime ECL for trade receivables.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless there has been a significant increase in credit risk since initial recognition, in which case the Group recognizes lifetime ECL. The assessment of whether lifetime ECL should be recognized is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

#### (i) Significant Increase in Credit Risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument’s external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor’s ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor’s ability to meet its debt obligations.

### 3. Basis of Preparation of Consolidated Financial Statements and Material Accounting Policy Information *(continued)*

#### Material Accounting Policy Information *(continued)*

#### FINANCIAL INSTRUMENTS *(continued)*

#### Financial Assets *(continued)*

#### Impairment of Financial Assets and Other Item Subject to Impairment Assessment under HKFRS 9 *(continued)*

##### *(i) Significant Increase in Credit Risk (continued)*

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if (i) it has a low risk of default, (ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of “investment grade” as per globally understood definitions.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

##### *(ii) Definition of Default*

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

##### *(iii) Credit-impaired Financial Assets*

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- (a) significant financial difficulty of the issuer or the borrower;
- (b) a breach of contract, such as a default or past due event;
- (c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower’s financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or
- (d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganization.

##### *(iv) Write-off Policy*

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group’s recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognized in profit or loss.

### 3. Basis of Preparation of Consolidated Financial Statements and Material Accounting Policy Information (continued)

#### Material Accounting Policy Information (continued)

#### FINANCIAL INSTRUMENTS (continued)

#### Financial Assets (continued)

#### Impairment of Financial Assets and Other Item Subject to Impairment Assessment under HKFRS 9 (continued)

##### *(v) Measurement and Recognition of ECL*

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Lifetime ECL for trade receivables are considered on a collective basis taking into consideration past due information and relevant credit information such as forward-looking macroeconomic information.

For collective assessment, the Group takes into consideration the following characteristics when formulating the grouping:

- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortized cost of the financial asset (i.e. gross carrying amount less loss allowance for ECL).

The Group recognizes an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables where the corresponding adjustment is recognized through a loss allowance account.

### 3. Basis of Preparation of Consolidated Financial Statements and Material Accounting Policy Information (continued)

#### Material Accounting Policy Information (continued)

#### FINANCIAL INSTRUMENTS (continued)

#### Financial Assets (continued)

##### Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period.

Specifically:

- For financial assets measured at amortized cost that are not part of a designated hedging relationship, exchange differences are recognized in profit or loss; and
- For financial assets measured at FVTPL that are not part of a designated hedging relationship, exchange differences are recognized in profit or loss.

#### Financial Liabilities and Equity

Debt and equity instruments are classified either as financial liabilities or as equity in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

##### Equity Instrument

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs.

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

##### Financial Liabilities at Amortized Cost

Financial liabilities (including unsecured borrowings, trade and other payables, bills payable and discounted bills with recourse) are subsequently measured at amortized cost, using the effective interest method.

##### Financial Liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination to which HKFRS 3 Business Combinations applies, (ii) held for trading or (iii) it is designated as at FVTPL.

A financial liability is held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative, except for a derivative that is a designated and effective hedging instrument.

### 3. Basis of Preparation of Consolidated Financial Statements and Material Accounting Policy Information (continued)

#### Material Accounting Policy Information (continued)

#### FINANCIAL INSTRUMENTS (continued)

#### Financial Liabilities and Equity (continued)

#### Financial Liabilities at FVTPL (continued)

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKFRS 9 permits the entire combined contract to be designated as at FVTPL.

For financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognized in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognized in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to retained profits upon derecognition of the financial liability.

#### Foreign exchange gains and losses

For financial liabilities that are denominated in a foreign currency and are measured at amortized cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortized cost of the instruments. These foreign exchange gains and losses are recognized in profit or loss for financial liabilities that are not part of a designated hedging relationship. For those which are designated as a hedging instrument for a hedge of foreign currency risk, foreign exchange gains and losses are recognized in other comprehensive income and accumulated in a separate component of equity.

The fair value of financial liabilities denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. For financial liabilities that are measured as at FVTPL, the foreign exchange component forms part of the fair value gains or losses and is recognized in profit or loss for financial liabilities that are not part of a designated hedging relationship.

### 3. Basis of Preparation of Consolidated Financial Statements and Material Accounting Policy Information (continued)

#### Material Accounting Policy Information (continued)

#### FINANCIAL INSTRUMENTS (continued)

#### Financial Liabilities and Equity (continued)

##### Derivative Financial Instruments

Derivatives are initially recognized at fair value at the date when a derivative contract is entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not due to be realized or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

##### Hedge Accounting

The Group designates certain derivatives as hedging instruments for cash flow hedges.

At the inception of the hedging relationship the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument that is used in a hedging relationship is highly effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk.

##### Assessment of Hedging Relationship and Effectiveness

For hedge effectiveness assessment, the Group considers whether the hedging instrument is effective in offsetting changes in cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship; and
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item.

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the Group adjusts the hedge ratio of the hedging relationship (i.e. rebalances the hedge) so that it meets the qualifying criteria again.

### 3. Basis of Preparation of Consolidated Financial Statements and Material Accounting Policy Information (continued)

#### Material Accounting Policy Information (continued)

#### FINANCIAL INSTRUMENTS (continued)

#### Financial Liabilities and Equity (continued)

##### Cash Flow Hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognized in other comprehensive income and accumulated in the hedging reserve, limited to the cumulative change in fair value of the hedged item from inception of the hedge. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss.

Amounts previously recognized in other comprehensive income and accumulated in equity (hedging reserve) are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line of the consolidated statement of profit or loss and other comprehensive income as the recognized hedged item. Furthermore, if the Group expects that some or all of the loss accumulated in the cash flow hedging reserve will not be recovered in the future, that amount is immediately reclassified to profit or loss.

##### Discontinuation of Hedge Accounting

The Group discontinues hedge accounting prospectively only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised. Discontinuing hedge accounting can either affect a hedging relationship in its entirety or only a part of it (in which case hedge accounting continues for the remainder of the hedging relationship).

For cash flow hedge, any gain or loss recognized in other comprehensive income and accumulated in equity at that time remains in equity and is recognized when the forecast transactions is ultimately recognized in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognized immediately in profit or loss.

#### Derecognition of Financial Assets and Liabilities

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and has not retained control of the transferred asset, the Group derecognizes the financial asset and recognizes separately as assets or liabilities any rights and obligations created or retained in the transfer. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

On derecognition of a financial asset measured at amortized cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss.

The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

### 3. Basis of Preparation of Consolidated Financial Statements and Material Accounting Policy Information (continued)

#### Material Accounting Policy Information (continued)

##### PROVISIONS

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Provisions for the expected cost of assurance-type warranty obligations under the relevant contracts with customers for sales of goods are recognized at the date of sale of the relevant products, at the directors' best estimate of the expenditure required to settle the Group's obligation.

##### INVENTORIES

Inventories are stated at the lower of cost and net realizable value. Cost of inventories are determined on a using the first-in, first-out method. Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sales. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.

##### REVENUE FROM CONTRACTS WITH CUSTOMERS

The Group recognizes revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognized over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognized at a point in time when the customer obtains control of the distinct good or service.

##### OVER TIME REVENUE RECOGNITION (COMMISSION AND ROYALTY INCOME): MEASUREMENT OF PROGRESS TOWARDS COMPLETE SATISFACTION OF A PERFORMANCE OBLIGATION

The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognize revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict the Group's performance in transferring control of goods or services.

As a practical expedient, if the Group has a right to consideration in an amount that corresponds directly with the value of the Group's performance completed to date (i.e. royalty income), the Group recognizes revenue in the amount to which the Group has the right to invoice.

### 3. Basis of Preparation of Consolidated Financial Statements and Material Accounting Policy Information (continued)

#### Material Accounting Policy Information (continued)

##### REFUND LIABILITIES

The Group recognizes a refund liability if the Group expects to refund some or all of the consideration received from customers.

##### SALE WITH A RIGHT OF RETURN/EXCHANGE

For a sale of products with a right of return/exchange for dissimilar products, the Group recognizes all of the following:

- (a) revenue for the transferred products in the amount of consideration to which the Group expects to be entitled (therefore, revenue would not be recognized for the products expected to be returned/exchanged);
- (b) a refund liability; and
- (c) an asset (and corresponding adjustment to cost of sales) for its right to recover products from customers and are presented as right to returned goods asset.

##### TAXATION

Income tax expense represents the sum of the current and deferred income tax expense.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before taxation as reported in the consolidated statement of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit and at the time of the transaction does not give rise to equal taxable and deductible temporary differences. In addition, deferred tax liabilities are not recognized if the temporary difference arises from the initial recognition of goodwill.

### 3. Basis of Preparation of Consolidated Financial Statements and Material Accounting Policy Information (continued)

#### Material Accounting Policy Information (continued)

##### TAXATION (continued)

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and an associate, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax is recognized in profit or loss, except when it relates to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

In assessing any uncertainty over income tax treatments, the Group considers whether it is probable that the relevant tax authority will accept the uncertain tax treatment used, or proposed to be used, by individual group entities in their income tax filings. If it is probable, the current and deferred taxes are determined consistently with the tax treatment in the income tax filings. If it is not probable that the relevant taxation authority will accept an uncertain tax treatment, the effect of each uncertainty is reflected by using either the most likely amount or the expected value.

### 3. Basis of Preparation of Consolidated Financial Statements and Material Accounting Policy Information (continued)

#### Material Accounting Policy Information (continued)

##### FOREIGN CURRENCIES

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognized at the rates of exchange prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the exchange rates at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognized in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. US\$) at the rate of exchange prevailing at the end of each reporting period, and their income and expenses are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognized in profit or loss. For all other partial disposals (i.e. partial disposals of an associate that do not result in the Group losing significant influence), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation on or after January 1, 2005 are treated as assets and liabilities of that foreign operation and retranslated at the rate of exchange prevailing at the end of the reporting date. Exchange differences arising are recognized in the other comprehensive income.

Goodwill and fair value adjustments on identifiable assets acquired arising on acquisitions of foreign operations before January 1, 2005 are treated as non-monetary foreign currency items of the acquirer and reported using the historical exchange rate prevailing at the date of the acquisition.

### 3. Basis of Preparation of Consolidated Financial Statements and Material Accounting Policy Information (continued)

#### Material Accounting Policy Information (continued)

##### **BORROWING COSTS**

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

##### **EQUITY-SETTLED SHARE-BASED PAYMENT TRANSACTIONS**

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (employee share-based compensation reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the employee share-based compensation reserve.

At the time when the share options are exercised, the amount previously recognized in employee share-based compensation reserve would be transferred to share capital. When the share options are forfeited or are still not exercised at the expiry date, the amount previously recognized in the employee share-based compensation reserve would be transferred to retained profits.

When the trustee purchases the Company's shares from the open market, the consideration paid, including any directly attributable incremental costs, is presented as shares held for share award scheme and deducted from total equity. No gain or loss is recognized on the transactions of the Company's own shares.

When the trustee transfers the Company's shares to grantees upon vesting, the related costs of the granted shares vested are reversed from shares held under the share award scheme. Accordingly, the related expense of the granted shares vested is reversed from the employee share-based compensation reserve. The difference arising from this transfer is debited/credited to retained profits. At the end of the reporting period, the Group revises its estimate of the number of shares that are expected to ultimately vest. The impact of the revision of the estimate, if any, is recognized in profit or loss with a corresponding adjustment to the employee share-based compensation reserve.

##### **GOVERNMENT GRANTS**

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received. Government grants are recognized in profit or loss on a systematic basis over the periods in which the Group recognized as expenses the related costs for which the grants are intended to compensate.

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they become receivable. Government grants relating to compensation of expenses are deducted from the related expenses, other government grants are presented under "other income".

### 3. Basis of Preparation of Consolidated Financial Statements and Material Accounting Policy Information (continued)

#### Material Accounting Policy Information (continued)

##### RETIREMENT BENEFIT SCHEMES

Payments to defined contribution retirement benefit schemes and the MPF Scheme are charged as expenses when employees have rendered service entitling them to the contributions.

The Group accounts for the employer's MPF contributions expected to be offset as a deemed employee contribution towards the LSP obligation. The Group applies the practical expedient in HKAS 19.93(b) to account for employer's MPF voluntary contributions as the deemed employee contributions as a reduction of the service cost in the period in which the related service is rendered. For mandatory contributions, the Group applies HKAS 19.93(a) and attributes the contributions to period of services for the purpose of calculation of the negative service costs. The estimated amount of future benefit is determined after deducting the negative service cost arising from the accrued benefits derived from the Group's MPF contributions that have been vested with employees.

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. In determining the present value of the Group's defined benefit obligations and the related current service cost and, where applicable, past service cost, the Group attributes benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than earlier years, the Group attributes the benefit on a straight-line basis from:

- (a) the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- (b) the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the consolidated statement of financial position with a charge or credit recognized in other comprehensive income in the period in which they occur. Remeasurement recognized in other comprehensive income is reflected immediately in retained profits and will not be reclassified to profit or loss.

Past service cost is recognized in profit or loss in the period of a plan amendment or curtailment and a gain or loss on settlement is recognized when settlement occurs. When determining past service cost, or a gain or loss on settlement, an entity shall remeasure the net defined benefit liability or asset using the current fair value of plan assets and current actuarial assumptions, reflecting the benefits offered under the plan and the plan assets before and after the plan amendment, curtailment or settlement, without considering the effect of asset ceiling (i.e. the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan).

### 3. Basis of Preparation of Consolidated Financial Statements and Material Accounting Policy Information (continued)

#### Material Accounting Policy Information (continued)

##### RETIREMENT BENEFIT SCHEMES (continued)

Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. However, if the Group remeasures the net defined benefit liability or asset before plan amendment, curtailment or settlement, the Group determines net interest for the remainder of the annual reporting period after the plan amendment, curtailment or settlement using the benefits offered under the plan and the plan assets after the plan amendment, curtailment or settlement and the discount rate used to remeasure such net defined benefit liability or asset, taking into account any changes in the net defined benefit liability or asset during the period resulting from contributions or benefit payments.

Defined benefit costs are categorized as follows:

- service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements);
- net interest expense or income; and
- remeasurement.

The retirement benefit obligations recognized in the consolidated statement of financial position represents the actual deficit or surplus in the Group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

##### SHORT-TERM AND OTHER LONG-TERM EMPLOYEE BENEFITS

Short-term employee benefits are recognized at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognized as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognized for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Liabilities recognized in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date. Any changes in the liabilities' carrying amounts resulting from service costs, interests and remeasurements are recognized in profit or loss except to the extent that another HKFRS requires or permits their inclusion in the cost of an asset.

#### 4. Key Sources of Accounting Estimates

In the application of the Group's accounting policies, which are described in Note 3, the directors of the Company are required to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period, or in the period of the revisions and future periods if the revisions affect both current and future periods.

##### Key Sources of Estimation Uncertainty

The following are key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

##### Capitalization, Useful Lives and Estimated Impairment of Deferred Development Costs

Determining the development costs, including the time and costs for individual projects, to be capitalized requires estimations and assumptions based on the expected future economic benefits to be generated by the products resulting from these development costs. Other important estimations and assumptions in this assessment process are the feasibility of mass production, the distinction between research and development and the estimated useful life. As at December 31, 2023, the carrying amount of deferred development costs of the Group was US\$1,004,916,000 (2022: US\$836,933,000). The estimation of their useful lives impacts the level of annual amortization recorded. The estimation of their useful lives reflects the directors' best estimate of the periods that future economic benefits will be received through the use of the assets. In determining whether the deferred development costs are impaired, the management takes into consideration the anticipated revenues and estimated future cash flows from the underlying projects, and the progress of these projects. When the actual revenues and future cash flows are less than expected, a material impairment loss may arise and need to be recognized. Management is confident that the carrying amount of the assets will be recovered in full. This situation will be closely monitored and adjustments will be made in future periods if future market activity indicates that adjustments are required.

##### Income Taxes

The Group operates in a complex multinational tax environment. The Group carefully evaluates tax implications of its transactions in accordance with prevailing tax regulations and makes tax provision accordingly. However, estimation is required in determining the Group's provision for taxation charge as there are many complex transactions and calculations, of which the ultimate tax determination is uncertain during the ordinary course of business. When the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact on the income tax and deferred tax provision in the periods in which such determination is made. The carrying amount of current tax payable carried as liabilities in the consolidated statement of financial position as at December 31, 2023 was US\$47,558,000 (2022: US\$56,750,000).

As at December 31, 2023, deferred tax assets of US\$71,647,000 (2022: US\$52,761,000) in relation to unused tax losses and US\$78,010,000 (2022: US\$64,051,000) in relation to employee related provisions has been recognized in the Group's consolidated statement of financial position. The realizability of the deferred tax assets mainly depends on whether sufficient taxable profits, or taxable temporary differences, will be available in the future. In cases where the actual future taxable profits generated are less than expected, or change in facts and circumstances which result in revision of future taxable profits estimation, a material reversal or further recognition of the deferred tax assets may arise, which would be recognized in profit or loss for the period in which the reversal or further recognition takes place.

## 5. Segment Information

Information reported to the executive directors of the Company, being the chief operating decision makers, for the purposes of resources allocation and assessment of segment performance focuses on the types of goods sold.

The principal categories of goods supplied are “Power Equipment” and “Floorcare & Cleaning”. The Group’s operating segments under HKFRS 8 are as follows:

1. Power Equipment – sales of power tools, power tool accessories, outdoor products, and outdoor product accessories for consumer, trade, professional and industrial users. The products are available under the MILWAUKEE, EMPIRE, AEG, RYOBI, HOMELITE and HART brands plus original equipment manufacturer (“OEM”) customers.
2. Floorcare & Cleaning – sales of floorcare products and floorcare accessories under the HOOVER, DIRT DEVIL, VAX and ORECK brands plus OEM customers.

### Segment Revenue and Results

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

#### For the year ended December 31, 2023

|                              | Power<br>Equipment<br>US\$'000 | Floorcare<br>& Cleaning<br>US\$'000 | Eliminations<br>US\$'000 | Consolidated<br>US\$'000 |
|------------------------------|--------------------------------|-------------------------------------|--------------------------|--------------------------|
| <b>Segment revenue</b>       |                                |                                     |                          |                          |
| External sales               | 12,794,548                     | 936,863                             | —                        | 13,731,411               |
| Inter-segment sales          | —                              | 37,885                              | (37,885)                 | —                        |
| <b>Total segment revenue</b> | <b>12,794,548</b>              | <b>974,748</b>                      | <b>(37,885)</b>          | <b>13,731,411</b>        |

Inter-segment sales are charged at prevailing market rates.

|                               |           |        |   |                  |
|-------------------------------|-----------|--------|---|------------------|
| <b>Result</b>                 |           |        |   |                  |
| Segment results               | 1,107,509 | 27,207 | — | 1,134,716        |
| Interest income               |           |        |   | 44,956           |
| Finance costs                 |           |        |   | (124,056)        |
| <b>Profit before taxation</b> |           |        |   | <b>1,055,616</b> |

#### For the year ended December 31, 2022

|                              | Power<br>Equipment<br>US\$'000 | Floorcare<br>& Cleaning<br>US\$'000 | Eliminations<br>US\$'000 | Consolidated<br>US\$'000 |
|------------------------------|--------------------------------|-------------------------------------|--------------------------|--------------------------|
| <b>Segment revenue</b>       |                                |                                     |                          |                          |
| External sales               | 12,329,071                     | 924,846                             | —                        | 13,253,917               |
| Inter-segment sales          | —                              | 61,836                              | (61,836)                 | —                        |
| <b>Total segment revenue</b> | <b>12,329,071</b>              | <b>986,682</b>                      | <b>(61,836)</b>          | <b>13,253,917</b>        |

Inter-segment sales are charged at prevailing market rates.

|                               |           |          |   |                  |
|-------------------------------|-----------|----------|---|------------------|
| <b>Result</b>                 |           |          |   |                  |
| Segment results               | 1,238,993 | (38,080) | — | 1,200,913        |
| Interest income               |           |          |   | 25,852           |
| Finance costs                 |           |          |   | (69,868)         |
| <b>Profit before taxation</b> |           |          |   | <b>1,156,897</b> |

## 5. Segment Information (continued)

### Segment Revenue and Results (continued)

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 or loss incurred by each segment without allocation of interest income and finance costs. This is the measure reported to the executive directors of the Company for the purpose of resources allocation and performance assessment.

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

### Other Segment Information

#### For the year ended December 31, 2023

Amounts included in the measure of segment results:

|  | Power Equipment<br>US\$'000 | Floorcare<br>& Cleaning<br>US\$'000 | Consolidated<br>US\$'000 |
|--|-----------------------------|-------------------------------------|--------------------------|
| Loss on disposal of property, plant and equipment                                  | 15,781                      | 2,298                               | 18,079                   |
| Write down of inventories  | 18,509                      | 5,738                               | 24,247                   |
| Impairment loss (reversal of impairment loss) on trade receivables under ECL model | 10,057                      | (319)                               | 9,738                    |
| Write-off of intangible assets   | 32,533                      | 2,522                               | 35,055                   |
| Depreciation and amortization  | 555,642                     | 42,790                              | 598,432                  |
| Gain on early termination of leases  | (65)                        | —                                   | (65)                     |

For the year ended December 31, 2022

Amounts included in the measure of segment results:

|  | Power Equipment<br>US\$'000 | Floorcare<br>& Cleaning<br>US\$'000 | Consolidated<br>US\$'000 |
|--|-----------------------------|-------------------------------------|--------------------------|
| Loss on disposal of property, plant and equipment                | 14,089                      | 2,408                               | 16,497                   |
| Gain on sale and leaseback transactions                          | (9,072)                     | —                                   | (9,072)                  |
| Write down of inventories  | 59,161                      | 2,450                               | 61,611                   |
| Reversal of impairment loss on trade receivables under ECL model | (10,777)                    | (1,491)                             | (12,268)                 |
| Write-off of intangible assets                                   | 10,817                      | 1,192                               | 12,009                   |
| Depreciation and amortization                                    | 462,536                     | 38,315                              | 500,851                  |
| Gain on early termination of leases                              | (178)                       | —                                   | (178)                    |

## 5. Segment Information (continued)

### Revenue from Major Products

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

|                      | <b>2023</b>       | 2022       |
|----------------------|-------------------|------------|
|                      | <b>US\$'000</b>   | US\$'000   |
| Power Equipment      | <b>12,794,548</b> | 12,329,071 |
| Floorcare & Cleaning | <b>936,863</b>    | 924,846    |
| <b>Total</b>         | <b>13,731,411</b> | 13,253,917 |

### 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* |           |
|-----------------|---------------------------------|------------|---------------------|-----------|
|                 | <b>2023</b>                     | 2022       | <b>2023</b>         | 2022      |
|                 | <b>US\$'000</b>                 | US\$'000   | <b>US\$'000</b>     | US\$'000  |
| North America   | <b>10,513,310</b>               | 10,232,470 | <b>2,861,778</b>    | 2,695,426 |
| Europe          | <b>2,093,341</b>                | 1,927,755  | <b>244,686</b>      | 196,590   |
| Other countries | <b>1,124,760</b>                | 1,093,692  | <b>1,978,579</b>    | 1,608,318 |
| <b>Total</b>    | <b>13,731,411</b>               | 13,253,917 | <b>5,085,043</b>    | 4,500,334 |

\* Non-current assets exclude interest in an associate, financial assets at FVTPL, deposits, derivative financial instruments and deferred tax assets.

### Information about Major Customer

During the years ended December 31, 2023 and 2022, the Group's largest customer contributed total revenue of US\$6,046,986,000 (2022: US\$6,333,127,000), of which US\$6,016,567,000 (2022: US\$6,293,896,000) was under the Power Equipment segment and US\$30,419,000 (2022: US\$39,231,000) was under the Floorcare & Cleaning segment. There is no other customer contributing more than 10% of total revenue.

## 6. Revenue

Revenue represents the fair value of the net amounts received and receivable for goods sold by the Group to outside customers, less returns and allowances, and commission and royalty income received during the year and is analyzed as follows:

|                               | <b>2023</b>       | 2022       |
|-------------------------------|-------------------|------------|
|                               | <b>US\$'000</b>   | US\$'000   |
| Sales of goods                | <b>13,720,454</b> | 13,238,728 |
| Commission and royalty income | <b>10,957</b>     | 15,189     |
|                               | <b>13,731,411</b> | 13,253,917 |

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

The Group sells products mainly to the wholesale market. Revenue is recognized when control of the goods has transferred, being when the goods have been shipped to the wholesaler's specific location or pick up point (delivery).

Following delivery, the wholesaler has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility when on selling the goods and bears the risks of obsolescence and loss in relation to the goods.

Revenue is recognized for sales which are considered highly probable and where a significant reversal of the cumulative revenue recognized will not occur. A contract liability is recognized for sales in which revenue has not yet been recognized. The Group's right to recover the product when customers exercise their right to return products is recognized as a right to returned goods asset and a corresponding adjustment to cost of sales.

As at December 31, 2023, revenue for unsatisfied contracts to be recognized by the Group over one year is immaterial. As permitted by HKFRS 15, the transaction price allocated to unsatisfied contracts for contracts with period of one year or less is not disclosed.

## 7. Other Income

Other income in both 2023 and 2022 mainly comprises of the sale of scrap materials and claims and reimbursements from customers and vendors.

## 8. Interest Income

Interest income represents interest earned on bank deposits.

## 9. Finance Costs

|                      | <b>2023</b>     | 2022     |
|----------------------|-----------------|----------|
|                      | <b>US\$'000</b> | US\$'000 |
| Interest on:         |                 |          |
| Unsecured borrowings | <b>104,625</b>  | 58,810   |
| Lease liabilities    | <b>19,431</b>   | 11,058   |
|                      | <b>124,056</b>  | 69,868   |

## 10. Taxation Charge

|                                | 2023<br>US\$'000 | 2022<br>US\$'000 |
|--------------------------------|------------------|------------------|
| Current tax:                   |                  |                  |
| Hong Kong Profits Tax          | (1,519)          | (1,344)          |
| Under provision in prior years | (12,598)         | (559)            |
|                                | <b>(14,117)</b>  | (1,903)          |
| Overseas taxation              | (36,509)         | (64,554)         |
| Under provision in prior years | (73)             | (453)            |
|                                | <b>(36,582)</b>  | (65,007)         |
| Deferred tax (Note 42):        |                  |                  |
| Current year                   | (20,627)         | 1,636            |
| Deferred tax asset impairment  | (8,281)          | (14,452)         |
| Change in tax rates            | 331              | (21)             |
|                                | <b>(28,577)</b>  | (12,837)         |
|                                | <b>(79,276)</b>  | (79,747)         |

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

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

The taxation charge for the year is reconciled as follows:

|  | 2023<br>US\$'000 | 2023<br>%   | 2022<br>US\$'000 | 2022<br>% |
|--|------------------|-------------|------------------|-----------|
| Profit before taxation   | 1,055,616        |             | 1,156,897        |           |
| Tax at Hong Kong Profits Tax rate  | (174,177)        | 16.5%       | (190,888)        | 16.5%     |
| Effect of different tax rates of subsidiaries operating in other jurisdictions | 158,033          | (15.0%)     | 139,542          | (12.1%)   |
| Tax effect of expenses not deductible for tax purposes                         | (44,570)         | 4.2%        | (33,032)         | 2.9%      |
| Tax effect of income not taxable for tax purposes                              | 7,085            | (0.7%)      | 2,422            | (0.2%)    |
| Utilization of deductible temporary differences previously not recognized      | 2,517            | (0.2%)      | 3,368            | (0.3%)    |
| Tax effect of tax losses and temporary differences not recognized              | (7,547)          | 0.7%        | 14,325           | (1.2%)    |
| Deferred tax asset impairment  | (8,281)          | 0.8%        | (14,452)         | 1.2%      |
| Under provision in respect of prior years                                      | (12,671)         | 1.2%        | (1,012)          | 0.1%      |
| Tax effect of changes in tax rates   | 331              | 0.0%        | (21)             | 0.0%      |
| Tax effect of share of result of an associate                                  | 4                | 0.0%        | 1                | 0.0%      |
| Taxation charge for the year   | <b>(79,276)</b>  | <b>7.5%</b> | (79,747)         | 6.9%      |

Details of deferred tax are set out in Note 42.

**10. Taxation Charge** (continued)

For the year ended December 31, 2023, deferred tax asset of US\$655,000 (2022: US\$304,000) and deferred tax liability of US\$200,000 (2022: US\$2,631,000) related to remeasurement of defined benefit obligations and fair value loss on foreign currency forward contracts and cross-currency interest rate swaps in hedge accounting have been recognized in other comprehensive income respectively.

The Group has applied the temporary exception issued by the HKICPA in July 2023 from the accounting requirements for deferred taxes in HKAS 12. Accordingly, the Group neither recognizes nor discloses information about deferred tax assets and liabilities related to Pillar Two income taxes.

The Group has completed a comprehensive assessment of its estimated tax exposure to any Pillar Two income taxes for the year ended December 31, 2023.

The estimated tax exposure is based on the 2023 financial information, applying Pillar II rules proposed to be enacted in 2024 or later (based on latest published Pillar Two materials from Organization for Economic Co-operation and Development), assuming as if Pillar Two legislation was effectively enacted in all of the jurisdictions covering the Group's constituent entities in 2023 and making use of the safe harbour rules. As of December 31, 2023, no Pillar Two legislation is effective in the jurisdictions where the group entities is operating.

If the Pillar Two legislation had been globally enacted and effective for the year ended December 31, 2023 and, the estimated tax exposure had been recognized, the Group's effective tax rate would increase from 7.51% to 7.53%.

The table below depicts the jurisdictions affected and the determination of the additional tax exposure:

| Jurisdiction | Jurisdictional  | Pillar II      | Pillar II    | Pillar II    | Pillar II       | Pillar II      | Pillar II      |
|--------------|-----------------|----------------|--------------|--------------|-----------------|----------------|----------------|
|              | Local Effective | Jurisdictional | Substance    | 15% Tax on   | Substance       | Jurisdictional | Jurisdictional |
|              | Tax Rate %      | Globe Income   | Based Income | Globe Income | Based Exclusion | Covered Tax    | Top Up Tax     |
|              |                 | US\$'000       | Exclusion    | US\$'000     | Tax Effect      | US\$'000       | US\$'000       |
|              |                 |                | US\$'000     |              | US\$'000        |                |                |
| Macao        | 11.996%         | 6,707          | (125)        | 1,006        | (3)             | (805)          | 198            |
| Dubai        | 0.000%          | 783            | (417)        | 117          | (62)            | —              | 55             |
|              |                 | 7,490          | (542)        | 1,123        | (65)            | (805)          | 253            |

## 11. Profit for the Year

|   | 2023<br>US\$'000 | 2022<br>US\$'000 |
|---|------------------|------------------|
| Profit for the year has been arrived at after charging (crediting):                                   |                  |                  |
| Amortization of intangible assets   | 163,213          | 120,425          |
| Auditors' remuneration  | 3,801            | 3,714            |
| Cost of inventories recognized as an expense  | 8,311,775        | 8,041,340        |
| Depreciation of property, plant and equipment   | 269,041          | 240,428          |
| Depreciation of right of use assets   | 166,178          | 139,998          |
| Fair value loss (gain) on foreign currency forward contracts  | 8,968            | (4,339)          |
| Fair value (gain) loss on acquisition right of certain property, plant and equipment                  | (82)             | 300              |
| Fair value (gain) loss on listed equity securities  | (14,024)         | 2,806            |
| Fair value loss on unlisted equity securities   | 1,000            | —                |
| Gain on early termination of leases   | (65)             | (178)            |
| Gain on sale and leaseback transactions   | —                | (9,072)          |
| Impairment loss (reversal of impairment loss) on trade receivables under ECL model                    | 9,738            | (12,268)         |
| Loss on disposal of property, plant and equipment   | 18,079           | 16,497           |
| Net exchange gain   | (4,534)          | (112,125)        |
| Expenses relating to short-term leases and low-value assets recognized in respect of:                 |                  |                  |
| Motor vehicles  | 4,787            | 3,716            |
| Plant and machinery   | 8,258            | 6,619            |
| Office equipment, furniture and fixtures  | 22,317           | 20,659           |
| Premises  | 6,973            | 13,696           |
| Other assets  | 1,531            | 1,560            |
| Unconditional government grants   | (309)            | (685)            |
| Write down of inventories   | 24,247           | 61,611           |
| Write-off of intangible assets  | 35,055           | 12,009           |
| Staff costs   |                  |                  |
| Directors' remuneration   |                  |                  |
| Fees  | 746              | 644              |
| Other emoluments  | 66,734           | 76,843           |
|   | 67,480           | 77,487           |
| Other staff costs   | 1,836,614        | 1,836,729        |
| Contributions to retirement benefits schemes (other than those included in the Directors' emoluments) |                  |                  |
| Defined contribution plans  | 34,374           | 29,838           |
| Defined benefit plans (Note 41)   | 2,082            | 865              |
|   | 1,940,550        | 1,944,919        |

Staff costs disclosed above do not include an amount of US\$513,326,000 (2022: US\$475,188,000) of staff costs incurred relating to research and development activities.

## 12. Directors' Emoluments

The emoluments paid or payable to each of the twelve (2022: twelve) directors, disclosed pursuant to the applicable Listing Rules and the CO, were as follows:

### For the year ended December 31, 2023

|  | Other emoluments |   |   |                   |                                     | Total<br>US\$'000 |
|--|------------------|---|---|-------------------|-------------------------------------|-------------------|
|  | Fees<br>US\$'000 | Basic<br>salaries and<br>allowances<br>US\$'000 | Contributions<br>to retirement<br>benefits<br>schemes<br>US\$'000 | Bonus<br>US\$'000 | Share-based<br>payments<br>US\$'000 |                   |
| Mr Horst Julius Pudwill (Note i)             | —                | 1,849   | 2   | 10,103            | 2,223                               | 14,177            |
| Mr Stephan Horst Pudwill (Note i)            | —                | 1,019   | 2   | 2,200             | 2,556                               | 5,777             |
| Mr Joseph Galli Jr (Note i)                  | —                | 1,848   | 11  | 13,100            | 17,598                              | 32,557            |
| Mr Kin Wah Chan (Note i)                     | —                | 912   | 2   | 2,641             | 2,556                               | 6,111             |
| Mr Chi Chung Chan (Note i)                   | —                | 909   | —   | 2,940             | 2,556                               | 6,405             |
| Mr Camille Jojo (Note i, iv)                 | 98               | 193   | —   | —                 | 103                                 | 394               |
| Prof Roy Chi Ping Chung GBS BBS JP (Note ii) | 108              | —   | —   | —                 | 106                                 | 214               |
| Mr Peter David Sullivan (Note iii)           | 108              | 54  | —   | 512               | 106                                 | 780               |
| Mr Johannes-Gerhard Hesse (Note iii)         | 108              | 30  | —   | —                 | 185                                 | 323               |
| Mr Robert Hinman Getz (Note iii)             | 108              | 59  | —   | —                 | 142                                 | 309               |
| Ms Virginia Davis Wilmerding (Note iii)      | 108              | 18  | —   | —                 | 114                                 | 240               |
| Ms Caroline Christina Kracht (Note iii)      | 108              | 17  | —   | —                 | 68                                  | 193               |
| <b>Total</b>                                 | <b>746</b>       | <b>6,908</b>                                    | <b>17</b>   | <b>31,496</b>     | <b>28,313</b>                       | <b>67,480</b>     |

### For the year ended December 31, 2022

|   | Other emoluments |   |   |                   |                                     | Total<br>US\$'000 |
|---|------------------|---|---|-------------------|-------------------------------------|-------------------|
|   | Fees<br>US\$'000 | Basic<br>salaries and<br>allowances<br>US\$'000 | Contributions<br>to retirement<br>benefits<br>schemes<br>US\$'000 | Bonus<br>US\$'000 | Share-based<br>payments<br>US\$'000 |                   |
| Mr Horst Julius Pudwill (Note i)  | —                | 1,826   | 2   | 10,803            | 2,994                               | 15,625            |
| Mr Stephan Horst Pudwill (Note i)                                       | —                | 988   | 2   | 2,200             | 5,270                               | 8,460             |
| Mr Joseph Galli Jr (Note i)   | —                | 1,851   | 10  | 14,100            | 16,781                              | 32,742            |
| Mr Kin Wah Chan (Note i)  | —                | 912   | 2   | 2,641             | 5,270                               | 8,825             |
| Mr Chi Chung Chan (Note i)  | —                | 909   | —   | 2,940             | 5,270                               | 9,119             |
| Prof Roy Chi Ping Chung GBS BBS JP (Note ii)                            | 94               | —   | —   | —                 | 366                                 | 460               |
| Mr Camille Jojo (Note ii)   | 94               | 29  | —   | —                 | 601                                 | 724               |
| Mr Peter David Sullivan (Note iii)                                      | 94               | 47  | —   | —                 | 366                                 | 507               |
| Mr Johannes-Gerhard Hesse (Note iii)                                    | 94               | 29  | —   | —                 | 261                                 | 384               |
| Mr Robert Hinman Getz (Note iii)  | 94               | 50  | —   | —                 | 212                                 | 356               |
| Ms Virginia Davis Wilmerding (Note iii)                                 | 94               | 4   | —   | —                 | 107                                 | 205               |
| Ms Caroline Christina Kracht<br>(appointed on March 7, 2022) (Note iii) | 80               | —   | —   | —                 | —                                   | 80                |
| <b>Total</b>  | <b>644</b>       | <b>6,645</b>                                    | <b>16</b>   | <b>32,684</b>     | <b>37,498</b>                       | <b>77,487</b>     |

## 12. Directors' Emoluments (continued)

Note i: The individuals represent the Executive Directors of the Company and the Group. The Executive Directors' emoluments shown above were mainly for their services in connection with management of the affairs of the Company and the Group. Mr Joseph Galli Jr serves as the Chief Executive Officer of the Group.

Note ii: The individuals represent the Non-Executive Directors of the Company. The Non-Executive Directors' emoluments shown above were mainly for their services as directors of the Company or its subsidiaries.

Note iii: The individuals represent the independent Non-Executive Directors of the Company. The Independent Non-Executive Directors' emoluments shown above were mainly for their services as directors of the Company.

Note iv: Mr Camille Jojo re-designated from Non-executive Director to Executive Director with effect from December 1, 2023.

The bonuses were based on past performance of the Group.

The above emoluments include the value of share options granted and shares awarded to certain directors under the Company's share option schemes and share award scheme, respectively, as estimated at the date of grant and award. The share-based payments represent the costs of share options and share awards granted to directors as charged to the Company's profit and loss, but not as income of respective directors. Details of these benefits in kind are disclosed under the sections "Share Options" and "Share Award Scheme" in Notes 45 and 46 respectively.

## 13. Employees' Emoluments

Of the five individuals with the highest emoluments in the Group, three (2022: four) were directors of the Company whose emoluments are included in Note 12 above. The emoluments of the remaining two (2022: one) individuals for the year ended December 31, 2023 were as follows:

|  | 2023<br>US\$'000 | 2022<br>US\$'000 |
|--|------------------|------------------|
| Basic salaries and allowances                | 1,596            | 905              |
| Contributions to retirement benefits schemes | 342              | 183              |
| Bonus  | 15,635           | 10,515           |
| Share-based payments                         | —                | —                |
|  | <b>17,573</b>    | 11,603           |

The emoluments of these two (2022: one) highest paid individuals for the year ended December 31, 2023 were within the following bands:

| HK\$                     | No. of persons |      |
|--------------------------|----------------|------|
|                          | 2023           | 2022 |
| 63,000,001 to 63,500,000 | 1              | —    |
| 73,000,001 to 73,500,000 | 1              | —    |
| 90,000,001 to 90,500,000 | —              | 1    |

During each of the two years ended December 31, 2023 and 2022, 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

|  | 2023<br>US\$'000 | 2022<br>US\$'000 |
|--|------------------|------------------|
| Dividends recognized as distributions during the year:   |                  |                  |
| Final dividend paid:   |                  |                  |
| 2022: HK90.00 cents (approximately US11.58 cents)<br>(2021: HK1 dollar (approximately US12.87 cents)) per share    | <b>212,525</b>   | 236,104          |
| Interim dividend paid:   |                  |                  |
| 2023: HK95.00 cents (approximately US12.23 cents)<br>(2022: HK95.00 cents (approximately US12.23 cents)) per share | <b>224,334</b>   | 224,317          |
|  | <b>436,859</b>   | 460,421          |

The final dividend of HK98.00 cents (approximately US12.61 cents) per share with a total of approximately US\$231,355,000 in respect of the year ended December 31, 2023 (2022: final dividend of HK90.00 cents (approximately US11.58 cents) per share in respect of the year ended December 31, 2022) has been proposed by the directors of the Company 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:

|  | 2023<br>US\$'000     | 2022<br>US\$'000 |
|--|----------------------|------------------|
| Earnings for the purposes of basic and diluted earnings per share:                       |                      |                  |
| Profit for the year attributable to Owners of the Company                                | <b>976,340</b>       | 1,077,150        |
| Weighted average number of ordinary shares for the purpose of basic earnings per share   | <b>1,829,863,359</b> | 1,829,931,694    |
| Effect of dilutive potential ordinary shares:  |                      |                  |
| Share options  | <b>3,258,878</b>     | 4,199,642        |
| Share awards   | <b>3,060,683</b>     | 1,900,192        |
| Weighted average number of ordinary shares for the purpose of diluted earnings per share | <b>1,836,182,920</b> | 1,836,031,528    |

The computation of diluted earnings per share does not assume the exercise of the Company's share options and vesting of Company's share awards which the exercise price of those share options and adjusted exercise price of those share awards were higher than the average market price for shares for both years.

## 16. Property, Plant and Equipment

|  | Freehold land<br>and land<br>buildings<br>(Note) | Leasehold<br>improvements | Office<br>equipment,<br>furniture<br>and fixtures | Plant and<br>machinery | Motor<br>vehicles | Moulds<br>and<br>tooling | Vessels      | Aircraft      | Construction<br>in progress | Total            |
|--|--|---------------------------|---|------------------------|-------------------|--------------------------|--------------|---------------|-----------------------------|------------------|
|  | US\$'000   | US\$'000                  | US\$'000  | US\$'000               | US\$'000          | US\$'000                 | US\$'000     | US\$'000      | US\$'000                    | US\$'000         |
| <b>Cost</b>                              |  |                           |   |                        |                   |                          |              |               |                             |                  |
| At January 1, 2022                       | 554,533  | 114,782                   | 323,045   | 614,749                | 10,471            | 370,579                  | 7,106        | 67,493        | 597,674                     | 2,660,432        |
| Currency realignment                     | (1,713)  | (5,484)                   | (5,109)   | (21,513)               | (152)             | (9,447)                  | —            | —             | (2,019)                     | (45,437)         |
| Additions                                | —  | 5,862                     | 19,524  | 49,017                 | 849               | 3,130                    | —            | 2,467         | 500,141                     | 580,990          |
| Acquisition of a subsidiary<br>(Note 43) | —  | 1,057                     | 141   | 1,327                  | —                 | 106                      | —            | —             | 569                         | 3,200            |
| Disposals                                | (68,197)   | (6,430)                   | (32,394)  | (11,284)               | (342)             | (72,051)                 | —            | —             | (4,622)                     | (195,320)        |
| Reclassification                         | 94,075   | 17,948                    | 59,998  | 63,633                 | 257               | 111,812                  | —            | —             | (347,723)                   | —                |
| At December 31, 2022                     | 578,698  | 127,735                   | 365,205   | 695,929                | 11,083            | 404,129                  | 7,106        | 69,960        | 744,020                     | 3,003,865        |
| Currency realignment                     | 2,055  | (865)                     | 1,366   | (3,486)                | (119)             | (2,953)                  | —            | —             | (5,222)                     | (9,224)          |
| Additions                                | 2,833  | 10,920                    | 18,859  | 28,426                 | 232               | 1,387                    | 10           | 36,782        | 402,124                     | 501,573          |
| Acquisition of a subsidiary<br>(Note 43) | —  | —                         | —   | —                      | —                 | —                        | —            | —             | 68,339                      | 68,339           |
| Disposals                                | (24,718)   | (8,256)                   | (10,612)  | (29,122)               | (1,291)           | (66,948)                 | —            | (26,374)      | (1,401)                     | (168,722)        |
| Reclassification                         | 338,899  | 14,025                    | 35,566  | 153,410                | 1,266             | 71,534                   | —            | —             | (614,700)                   | —                |
| <b>At December 31, 2023</b>              | <b>897,767</b>                                   | <b>143,559</b>            | <b>410,384</b>                                    | <b>845,157</b>         | <b>11,171</b>     | <b>407,149</b>           | <b>7,116</b> | <b>80,368</b> | <b>593,160</b>              | <b>3,395,831</b> |
| <b>Depreciation and Impairment</b>       |  |                           |   |                        |                   |                          |              |               |                             |                  |
| At January 1, 2022                       | 65,661   | 60,464                    | 195,266   | 295,904                | 6,348             | 172,318                  | 6,610        | 4,975         | —                           | 807,546          |
| Currency realignment                     | (1,454)  | (3,098)                   | (3,548)   | (12,083)               | (116)             | (4,001)                  | —            | —             | —                           | (24,300)         |
| Provided for the year                    | 14,579   | 15,739                    | 37,839  | 69,734                 | 1,645             | 96,188                   | 494          | 4,210         | —                           | 240,428          |
| Eliminated on disposals                  | (2,321)  | (4,258)                   | (29,805)  | (8,954)                | (241)             | (60,101)                 | —            | —             | —                           | (105,680)        |
| At December 31, 2022                     | 76,465   | 68,847                    | 199,752   | 344,601                | 7,636             | 204,404                  | 7,104        | 9,185         | —                           | 917,994          |
| Currency realignment                     | 115  | (519)                     | 882   | (1,743)                | (41)              | (1,209)                  | —            | —             | —                           | (2,515)          |
| Provided for the year                    | 20,091   | 15,082                    | 40,599  | 84,410                 | 1,348             | 102,859                  | 3            | 4,649         | —                           | 269,041          |
| Eliminated on disposals                  | (1,173)  | (6,886)                   | (10,024)  | (15,995)               | (1,012)           | (56,635)                 | —            | (7,501)       | —                           | (99,226)         |
| <b>At December 31, 2023</b>              | <b>95,498</b>                                    | <b>76,524</b>             | <b>231,209</b>                                    | <b>411,273</b>         | <b>7,931</b>      | <b>249,419</b>           | <b>7,107</b> | <b>6,333</b>  | <b>—</b>                    | <b>1,085,294</b> |
| <b>Carrying amounts</b>                  |  |                           |   |                        |                   |                          |              |               |                             |                  |
| <b>At December 31, 2023</b>              | <b>802,269</b>                                   | <b>67,035</b>             | <b>179,175</b>                                    | <b>433,884</b>         | <b>3,240</b>      | <b>157,730</b>           | <b>9</b>     | <b>74,035</b> | <b>593,160</b>              | <b>2,310,537</b> |
| At December 31, 2022                     | 502,233  | 58,888                    | 165,453   | 351,328                | 3,447             | 199,725                  | 2            | 60,775        | 744,020                     | 2,085,871        |

Note: Buildings with a carrying amount of US\$9,601,000 (2022: US\$11,371,000) are erected on leasehold land that is presented as ROU assets on the consolidated statement of financial position.

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

The above PP&E, other than freehold land and construction in progress, are depreciated on a straight-line basis, at the following rates per annum:

|  |  |
|--|--|
| Land and buildings                       | Over the Shorter of lease term or useful life of twenty to fifty years |
| Leasehold improvements                   | 2½% – 37½%   |
| Office equipment, furniture and fixtures | 10% – 33⅓%   |
| Plant and machinery                      | 5% – 33⅓%  |
| Motor vehicles                           | 10% – 33⅓%   |
| Moulds and tooling                       | 18% – 33⅓%   |
| Vessels                                  | 20% – 25%  |
| Aircraft                                 | 6%   |

The carrying amounts of properties shown above comprise:

|  | <b>2023</b>     | 2022     |
|--|-----------------|----------|
|  | <b>US\$'000</b> | US\$'000 |
| Properties situated outside Hong Kong are analyzed as follows: |                 |          |
| Freehold land  | <b>673,729</b>  | 431,519  |
| Land and buildings   | <b>70,593</b>   | 11,371   |
|  | <b>744,322</b>  | 442,890  |
| Land and buildings situated in Hong Kong                       | <b>57,947</b>   | 59,343   |
|  | <b>802,269</b>  | 502,233  |

The cost of the Group's PP&E includes amounts of US\$261,645,000 (2022: US\$233,661,000) in respect of fully depreciated PP&E that are still in use.

## 17. Right of Use Assets

|   | Land and<br>buildings<br>US\$'000 | Office<br>equipment,<br>furniture<br>and fixtures<br>US\$'000 | Plant and<br>machinery<br>US\$'000 | Motor<br>vehicles<br>US\$'000 | Aircraft<br>US\$'000 | Leasehold<br>land<br>US\$'000 | Total<br>US\$'000 |
|---|-----------------------------------|---|------------------------------------|-------------------------------|----------------------|-------------------------------|-------------------|
| <b>Cost</b>                                       |                                   |   |                                    |                               |                      |                               |                   |
| At January 1, 2022                                | 687,348                           | 13,058  | 8,940                              | 131,054                       | 12,582               | 38,873                        | 891,855           |
| Currency realignment                              | (16,937)                          | (33)  | (256)                              | (3,727)                       | —                    | (3,057)                       | (24,010)          |
| Additions   | 232,501                           | 9,457   | 534                                | 51,424                        | —                    | —                             | 293,916           |
| Acquisition of a subsidiary<br>(Note 43)          | 1,701                             | 11  | —                                  | —                             | —                    | —                             | 1,712             |
| Early termination/end of<br>leases                | (25,800)                          | (1,153)   | (224)                              | (11,025)                      | (12,582)             | —                             | (50,784)          |
| At December 31, 2022                              | 878,813                           | 21,340  | 8,994                              | 167,726                       | —                    | 35,816                        | 1,112,689         |
| Currency realignment                              | <b>4,587</b>                      | <b>2</b>  | <b>80</b>                          | <b>1,939</b>                  | —                    | <b>(1,010)</b>                | <b>5,598</b>      |
| Additions   | <b>269,484</b>                    | <b>1,039</b>  | <b>6,693</b>                       | <b>71,966</b>                 | —                    | —                             | <b>349,182</b>    |
| Acquisition of a subsidiary<br>(Note 43)          | <b>12,008</b>                     | —   | —                                  | —                             | —                    | —                             | <b>12,008</b>     |
| Early termination/end of<br>leases                | <b>(65,555)</b>                   | <b>(2,961)</b>  | <b>(859)</b>                       | <b>(32,111)</b>               | —                    | —                             | <b>(101,486)</b>  |
| <b>At December 31, 2023</b>                       | <b>1,099,337</b>                  | <b>19,420</b>   | <b>14,908</b>                      | <b>209,520</b>                | —                    | <b>34,806</b>                 | <b>1,377,991</b>  |
| <b>Depreciation</b>                               |                                   |   |                                    |                               |                      |                               |                   |
| At January 1, 2022                                | 247,090                           | 4,683   | 3,629                              | 61,444                        | 11,219               | 10,425                        | 338,490           |
| Currency realignment                              | (8,423)                           | (8)   | (128)                              | (2,216)                       | —                    | (835)                         | (11,610)          |
| Provided for the year                             | 100,733                           | 4,527   | 1,498                              | 31,306                        | 1,201                | 733                           | 139,998           |
| Elimination on early<br>termination/end of leases | (13,765)                          | (1,129)   | (224)                              | (9,940)                       | (12,420)             | —                             | (37,478)          |
| At December 31, 2022                              | 325,635                           | 8,073   | 4,775                              | 80,594                        | —                    | 10,323                        | 429,400           |
| Currency realignment                              | <b>2,384</b>                      | <b>1</b>  | <b>44</b>                          | <b>862</b>                    | —                    | <b>(291)</b>                  | <b>3,000</b>      |
| Provided for the year                             | <b>115,682</b>                    | <b>5,417</b>  | <b>2,132</b>                       | <b>42,250</b>                 | —                    | <b>697</b>                    | <b>166,178</b>    |
| Elimination on early<br>termination/end of leases | <b>(60,299)</b>                   | <b>(2,921)</b>  | <b>(416)</b>                       | <b>(22,960)</b>               | —                    | —                             | <b>(86,596)</b>   |
| <b>At December 31, 2023</b>                       | <b>383,402</b>                    | <b>10,570</b>   | <b>6,535</b>                       | <b>100,746</b>                | —                    | <b>10,729</b>                 | <b>511,982</b>    |
| <b>Carrying amounts</b>                           |                                   |   |                                    |                               |                      |                               |                   |
| <b>At December 31, 2023</b>                       | <b>715,935</b>                    | <b>8,850</b>  | <b>8,373</b>                       | <b>108,774</b>                | —                    | <b>24,077</b>                 | <b>866,009</b>    |
| At December 31, 2022                              | 553,178                           | 13,267  | 4,219                              | 87,132                        | —                    | 25,493                        | 683,289           |

**17. Right of Use Assets** (continued)

During the year ended December 31, 2022, the Group disposed certain PP&E (mainly Land and buildings) with carrying amount of approximately US\$67,595,000 at consideration of US\$78,572,000 to an independent third party. Subsequently, the Group entered into a lease agreement with the purchaser to leaseback the PP&E for 36 months. The transaction constituted a sales and leaseback transaction and the Group recognized ROU assets and lease liabilities of approximately US\$11,735,000 and US\$13,640,000 respectively.

|   | <b>2023</b>     | 2022     |
|---|-----------------|----------|
|   | <b>US\$'000</b> | US\$'000 |
| Expense relating to short-term leases   | <b>21,457</b>   | 27,549   |
| Expense relating to leases of low-value assets, excluding short-term leases of low-value assets | <b>22,409</b>   | 18,701   |
| Total cash outflow for leases   | <b>223,216</b>  | 194,641  |

For both years, the Group leased land and buildings, office equipment, furniture and fixtures, plant and machinery, motor vehicles, aircraft and leasehold land for its operations. Lease contracts are entered into for term of up to 50 years (2022: 50 years). Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

In addition, the Group owns office buildings. The Group is the registered owner of these property interests, including the underlying leasehold lands. Lump sum payments were made upfront to acquire these property interests. The leasehold land components of these owned properties are presented separately only if the payments made can be allocated reliably.

The Group regularly entered into short-term leases for property, plant and machinery, office equipment, furniture and fixtures and motor vehicles. As at December 31, 2023 and 2022, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense disclosed above.

**Leases Committed**

As at December 31, 2023, the Group entered into new leases for certain PP&E that have not yet commenced, with average non-cancellable period that ranges from 2 to 10 years (2022: 2 to 6 years) with extension options, the total future undiscounted cash flows under which amounts to US\$44,643,000 (2022: US\$12,212,000) over the non-cancellable period.

Details of the lease maturity analysis of the lease liabilities are set out in Note 34.

**18. Goodwill**

|  | <b>US\$'000</b> |
|--|-----------------|
| At January 1, 2022                               | 577,237         |
| Currency realignment                             | (3,668)         |
| Arising on acquisition of a subsidiary (Note 43) | 25,105          |
| At December 31, 2022                             | 598,674         |
| Currency realignment                             | <b>1,659</b>    |
| Arising on acquisition of a subsidiary (Note 43) | <b>3,964</b>    |
| <b>At December 31, 2023</b>                      | <b>604,297</b>  |

Particulars regarding impairment testing of goodwill are disclosed in Note 20.

## 19. Intangible Assets

|   | Deferred<br>development<br>costs<br>US\$'000 | Patents<br>US\$'000 | Trademarks<br>US\$'000 | Manufacturing<br>know-how<br>US\$'000 | Retailer<br>and<br>service<br>relationships<br>US\$'000 | Non<br>compete<br>agreement<br>US\$'000 | Total<br>US\$'000 |
|---|--|---------------------|------------------------|---------------------------------------|---|---|-------------------|
| <b>Cost</b>   |  |                     |                        |                                       |   |   |                   |
| At January 1, 2022                                  | 1,024,593                                    | 109,512             | 239,212                | 1,753                                 | 9,900   | 1,300                                   | 1,386,270         |
| Currency realignment                                | (78)   | (280)               | —                      | —                                     | —   | —                                       | (358)             |
| Additions   | 388,266                                      | 15,401              | 1,209                  | —                                     | —   | —                                       | 404,876           |
| Arising on acquisition of a<br>subsidiary (Note 43) | —  | 2,015               | —                      | —                                     | —   | —                                       | 2,015             |
| Written off in the year                             | (37,958)                                     | (309)               | —                      | —                                     | —   | —                                       | (38,267)          |
| At December 31, 2022                                | 1,374,823                                    | 126,339             | 240,421                | 1,753                                 | 9,900   | 1,300                                   | 1,754,536         |
| Currency realignment                                | <b>105</b>                                   | <b>161</b>          | —                      | —                                     | —   | —                                       | <b>266</b>        |
| Additions   | <b>357,108</b>                               | <b>15,297</b>       | <b>183</b>             | —                                     | —   | —                                       | <b>372,588</b>    |
| Written off in the year                             | <b>(54,808)</b>                              | <b>(454)</b>        | <b>(170)</b>           | —                                     | —   | —                                       | <b>(55,432)</b>   |
| <b>At December 31, 2023</b>                         | <b>1,677,228</b>                             | <b>141,343</b>      | <b>240,434</b>         | <b>1,753</b>                          | <b>9,900</b>  | <b>1,300</b>                            | <b>2,071,958</b>  |
| <b>Amortization</b>                                 |  |                     |                        |                                       |   |   |                   |
| At January 1, 2022                                  | 452,144                                      | 64,626              | 14,772                 | 876                                   | 2,767   | 1,300                                   | 536,485           |
| Currency realignment                                | (61)   | (68)                | —                      | —                                     | —   | —                                       | (129)             |
| Provided for the year                               | 112,065                                      | 6,468               | 37                     | 130                                   | 1,725   | —                                       | 120,425           |
| Eliminated on write-off                             | (26,258)                                     | —                   | —                      | —                                     | —   | —                                       | (26,258)          |
| At December 31, 2022                                | 537,890                                      | 71,026              | 14,809                 | 1,006                                 | 4,492   | 1,300                                   | 630,523           |
| Currency realignment                                | <b>99</b>                                    | <b>81</b>           | —                      | —                                     | —   | —                                       | <b>180</b>        |
| Provided for the year                               | <b>154,530</b>                               | <b>7,805</b>        | <b>88</b>              | <b>130</b>                            | <b>660</b>  | —                                       | <b>163,213</b>    |
| Eliminated on write-off                             | <b>(20,207)</b>                              | —                   | <b>(170)</b>           | —                                     | —   | —                                       | <b>(20,377)</b>   |
| <b>At December 31, 2023</b>                         | <b>672,312</b>                               | <b>78,912</b>       | <b>14,727</b>          | <b>1,136</b>                          | <b>5,152</b>  | <b>1,300</b>                            | <b>773,539</b>    |
| <b>Carrying amounts</b>                             |  |                     |                        |                                       |   |   |                   |
| <b>At December 31, 2023</b>                         | <b>1,004,916</b>                             | <b>62,431</b>       | <b>225,707</b>         | <b>617</b>                            | <b>4,748</b>  | —                                       | <b>1,298,419</b>  |
| At December 31, 2022                                | 836,933                                      | 55,313              | 225,612                | 747                                   | 5,408   | —                                       | 1,124,013         |

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

Included in trademarks of the Group, US\$224,440,000 (2022: US\$224,440,000) are trademarks considered by the management of the Group as having indefinite useful lives because they are expected to contribute to the Group's net cash inflows indefinitely. The trademarks will not be amortized until their useful lives are determined to be finite. Instead they will be tested for impairment annually and whenever there is an indication that they may be impaired. Particulars of the impairment testing are disclosed in Note 20.

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

## 19. Intangible Assets (continued)

The above intangible assets, other than trademarks with indefinite useful lives, are amortized on a straight-line basis, at the following rates per annum:

|                                     |   |
|-------------------------------------|---|
| Deferred development costs          | 14 <sup>1</sup> / <sub>3</sub> % – 33 <sup>1</sup> / <sub>3</sub> % |
| Patents                             | 10% – 25%   |
| Trademarks with finite useful lives | 6 <sup>2</sup> / <sub>3</sub> % – 10%                               |
| Manufacturing know-how              | 10%   |
| Retailer and service relationships  | 5% – 6 <sup>2</sup> / <sub>3</sub> %                                |
| Non compete agreement               | 6 <sup>2</sup> / <sub>3</sub> %                                     |

## 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 as the basis for preparing the operating segment information. For the purpose of impairment testing, goodwill and trademarks with indefinite useful lives set out in Notes 18 and 19, the majority of the amounts have been allocated to four major individual CGUs, including three units in the Power Equipment segment and one unit in the Floorcare & Cleaning segment. The carrying amounts of goodwill and trademarks as at December 31, 2023 allocated to these units are as follows:

|                                       | Goodwill         |                  | Trademarks       |                  |
|---------------------------------------|------------------|------------------|------------------|------------------|
|                                       | 2023<br>US\$'000 | 2022<br>US\$'000 | 2023<br>US\$'000 | 2022<br>US\$'000 |
| Power Equipment – MET                 | 467,881          | 466,705          | 126,607          | 126,607          |
| Power Equipment – TTI OPE             | 16,509           | 16,509           | 30,648           | 30,648           |
| Power Equipment – Drebo               | 21,523           | 21,040           | —                | —                |
| Floorcare & Cleaning – RAM/Hoover/VAX | 75,748           | 75,748           | 67,179           | 67,179           |
| Others                                | 22,636           | 18,672           | 6                | 6                |
|                                       | <b>604,297</b>   | 598,674          | <b>224,440</b>   | 224,440          |

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

### Power Equipment – MET (“MET”)

The recoverable amounts of MET’s goodwill and intangible assets have been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a 5-year period and a discount rate of 8.0% (2022: 7.5%) 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 of the new products launched, managing the working capital and the continuance of costs controlling strategy implemented by the Group. Cash flow projections beyond the 5-year period are extrapolated using a steady 3.0% (2022: 3.0%) growth rate. Management believes that any reasonably possible change in any of these assumptions would not cause the carrying amounts of MET’s goodwill and intangible assets to exceed the estimated recoverable amounts.

### Power Equipment – TTI OPE (“TTI OPE”)

The recoverable amounts of TTI OPE’s goodwill and intangible assets have been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a 5-year period, and a discount rate of 9.0% (2022: 9.0%) per annum.

Cash flow projections during the budget period for TTI OPE 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 TTI OPE’s past performance, management’s expectations of the market development, the success of the new products launched and the continuance of costs controlling strategy implemented. Cash flow projections beyond the 5-year period are extrapolated without considering any growth rate. Management believes that any reasonably possible change in any of these assumptions would not cause the carrying amounts of TTI OPE’s goodwill and intangible assets to exceed the estimated recoverable amounts.

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

### Power Equipment – Drebo (“Drebo”)

The recoverable amounts of Drebo’s goodwill have been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a 5-year period, and a discount rate of 10.0% (2022: 9.5%) per annum.

Cash flow projections during the budget period for Drebo are based on management’s estimation of cash inflows/outflows including sales, gross margin, operating expenses and working capital requirements. The assumptions and estimations are based on Drebo’s past performance, management’s expectations of the market development, the success of the new products launched and the continuance of costs controlling strategies implemented. Cash flow projections beyond the 5-year period are extrapolated using a 3.0% (2022: 3.0%) growth rate. Management believes that any reasonably possible change in any of these assumptions would not cause the carrying amounts of Drebo’s goodwill to exceed the estimated recoverable amount.

### Floorcare & Cleaning – RAM/Hoover/VAX (“RAM/Hoover/VAX”)

The recoverable amounts of RAM/Hoover/VAX’s goodwill and intangible assets have been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a 5-year period, and a discount rate of 13.0% (2022: 12.5%) per annum.

Cash flow projections during the budget period for RAM/Hoover/VAX are based on management’s estimation of cash inflows/outflows including sales, gross margin, operating expenses, capital expenditures and working capital requirements. The assumptions and estimations are based on RAM/Hoover/VAX’s past performance, management’s expectations of the market development, managing the working capital and the continuance of costs controlling strategies implemented. Cash flow projections beyond the 5-year period are extrapolated using a steady 2.0% (2022: 2.0%) growth rate. Management believes that any reasonably possible change in any of these assumptions would not cause the carrying amounts of RAM/Hoover/VAX’s goodwill and intangibles to exceed the estimated aggregate recoverable amounts.

## 21. Interest in an Associate

|                                    | 2023<br>US\$'000 | 2022<br>US\$'000 |
|------------------------------------|------------------|------------------|
| Cost of investment in an associate | 1,470            | 1,470            |
| Share of post-acquisition profits  | 586              | 559              |
| Share of net assets                | 2,056            | 2,029            |

Summarized financial information in respect of an associate, Wuerth Master Power Tools Limited (“Wuerth”), is set out below. The summarized financial information below represents amounts shown in Wuerth’s financial statements prepared in accordance with HKFRSs.

Wuerth is accounted for using equity method in the consolidated financial statements.

|                     | 2023<br>US\$'000 | 2022<br>US\$'000 |
|---------------------|------------------|------------------|
| Non-current assets  | 2,642            | 1,944            |
| Current assets      | 8,739            | 7,490            |
| Current liabilities | 7,186            | 5,293            |
| Net assets          | 4,195            | 4,141            |

|                     | 2023<br>US\$'000 | 2022<br>US\$'000 |
|---------------------|------------------|------------------|
| Profit for the year | 54               | 8                |

## 21. Interest in an Associate (continued)

Reconciliation of the above summarized financial information to the carrying amount of the interest in Wuerth recognized in the consolidated financial statements:

|  | 2023<br>US\$'000 | 2022<br>US\$'000 |
|--|------------------|------------------|
| Net assets                                   | 4,195            | 4,141            |
| Proportion of the Group's ownership interest | 49.0%            | 49.0%            |
| The Group's share of net assets              | 2,056            | 2,029            |
| Carrying amount of the Group's interest      | 2,056            | 2,029            |

Particulars of an associate as at December 31, 2023 and 2022 are set out in Note 52.

## 22. Financial Assets at FVTPL

|  | Notes | 2023<br>US\$'000 | 2022<br>US\$'000 |
|--|-------|------------------|------------------|
| Club membership debentures                 | (a)   | 4,887            | 4,899            |
| Unlisted equity securities                 | (b)   | 3,800            | 4,800            |
| Listed equity securities                   | (c)   | 26,114           | 13,466           |
| Other                                      |       | 45               | 45               |
|  |       | <b>34,846</b>    | 23,210           |
| <b>Analyzed for reporting purposes as:</b> |       |                  |                  |
| Current assets                             |       | 26,114           | 13,466           |
| Non-current assets                         |       | 8,732            | 9,744            |
|  |       | <b>34,846</b>    | 23,210           |

Notes:

- (a) As at December 31, 2023 and 2022, the club membership debentures measured at fair value with reference to recent transaction prices for similar comparables with similar characteristics.
- (b) As at December 31, 2023, the unlisted equity securities represented the interests in private companies incorporated in the United States of America ("US"). The fair value was arrived at with reference to the latest purchase price per share arising on subscribing for the shares in a private market.
- (c) The Group's listed equity securities were carried at fair value using the market bid prices on the reporting date.

## 23. Finance lease receivables

The finance lease receivables represent the sublease arrangement entered by the Group as a lessor for land and building during the year. The term of finance lease entered into is approximately four years. The interest rate inherent in the lease is fixed at the contract date over the lease term.

|  | Minimum lease payments |                  | Present value of minimum lease payments |                  |
|--|------------------------|------------------|---|------------------|
|  | 2023<br>US\$'000       | 2022<br>US\$'000 | 2023<br>US\$'000                        | 2022<br>US\$'000 |
| Finance lease receivables comprise:                |                        |                  |   |                  |
| Within one year                                    | 2,821                  | 2,746            | 2,706                                   | 2,589            |
| In the second year                                 | 2,899                  | 2,821            | 2,828                                   | 2,706            |
| In the third year                                  | 2,979                  | 2,899            | 2,953                                   | 2,828            |
| In the fourth year                                 | —                      | 2,979            | —                                       | 2,953            |
|  | 8,699                  | 11,445           | 8,487                                   | 11,076           |
| Less: Unearned finance income                      | (212)                  | (369)            | N/A                                     | N/A              |
| Present value of minimum lease payment receivables | 8,487                  | 11,076           | 8,487                                   | 11,076           |
| Analyzed as:                                       |                        |                  |   |                  |
| Current  |                        |                  | 2,706                                   | 2,589            |
| Non-current  |                        |                  | 5,781                                   | 8,487            |
|  |                        |                  | 8,487                                   | 11,076           |

Interest rate implicit in the above finance lease was 1.60% (2022:1.60%).

The Group is not exposed to foreign currency risk as a result of the lease arrangement, as the finance lease is denominated in the respective functional currency of the group entity.

Details of impairment assessment are set out in Note 37.2.4.

## 24. Inventories

|                  | 2023<br>US\$'000 | 2022<br>US\$'000 |
|------------------|------------------|------------------|
| Raw materials    | 837,642          | 870,652          |
| Work in progress | 97,318           | 102,190          |
| Finished goods   | 3,163,201        | 4,112,109        |
|                  | 4,098,161        | 5,084,951        |

## 25. Right to Returned Goods Asset/Refund Liabilities from Right of Return

The right to returned goods asset represents the Group's right to recover products from customers where customers exercise their right of return under the Group's various returns policies.

The refund liabilities relate to customers' right to return products within certain days of purchase. At the point of sale, a refund liability and a corresponding adjustment to revenue is recognized for the sold products expected to be returned.

The Group uses its accumulated historical experience to estimate the dollar value of returns on a portfolio level based on the expected return level.

## 26. Trade and Other Receivables

|                                    | 2023<br>US\$'000 | 2022<br>US\$'000 |
|------------------------------------|------------------|------------------|
| Trade receivables                  | 1,757,327        | 1,559,646        |
| Less: Allowances for credit losses | (57,848)         | (58,387)         |
|                                    | <b>1,699,479</b> | 1,501,259        |
| Other receivables                  | 112,113          | 138,304          |
|                                    | <b>1,811,592</b> | 1,639,563        |

As at January 1, 2022, all trade receivables amounted US\$1,900,147,000 are derived from contracts with customers.

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

|                         | 2023<br>US\$'000 | 2022<br>US\$'000 |
|-------------------------|------------------|------------------|
| 0 to 60 days            | 1,291,677        | 1,090,446        |
| 61 to 120 days          | 335,205          | 328,173          |
| 121 days or above       | 72,597           | 82,640           |
| Total trade receivables | <b>1,699,479</b> | 1,501,259        |

Before accepting any new customer, the Group uses an internal credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed regularly. Trade receivables that are neither past due nor impaired have the best credit scoring attributable under the internal credit scoring system used by the Group.

As at December 31, 2023, included in the Group's trade receivables balance are debtors with aggregate carrying amount of US\$317,836,000 (2022: US\$315,617,000) which are past due as at the reporting date. The past due over 90 days balances that are presumed in default in accordance with the Group's accounting policy of US\$26,022,000 (2022: US\$29,486,000) are not considered as in default as they are due from a number of independent customers that have a good payment track record with the Group.

The Group had a policy of allowing credit periods ranging mainly from 30 days to 120 days.

In accordance with receivables purchase agreements, certain trade receivables have been factored to banks (the "Factored Trade Receivables"). As the Group still retained the credit risks with respect to default payments, the Group has continued to recognize the Factored Trade Receivables in the consolidated statement of financial position. At the end of the reporting period, proceeds from the Factored Trade Receivables of US\$19,500,000 (2022: US\$54,426,000) were recognized as liabilities and included in "Unsecured borrowings – due within one year" in the consolidated statement of financial position.

## 27. Bills Receivable

All the Group's bills receivable at December 31, 2023 and 2022 are aged within 120 days based on invoice date.

## 28. Trade Receivables from an Associate

The trade receivables from an associate are aged within 120 days based on invoice date and are unsecured, non-interest bearing and are repayable on demand.

## 29. Derivative Financial Instruments

|   | 2023<br>US\$'000 | 2022<br>US\$'000 |
|---|------------------|------------------|
| <b>Assets</b>   |                  |                  |
| Acquisition right of certain property, plant and equipment      | 8,084            | 8,002            |
| Foreign currency forward contracts – under hedge accounting     | 8,461            | 49,146           |
| Foreign currency forward contracts – not under hedge accounting | 652              | 10,564           |
| Cross-currency interest rate swaps – under hedge accounting     | 5,342            | 17,064           |
|   | <b>22,539</b>    | <b>84,776</b>    |
| <b>Liabilities</b>  |                  |                  |
| Foreign currency forward contracts – under hedge accounting     | 14,815           | 50,474           |
| Foreign currency forward contracts – not under hedge accounting | 1,247            | —                |
|   | <b>16,062</b>    | <b>50,474</b>    |

### Acquisition Right of Certain PP&E

As at December 31, 2023 and 2022, the Group owned a right to acquire certain PP&E which was acquired as part of the acquisition of the Oreck business from the Oreck Bankruptcy Estate. The right is expected to be exercised in 2032. The fair value of the PP&E was US\$8,084,000 valued on September 30, 2023 (2022: US\$8,002,000 valued on September 30, 2022) by Kroll, 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.

**29. Derivative Financial Instruments** (continued)

## Foreign Currency Forward Contracts under Hedge Accounting (continued)

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

**2023**

| Notional amounts in millions ("M") | Maturity                              |
|------------------------------------|---------------------------------------|
| Sell AUD 411.0M, Buy US\$          | January 30, 2024 to December 30, 2024 |
| Sell EUR 645.0M, Buy US\$          | January 26, 2024 to December 27, 2024 |
| Sell US\$ 266.9M, Buy RMB          | January 26, 2024 to December 27, 2024 |
| Sell US\$ 485.5M, Buy EUR          | January 11, 2024 to July 3, 2025      |
| Sell GBP 30.9M, Buy EUR            | January 11, 2024 to June 13, 2024     |
| Sell GBP 57.1M, Buy US\$           | January 5, 2024 to December 5, 2024   |
| Sell CHF 3.8M, Buy EUR             | January 11, 2024 to December 12, 2024 |
| Sell PLN 159.0M, Buy EUR           | January 11, 2024 to December 12, 2024 |
| Sell CAD 475.4M, Buy US\$          | January 31, 2024 to June 28, 2024     |
| Sell MXN 284.7M, Buy US\$          | January 31, 2024 to June 28, 2024     |

## 2022

| Notional amounts in M     | Maturity                              |
|---------------------------|---------------------------------------|
| Sell AUD 575.5M, Buy US\$ | January 30, 2023 to December 28, 2023 |
| Sell EUR 545.0M, Buy US\$ | January 26, 2023 to December 28, 2023 |
| Sell US\$ 44.9M, Buy HK\$ | January 5, 2023 to February 16, 2023  |
| Sell US\$ 877.6M, Buy RMB | January 30, 2023 to December 29, 2023 |
| Sell US\$ 103.8M, Buy EUR | January 5, 2023 to December 21, 2023  |
| Sell GBP 59.1M, Buy US\$  | January 6, 2023 to December 22, 2023  |
| Sell GBP 70.5M, Buy EUR   | January 12, 2023 to December 18, 2023 |
| Sell CHF 7.0M, Buy EUR    | January 12, 2023 to December 14, 2023 |
| Sell NOK 68.0M, Buy EUR   | January 12, 2023 to March 9, 2023     |

For the foreign currency forward contracts held at December 31, 2023, a fair value loss of US\$6,221,000 (December 31, 2022: fair value loss of US\$171,465,000) has been recognized in other comprehensive income and accumulated in hedging reserve and is expected to be reclassified to profit or loss upon maturity.

During the year, a fair value loss of US\$1,265,000 (2022: fair value gain of US\$84,333,000) was reclassified from reserves to profit or loss upon maturity.

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

**2023**

| Notional amounts in M    | Maturity                              |
|--------------------------|---------------------------------------|
| Buy EUR 2.4M, Sell AUD   | January 19, 2024 to December 20, 2024 |
| Buy US\$ 25.8M, Sell AUD | January 17, 2024 to December 20, 2024 |
| Buy US\$ 49.0M, Sell NZD | January 17, 2024 to December 20, 2024 |

## 2022

| Notional amounts in M     | Maturity                              |
|---------------------------|---------------------------------------|
| Buy EUR 3.0M, Sell AUD    | January 23, 2023 to December 21, 2023 |
| Buy US\$ 70.4M, Sell AUD  | January 20, 2023 to December 22, 2023 |
| Buy US\$ 62.2M, Sell NZD  | January 24, 2023 to December 22, 2023 |
| Buy US\$ 244.8M, Sell CAD | January 31, 2023 to June 30, 2023     |

## 29. Derivative Financial Instruments (continued)

### Cross-currency Interest Rate Swaps

The Group uses cross-currency interest rate swaps designated as effective hedging instrument to minimize its exposures to interest rate risk on US\$ and HK\$ floating borrowings and foreign currency risk on the intercompany advances which affects the consolidated profit or loss.

The cross-currency interest rate swaps with total notional amount of US\$144,180,000 (2022: US\$210,300,000) have fixed currency payments in EUR at exchange rate of EUR to US\$ at 1.102 and 1.077 (2022: at 1.102 and 1.077) and fixed interest payments monthly in EUR at 0.305% and 0.520% per annum (2022: 0.305% and 0.520% per annum) for periods up until October 2024, April 2024, April 2025 (2022: October 2023, October 2024, April 2024 and April 2025).

The Group also has HK\$750,000,000 fixed currency payments in HK\$ at exchange rate of EUR to HK\$ at 8.5190 and fixed interest payments monthly in EUR at 4.068% per annum for periods up until July 2025.

The floating rate index and the currency exposure of the cross-currency interest rate swaps match with the floating rate US\$ and HK\$ bank borrowings and the currency exposure of the intercompany advances respectively.

During the year, a fair value loss of US\$11,722,000 (December 31, 2022: fair value gain of US\$23,461,000) has been recognized in other comprehensive income and accumulated in hedging reserve and is expected to be reclassified to profit or loss.

The fair value of the cross-currency interest rate swaps is determined by using the discounted cash flow method based on Secured Overnight Financing Rate ("SOFR") yield curves, Hong Kong Interbank Offered Rate ("HIBOR") yield curves and the forward exchange rates between US\$ and EUR & HK\$ and EUR estimated at the end of the reporting period.

Major terms of the cross-currency interest rate swaps were as follows:

#### 2023

| Notional amounts | Maturity        | Receive floating | Pay fixed |
|------------------|-----------------|------------------|-----------|
| US\$99,180,000   | October 9, 2024 | SOFR +0.96448%   | 0.305%    |
| US\$18,000,000   | April 23, 2024  | SOFR +0.96448%   | 0.520%    |
| US\$27,000,000   | April 23, 2025  | SOFR +0.96448%   | 0.520%    |
| HK\$750,000,000  | July 3, 2025    | HIBOR +0.68%     | 4.068%    |

#### 2022

| Notional amounts | Maturity         | Receive floating* | Pay fixed |
|------------------|------------------|-------------------|-----------|
| US\$66,120,000   | October 16, 2023 | LIBOR +0.85%      | 0.305%    |
| US\$99,180,000   | October 9, 2024  | LIBOR +0.85%      | 0.305%    |
| US\$18,000,000   | April 23, 2024   | LIBOR +0.85%      | 0.520%    |
| US\$27,000,000   | April 23, 2025   | LIBOR +0.85%      | 0.520%    |

\* The receive floating would be changed from "London Interbank Offered Rate ("LIBOR") + 0.85%" to "SOFR + Credit Adjustment Spread + 0.85%" on rate switch date June 30, 2023.

## 30. Bank Balances, Deposits and Cash

Bank balances carry interest at market rates which ranged from 0.05% to 6.18% (2022: 0.001% to 6.00%) per annum.

### 31. Trade and Other Payables

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

|                                       | 2023<br>US\$'000 | 2022<br>US\$'000 |
|---------------------------------------|------------------|------------------|
| 0 to 60 days                          | 1,017,375        | 1,306,486        |
| 61 to 120 days                        | 495,930          | 533,961          |
| 121 days or above                     | 142,062          | 232,838          |
| Total trade payables                  | 1,655,367        | 2,073,285        |
| Other payables                        | 1,749,394        | 1,764,488        |
| Total trade and other payables        | 3,404,761        | 3,837,773        |
| Non-current portion of other payables | (31,530)         | (60,346)         |
|                                       | <b>3,373,231</b> | 3,777,427        |

The credit period on the purchase of goods ranges from 30 days to 120 days (2022: 30 days to 120 days). The Group has financial risk management policies in place to ensure that all payables are settled within the credit time frame.

The other payables mainly represents accruals of various selling, general and administrative expenses of US\$1,621,560,000 (2022: US\$1,554,656,000). The non-current other payables mainly represents accruals of long-term incentive benefits offered to certain management executives of the Group.

### 32. Bills Payable

All the Group's bills payable at December 31, 2023 and 2022 are aged within 120 days based on invoice date.

### 33. Warranty Provision

|                             | US\$'000       |
|-----------------------------|----------------|
| At January 1, 2022          | 182,765        |
| Currency realignment        | (3,610)        |
| Provision in the year       | 157,724        |
| Utilization of provision    | (131,529)      |
| At December 31, 2022        | 205,350        |
| Currency realignment        | 1,213          |
| Provision in the year       | 159,173        |
| Utilization of provision    | (130,139)      |
| <b>At December 31, 2023</b> | <b>235,597</b> |

The warranty provision represents management's best estimate of the Group's service commitments arising from products sold, based on past claims and industry averages for defective products. It is expected that the majority of this expenditure will be utilized in the next financial year.

### 34. Lease Liabilities

|  | 2023<br>US\$'000 | 2022<br>US\$'000 |
|--|------------------|------------------|
| Amounts payable under lease liabilities:   |                  |                  |
| Within one year  | 153,523          | 139,520          |
| In more than one year but not more than two years                                | 138,297          | 110,402          |
| In more than two years but not more than five years                              | 262,697          | 224,702          |
| More than five years   | 333,375          | 230,457          |
|  | <b>887,892</b>   | 705,081          |
| Less: Amount due for settlement within 12 months shown under current liabilities | <b>(153,523)</b> | (139,520)        |
| Amount due for settlement after 12 months shown under non-current liabilities    | <b>734,369</b>   | 565,561          |

The weighted average incremental borrowing rates applied to lease liabilities ranged from 1.10% to 4.90% (2022: from 1.10% to 2.80%).

Lease obligations that are denominated in major currencies other than the functional currencies of the relevant group entities are set out below:

|                                | EUR<br>US\$'000 | AUD<br>US\$'000 | VND<br>US\$'000 | GBP<br>US\$'000 |
|--------------------------------|-----------------|-----------------|-----------------|-----------------|
| <b>As at December 31, 2023</b> | <b>78,840</b>   | <b>73,908</b>   | <b>34,194</b>   | <b>27,227</b>   |
| As at December 31, 2022        | 35,387          | 18,811          | 49,654          | 22,340          |

### 35. Discounted Bills with Recourse

Bills discounted with banks at an effective interest rate of 5.14% per annum (2022: 2.01% per annum) have maturity profiles of less than 120 days.

## 36. Capital Risk Management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximizing the return to shareholders through the optimization of the debt and equity balances. The Group's overall strategy remains unchanged from prior years.

The capital structure of the Group consists of net debt which includes unsecured borrowings and discounted bills with recourse, net of cash and cash equivalents and equity attributable to Owners of the Company, comprising issued share capital, reserves and retained profits.

### Gearing Ratio

The Group's management reviews the capital structure on a semi-annual basis. As part of this review, the management considers the cost of capital and the risks associated with each class of capital. The Group has a target gearing ratio of not exceeding 35% determined as the proportion of net debt to equity. The Group will continue to execute very disciplined control and management of its working capital and generate free cash inflows through the growth of the business.

The gearing ratio at the year end was as follows:

|                                  | <b>2023</b>        | 2022        |
|----------------------------------|--------------------|-------------|
|                                  | <b>US\$'000</b>    | US\$'000    |
| Bank balances, deposits and cash | <b>953,240</b>     | 1,428,930   |
| Debt <sup>(i)</sup>              | <b>(1,934,330)</b> | (3,098,526) |
| Net debt                         | <b>(981,090)</b>   | (1,669,596) |
| Equity <sup>(ii)</sup>           | <b>5,747,550</b>   | 5,205,481   |
| Net debt to equity ratio         | <b>17.07%</b>      | 32.07%      |

(i) Debt comprises discounted bills with recourse and unsecured borrowings but excludes bank advances from Factored Trade Receivables as detailed in Notes 35, 38 and 26 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.

## 37. Financial Instruments

### 37.1 Categories of Financial Instruments

|   | 2023<br>US\$'000 | 2022<br>US\$'000 |
|---|------------------|------------------|
| <b>Financial assets</b>   |                  |                  |
| <i>FVTPL</i>  |                  |                  |
| Financial assets at FVTPL                                       | <b>34,846</b>    | 23,210           |
|   | <b>34,846</b>    | 23,210           |
| <i>Derivative financial instruments</i>                         |                  |                  |
| Acquisition right of certain property, plant and equipment      | <b>8,084</b>     | 8,002            |
| Foreign currency forward contracts – under hedge accounting     | <b>8,461</b>     | 49,146           |
| Foreign currency forward contracts – not under hedge accounting | <b>652</b>       | 10,564           |
| Cross-currency interest rate swaps – under hedge accounting     | <b>5,342</b>     | 17,064           |
|   | <b>22,539</b>    | 84,776           |
| <i>Financial assets at amortized cost</i>                       |                  |                  |
| Trade and other receivables                                     | <b>1,811,592</b> | 1,639,563        |
| Bills receivable  | <b>8,423</b>     | 6,887            |
| Trade receivables from an associate                             | <b>6,927</b>     | 5,026            |
| Bank balances, deposits and cash                                | <b>953,240</b>   | 1,428,930        |
|   | <b>2,780,182</b> | 3,080,406        |
| <b>Financial liabilities</b>                                    |                  |                  |
| <i>Derivative financial instruments</i>                         |                  |                  |
| Foreign currency forward contracts – under hedge accounting     | <b>14,815</b>    | 50,474           |
| Foreign currency forward contracts – not under hedge accounting | <b>1,247</b>     | —                |
|   | <b>16,062</b>    | 50,474           |
| <i>Financial liabilities at amortized cost</i>                  |                  |                  |
| Trade and other payables  | <b>3,404,761</b> | 3,837,773        |
| Bills payable   | <b>18,424</b>    | 20,267           |
| Discounted bills with recourse                                  | <b>2,708</b>     | 2,003            |
| Unsecured borrowings  | <b>1,951,122</b> | 3,150,949        |
|   | <b>5,377,015</b> | 7,010,992        |

## 37. Financial Instruments (continued)

### 37.2 Financial Risk Management Objectives and Policies

The Group's corporate treasury function provides risk management advice to the business units, co-ordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyze exposures by degree and magnitude of risks. These financial risks include market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

The Group seeks to minimize the effects of these risks by using derivative financial instruments or natural hedges to mitigate these risk exposures. The use of financial derivatives is governed by the Group's policies approved by the board of directors, which provide written principles on foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. Compliance with policies is reviewed internally on a continuous basis. The Group does not enter into or trade derivative financial instruments for speculative purposes.

#### 37.2.1 FOREIGN CURRENCY RISK MANAGEMENT

Subsidiaries of the Group have foreign currency sales and purchases, which exposes the Group to foreign currency risk. Approximately 21.8% (2022: 21.2%) of the Group's sales are denominated in currencies other than the functional currency of the group entity making the sale, whilst 16.4% (2022: 12.7%) 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           |                  |
|------------------|------------------|------------------|------------------|------------------|
|                  | 2023<br>US\$'000 | 2022<br>US\$'000 | 2023<br>US\$'000 | 2022<br>US\$'000 |
| Foreign Currency |                  |                  |                  |                  |
| EUR              | <b>510,754</b>   | 303,238          | <b>566,186</b>   | 340,216          |
| US\$             | <b>7,010,431</b> | 5,400,972        | <b>1,839,858</b> | 1,884,521        |

Note: For group entities with their functional currency as the US\$, monetary assets and monetary liabilities denominated in HK\$ have no material foreign currency risk exposure as the HK\$ is pegged with the US\$.

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 amounting to US\$248,517,000 (2022: US\$519,161,000). It is the Group's policy to negotiate the terms of the hedge derivatives to match the terms of the hedged item to maximize hedge effectiveness (see Note 29 for details).

The Group also uses cross-currency interest rate swaps to reduce currency exposure to hedge against the debts which are effective to convert the foreign currency debts to the functional currency of the relevant group entity. The critical terms of these currency swaps are similar to those of hedged borrowings.

**37. Financial Instruments** (continued)

## 37.2 Financial Risk Management Objectives and Policies (continued)

## 37.2.1 FOREIGN CURRENCY RISK MANAGEMENT (continued)

**Sensitivity Analysis**

The following table details the Group's sensitivity to a 5% (2022: 5%) increase and decrease in the functional currency against foreign currency. 5% (2022: 5%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in the foreign exchange rate. The sensitivity analysis includes outstanding foreign currency denominated monetary items and excludes the effect of cross-currency interest rate swaps held at the reporting date. A positive number below indicates an increase in profit for the year where functional currency weakens 5% (2022: 5%) against foreign currency. For a 5% (2022: 5%) strengthening of functional currency against the foreign currency, there would be an equal and opposite impact on the profit for the year and the amounts below would be negative.

|                                    | Impact of US\$   |           | Impact of EUR |          |
|------------------------------------|------------------|-----------|---------------|----------|
|                                    | 2023             | 2022      | 2023          | 2022     |
|                                    | US\$'000         | US\$'000  | US\$'000      | US\$'000 |
| Profit for the year <sup>(i)</sup> | <b>(239,113)</b> | (163,703) | <b>2,563</b>  | 1,721    |

(i) This is mainly attributable to the net exposure on receivables, payables and unsecured borrowings denominated in US\$ & EUR as foreign currency at the reporting date.

## 37.2.2 INTEREST RATE RISK MANAGEMENT

The Group's exposure to interest rates on financial assets and liabilities is detailed in the liquidity risk management section of this note. The Group is exposed to cash flow interest rate risk in relation to variable-rate borrowings (see Note 38 for details of these borrowings) and bank balances and deposits. The Group's cash flow interest rate risk is mainly concentrated on SOFR and EURO Interbank Offered Rate ("EURIBOR") arising from the Group's US\$ and EUR denominated borrowings. In relation to interest bearing bank balances and deposits, the Group considers the interest rate risk to be low. The management continuously monitors interest rate fluctuations and will consider further hedging the interest rate risk should the need arise.

The Group is also exposed to fair value interest rate risk in relation to fixed-rate unsecured borrowings (see Note 38 for details of these borrowings), discounted bills with recourse, finance lease receivables and lease liabilities.

During the year, the Group obtained new unsecured borrowings of US\$5,597 million (2022: US\$4,839 million) which are either at a fixed rate, SOFR, HIBOR, Shanghai Interbank Offered Rate ("SHIBOR") or EURIBOR based. The proceeds were used for refinancing the Group's borrowings.

## 37. Financial Instruments (continued)

### 37.2 Financial Risk Management Objectives and Policies (continued)

#### 37.2.2 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 at the end of the reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period was outstanding for the whole year without considering the cross-currency interest rate swaps entered at the end of the reporting period. A 50 basis points (2022: 50 basis points) increase or decrease in SOFR and EURIBOR 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 (2022: 50 basis points) higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended December 31, 2023 would decrease/increase by US\$4,750,000 (2022: decrease/increase by US\$10,004,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate borrowings.

The Group's sensitivity to interest rates has decreased during the current period mainly due to the decrease in variable-rate debt instruments.

#### 37.2.3 OTHER PRICE RISK

The Group is exposed to price risk mainly through its listed equity securities.

##### Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to equity price risks of listed equity securities measured at fair value at the reporting date.

If the prices of the listed equity securities had been 10% higher, the profit before tax for the year ended December 31, 2023 of the Group would have increased by US\$2,611,000 (2022: increase by US\$1,347,000) as a result of the changes in the fair values of the listed equity securities.

#### 37.2.4 CREDIT RISK MANAGEMENT AND IMPAIRMENT ASSESSMENT

As at December 31, 2023, the Group's maximum exposure to credit risk which will cause a financial loss to the Group amounted to US\$2,788,669,000 (2022: US\$3,091,482,000). The Group's credit risk exposures are primarily attributable to trade and other receivables, bills receivables, trade receivables from an associate, finance lease receivables and bank balances and deposits. The Group does not hold any collateral or other credit enhancements to cover its credit risk associated with its financial assets.

##### Trade receivables arising from contracts with customers

In order to minimize the credit risk, the management of the Group has delegated a team responsible for determination of credit limits and credit approvals. Before accepting any new customer, the Group uses an internal credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed twice a year. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. In addition, the Group performs impairment assessment using an ECL model on trade receivables collectively which are grouped based on shared credit risk characteristics by reference to the Group's internal credit ratings. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group has concentration of credit risk as 27.0% (2022: 31.6%) and 41.7% (2022: 49.1%) of the total trade receivables were due from the Group's largest customer and the five largest customers respectively. In order to minimize the credit risk, the management of Group has delegated a team responsible for determination of credit limits and credit approvals.

**37. Financial Instruments** (continued)

## 37.2 Financial Risk Management Objectives and Policies (continued)

## 37.2.4 CREDIT RISK MANAGEMENT AND IMPAIRMENT ASSESSMENT (continued)

**Bank balances and deposits**

The credit risks on bank balances and deposits are limited because the counterparties are banks/financial institutions with high credit ratings assigned by international credit-rating agencies.

The Group's internal credit risk grading assessment comprises the following categories:

| Internal credit rating | Description  | Trade receivables                  | Other financial assets/<br>Other items |
|------------------------|--|------------------------------------|--|
| Minimal risk           | The counterparty has minimal risk of default and does not have any past-due amounts.   | Lifetime ECL – not credit-impaired | 12m ECL                                |
| Low risk               | The counterparty has a low risk of default and occasionally repays after due dates.  | Lifetime ECL – not credit-impaired | 12m ECL                                |
| Medium risk            | The counterparty has a medium risk of default and occasionally repays after due dates.   | Lifetime ECL – not credit-impaired | 12m ECL                                |
| High risk              | There have been significant increases in credit risk since initial recognition through information developed internally or external resources. | Lifetime ECL – not credit-impaired | Lifetime ECL – not credit-impaired     |
| Loss                   | There is evidence indicating the asset is credit-impaired.   | Lifetime ECL – credit-impaired     | Lifetime ECL – credit-impaired         |
| Write-off              | There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery.            | Amount is written off              | Amount is written off                  |

The tables below detail the credit risk exposure of the Group's financial assets, which are subject to ECL assessment:

|                                     | Notes | Internal credit rating | 12m or lifetime ECL                | 2023                   |                                | 2022                   |                                |
|-------------------------------------|-------|------------------------|------------------------------------|------------------------|--------------------------------|------------------------|--------------------------------|
|                                     |       |                        |                                    | External credit rating | Gross carrying amount US\$'000 | External credit rating | Gross carrying amount US\$'000 |
| Trade receivables                   | 26    | (Note 1)               | Lifetime ECL (not credit-impaired) | <b>N/A</b>             | <b>1,757,327</b>               | N/A                    | 1,559,646                      |
| Other receivables                   | 26    | (Note 2)               | 12m ECL                            | <b>N/A</b>             | <b>112,113</b>                 | N/A                    | 138,304                        |
| Bills receivable                    | 27    | N/A                    | 12m ECL                            | <b>A To AA-</b>        | <b>8,423</b>                   | A To AA-               | 6,887                          |
| Trade receivables from an associate | 28    | (Note 2)               | 12m ECL                            | <b>N/A</b>             | <b>6,927</b>                   | N/A                    | 5,026                          |
| Finance lease receivables           | 23    | (Note 2)               | 12m ECL                            | <b>N/A</b>             | <b>8,487</b>                   | N/A                    | 11,076                         |
| Bank balances and deposits          | 30    | N/A                    | 12m ECL                            | <b>A To AA-</b>        | <b>953,240</b>                 | A To A+                | 1,428,930                      |

Notes:

- For trade receivables, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the ECL on these items by using a collective assessment grouped by internal credit rating.
- Trade receivables from an associate and other receivables amounted to US\$6,927,000 and US\$112,113,000 (2022: US\$5,026,000 and US\$138,304,000) respectively have no fixed repayment terms. The Group has assessed these balances on a 12m ECL basis as there has been no significant increase in the credit risk since initial recognition.

**37. Financial Instruments** (continued)

## 37.2 Financial Risk Management Objectives and Policies (continued)

## 37.2.4 CREDIT RISK MANAGEMENT AND IMPAIRMENT ASSESSMENT (continued)

As part of the Group's credit risk management, the Group applies internal credit rating for its customers in relation to its operations. The following table provides information about the exposure to credit risk and ECL for trade receivables which are assessed collectively as at December 31, 2023.

|                        | 2023              |                                   |  | 2022              |                                   |  |
|------------------------|-------------------|-----------------------------------|--|-------------------|-----------------------------------|--|
|                        | Average loss rate | Gross carrying amount<br>US\$'000 | Allowances for credit losses<br>US\$'000 | Average loss rate | Gross carrying amount<br>US\$'000 | Allowances for credit losses<br>US\$'000 |
| Internal credit rating |                   |                                   |  |                   |                                   |  |
| Minimal risk           | Less than 1%      | 319,352                           | —  | Less than 1%      | 346,104                           | —  |
| Low risk               | 1-5%              | 1,380,461                         | 35,202                                   | 1-5%              | 1,164,637                         | 34,766                                   |
| Medium risk            | 6-20%             | 32,308                            | 2,919                                    | 6-20%             | 22,582                            | 2,525                                    |
| High risk              | Over 20%          | 25,206                            | 19,727                                   | Over 20%          | 26,323                            | 21,096                                   |
|                        |                   | <b>1,757,327</b>                  | <b>57,848</b>                            |                   | 1,559,646                         | 58,387                                   |

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and forward-looking information that is available without undue cost or effort. The grouping is regularly reviewed by management to ensure relevant information about specific debtors is updated.

As at December 31, 2023, the Group provided US\$57,848,000 (2022: US\$58,387,000) for credit losses allowances for trade receivables.

The Group writes off trade receivables when there is information indicating that the debtors are in severe financial difficulties and there is no realistic prospect of recovery.

The following table shows the movement in the lifetime ECL that has been recognized for trade receivables under the simplified approach.

|   | Lifetime ECL<br>(not credit-impaired)<br>US\$'000 |
|---|---|
| As at January 1, 2022   | 75,913  |
| Currency realignment  | (511)   |
| Impairment losses reversed upon settlement in full of trade debtors with a gross carrying amount of US\$1,566,204,000 | (70,655)  |
| Impairment losses recognized on new trade receivables with a gross carrying amount of US\$1,213,542,000               | 58,387  |
| Write-offs  | (4,747)   |
| As at December 31, 2022   | 58,387  |
| Currency realignment  | <b>666</b>  |
| Impairment losses reversed upon settlement in full of trade debtors with a gross carrying amount of US\$1,202,599,000 | <b>(48,110)</b>                                   |
| Impairment losses recognized on new trade receivables with a gross carrying amount of US\$1,437,975,000               | <b>57,848</b>                                     |
| Write-offs  | <b>(10,943)</b>                                   |
| <b>As at December 31, 2023</b>  | <b>57,848</b>                                     |

## 37. Financial Instruments (continued)

### 37.2 Financial Risk Management Objectives and Policies (continued)

#### 37.2.5 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, 2023, the Group has available unutilized overdrafts facilities and short and medium term bank loan facilities of approximately US\$307 million (2022: US\$306 million) and US\$5,468 million (2022: US\$3,570 million) respectively.

#### Liquidity Tables

The following tables detail the Group's remaining contractual maturity for its financial liabilities and derivative instruments. The tables have been drawn up based on the undiscounted cash flow of financial liabilities based on the earliest date on which the Group can be required to pay. The maturity dates for non-derivative financial liabilities are based on agreed repayment dates. The table includes both interest and principal cash flows. To the extent that the interest flows are floating rate, the undiscounted amount is derived from the interest rate curve at the end of the reporting period.

In addition, the following table details the Group's liquidity analysis for its derivative financial instruments. The tables have been drawn up based on the undiscounted contractual net cash inflows and (outflows) on derivative instruments that settle on a net basis, and the undiscounted gross inflows and (outflows) on those derivatives that require gross settlement. When the amount payable is not fixed, the amount disclosed has been determined by reference to the foreign currency exchange rates prevailing at the end of the reporting period. The liquidity analysis for the Group's derivative financial instruments are prepared based on the contractual maturities/settlement as the management considers that the contractual maturities are essential for an understanding of the timing of the cash flows of derivatives.

**37. Financial Instruments** (continued)

## 37.2 Financial Risk Management Objectives and Policies (continued)

## 37.2.5 LIQUIDITY RISK MANAGEMENT (continued)

## Liquidity Tables (continued)

|   | Weighted<br>average<br>effective<br>interest rate<br>% | Less than<br>1 month/<br>on demand<br>US\$'000 | 1-3<br>months<br>US\$'000 | 4 months-<br>1 year<br>US\$'000 | 1-2 years<br>US\$'000 | 2+ years<br>US\$'000 | Total<br>undiscounted<br>cash flows<br>US\$'000 | Total carrying<br>amount at<br>December 31,<br>2023<br>US\$'000 |
|---|--|--|---------------------------|---------------------------------|-----------------------|----------------------|---|---|
| <b>2023</b>   |  |  |                           |                                 |                       |                      |   |   |
| <b>Non-derivative financial liabilities</b>                   |  |  |                           |                                 |                       |                      |   |   |
| Trade and other payables                                      | —  | (2,239,051)                                    | (841,826)                 | (292,354)                       | (27,702)              | (3,828)              | (3,404,761)                                     | (3,404,761)   |
| Bills payable   | —  | (1,568)  | (5,692)                   | (11,164)                        | —                     | —                    | (18,424)  | (18,424)  |
| Lease liabilities   | 1.10%-4.90%  | (12,794)                                       | (25,715)                  | (117,733)                       | (142,446)             | (631,837)            | (930,525)                                       | (887,892)   |
| Discounted bills with recourse                                | 5.14%  | (124)  | (2,607)                   | —                               | —                     | —                    | (2,731)   | (2,708)   |
| Unsecured borrowings  | 0.31%-6.47%  | (585,282)                                      | (143,808)                 | (196,747)                       | (283,853)             | (807,711)            | (2,017,401)                                     | (1,951,122)   |
| Refund liabilities from right of return                       | —  | (7,226)  | —                         | (8,989)                         | —                     | —                    | (16,215)  | (16,215)  |
|   |  | (2,846,045)                                    | (1,019,648)               | (626,987)                       | (454,001)             | (1,443,376)          | (6,390,057)                                     | (6,281,122)   |
| <b>2023</b>   |  |  |                           |                                 |                       |                      |   |   |
| <b>Derivatives – net settlement</b>                           |  |  |                           |                                 |                       |                      |   |   |
| Acquisition right of certain<br>property, plant and equipment | —  | —  | —                         | —                               | —                     | 8,084                | 8,084   | 8,084   |
| Cross-currency interest rate<br>swaps contracts               | —  | 872  | 1,657                     | 1,853                           | 1,259                 | —                    | 5,641   | 5,342   |
| Foreign currency forward contracts – US\$                     | —  | —  | 282                       | (1,990)                         | —                     | —                    | (1,708)   | (1,708)   |
|   |  | 872  | 1,939                     | (137)                           | 1,259                 | 8,084                | 12,017  | 11,718  |
| <b>Derivatives – gross settlement</b>                         |  |  |                           |                                 |                       |                      |   |   |
| Foreign currency forward contracts                            |  |  |                           |                                 |                       |                      |   |   |
| – inflow  |  |  |                           |                                 |                       |                      |   |   |
| – EUR   | —  | 13,746   | 24,779                    | 68,672                          | —                     | —                    | 107,197   | 107,197   |
| – RMB   | —  | —  | —                         | 266,179                         | —                     | —                    | 266,179   | 266,179   |
| – GBP   | —  | 6,592  | 12,282                    | 53,009                          | —                     | —                    | 71,883  | 71,883  |
| – US\$  | —  | 122,629  | 559,778                   | 656,477                         | 99,625                | —                    | 1,438,509                                       | 1,438,509   |
| – AUD   | —  | 4,650  | 12,720                    | 10,908                          | —                     | —                    | 28,278  | 28,278  |
| – NZD   | —  | 6,067  | 10,940                    | 31,755                          | —                     | —                    | 48,762  | 48,762  |
|   |  | 153,684  | 620,499                   | 1,087,000                       | 99,625                | —                    | 1,960,808                                       | 1,960,808   |
| – outflow   |  |  |                           |                                 |                       |                      |   |   |
| – EUR   | —  | (13,865)                                       | (24,948)                  | (68,876)                        | —                     | —                    | (107,689)                                       | (107,689)   |
| – RMB   | —  | —  | —                         | (266,909)                       | —                     | —                    | (266,909)                                       | (266,909)   |
| – GBP   | —  | (6,628)  | (12,368)                  | (53,643)                        | —                     | —                    | (72,639)  | (72,639)  |
| – US\$  | —  | (123,942)                                      | (558,486)                 | (659,497)                       | (99,255)              | —                    | (1,441,180)                                     | (1,441,180)   |
| – AUD   | —  | (4,361)  | (11,966)                  | (11,302)                        | —                     | —                    | (27,629)  | (27,629)  |
| – NZD   | —  | (6,130)  | (11,043)                  | (32,830)                        | —                     | —                    | (50,003)  | (50,003)  |
|   |  | (154,926)                                      | (618,811)                 | (1,093,057)                     | (99,255)              | —                    | (1,966,049)                                     | (1,966,049)   |
|   |  | (1,242)  | 1,688                     | (6,057)                         | 370                   | —                    | (5,241)   | (5,241)   |

**37. Financial Instruments** (continued)

## 37.2 Financial Risk Management Objectives and Policies (continued)

## 37.2.5 LIQUIDITY RISK MANAGEMENT (continued)

**Liquidity Tables** (continued)

|   | Weighted<br>average<br>effective<br>interest rate<br>% | Less than<br>1 month/<br>on demand<br>US\$'000 | 1-3<br>months<br>US\$'000 | 4 months-<br>1 year<br>US\$'000 | 1-2 years<br>US\$'000 | 2+ years<br>US\$'000 | Total<br>undiscounted<br>cash flows<br>US\$'000 | Total carrying<br>amount at<br>December 31,<br>2022<br>US\$'000 |
|---|--|--|---------------------------|---------------------------------|-----------------------|----------------------|---|---|
| 2022  |  |  |                           |                                 |                       |                      |   |   |
| Non-derivative financial liabilities                          |  |  |                           |                                 |                       |                      |   |   |
| Trade and other payables                                      | —  | (2,546,096)                                    | (712,597)                 | (518,734)                       | (45,447)              | (14,899)             | (3,837,773)                                     | (3,837,773)   |
| Bills payable   | —  | (2,435)  | (7,672)                   | (10,160)                        | —                     | —                    | (20,267)  | (20,267)  |
| Lease liabilities   | 1.10% — 2.80%  | (11,627)                                       | (23,339)                  | (106,367)                       | (112,831)             | (475,186)            | (729,350)                                       | (705,081)   |
| Discounted bills with recourse                                | 2.01%  | —  | (2,010)                   | —                               | —                     | —                    | (2,010)   | (2,003)   |
| Unsecured borrowings  | 0.31% — 5.14%  | (1,097,300)                                    | (391,972)                 | (474,959)                       | (310,149)             | (944,917)            | (3,219,297)                                     | (3,150,949)   |
| Refund liabilities from right of return                       | —  | (10,840)                                       | —                         | (6,737)                         | —                     | —                    | (17,577)  | (17,577)  |
|   |  | (3,668,298)                                    | (1,137,590)               | (1,116,957)                     | (468,427)             | (1,435,002)          | (7,826,274)                                     | (7,733,650)   |
| 2022  |  |  |                           |                                 |                       |                      |   |   |
| Derivatives – net settlement                                  |  |  |                           |                                 |                       |                      |   |   |
| Acquisition right of certain<br>property, plant and equipment | —  | —  | —                         | —                               | —                     | 8,002                | 8,002   | 8,002   |
| Cross-currency interest rate<br>swaps contracts               | —  | 894  | 1,874                     | 8,193                           | 7,025                 | 352                  | 18,338  | 17,064  |
| Foreign currency forward contracts – US\$                     | —  | —  | 1,488                     | 1,628                           | —                     | —                    | 3,116   | 3,116   |
|   |  | 894  | 3,362                     | 9,821                           | 7,025                 | 8,354                | 29,456  | 28,182  |
| Derivatives – gross settlement                                |  |  |                           |                                 |                       |                      |   |   |
| Foreign currency forward contracts                            |  |  |                           |                                 |                       |                      |   |   |
| – inflow  |  |  |                           |                                 |                       |                      |   |   |
| – HK\$  | —  | 33,820   | 11,246                    | —                               | —                     | —                    | 45,066  | 45,066  |
| – EUR   | —  | 14,207   | 27,671                    | 93,402                          | —                     | —                    | 135,280   | 135,280   |
| – RMB   | —  | 136,480  | 250,006                   | 456,715                         | —                     | —                    | 843,201   | 843,201   |
| – GBP   | —  | 3,304  | 6,601                     | 59,912                          | —                     | —                    | 69,817  | 69,817  |
| – US\$  | —  | 68,809   | 204,169                   | 816,427                         | —                     | —                    | 1,089,405                                       | 1,089,405   |
| – AUD   | —  | 7,226  | 24,072                    | 42,377                          | —                     | —                    | 73,675  | 73,675  |
| – NZD   | —  | 6,809  | 20,171                    | 35,256                          | —                     | —                    | 62,236  | 62,236  |
|   |  | 270,655  | 543,936                   | 1,504,089                       | —                     | —                    | 2,318,680                                       | 2,318,680   |
| – outflow   |  |  |                           |                                 |                       |                      |   |   |
| – HK\$  | —  | (33,776)                                       | (11,225)                  | —                               | —                     | —                    | (45,001)  | (45,001)  |
| – EUR   | —  | (13,798)                                       | (26,930)                  | (92,675)                        | —                     | —                    | (133,403)                                       | (133,403)   |
| – RMB   | —  | (139,385)                                      | (259,486)                 | (479,873)                       | —                     | —                    | (878,744)                                       | (878,744)   |
| – GBP   | —  | (3,281)  | (6,554)                   | (61,731)                        | —                     | —                    | (71,566)  | (71,566)  |
| – US\$  | —  | (68,203)                                       | (204,720)                 | (782,396)                       | —                     | —                    | (1,055,319)                                     | (1,055,319)   |
| – AUD   | —  | (6,680)  | (22,208)                  | (39,788)                        | —                     | —                    | (68,676)  | (68,676)  |
| – NZD   | —  | (6,402)  | (18,684)                  | (34,765)                        | —                     | —                    | (59,851)  | (59,851)  |
|   |  | (271,525)                                      | (549,807)                 | (1,491,228)                     | —                     | —                    | (2,312,560)                                     | (2,312,560)   |
|   |  | (870)  | (5,871)                   | 12,861                          | —                     | —                    | 6,120   | 6,120   |

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

## 37. Financial Instruments (continued)

### 37.2 Financial Risk Management Objectives and Policies (continued)

#### 37.2.5 LIQUIDITY RISK MANAGEMENT (continued)

##### Liquidity Tables (continued)

The amount included above for variable interest rate instruments for non-derivative financial liabilities is subject to change if changes in variable interest rates differ to those estimates of interest rate determined at the end of the reporting period.

### 37.3 Fair Value

The fair value of financial assets and financial liabilities are determined as follows:

- the fair value of foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching the maturities of the contract;
- the fair value of cross-currency interest rate swaps is measured by the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates and foreign exchange rates between US\$ and EUR, which is observable at the end of the reporting period;
- the fair value of financial assets with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices or latest purchase/transaction prices; and
- the fair value of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions.

#### FAIR VALUE MEASUREMENTS RECOGNIZED IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

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

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

## 37. Financial Instruments (continued)

### 37.3 Fair Value (continued)

#### FAIR VALUE MEASUREMENTS RECOGNIZED IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

| Financial assets/<br>financial liabilities   | Fair value as at   |   | Fair value<br>hierarchy | Valuation techniques and key inputs  |
|--|--|---|-------------------------|--|
|  | 2023   | 2022  |                         |  |
| 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\$8,084,000</b> | Acquisition right of certain property, plant and equipment: US\$8,002,000 | Level 2                 | Measured at the fair value of the land and buildings associated with the acquisition right which is based on a valuation by third party independent valuer at the end of the financial year.   |
| 2) Foreign currency forward contracts classified as derivative financial instruments in the consolidated statement of financial position                         | <b>Assets – US\$9,113,000; and Liabilities – US\$16,062,000</b>                  | Assets – US\$59,710,000; and Liabilities – US\$50,474,000                 | Level 2                 | Discounted cash flow<br>Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates and yield curves at the end of the reporting period) and contracted forward rates, discounted at a rate that reflects the credit risk of various counterparties. |
| 3) Listed equity securities classified as financial assets at FVTPL in the consolidated statement of financial position  | <b>Listed shares: US\$26,114,000</b>   | Listed shares: US\$13,466,000   | 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\$4,887,000</b>                                 | Club membership debentures: US\$4,899,000                                 | 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\$3,800,000</b>                                 | Unlisted equity securities: US\$4,800,000                                 | Level 2                 | The fair value was arrived at with reference to the latest purchase price per share arising on subscribing for the shares in private market.   |
|  | <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.  |
| 5) Cross-currency interest rate swaps classified as derivative financial instruments in the consolidated statement of financial position                         | <b>Assets – US\$5,342,000; and Liabilities – Nil</b>                             | Assets – US\$17,064,000; and Liabilities – Nil                            | Level 2                 | Measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates and foreign exchange rates between US\$ and EUR, which is observable at the end of the reporting period.                                     |

**37. Financial Instruments** (continued)

## 37.3 Fair Value (continued)

**FAIR VALUE MEASUREMENTS RECOGNIZED IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION** (continued)

|  | Level 1<br>US\$'000 | Level 2<br>US\$'000 | Total<br>US\$'000 |
|--|---------------------|---------------------|-------------------|
| <b>2023</b>  |                     |                     |                   |
| <b>Financial assets</b>                                    |                     |                     |                   |
| Acquisition right of certain property, plant and equipment | —                   | 8,084               | 8,084             |
| Foreign currency forward contracts                         | —                   | 9,113               | 9,113             |
| Cross-currency interest rate swaps                         | —                   | 5,342               | 5,342             |
| Financial assets at FVTPL                                  | 26,114              | 8,732               | 34,846            |
| <b>Total</b>   | <b>26,114</b>       | <b>31,271</b>       | <b>57,385</b>     |
| <b>Financial liabilities</b>                               |                     |                     |                   |
| Foreign currency forward contracts                         | —                   | (16,062)            | (16,062)          |
| <b>Total</b>   | <b>—</b>            | <b>(16,062)</b>     | <b>(16,062)</b>   |
| <b>2022</b>  |                     |                     |                   |
| <b>Financial assets</b>                                    |                     |                     |                   |
| Acquisition right of certain property, plant and equipment | —                   | 8,002               | 8,002             |
| Foreign currency forward contracts                         | —                   | 59,710              | 59,710            |
| Cross-currency interest rate swaps                         | —                   | 17,064              | 17,064            |
| Financial assets at FVTPL                                  | 13,466              | 9,744               | 23,210            |
| <b>Total</b>   | <b>13,466</b>       | <b>94,520</b>       | <b>107,986</b>    |
| <b>Financial liabilities</b>                               |                     |                     |                   |
| Foreign currency forward contracts                         | —                   | (50,474)            | (50,474)          |
| <b>Total</b>   | <b>—</b>            | <b>(50,474)</b>     | <b>(50,474)</b>   |

**37. Financial Instruments** (continued)**37.4 Transfers of financial assets**

The following were the Group's financial assets as at December 31, 2023 that were transferred to banks by discounting or factoring those trade and bills receivables on a full recourse basis. As the Group retained substantially all of the significant risks and rewards relating to these receivables, it continues to recognize the full carrying amount of the receivables and has recognized the cash received on the transfer as discounted bills with recourse (see Note 35) and unsecured borrowings – due within one year (see Note 38). These financial assets are carried at amortized cost in the Group's consolidated statement of financial position.

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

|   | <b>2023</b>     | 2022     |
|---|-----------------|----------|
|   | <b>US\$'000</b> | US\$'000 |
| Carrying amount of transferred assets     | <b>22,208</b>   | 56,429   |
| Carrying amount of associated liabilities | <b>(22,208)</b> | (56,429) |
| Net position                              | <b>—</b>        | —        |

The directors of the Company consider that the carrying amounts of the discounted bills and unsecured borrowings approximate their fair values.

**38. Unsecured Borrowings**

|  | <b>2023</b>      | 2022      |
|--|------------------|-----------|
|  | <b>US\$'000</b>  | US\$'000  |
| Bank advance from Factored Trade Receivables | <b>19,500</b>    | 54,426    |
| Bank loans                                   | <b>1,668,763</b> | 2,835,760 |
| Medium term notes                            | <b>262,859</b>   | 260,763   |
| Total borrowings                             | <b>1,951,122</b> | 3,150,949 |

The borrowings of the Group are repayable as follows:

|  | <b>2023</b>      | 2022        |
|--|------------------|-------------|
|  | <b>US\$'000</b>  | US\$'000    |
| <b>Fixed-rate</b>  |                  |             |
| Within one year  | <b>124,959</b>   | 79,931      |
| In more than one year but not more than two years                | <b>151,166</b>   | 124,796     |
| In more than two years but not more than five years              | <b>551,621</b>   | 591,916     |
| More than five years   | <b>99,020</b>    | 207,458     |
| <b>Variable-rate</b>   |                  |             |
| Within one year  | <b>795,192</b>   | 1,873,016   |
| In more than one year but not more than two years                | <b>123,380</b>   | 177,125     |
| In more than two years but not more than five years              | <b>105,784</b>   | 96,707      |
|  | <b>1,951,122</b> | 3,150,949   |
| Less: Amount due within one year shown under current liabilities | <b>(920,151)</b> | (1,952,947) |
| Amount due after one year  | <b>1,030,971</b> | 1,198,002   |

**38. Unsecured Borrowings** (continued)

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

|                          | 2023                  | 2022           |
|--------------------------|-----------------------|----------------|
| Effective interest rate: |                       |                |
| Fixed-rate borrowings    | <b>0.73% to 3.66%</b> | 0.73% to 3.66% |
| Variable-rate borrowings | <b>0.31% to 6.47%</b> | 0.31% to 5.14% |

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       |
|--------------------------------|----------------|
| <b>As at December 31, 2023</b> | <b>698,826</b> |
| As at December 31, 2022        | 53,305         |

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

**39. Share Capital**

|  | 2023<br>Number of shares | 2022<br>Number of shares | 2023<br>US\$'000 | 2022<br>US\$'000 |
|--|--------------------------|--------------------------|------------------|------------------|
| <b>Ordinary shares</b>                         |                          |                          |                  |                  |
| Issued and fully paid:                         |                          |                          |                  |                  |
| At the beginning of the year                   | <b>1,834,697,941</b>     | 1,834,484,441            | <b>684,710</b>   | 683,395          |
| Issue of shares upon exercise of share options | <b>120,000</b>           | 213,500                  | <b>682</b>       | 1,315            |
| Buy-back of shares                             | <b>(500,000)</b>         | —                        | —                | —                |
| At the end of the year                         | <b>1,834,317,941</b>     | 1,834,697,941            | <b>685,392</b>   | 684,710          |

Details of the share options are set out in Note 45.

During 2023, the Company bought back and cancelled its own shares through the Stock Exchange as follows:

| Month of cancellation | No. of ordinary shares | Price per share |                | Aggregate consideration paid<br>US\$'000 |
|-----------------------|------------------------|-----------------|----------------|--|
|                       |                        | Highest<br>HK\$ | Lowest<br>HK\$ |  |
| <b>October 2023</b>   | <b>500,000</b>         | <b>68.70</b>    | <b>67.90</b>   | <b>4,408</b>                             |

The shares bought back were settled and cancelled during the year. The consideration paid on the buy-back of the shares of approximately US\$4,408,000 was charged to retained profits.

## 40. Reserves

|  | Shares held for<br>share award<br>scheme<br>US\$'000 | Employee<br>share-based<br>compensation<br>reserve<br>US\$'000 | Hedging<br>reserve<br>US\$'000 | Retained<br>profits<br>US\$'000 | Total<br>US\$'000 |
|--|--|--|--------------------------------|---------------------------------|-------------------|
| <b>The Company</b>   |  |  |                                |                                 |                   |
| At January 1, 2022   | (105,740)  | 31,341   | 66,903                         | 23,105,529                      | 23,098,033        |
| Profit for the year  | —  | —  | —                              | 192,922                         | 192,922           |
| Fair value loss on foreign currency forward contracts<br>and cross-currency interest rate swaps<br>in hedge accounting | —  | —  | (74,220)                       | —                               | (74,220)          |
| Total comprehensive (loss) income for the year   | —  | —  | (74,220)                       | 192,922                         | 118,702           |
| Shares issued on exercise of options   | —  | (258)  | —                              | —                               | (258)             |
| Vesting of awarded shares  | 21,651   | (21,651)   | —                              | —                               | —                 |
| Shares for share award scheme  | (9,796)  | —  | —                              | —                               | (9,796)           |
| Recognition of share-based payments  | —  | 47,346   | —                              | —                               | 47,346            |
| Final dividend – 2021  | —  | —  | —                              | (236,104)                       | (236,104)         |
| Interim dividend – 2022  | —  | —  | —                              | (224,317)                       | (224,317)         |
| At December 31, 2022   | (93,885)   | 56,778   | (7,317)                        | 22,838,030                      | 22,793,606        |
| Loss for the year  | —  | —  | —                              | (240,354)                       | (240,354)         |
| Fair value gain on foreign currency forward contracts<br>and cross-currency interest rate swaps<br>in hedge accounting | —  | —  | 9,591                          | —                               | 9,591             |
| Total comprehensive income (loss) for the year   | —  | —  | 9,591                          | (240,354)                       | (230,763)         |
| Shares issued on exercise of options   | —  | (132)  | —                              | —                               | (132)             |
| Buy-back of shares   | —  | —  | —                              | (4,408)                         | (4,408)           |
| Vesting of awarded shares  | 23,479   | (23,479)   | —                              | —                               | —                 |
| Shares for share award scheme  | (3,525)  | —  | —                              | —                               | (3,525)           |
| Recognition of share-based payments  | —  | 46,945   | —                              | —                               | 46,945            |
| Final dividend – 2022  | —  | —  | —                              | (212,525)                       | (212,525)         |
| Interim dividend – 2023  | —  | —  | —                              | (224,334)                       | (224,334)         |
| <b>At December 31, 2023</b>  | <b>(73,931)</b>                                      | <b>80,112</b>  | <b>2,274</b>                   | <b>22,156,409</b>               | <b>22,164,864</b> |

As at December 31, 2023, the Company's reserves available for distribution to shareholders comprised the retained profits of US\$22,156,409,000 (2022: US\$22,838,030,000).

## 41. Retirement Benefit Obligations

### Defined Contribution Plans:

The Group operating in Hong Kong have participated in the MPF Schemes registered under the Mandatory Provident Fund Schemes Ordinance since December 2000. The assets of the MPF Schemes are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of relevant payroll cost to the MPF Schemes with a maximum amount of HK\$18,000 (2022: HK\$18,000) per employee per annum, which contribution is matched by the employee.

The employees of the Group's subsidiaries in the People's Republic of China ("PRC") are members of a state-managed retirement benefit scheme operated by the PRC government. The subsidiaries are required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions.

The Group's overseas subsidiaries operate a number of defined contribution schemes. Contributions to the defined contribution schemes applicable to each year are made at a certain percentage of the employees' payroll.

The total expense recognized in profit or loss of US\$34,391,000 (2022: US\$29,854,000) represents contributions payable to these plans by the Group at rates specified in the rules of the plans.

### Defined Benefit Plans:

The Group operates several defined benefit plans for qualifying employees of its subsidiaries in Germany and the US, of which these plans cover substantially all remaining employees that are not covered by defined contribution plans. The defined benefit plans are administered by separate funds that are legally separated from the Group. The board of the pension fund is composed of an equal number of representatives from both employers and (former) employees. The board of the pension fund is required by law and by its articles of association to act in the interest of the fund and of all relevant stakeholders in the scheme, i.e. active employees, inactive employees, retirees, employers. The board of the pension fund is responsible for the investment policy with regard to the assets of the fund. The major defined benefit plans are as follows:

|   | 2023<br>US\$'000 | 2022<br>US\$'000 |
|---|------------------|------------------|
| Pension plan obligations (Note i)         | 47,015           | 46,107           |
| Life and medical insurance plan (Note ii) | 57               | 900              |
| Others                                    | 753              | 664              |
|   | <b>47,825</b>    | 47,671           |

#### Note i: Pension plan obligations

The pension plan obligations are provided in the German operations and includes an unfunded plan that pays retirement benefits based on the term of service and final pay. In general, the benefit plans were closed to new members at the end of 1995. Under the plan, the qualifying employees are entitled to retirement benefits varying between 10% and 20% of final salary (based on the average of the last three years) on attainment of a retirement age of 65. The most recent actuarial valuations of the present value of the defined benefit obligations were carried out on January 1, 2024, by BDO AG Wirtschaftsprüfungsgesellschaft, an independent valuer not related to the Group.

#### Note ii: Life and medical insurance plan

Milwaukee Electric Tool Corporation, a subsidiary of the Group in the US, operates unfunded life insurance plans. The most recent actuarial valuations of the present value of the obligations were carried out on December 29, 2023 by Willis Towers Watson, an independent valuer not related to the Group.

## 41. Retirement Benefit Obligations (continued)

### Defined Benefit Plans: (continued)

The plans in Germany and the US expose the Group to actuarial risks such as investment risk, interest rate risk, longevity risk and salary risk.

|                    |   |
|--------------------|---|
| Investment risk    | The present value of the defined benefit plan liability is calculated using a discount rate determined by reference to high quality corporate bond yields; if the return on plan asset is below this rate, it will create a plan deficit.   |
| Interest rate risk | A decrease in the bond interest rate will increase the plan liability; however, this will be partially offset by an increase in the return on the plan's debt investments.  |
| Longevity risk     | The present value of the defined benefit plan liability is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan's liability. |
| Salary risk        | The present value of the defined benefit plan liability is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the plan's liability.   |

The risk relating to benefits to be paid to the dependents of plan members (widow and orphan benefits) is reinsured by an external insurance company.

The main actuarial assumptions used were as follows:

|                                   | Pension plan |       | Life & medical insurance plan |       |
|-----------------------------------|--------------|-------|-------------------------------|-------|
|                                   | 2023         | 2022  | 2023                          | 2022  |
| Discount rate                     | 4.25%        | 3.80% | 4.54%                         | 4.25% |
| Expected rate of salary increases | 2.00%        | 2.00% | N/A                           | N/A   |
| Future pension increases          | 2.00%        | 2.00% | N/A                           | N/A   |
| Medical cost trend rates          | N/A          | N/A   | 5.00%                         | 5.00% |

The effect of an increase of one percentage point in the assumed medical cost trend rate on the aggregate of the current service cost and interest cost; and the accumulated post-employment benefit obligations are as follows:

|   | Pension plan |          | Life & medical insurance plan |          |
|---|--------------|----------|-------------------------------|----------|
|   | 2023         | 2022     | 2023                          | 2022     |
|   | US\$'000     | US\$'000 | US\$'000                      | US\$'000 |
| Current service cost and interest cost                            | N/A          | N/A      | —                             | 2        |
| Accumulated post-employment benefit obligations for medical costs | N/A          | N/A      | 3                             | 44       |

**41. Retirement Benefit Obligations** (continued)

## Defined Benefit Plans: (continued)

Amounts recognized in other comprehensive income in respect of the defined benefit plans are as follows:

|   | Pension plan     |                  | Life & medical Insurance plan |                  |
|---|------------------|------------------|-------------------------------|------------------|
|   | 2023<br>US\$'000 | 2022<br>US\$'000 | 2023<br>US\$'000              | 2022<br>US\$'000 |
| Service cost:   |                  |                  |                               |                  |
| Current service cost  | 331              | 463              | —                             | —                |
| Net interest expense on defined benefit liabilities                                 | 1,716            | 382              | 35                            | 20               |
| <b>Components of defined benefit costs recognized in profit or loss</b>             | <b>2,047</b>     | <b>845</b>       | <b>35</b>                     | <b>20</b>        |
| Remeasurement on the net defined benefit liability:                                 |                  |                  |                               |                  |
| Actuarial losses (gains) arising from changes in financial assumptions              | 710              | (21,855)         | (872)                         | (152)            |
| <b>Components of defined benefit costs recognized in other comprehensive income</b> | <b>710</b>       | <b>(21,855)</b>  | <b>(872)</b>                  | <b>(152)</b>     |
| <b>Total</b>  | <b>2,757</b>     | <b>(21,010)</b>  | <b>(837)</b>                  | <b>(132)</b>     |

The charge for the year has been included in staff costs.

The amount included in the consolidated statement of financial position arising from the Group's obligation in respect of the major defined benefit plans is as follows:

|                                       | Pension plan     |                  | Life & medical insurance plan |                  |
|---------------------------------------|------------------|------------------|-------------------------------|------------------|
|                                       | 2023<br>US\$'000 | 2022<br>US\$'000 | 2023<br>US\$'000              | 2022<br>US\$'000 |
| Present value of unfunded obligations | 47,015           | 46,107           | 57                            | 900              |

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

|                          | Pension plan     |                  | Life & medical insurance plan |                  |
|--------------------------|------------------|------------------|-------------------------------|------------------|
|                          | 2023<br>US\$'000 | 2022<br>US\$'000 | 2023<br>US\$'000              | 2022<br>US\$'000 |
| At January 1             | 46,107           | 74,474           | 900                           | 1,051            |
| Exchange realignment     | 1,428            | (4,013)          | —                             | —                |
| Current service cost     | 331              | 463              | —                             | —                |
| Actuarial losses (gains) | 710              | (21,855)         | (872)                         | (152)            |
| Interest cost            | 1,716            | 382              | 35                            | 20               |
| Benefit paid             | (3,277)          | (3,344)          | (6)                           | (19)             |
| At December 31           | 47,015           | 46,107           | 57                            | 900              |

The significant actuarial assumption for the determination of the defined obligation is the discount rate. If the discount rate is 100 basis points higher (lower), the effect on defined benefit obligation would be immaterial.

#### 41. Retirement Benefit Obligations (continued)

Defined Benefit Plans: (continued)

##### Obligation to pay LSP under Hong Kong Employment Ordinance (Chapter 57)

For the Company and several subsidiaries operating in Hong Kong, pursuant to the Employment Ordinance, Chapter 57, the Group has the obligation to pay LSP to qualifying employees in Hong Kong under certain circumstances (e.g. dismissal by employers or upon retirement), subject to a minimum of 5 years employment period, based on the following formula:

Last monthly wages (before termination of employment)  $\times$  2/3  $\times$  Years of service

Last monthly wages are capped at HK\$22,500 while the amount of long service payment shall not exceed HK\$390,000. This obligation is accounted for as a post-employment defined benefit plan.

Furthermore, the Mandatory Provident Fund Schemes Ordinance passed in 1995 permitted the Group to utilise the Group's mandatory MPF contributions, plus/minus any positive/negative returns thereof, for the purpose of offsetting the LSP payable to an employee (the "Offsetting Arrangement").

The Amendment Ordinance was gazetted on June 17, 2022, which abolished the use of the accrued benefits derived from employers' mandatory MPF contributions to offset the LSP. The Abolition will officially take effect on the Transition Date (i.e., May 1, 2025).

Separately, the Government of the HKSAR is also expected to introduce a subsidy scheme to assist employers for a period of 25 years after the Transition Date on the LSP payable by employers up to a certain amount per employee per year.

Under the Amendment Ordinance, the Group's mandatory MPF contributions, plus/minus any positive/negative returns, after the Transition Date can continue to be applied to offset the pre-Transition Date LSP obligation but are not eligible to offset the post-Transition Date LSP obligation. On the other hand, the accrued benefits derived from the Group's voluntary contributions made pre-, on or post-transition can continue to be used to offset pre- and post-transition LSP. Furthermore, the LSP obligation before the Transition Date will be grandfathered and calculated based on the Last monthly wages immediately preceding the Transition Date and the years of service up to that date.

## 42. Deferred Tax Assets (Liabilities)

The following are the major deferred tax assets and liabilities recognized and movements thereon during the current and prior year:

|                                       | Accelerated<br>tax<br>depreciation<br>US\$'000 | Warranty<br>provision<br>US\$'000 | Employee<br>related<br>provision<br>US\$'000 | Tax<br>losses<br>US\$'000 | Inventory<br>provision<br>US\$'000 | Others<br>US\$'000 | Total<br>US\$'000 |
|---------------------------------------|--|-----------------------------------|--|---------------------------|------------------------------------|--------------------|-------------------|
| At January 1, 2022                    | (82,332)                                       | 26,000                            | 74,748                                       | 17,797                    | (1,561)                            | 48,725             | 83,377            |
| Currency realignment                  | 39   | (457)                             | (465)  | (113)                     | (439)                              | (1,542)            | (2,977)           |
| Charge to hedging reserve             | —  | —                                 | —  | —                         | —                                  | 304                | 304               |
| (Charge) credit to profit or loss     | (24,043)                                       | 5,712                             | (7,608)                                      | 35,098                    | (45,882)                           | 23,907             | (12,816)          |
| Change in tax rates                   | —  | —                                 | —  | (21)                      | —                                  | —                  | (21)              |
| Acquisition of a subsidiary (Note 43) | (380)  | —                                 | 7  | —                         | —                                  | (3)                | (376)             |
| Credit to other comprehensive income  | —  | —                                 | (2,631)                                      | —                         | —                                  | —                  | (2,631)           |
| At December 31, 2022                  | (106,716)                                      | 31,255                            | 64,051                                       | 52,761                    | (47,882)                           | 71,391             | 64,860            |
| Currency realignment                  | (16)   | 226                               | 112  | 21                        | (916)                              | 920                | 347               |
| Charge to hedging reserve             | —  | —                                 | —  | —                         | —                                  | 655                | 655               |
| (Charge) credit to profit or loss     | (29,782)                                       | 5,594                             | 13,945                                       | 18,865                    | (24,198)                           | (13,332)           | (28,908)          |
| Change in tax rates                   | 387  | —                                 | 102  | —                         | (137)                              | (21)               | 331               |
| Credit to other comprehensive income  | —  | —                                 | (200)  | —                         | —                                  | —                  | (200)             |
| <b>At December 31, 2023</b>           | <b>(136,127)</b>                               | <b>37,075</b>                     | <b>78,010</b>                                | <b>71,647</b>             | <b>(73,133)</b>                    | <b>59,613</b>      | <b>37,085</b>     |

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:

|                          | 2023<br>US\$'000 | 2022<br>US\$'000 |
|--------------------------|------------------|------------------|
| Deferred tax assets      | 63,354           | 81,082           |
| Deferred tax liabilities | (26,269)         | (16,222)         |
|                          | <b>37,085</b>    | 64,860           |

At the end of the reporting period, the Group has unused tax losses of US\$4,337 million (2022: US\$2,537 million) available for offset against future taxable profits. Of the US\$4,337 million of unused losses approximately US\$447 million expire over the next 5 to 14 years with the remaining loss carry forwards having no useful life limitation. No deferred tax asset has been recognized in respect of tax losses of US\$4,046 million (2022: US\$2,323 million) due to the lack of probable future taxable profits.

In respect of all unrepatriated foreign earnings, the Group has provided deferred taxes of US\$19 million (2022: US\$15 million) as these unrepatriated foreign earnings are not considered permanently reinvested.

### 43. Acquisition of a subsidiary

In April 2023, the Group acquired 100% equity interest in Green Planet Distribution Centre Company Limited (“Green Planet”) from independent third parties for a cash consideration of approximately US\$75,094,000. Green Planet’s business was acquired so as to continue the expansion of the Group’s manufacture of power equipment and outdoor power equipment products business. Green Planet is engaged in the Power Equipment segment.

|  | <b>2023</b>       |
|--|-------------------|
|  | <b>Fair value</b> |
|  | <b>US\$'000</b>   |
| <b>Net Assets Acquired</b>   |                   |
| Property, plant and equipment  | 68,339            |
| Right of use assets  | 12,008            |
| Trade and other receivables  | 6,033             |
| Bank balances and cash   | 76                |
| Trade and other payables   | (15,159)          |
| Lease liabilities  | (167)             |
| Goodwill arising on acquisition  | 3,964             |
| Total consideration  | 75,094            |
| Net cash outflow arising on acquisition:                               |                   |
| Total consideration  | 75,094            |
| Less: Consideration payable  | (8,194)           |
| Less: Deposit paid   | (62,300)          |
| Less: Bank balances and cash acquired                                  | (76)              |
| Net outflow of cash and cash equivalents in respect of the acquisition | 4,524             |

Goodwill of US\$3,964,000 arose on the acquisition of Green Planet’s business from expected cost savings within the Power Equipment segment.

The fair value and contractual amounts of trade and other receivables at the date of acquisition amounted to US\$6,033,000. All amounts are expected to be collected.

The acquisition-related costs are insignificant. They have been excluded from the consideration transferred and have been recognized as an expense in the current year.

The business acquired contributed approximately US\$27,110,000 to the Group’s revenue, and approximately US\$7,449,000 decrease in the Group’s profit before taxation for the period between the date of acquisition and the reporting date as at December 31, 2023.

**43. Acquisition of a subsidiary** (continued)

In January 2022, the Group acquired 100% equity interest in C4 Carbides Limited (“C4”) from independent third parties for a cash consideration of approximately US\$39,589,000. C4’s business was acquired so as to continue the expansion of the Group’s power equipment business. C4 is engaged in the manufacture and sale of saw blades and is included in the Power Equipment segment.

|  | 2022<br>Fair value<br>US\$'000 |
|--|--------------------------------|
| Net Assets Acquired  |                                |
| Property, plant and equipment  | 3,200                          |
| Right of use assets  | 1,712                          |
| Intangible assets  | 2,015                          |
| Inventories  | 4,797                          |
| Trade and other receivables  | 7,639                          |
| Bank balances and cash   | 2,529                          |
| Trade and other payables   | (5,034)                        |
| Lease liabilities  | (1,876)                        |
| Tax payable  | (122)                          |
| Deferred tax liabilities   | (376)                          |
| Goodwill arising on acquisition of C4  | 25,105                         |
| Total consideration  | 39,589                         |
| Net cash outflow arising on acquisition:                                     |                                |
| Total consideration  | 39,589                         |
| Less: Bank balances and cash acquired  | (2,529)                        |
| Net outflow of cash and cash equivalents in respect of the acquisition of C4 | 37,060                         |

Intangible assets of US\$2,015,000 and goodwill of US\$25,105,000 arose on the acquisition of C4’s business from patents and the anticipated profitability arising from new product synergies and cost savings within the Power Equipment segment.

The fair value and contractual amounts of trade and other receivables at the date of acquisition amounted to US\$7,639,000. All amount are expected to be collected.

The acquisition-related costs are insignificant. They have been excluded from the consideration transferred and have been recognized as an expense in 2022.

The business acquired contributed approximately US\$16,876,000 to the Group’s revenue, and approximately US\$419,000 decrease in the Group’s profit before taxation for the period between the date of acquisition and the reporting date as at December 31, 2022.

**44. Guarantees**

The Company has given guarantees to banks in respect of general facilities granted to its subsidiaries. The extent of such facilities utilized by the subsidiaries as at December 31, 2023 amounted to US\$152,487,000 (2022: US\$802,996,000).

## 45. Share Options

### Share Option Schemes

The Company has two share option schemes in place – Scheme D and Scheme E. Scheme D was adopted on May 29, 2007 and expired on May 28, 2017, though its provisions shall remain in full force and effect in all other respects. Following the expiry of Scheme D, Scheme E was adopted on May 19, 2017 and subsequently amended and restated on May 12, 2023 (“Scheme E Amendment Date”), and will expire on May 18, 2027.

Both Scheme D and Scheme E are aimed for recognition of the contribution to the development and growth of the Group by the eligible persons. Below are the summary of the principal terms of 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) Directors; or
- (iii) secondees; or
- (iv) any shareholders of any member of the Group or invested entity or controlling shareholders or any holders of any securities issued by any member of the Group; or
- (v) business partners; or
- (vi) suppliers; or
- (vii) customers; or
- (viii) advisers of the Group.

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

The maximum number of shares in respect of which share options may be granted under 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 the 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 immediately after vesting on each of the first and, depending on the vesting conditions, second and third anniversary of the relevant date of grant of the share option to the tenth anniversary of such date of grant. The exercise price is determined by the Directors of the Company, and will not be less than the higher of (i) the closing price of the Company’s shares on the date of grant; and (ii) the average closing price of the shares for the five business days immediately preceding the date of grant.

In view of the amendments to Chapter 17 of the Listing Rules relating to share schemes of listed issuers effective from January 1, 2023, the scheme rules of Scheme E were amended and restated to ensure full compliance with the latest regulatory requirements.

## 45. Share Options (continued)

### Share Option Schemes (continued)

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

#### 2023

| 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         |
|--|-------------------------------|------------------------------|--------------------------------------|-------------------------|---------------------------|------------------------|--------------------------------|-------------------------|-------------------------|
| <b>Directors</b>   |                               |                              |                                      |                         |                           |                        |                                |                         |                         |
| Mr Horst Julius Pudwill  | 22.12.2020                    | E                            | 23,500                               | —                       | —                         | —                      | 23,500                         | 105.500                 | 22.12.2021 – 21.12.2030 |
|  | 30.12.2021                    | E                            | 32,000                               | —                       | —                         | —                      | 32,000                         | 154.900                 | 30.12.2022 – 29.12.2031 |
|  | 22.8.2023                     | E                            | —                                    | 750,000                 | —                         | —                      | 750,000                        | 81.050                  | 22.8.2024 – 21.8.2033   |
| Mr Stephan Horst Pudwill   | 20.3.2014                     | D                            | 750,000                              | —                       | —                         | —                      | 750,000                        | 21.600                  | 20.3.2015 – 19.3.2024   |
|  | 11.9.2015                     | D                            | 250,000                              | —                       | —                         | —                      | 250,000                        | 29.650                  | 11.9.2016 – 10.9.2025   |
|  | 17.3.2017                     | D                            | 500,000                              | —                       | —                         | —                      | 500,000                        | 32.100                  | 17.3.2018 – 16.3.2027   |
|  | 14.3.2018                     | E                            | 250,000                              | —                       | —                         | —                      | 250,000                        | 47.900                  | 14.3.2019 – 13.3.2028   |
|  | 20.5.2019                     | E                            | 500,000                              | —                       | —                         | —                      | 500,000                        | 51.080                  | 20.5.2020 – 19.5.2029   |
|  | 15.5.2020                     | E                            | 500,000                              | —                       | —                         | —                      | 500,000                        | 65.250                  | 15.5.2021 – 14.5.2030   |
|  | 22.12.2020                    | E                            | 2,000,000                            | —                       | —                         | —                      | 2,000,000                      | 105.500                 | 22.12.2021 – 21.12.2030 |
|  | 30.12.2021                    | E                            | 1,000,000                            | —                       | —                         | —                      | 1,000,000                      | 154.900                 | 30.12.2022 – 29.12.2031 |
| 22.8.2023  | E                             | —                            | 500,000                              | —                       | —                         | 500,000                | 81.050                         | 22.8.2024 – 21.8.2033   |                         |
| Mr Joseph Galli Jr   | 22.8.2023                     | E                            | —                                    | 750,000                 | —                         | —                      | 750,000                        | 81.050                  | 22.8.2024 – 21.8.2033   |
| Mr Kin Wah Chan  | 17.3.2017                     | D                            | 200,000                              | —                       | —                         | —                      | 200,000                        | 32.100                  | 17.3.2018 – 16.3.2027   |
|  | 14.3.2018                     | E                            | 250,000                              | —                       | —                         | —                      | 250,000                        | 47.900                  | 14.3.2019 – 13.3.2028   |
|  | 20.5.2019                     | E                            | 500,000                              | —                       | —                         | —                      | 500,000                        | 51.080                  | 20.5.2020 – 19.5.2029   |
|  | 15.5.2020                     | E                            | 500,000                              | —                       | —                         | —                      | 500,000                        | 65.250                  | 15.5.2021 – 14.5.2030   |
|  | 22.12.2020                    | E                            | 2,000,000                            | —                       | —                         | —                      | 2,000,000                      | 105.500                 | 22.12.2021 – 21.12.2030 |
|  | 30.12.2021                    | E                            | 1,000,000                            | —                       | —                         | —                      | 1,000,000                      | 154.900                 | 30.12.2022 – 29.12.2031 |
| 22.8.2023  | E                             | —                            | 500,000                              | —                       | —                         | 500,000                | 81.050                         | 22.8.2024 – 21.8.2033   |                         |
| Mr Chi Chung Chan  | 17.3.2017                     | D                            | 500,000                              | —                       | —                         | —                      | 500,000                        | 32.100                  | 17.3.2018 – 16.3.2027   |
|  | 14.3.2018                     | E                            | 250,000                              | —                       | —                         | —                      | 250,000                        | 47.900                  | 14.3.2019 – 13.3.2028   |
|  | 20.5.2019                     | E                            | 500,000                              | —                       | —                         | —                      | 500,000                        | 51.080                  | 20.5.2020 – 19.5.2029   |
|  | 15.5.2020                     | E                            | 500,000                              | —                       | —                         | —                      | 500,000                        | 65.250                  | 15.5.2021 – 14.5.2030   |
|  | 22.12.2020                    | E                            | 2,000,000                            | —                       | —                         | —                      | 2,000,000                      | 105.500                 | 22.12.2021 – 21.12.2030 |
|  | 30.12.2021                    | E                            | 1,000,000                            | —                       | —                         | —                      | 1,000,000                      | 154.900                 | 30.12.2022 – 29.12.2031 |
| 22.8.2023  | E                             | —                            | 500,000                              | —                       | —                         | 500,000                | 81.050                         | 22.8.2024 – 21.8.2033   |                         |
| Mr Camille Jojo<br>(re-designated from Non-executive Director to Executive Director with effect from December 1, 2023) | 14.3.2018                     | E                            | 50,000                               | —                       | —                         | —                      | 50,000                         | 47.900                  | 14.3.2019 – 13.3.2028   |
|  | 20.5.2019                     | E                            | 97,000                               | —                       | —                         | —                      | 97,000                         | 51.080                  | 20.5.2020 – 19.5.2029   |
|  | 22.12.2020                    | E                            | 47,000                               | —                       | —                         | —                      | 47,000                         | 105.500                 | 22.12.2021 – 21.12.2030 |
|  | 30.12.2021                    | E                            | 32,000                               | —                       | —                         | —                      | 32,000                         | 154.900                 | 30.12.2022 – 29.12.2031 |
| 22.8.2023  | E                             | —                            | 60,000                               | —                       | —                         | 60,000                 | 81.050                         | 22.8.2024 – 21.8.2033   |                         |

## 45. Share Options (continued)

### Share Option Schemes (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         |
|---|-------------------------------|------------------------------|--------------------------------------|-------------------------|---------------------------|------------------------|--------------------------------|-------------------------|-------------------------|
| <b>Directors</b>                          |                               |                              |                                      |                         |                           |                        |                                |                         |                         |
| Prof Roy Chi Ping Chung GBS BBS JP        | 17.3.2017                     | D                            | 150,000                              | —                       | —                         | —                      | 150,000                        | 32.100                  | 17.3.2018 – 16.3.2027   |
|   | 14.3.2018                     | E                            | 100,000                              | —                       | —                         | —                      | 100,000                        | 47.900                  | 14.3.2019 – 13.3.2028   |
|   | 20.5.2019                     | E                            | 97,000                               | —                       | —                         | —                      | 97,000                         | 51.080                  | 20.5.2020 – 19.5.2029   |
|   | 22.12.2020                    | E                            | 47,000                               | —                       | —                         | —                      | 47,000                         | 105.500                 | 22.12.2021 – 21.12.2030 |
|   | 30.12.2021                    | E                            | 32,000                               | —                       | —                         | —                      | 32,000                         | 154.900                 | 30.12.2022 – 29.12.2031 |
|   | 22.8.2023                     | E                            | —                                    | 60,000                  | —                         | —                      | 60,000                         | 81.050                  | 22.8.2024 – 21.8.2033   |
| Mr Peter David Sullivan                   | 22.12.2020                    | E                            | 47,000                               | —                       | —                         | —                      | 47,000                         | 105.500                 | 22.12.2021 – 21.12.2030 |
|   | 30.12.2021                    | E                            | 32,000                               | —                       | —                         | —                      | 32,000                         | 154.900                 | 30.12.2022 – 29.12.2031 |
|   | 22.8.2023                     | E                            | —                                    | 60,000                  | —                         | —                      | 60,000                         | 81.050                  | 22.8.2024 – 21.8.2033   |
| Mr Johannes-Gerhard Hesse                 | 19.6.2017                     | E                            | 135,000                              | —                       | —                         | —                      | 135,000                        | 36.300                  | 19.6.2018 – 18.6.2027   |
|   | 14.3.2018                     | E                            | 100,000                              | —                       | —                         | —                      | 100,000                        | 47.900                  | 14.3.2019 – 13.3.2028   |
|   | 20.5.2019                     | E                            | 97,000                               | —                       | —                         | —                      | 97,000                         | 51.080                  | 20.5.2020 – 19.5.2029   |
|   | 22.12.2020                    | E                            | 47,000                               | —                       | —                         | —                      | 47,000                         | 105.500                 | 22.12.2021 – 21.12.2030 |
|   | 30.12.2021                    | E                            | 32,000                               | —                       | —                         | —                      | 32,000                         | 154.900                 | 30.12.2022 – 29.12.2031 |
|   | 22.8.2023                     | E                            | —                                    | 60,000                  | —                         | —                      | 60,000                         | 81.050                  | 22.8.2024 – 21.8.2033   |
| Mr Robert Hinman Getz                     | 15.5.2020                     | E                            | 75,000                               | —                       | —                         | —                      | 75,000                         | 65.250                  | 15.5.2021 – 14.5.2030   |
|   | 22.12.2020                    | E                            | 47,000                               | —                       | —                         | —                      | 47,000                         | 105.500                 | 22.12.2021 – 21.12.2030 |
|   | 30.12.2021                    | E                            | 32,000                               | —                       | —                         | —                      | 32,000                         | 154.900                 | 30.12.2022 – 29.12.2031 |
|   | 22.8.2023                     | E                            | —                                    | 60,000                  | —                         | —                      | 60,000                         | 81.050                  | 22.8.2024 – 21.8.2033   |
| Ms Virginia Davis Wilmerding              | 19.08.2021                    | E                            | 29,500                               | —                       | —                         | —                      | 29,500                         | 167.200                 | 19.08.2022 – 18.08.2031 |
|   | 22.8.2023                     | E                            | —                                    | 60,000                  | —                         | —                      | 60,000                         | 81.050                  | 22.8.2024 – 21.8.2033   |
| Ms Caroline Christina Kracht              | 22.8.2023                     | E                            | —                                    | 60,000                  | —                         | —                      | 60,000                         | 81.050                  | 22.8.2024 – 21.8.2033   |
| <b>Total for directors</b>                |                               |                              | <b>16,331,000</b>                    | <b>3,420,000</b>        | <b>—</b>                  | <b>—</b>               | <b>19,751,000</b>              |                         |                         |
| <b>Employees</b>                          |                               |                              |                                      |                         |                           |                        |                                |                         |                         |
| Employees                                 | 17.3.2017                     | D                            | 70,000                               | —                       | (20,000)                  | —                      | 50,000                         | 32.100                  | 17.3.2018 – 16.3.2027   |
|   | 19.6.2017                     | E                            | 100,000                              | —                       | (100,000)                 | —                      | —                              | 36.300                  | 19.6.2018 – 18.6.2027   |
|   | 14.3.2018                     | E                            | 150,000                              | —                       | —                         | —                      | 150,000                        | 47.900                  | 14.3.2019 – 13.3.2028   |
|   | 20.5.2019                     | E                            | 194,000                              | —                       | —                         | —                      | 194,000                        | 51.080                  | 20.5.2020 – 19.5.2029   |
|   | 22.12.2020                    | E                            | 94,000                               | —                       | —                         | —                      | 94,000                         | 105.500                 | 22.12.2021 – 21.12.2030 |
|   | 22.11.2023                    | E                            | —                                    | 250,000                 | —                         | —                      | 250,000                        | 81.480                  | 22.11.2024 – 21.11.2033 |
| <b>Total for employees</b>                |                               |                              | <b>608,000</b>                       | <b>250,000</b>          | <b>(120,000)</b>          | <b>—</b>               | <b>738,000</b>                 |                         |                         |
| <b>Total for all categories</b>           |                               |                              | <b>16,939,000</b>                    | <b>3,670,000</b>        | <b>(120,000)</b>          | <b>—</b>               | <b>20,489,000</b>              |                         |                         |
| <b>Exercisable at the end of the year</b> |                               |                              |                                      |                         |                           |                        | <b>15,799,000</b>              |                         |                         |

**45. Share Options** (continued)

## Share Option Schemes (continued)

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

2022

| 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         |
|------------------------------------|-------------------------------|------------------------------|--------------------------------------|-------------------------|---------------------------|------------------------|--------------------------------|-------------------------|-------------------------|
| <b>Directors</b>                   |                               |                              |                                      |                         |                           |                        |                                |                         |                         |
| Mr Horst Julius Pudwill            | 22.12.2020                    | E                            | 47,000                               | —                       | (23,500)                  | —                      | 23,500                         | 105.500                 | 22.12.2021 – 21.12.2030 |
|                                    | 30.12.2021                    | E                            | 32,000                               | —                       | —                         | —                      | 32,000                         | 154.900                 | 30.12.2022 – 29.12.2031 |
| Mr Stephan Horst Pudwill           | 20.3.2014                     | D                            | 750,000                              | —                       | —                         | —                      | 750,000                        | 21.600                  | 20.3.2015 – 19.3.2024   |
|                                    | 11.9.2015                     | D                            | 250,000                              | —                       | —                         | —                      | 250,000                        | 29.650                  | 11.9.2016 – 10.9.2025   |
|                                    | 17.3.2017                     | D                            | 500,000                              | —                       | —                         | —                      | 500,000                        | 32.100                  | 17.3.2018 – 16.3.2027   |
|                                    | 14.3.2018                     | E                            | 250,000                              | —                       | —                         | —                      | 250,000                        | 47.900                  | 14.3.2019 – 13.3.2028   |
|                                    | 20.5.2019                     | E                            | 500,000                              | —                       | —                         | —                      | 500,000                        | 51.080                  | 20.5.2020 – 19.5.2029   |
|                                    | 15.5.2020                     | E                            | 500,000                              | —                       | —                         | —                      | 500,000                        | 65.250                  | 15.5.2021 – 14.5.2030   |
|                                    | 22.12.2020                    | E                            | 2,000,000                            | —                       | —                         | —                      | 2,000,000                      | 105.500                 | 22.12.2021 – 21.12.2030 |
|                                    | 30.12.2021                    | E                            | 1,000,000                            | —                       | —                         | —                      | 1,000,000                      | 154.900                 | 30.12.2022 – 29.12.2031 |
| Mr Kin Wah Chan                    | 17.3.2017                     | D                            | 200,000                              | —                       | —                         | —                      | 200,000                        | 32.100                  | 17.3.2018 – 16.3.2027   |
|                                    | 14.3.2018                     | E                            | 250,000                              | —                       | —                         | —                      | 250,000                        | 47.900                  | 14.3.2019 – 13.3.2028   |
|                                    | 20.5.2019                     | E                            | 500,000                              | —                       | —                         | —                      | 500,000                        | 51.080                  | 20.5.2020 – 19.5.2029   |
|                                    | 15.5.2020                     | E                            | 500,000                              | —                       | —                         | —                      | 500,000                        | 65.250                  | 15.5.2021 – 14.5.2030   |
|                                    | 22.12.2020                    | E                            | 2,000,000                            | —                       | —                         | —                      | 2,000,000                      | 105.500                 | 22.12.2021 – 21.12.2030 |
|                                    | 30.12.2021                    | E                            | 1,000,000                            | —                       | —                         | —                      | 1,000,000                      | 154.900                 | 30.12.2022 – 29.12.2031 |
| Mr Chi Chung Chan                  | 17.3.2017                     | D                            | 500,000                              | —                       | —                         | —                      | 500,000                        | 32.100                  | 17.3.2018 – 16.3.2027   |
|                                    | 14.3.2018                     | E                            | 250,000                              | —                       | —                         | —                      | 250,000                        | 47.900                  | 14.3.2019 – 13.3.2028   |
|                                    | 20.5.2019                     | E                            | 500,000                              | —                       | —                         | —                      | 500,000                        | 51.080                  | 20.5.2020 – 19.5.2029   |
|                                    | 15.5.2020                     | E                            | 500,000                              | —                       | —                         | —                      | 500,000                        | 65.250                  | 15.5.2021 – 14.5.2030   |
|                                    | 22.12.2020                    | E                            | 2,000,000                            | —                       | —                         | —                      | 2,000,000                      | 105.500                 | 22.12.2021 – 21.12.2030 |
|                                    | 30.12.2021                    | E                            | 1,000,000                            | —                       | —                         | —                      | 1,000,000                      | 154.900                 | 30.12.2022 – 29.12.2031 |
| Prof Roy Chi Ping Chung GBS BBS JP | 11.9.2015                     | D                            | 150,000                              | —                       | (150,000)                 | —                      | —                              | 29.650                  | 11.9.2016 – 10.9.2025   |
|                                    | 17.3.2017                     | D                            | 150,000                              | —                       | —                         | —                      | 150,000                        | 32.100                  | 17.3.2018 – 16.3.2027   |
|                                    | 14.3.2018                     | E                            | 100,000                              | —                       | —                         | —                      | 100,000                        | 47.900                  | 14.3.2019 – 13.3.2028   |
|                                    | 20.5.2019                     | E                            | 97,000                               | —                       | —                         | —                      | 97,000                         | 51.080                  | 20.5.2020 – 19.5.2029   |
|                                    | 22.12.2020                    | E                            | 47,000                               | —                       | —                         | —                      | 47,000                         | 105.500                 | 22.12.2021 – 21.12.2030 |
|                                    | 30.12.2021                    | E                            | 32,000                               | —                       | —                         | —                      | 32,000                         | 154.900                 | 30.12.2022 – 29.12.2031 |
| Mr Camille Jojo                    | 14.3.2018                     | E                            | 50,000                               | —                       | —                         | —                      | 50,000                         | 47.900                  | 14.3.2019 – 13.3.2028   |
|                                    | 20.5.2019                     | E                            | 97,000                               | —                       | —                         | —                      | 97,000                         | 51.080                  | 20.5.2020 – 19.5.2029   |
|                                    | 22.12.2020                    | E                            | 47,000                               | —                       | —                         | —                      | 47,000                         | 105.500                 | 22.12.2021 – 21.12.2030 |
|                                    | 30.12.2021                    | E                            | 32,000                               | —                       | —                         | —                      | 32,000                         | 154.900                 | 30.12.2022 – 29.12.2031 |

**45. Share Options** (continued)

## Share Option Schemes (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         |
|---|-------------------------------|------------------------------|--------------------------------------|-------------------------|---------------------------|------------------------|--------------------------------|-------------------------|-------------------------|
| <b>Directors</b>                          |                               |                              |                                      |                         |                           |                        |                                |                         |                         |
| Mr Peter David Sullivan                   | 22.12.2020                    | E                            | 47,000                               | —                       | —                         | —                      | 47,000                         | 105.500                 | 22.12.2021 – 21.12.2030 |
|   | 30.12.2021                    | E                            | 32,000                               | —                       | —                         | —                      | 32,000                         | 154.900                 | 30.12.2022 – 29.12.2031 |
| Mr Johannes-Gerhard Hesse                 | 19.6.2017                     | E                            | 135,000                              | —                       | —                         | —                      | 135,000                        | 36.300                  | 19.6.2018 – 18.6.2027   |
|   | 14.3.2018                     | E                            | 100,000                              | —                       | —                         | —                      | 100,000                        | 47.900                  | 14.3.2019 – 13.3.2028   |
|   | 20.5.2019                     | E                            | 97,000                               | —                       | —                         | —                      | 97,000                         | 51.080                  | 20.5.2020 – 19.5.2029   |
|   | 22.12.2020                    | E                            | 47,000                               | —                       | —                         | —                      | 47,000                         | 105.500                 | 22.12.2021 – 21.12.2030 |
|   | 30.12.2021                    | E                            | 32,000                               | —                       | —                         | —                      | 32,000                         | 154.900                 | 30.12.2022 – 29.12.2031 |
| Mr Robert Hinman Getz                     | 15.5.2020                     | E                            | 75,000                               | —                       | —                         | —                      | 75,000                         | 65.250                  | 15.5.2021 – 14.5.2030   |
|   | 22.12.2020                    | E                            | 47,000                               | —                       | —                         | —                      | 47,000                         | 105.500                 | 22.12.2021 – 21.12.2030 |
|   | 30.12.2021                    | E                            | 32,000                               | —                       | —                         | —                      | 32,000                         | 154.900                 | 30.12.2022 – 29.12.2031 |
| Ms Virginia Davis Wilmerding              | 19.08.2021                    | E                            | 29,500                               | —                       | —                         | —                      | 29,500                         | 167.200                 | 19.08.2022 – 18.08.2031 |
| <b>Total for directors</b>                |                               |                              | <b>16,504,500</b>                    | <b>—</b>                | <b>(173,500)</b>          | <b>—</b>               | <b>16,331,000</b>              |                         |                         |
| <b>Employees</b>                          |                               |                              |                                      |                         |                           |                        |                                |                         |                         |
|   | 17.3.2017                     | D                            | 110,000                              | —                       | (40,000)                  | —                      | 70,000                         | 32.100                  | 17.3.2018 – 16.3.2027   |
|   | 19.6.2017                     | E                            | 100,000                              | —                       | —                         | —                      | 100,000                        | 36.300                  | 19.6.2018 – 18.6.2027   |
|   | 14.3.2018                     | E                            | 150,000                              | —                       | —                         | —                      | 150,000                        | 47.900                  | 14.3.2019 – 13.3.2028   |
|   | 20.5.2019                     | E                            | 194,000                              | —                       | —                         | —                      | 194,000                        | 51.080                  | 20.5.2020 – 19.5.2029   |
|   | 22.12.2020                    | E                            | 94,000                               | —                       | —                         | —                      | 94,000                         | 105.500                 | 22.12.2021 – 21.12.2030 |
| <b>Total for employees</b>                |                               |                              | <b>648,000</b>                       | <b>—</b>                | <b>(40,000)</b>           | <b>—</b>               | <b>608,000</b>                 |                         |                         |
| <b>Total for all categories</b>           |                               |                              | <b>17,152,500</b>                    | <b>—</b>                | <b>(213,500)</b>          | <b>—</b>               | <b>16,939,000</b>              |                         |                         |
| <b>Exercisable at the end of the year</b> |                               |                              |                                      |                         |                           |                        | <b>12,291,250</b>              |                         |                         |

**45. Share Options** (continued)

## Share Option Schemes (continued)

The following significant assumptions were used to derive the fair values using the Black-Scholes option pricing model:

| Date of grant                        | Exercise price<br>HK\$ | Expected life of share options | Expected volatility based on historical volatility of share prices | Yields of Hong Kong Government Bonds | Expected annual dividend yield |
|--------------------------------------|------------------------|--------------------------------|--|--------------------------------------|--------------------------------|
| For the year ended December 31, 2023 |                        |                                |  |                                      |                                |
| 22.8.2023                            | 81.05                  | 3 years                        | 40%  | 1.50%                                | 4.019%                         |
| 22.11.2023                           | 81.48                  | 3 years                        | 40%  | 1.50%                                | 4.088%                         |

The share options are vested in parts over 1 to 3 years from the date of grant.

Expected volatility was determined by using the historical volatility of the Company's share price over the previous 3 years. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and 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 the Company's shares immediately before the various dates on which the share options were granted during 2023 was HK\$78.81 (2022: Nil).

The closing price of the Company's shares immediately before the various dates on which the share options were granted ranged from HK\$78.60 to HK\$81.75 in 2023 (2022: Nil).

The weighted average closing prices of the Company's shares immediately before various dates during 2023 and 2022 on which the share options was exercised were HK\$81.33 (2022: HK\$87.98) respectively.

The Group recognized a total expense of US\$8,829,000 (2022: US\$15,366,000) for the year ended December 31, 2023 in relation to share options granted by the Company.

The fair value of the share options granted in 2023 measured at various dates on which the share options were granted was ranged from HK\$23.12 to HK\$23.15 (2022: Nil). The weighted average fair value of the share options granted in 2023 was HK\$23.12 per option (2022: Nil).

The Company had 20,489,000 share options outstanding (2022: 16,939,000), which represented approximately 1.12% (2022: 0.92%) of the issued share capital of the Company as at December 31, 2023. 3,670,000 option (2022: Nil) was granted, no option (2022: Nil) was cancelled and no share options (2022: Nil) was lapsed during the year.

The total number of shares available for issue in respect of which share options may be granted under Scheme D are 150,505,065 shares, which represented approximately 8.20% of the issued shares of the Company as at December 31, 2023. The total number of shares available for issue in respect of which share options may be granted under Scheme E are 183,479,794 shares, which represented approximately 10.00% of the issued shares of the Company as at December 31, 2023.

## 46. Share Award Scheme

The purpose of the share award scheme is to recognize the contributions by certain eligible persons and to provide them with incentives in order to retain them for the continual operation and development of the Group and to attract suitable personnel for further development of the Group.

The share award scheme of the Company was adopted by the Board of Directors on January 9, 2008 and renewed on January 17, 2018, which was subsequently amended and restated on May 12, 2023. The Board may, from time to time, at their absolute discretion select any individual as an eligible person for participation in the scheme as a selected grantee and determine the number of shares to be awarded. The Board of Directors are required to pay the trustee the purchase price and the related expenses. The trustee must either purchase shares from the market or subscribe for new shares. The trustee must hold the shares until they are vested in accordance with the scheme rules. When the selected grantee has satisfied all vesting conditions specified by the Board of Directors at the time of making the award and becomes entitled to the shares forming the subject of the award, the trustee will upon the Company's instruction 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.

In view of the amendments to Chapter 17 of the Listing Rules relating to share schemes of listed issuers effective from January 1, 2023, the scheme rules of 2018 Share Award Scheme were amended and restated to ensure full compliance with the latest regulatory requirements.

Recognition of share-based payment expenses under the share award scheme during the year was US\$38,116,000 (2022: US\$31,980,000). During the year ended December 31, 2023, 1,575,000 shares (2022: 1,784,500 shares) were transferred to the awardees upon vesting.

(i) Movements in the number of awarded shares and their related average fair value were as follows:

|                                  | Number           |             |
|----------------------------------|------------------|-------------|
|                                  | 2023             | 2022        |
| At January 1                     | 5,817,500        | 4,591,000   |
| Awarded (Note (a))               | 1,437,500        | 3,011,000   |
| Vested                           | (1,575,000)      | (1,784,500) |
| <b>At December 31 (Note (b))</b> | <b>5,680,000</b> | 5,817,500   |

Notes:

- (a) All the awarded shares were purchased from the market with the average price of HK\$111.23.
- (b) At the end of the year, the average fair value per share is HK\$98.98 (2022: HK\$100.52). 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 |           |
|------------------|--------------------------|-----------|
|                  | 2023                     | 2022      |
| Less than 1 year | 1,287,500                | 1,425,000 |
| More than 1 year | 4,392,500                | 4,392,500 |
|                  | <b>5,680,000</b>         | 5,817,500 |

## 47. Capital Commitments

|   | <b>2023</b>     | 2022     |
|---|-----------------|----------|
|   | <b>US\$'000</b> | US\$'000 |
| Capital expenditure in respect of the acquisition of property, plant and equipment and equity interest in a subsidiary contracted for but not provided in the consolidated financial statements | <b>177,975</b>  | 328,364  |

## 48. Related Party Transactions

During the year, the Group entered into the following transactions with its associate, which did not constitute connected transactions under Chapter 14A of the Listing Rules:

|                | <b>2023</b>     | 2022     |
|----------------|-----------------|----------|
|                | <b>US\$'000</b> | US\$'000 |
| Sales income   | <b>59,638</b>   | 75,211   |
| Service income | <b>—</b>        | 2,453    |

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

|                          | <b>2023</b>     | 2022     |
|--------------------------|-----------------|----------|
|                          | <b>US\$'000</b> | US\$'000 |
| Short-term benefits      | <b>104,052</b>  | 112,981  |
| Post-employment benefits | <b>1,470</b>    | 1,131    |
| Share-based payments     | <b>28,720</b>   | 38,173   |
|                          | <b>134,242</b>  | 152,285  |

Details of the balances and transactions with related parties are set out in the consolidated statements of financial position and Notes 21 and 28.

## 49. Reconciliation of Liabilities Arising from Financing Activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

|                             | Dividend payable | Unsecured borrowings | Discounted bills with recourse | Lease liabilities | Total              |
|-----------------------------|------------------|----------------------|--------------------------------|-------------------|--------------------|
|                             | Note 38          | Note 35              | Note 34                        |                   |                    |
|                             | US\$'000         | US\$'000             | US\$'000                       | US\$'000          | US\$'000           |
| At January 1, 2022          | —                | 3,280,987            | 1,857                          | 554,200           | 3,837,044          |
| Currency realignment        | —                | (13,850)             | —                              | (7,503)           | (21,353)           |
| Financing cash flows        | (460,421)        | (116,188)            | 146                            | (137,333)         | (713,796)          |
| New leases entered          | —                | —                    | —                              | 295,821           | 295,821            |
| Early termination of leases | —                | —                    | —                              | (1,980)           | (1,980)            |
| Interest expenses           | —                | 58,810               | —                              | 11,058            | 69,868             |
| Interest paid               | —                | (58,810)             | —                              | (11,058)          | (69,868)           |
| Dividends declared          | 460,421          | —                    | —                              | —                 | 460,421            |
| Acquisition of a subsidiary | —                | —                    | —                              | 1,876             | 1,876              |
| At December 31, 2022        | —                | 3,150,949            | 2,003                          | 705,081           | 3,858,033          |
| Currency realignment        | —                | <b>1,883</b>         | —                              | <b>2,149</b>      | <b>4,032</b>       |
| Financing cash flows        | <b>(436,859)</b> | <b>(1,201,710)</b>   | <b>705</b>                     | <b>(159,919)</b>  | <b>(1,797,783)</b> |
| New leases entered          | —                | —                    | —                              | <b>355,804</b>    | <b>355,804</b>     |
| Early termination of leases | —                | —                    | —                              | <b>(15,390)</b>   | <b>(15,390)</b>    |
| Interest expenses           | —                | <b>104,625</b>       | —                              | <b>19,431</b>     | <b>124,056</b>     |
| Interest paid               | —                | <b>(104,625)</b>     | —                              | <b>(19,431)</b>   | <b>(124,056)</b>   |
| Dividends declared          | <b>436,859</b>   | —                    | —                              | —                 | <b>436,859</b>     |
| Acquisition of a subsidiary | —                | —                    | —                              | <b>167</b>        | <b>167</b>         |
| <b>At December 31, 2023</b> | <b>—</b>         | <b>1,951,122</b>     | <b>2,708</b>                   | <b>887,892</b>    | <b>2,841,722</b>   |

## 50. Statement of Financial Position of the Company

As at December 31, 2023

|  | 2023<br>US\$'000   | 2022<br>US\$'000 |
|--|--------------------|------------------|
| <b>Non-current assets</b>                  |                    |                  |
| Property, plant and equipment              | 2,043              | 3,012            |
| Right of use assets                        | 1,242              | 2,838            |
| Intangible assets                          | 28                 | 11               |
| Investments in subsidiaries                | 27,765,164         | 28,141,334       |
| Loans to subsidiaries                      | 10,856             | 12,716           |
| Financial assets at FVTPL                  | 3,622              | 3,635            |
| Deposits                                   | 87,000             | 90,000           |
|  | <b>27,869,955</b>  | 28,253,546       |
| <b>Current assets</b>                      |                    |                  |
| Deposits and prepayments                   | 37,913             | 57,995           |
| Financial assets at FVTPL                  | 26,114             | 13,466           |
| Tax recoverable                            | —                  | 7,612            |
| Derivative financial instruments           | 12,271             | 39,481           |
| Amounts due from subsidiaries              | 2,083,796          | 662,539          |
| Bank balances, deposits and cash           | 6,377              | 303,439          |
|  | <b>2,166,471</b>   | 1,084,532        |
| <b>Current liabilities</b>                 |                    |                  |
| Trade and other payables                   | 158,854            | 193,388          |
| Derivative financial instruments           | 9,997              | 46,798           |
| Lease liabilities                          | 1,045              | 1,477            |
| Amounts due to subsidiaries                | 5,031,284          | 3,229,332        |
| Unsecured borrowings – due within one year | 788,797            | 1,172,221        |
|  | <b>5,989,977</b>   | 4,643,216        |
| Net current liabilities                    | <b>(3,823,506)</b> | (3,558,684)      |
| Total assets less current liabilities      | <b>24,046,449</b>  | 24,694,862       |

## 50. Statement of Financial Position of the Company (continued)

As at December 31, 2023

|   | Note | 2023<br>US\$'000  | 2022<br>US\$'000 |
|---|------|-------------------|------------------|
| <b>Capital and Reserves</b>               |      |                   |                  |
| Share capital                             |      | <b>685,392</b>    | 684,710          |
| Reserves                                  | 40   | <b>22,164,864</b> | 22,793,606       |
| Total equity                              |      | <b>22,850,256</b> | 23,478,316       |
| <b>Non-current Liabilities</b>            |      |                   |                  |
| Lease liabilities                         |      | <b>214</b>        | 1,390            |
| Unsecured borrowings – due after one year |      | <b>1,030,971</b>  | 1,198,002        |
| Amount due to a subsidiary                |      | <b>165,008</b>    | —                |
| Other payables                            |      | —                 | 17,154           |
| Total equity and non-current liabilities  |      | <b>24,046,449</b> | 24,694,862       |

The Company's statement of financial position was approved and authorized for issue by the Board of Directors on March 6, 2024 and are signed on its behalf by:

**Chi Chung Chan**  
Group Executive Director

**Stephan Horst Pudwill**  
Vice Chairman

## 51. Particulars of Principal Subsidiaries

Particulars of the principal subsidiaries of the Company as at December 31, 2023 and December 31, 2022 are as follows:

| Name of subsidiaries                         | Place of incorporation/<br>operation | Issued and fully paid share capital   | Proportion of nominal value of issued capital held by the Company |              |            |              | Principal activities   |
|--|--------------------------------------|---------------------------------------|---|--------------|------------|--------------|--|
|  |                                      |                                       | 2023  |              | 2022       |              |  |
|  |                                      |                                       | Directly %  | Indirectly % | Directly % | Indirectly % |  |
| DreBo Werkzeugfabrik GmbH*                   | Germany                              | EUR1,000,000                          | —   | 100          | —          | 100          | Trading and manufacture of power equipment products                            |
| TTI Outdoor Power Equipment, Inc.            | US                                   | US\$10                                | —   | 100          | —          | 100          | Trading of outdoor power equipment products                                    |
| Hart Consumer Products, Inc.                 | US                                   | US\$10                                | —   | 100          | —          | 100          | Trading of power equipment and outdoor power equipment products                |
| Milwaukee Electric Tool Corporation          | US                                   | US\$50,000,000                        | —   | 100          | —          | 100          | Trading and manufacture of power equipment products                            |
| TTI Consumer Power Tools, Inc.               | US                                   | US\$10                                | —   | 100          | —          | 100          | Trading of power equipment products  |
| Royal Appliance Mfg. Co.                     | US                                   | US\$1                                 | —   | 100          | —          | 100          | Trading and manufacture of floorcare products                                  |
| Techtronic Cordless GP                       | US                                   | US\$200                               | —   | 100          | —          | 100          | Trading of power equipment, floorcare and outdoor power equipment products     |
| Techtronic Industries (Dongguan) Co. Ltd.#   | PRC                                  | US\$47,000,000                        | —   | 100          | —          | 100          | Manufacture of power equipment, floorcare and outdoor power equipment products |
| Techtronic Industries (UK) Ltd.              | United Kingdom                       | GBP4,000,000                          | —   | 100          | —          | 100          | Trading of power equipment products  |
| Techtronic Industries Australia Pty. Limited | Australia                            | AUD25,575,762                         | —   | 100          | —          | 100          | Trading of power equipment, floorcare and outdoor power equipment products     |
| Techtronic Industries Central Europe GmbH*   | Germany                              | EUR25,600                             | —   | 100          | —          | 100          | Trading of power equipment products  |
| Techtronic Industries ELC GmbH*              | Germany                              | EUR25,000                             | —   | 100          | —          | 100          | Trading of power equipment products and outdoor power equipment products       |
| Techtronic Industries France SAS             | France                               | EUR14,998,680<br>(2022:EUR14,919,832) | —   | 100          | —          | 100          | Trading of power equipment products  |
| Techtronic Industries GmbH                   | Germany                              | EUR20,452,500                         | —   | 100          | —          | 100          | Trading and manufacture of power equipment products                            |
| Techtronic Industries Korea LLC              | Korea                                | KRW3,400,000,000                      | —   | 100          | —          | 100          | Trading of power equipment products  |

**51. Particulars of Principal Subsidiaries** (continued)

| Name of subsidiaries                                 | Place of incorporation/<br>operation | Issued and fully paid share capital                           | Proportion of nominal value of issued capital held by the Company |              |            |              | Principal activities   |
|--|--------------------------------------|---|---|--------------|------------|--------------|--|
|  |                                      |   | 2023  |              | 2022       |              |  |
|  |                                      |   | Directly %  | Indirectly % | Directly % | Indirectly % |  |
| Techtronic Industries Mexico, S.A. de C.V.           | Mexico                               | MXN50,000 (Serie I)<br>MXN596,964,358 (Serie II)              | —   | 100          | 100        | —            | Trading of power equipment, floorcare and outdoor power equipment products |
| Techtronic Industries Co. Mexico, S. De R.L. de C.V. | Mexico                               | MXN223,746,470 (2022:MXN678,954,230)                          | —   | 100          | 100        | —            | Manufacture of power equipment products                                    |
| Techtronic Industries N.Z. Limited                   | New Zealand                          | NZD4,165,600  | —   | 100          | —          | 100          | Trading of power equipment, floorcare and outdoor power equipment products |
| Techtronic Industries North America, Inc.            | US                                   | US\$10  | —   | 100          | —          | 100          | Investment holding   |
| Green Planet Distribution Centre Co. Ltd.            | Vietnam                              | VND1,000,000,000,000  | —   | 100          | —          | —            | Manufacture of power equipment and outdoor power equipment products        |
| Techtronic Industries Vietnam Manufacturing Co. Ltd. | Vietnam                              | VND406,954,000,000  | —   | 100          | —          | 100          | Manufacture of power equipment and outdoor power equipment products        |
| Techtronic Product Development Limited               | Hong Kong                            | HK\$2   | —   | 100          | —          | 100          | Engage in research and development activities                              |
| Techtronic Trading Limited                           | Hong Kong                            | HK\$2   | —   | 100          | —          | 100          | Trading of power equipment, floorcare and outdoor power equipment products |
| TTI Investments (Dongguan) Company Limited           | Hong Kong                            | HK\$960,563,422 (2022:HK\$6,086,955)                          | 100   | —            | 100        | —            | Investment holding   |
| Techtronic Industries Company Pte. Ltd.              | Singapore                            | US\$126,467,853 (2022:US\$38,000,101)                         | —   | 100          | —          | 100          | Investment holding   |
| TTI Singapore SPV Pte. Ltd.                          | Singapore                            | US\$6,169,310,060 (2022:US\$5,544,032,272)                    | 100   | —            | 100        | —            | Investment holding   |
| Vax Limited  | United Kingdom                       | GBP30,000 (Ordinary A shares)<br>GBP2,500 (Ordinary B shares) | —   | 100          | —          | 100          | Trading of household electrical and floorcare products                     |

\* Exempt from the obligation to publish local financial statements.

# A wholly foreign owned enterprise.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

**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 summarized as follows:

| Principal activities   | Principal place of business                                  | Number of subsidiaries |      |
|--|--|------------------------|------|
|  |  | 2023                   | 2022 |
| Manufacture of power equipment, floorcare and outdoor power equipment products | Europe, PRC, US and others                                   | 9                      | 9    |
| Trading of power equipment, floorcare and outdoor power equipment product      | Canada, Europe, Hong Kong, Latin America, PRC, US and others | 47                     | 39   |
| Investment holding   | Australia, BVI, Europe, Hong Kong, US                        | 20                     | 22   |
| Dormant  | BVI, Europe, Hong Kong, US                                   | 18                     | 22   |

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 an Associate**

Particulars of an associate are 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 Group |           | Principal activities                    |
|-----------------------------------|----------------------------------|-------------------------------------|---|-----------|---|
|                                   |                                  |                                     | 2023<br>%   | 2022<br>% |   |
| Wuerth Master Power Tools Limited | Hong Kong                        | US\$3,000,000                       | 49.0  | 49.0      | Manufacture and sale of power equipment |

# Financial Summary

## Results

|                                     | Year ended December 31 |                  |                  |                  | 2023<br>US\$'000  |
|-------------------------------------|------------------------|------------------|------------------|------------------|-------------------|
|                                     | 2019<br>US\$'000       | 2020<br>US\$'000 | 2021<br>US\$'000 | 2022<br>US\$'000 |                   |
| Revenue                             | 7,666,721              | 9,811,941        | 13,203,161       | 13,253,917       | <b>13,731,411</b> |
| Profit before taxation              | 661,286                | 861,254          | 1,181,825        | 1,156,897        | <b>1,055,616</b>  |
| Taxation charge                     | (46,290)               | (60,258)         | (82,724)         | (79,747)         | <b>(79,276)</b>   |
| Profit for the year                 | 614,996                | 800,996          | 1,099,101        | 1,077,150        | <b>976,340</b>    |
| Attributable to:                    |                        |                  |                  |                  |                   |
| Owners of the Company               | 614,900                | 800,760          | 1,099,003        | 1,077,150        | <b>976,340</b>    |
| Non-controlling interests           | 96                     | 236              | 98               | —                | <b>—</b>          |
| Profit for the year                 | 614,996                | 800,996          | 1,099,101        | 1,077,150        | <b>976,340</b>    |
| Basic earnings per share (US cents) | 33.67                  | 43.80            | 60.04            | 58.86            | <b>53.36</b>      |

## Assets and Liabilities

|  | As at December 31 |                  |                  |                  | 2023<br>US\$'000  |
|--|-------------------|------------------|------------------|------------------|-------------------|
|  | 2019<br>US\$'000  | 2020<br>US\$'000 | 2021<br>US\$'000 | 2022<br>US\$'000 |                   |
| Total assets                                 | 7,698,051         | 9,390,402        | 13,007,545       | 13,315,598       | <b>12,401,983</b> |
| Total liabilities                            | 4,303,740         | 5,487,495        | 8,285,027        | 8,110,117        | <b>6,654,433</b>  |
|  | 3,394,311         | 3,902,907        | 4,722,518        | 5,205,481        | <b>5,747,550</b>  |
| Equity attributable to Owners of the Company | 3,394,645         | 3,903,005        | 4,722,518        | 5,205,481        | <b>5,747,550</b>  |
| Non-controlling interests                    | (334)             | (98)             | —                | —                | <b>—</b>          |
|  | 3,394,311         | 3,902,907        | 4,722,518        | 5,205,481        | <b>5,747,550</b>  |

# Corporate Information

## Board of Directors

### Group Executive Directors

Mr Horst Julius Pudwill  
*Chairman*

Mr Stephan Horst Pudwill  
*Vice Chairman*

Mr Joseph Galli Jr  
*Chief Executive Officer*

Mr Patrick Kin Wah Chan  
Mr Frank Chi Chung Chan  
Mr Camille Jojo

### Non-executive Directors

Prof Roy Chi Ping Chung GBS BBS JP

### Independent Non-executive Directors

Mr Peter David Sullivan  
Mr Johannes-Gerhard Hesse  
Mr Robert Hinman Getz  
Ms Virginia Davis Wilmerding  
Ms Caroline Christina Kracht  
Mr Andrew Philip Roberts

## Financial Calendar 2024

|             |   |
|-------------|---|
| March 6     | : Announcement of 2023 annual results   |
| May 7       | : Last day to register for the entitlement to attend and vote at Annual General Meeting |
| May 8-10    | : Book closure period for the entitlement to attend and vote at Annual General Meeting  |
| May 10      | : Annual General Meeting  |
| May 17      | : Last day to register for 2023 final dividend  |
| May 20      | : Book closure period for 2023 final dividend   |
| June 30     | : Six months interim period end   |
| July 5      | : Final dividend payment  |
| December 31 | : Financial year end  |

## Investor Relations Contact

Main Contact  
Investor Relations  
Techtronic Industries North America, Inc.  
450 East Las Olas Boulevard, Suite 1500  
Fort Lauderdale, Florida 33301, USA  
Email: [ir@tthq.com](mailto:ir@tthq.com)

Asia/Pacific  
Investor Relations  
Techtronic Industries Co. Ltd.  
29/F, Tower 2, Kowloon Commerce Centre  
51 Kwai Cheong Road, Kwai Chung, N.T., Hong Kong  
Email: [ir@tti.com.hk](mailto:ir@tti.com.hk)

## Website

[www.ttigroup.com](http://www.ttigroup.com)  
Earnings results, annual/interim reports are available online.

## Listing Information

The Stock Exchange of Hong Kong Limited  
Ordinary Shares (stock code: 669)  
ADR Level 1 Programme (symbol: TTNDY)  
U.S. Foreign Ordinary Shares (symbol: TTNDF)

## Share Registrar and Transfer Office

Tricor Secretaries Limited  
17/F, Far East Finance Centre  
16 Harcourt Road  
Hong Kong  
Tel: (852) 2980 1333

## ADR Depository

BNY Mellon

## Principal Bankers

Bank of America, N.A.  
Bank of China Group  
The Hongkong and Shanghai Banking Corporation Limited  
Standard Chartered Bank (Hong Kong) Limited  
Citibank, N.A.  
MUFG Bank, Ltd.  
Mizuho Bank, Ltd., Hong Kong Branch

## Solicitors

Vincent T.K. Cheung, Yap & Co.

## Auditor

Deloitte Touche Tohmatsu  
Registered Public Interest Entity Auditors

## Company Secretary

Ms Veronica Ka Po Ng

## Trademarks

*All trademarks and trade names listed other than AEG and RYOBI are owned by the Group.*

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# Independent Auditor’s Report

# Deloitte.

# 德勤

**TO THE MEMBERS OF TECHTRONIC INDUSTRIES COMPANY LIMITED**

創科實業有限公司

(incorporated in Hong Kong with limited liability)

## Opinion

We have audited the consolidated financial statements of Techtronic Industries Company Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 89 to 182, which comprise the consolidated statement of financial position as at December 31, 2022, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

## Basis for Opinion

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

## Key Audit Matters

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

### Key Audit Matter

#### Recognition of income and deferred taxes

We identified the recognition of income and deferred tax as a key audit matter as the Group operates in a complex multinational tax environment, in which the tax amounts, including provisions for potential tax exposures, and the realizability of the deferred tax assets, which depends on whether sufficient taxable profits or taxable temporary differences will be available in the future, are associated with a high degree of estimates and judgement.

As disclosed in Note 10 and Note 42 to the consolidated financial statements, as at December 31, 2022, the Group has recognized US\$79.7 million of income tax expense in the consolidated statement of profit or loss and other comprehensive income and US\$81.1 million deferred tax assets in the consolidated statement of financial position, respectively.

### How our Audit Addressed the Key Audit Matter

Our procedures in relation to management's assessment about the recognition of income and deferred tax included:

- Understanding and evaluating the management's procedures and relevant controls regarding the completeness of tax exposures and estimating the provision for income tax and deferred tax assets to be recognized;
- Understanding and evaluating management's estimates and judgements and consider the status of current tax authority inquiries, judgmental positions taken in the tax returns, the outcome of previous inquiries and current estimates and developments in the tax environment;
- Using our tax specialists to evaluate and challenge the adequacy of management's key assumptions and read the latest correspondence with the tax authorities to assess management's estimates; and
- Evaluating management's assessment of the sufficiency of future taxable profits supporting the recognition of deferred tax assets.

## Other Information

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

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

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

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

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

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

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

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

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

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

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

### **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements** (Continued)

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

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

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

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

#### **Deloitte Touche Tohmatsu**

Certified Public Accountants

Hong Kong

March 1, 2023

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended December 31, 2022

|   | Notes | 2022<br>US\$'000   | 2021<br>US\$'000 |
|---|-------|--------------------|------------------|
| Revenue   | 6     | <b>13,253,917</b>  | 13,203,161       |
| Cost of sales   |       | <b>(8,041,340)</b> | (8,081,548)      |
| Gross profit  |       | <b>5,212,577</b>   | 5,121,613        |
| Other income  | 7     | <b>13,517</b>      | 12,992           |
| Interest income   | 8     | <b>25,852</b>      | 32,028           |
| Selling, distribution and advertising expenses  |       | <b>(2,191,001)</b> | (2,165,373)      |
| Administrative expenses   |       | <b>(1,349,840)</b> | (1,351,733)      |
| Research and development costs  |       | <b>(484,343)</b>   | (425,699)        |
| Finance costs   | 9     | <b>(69,868)</b>    | (42,008)         |
| Profit before share of result of an associate and taxation  |       | <b>1,156,894</b>   | 1,181,820        |
| Share of result of an associate   |       | <b>3</b>           | 5                |
| Profit before taxation  |       | <b>1,156,897</b>   | 1,181,825        |
| Taxation charge   | 10    | <b>(79,747)</b>    | (82,724)         |
| Profit for the year   | 11    | <b>1,077,150</b>   | 1,099,101        |
| Other comprehensive income (loss):  |       |                    |                  |
| Item that will not be reclassified subsequently to profit or loss, net of related income tax:                           |       |                    |                  |
| Remeasurement of defined benefit obligations  |       | <b>19,376</b>      | 7,839            |
| Items that may be reclassified subsequently to profit or loss, net of related income tax:                               |       |                    |                  |
| Fair value (loss) gain on foreign currency forward contracts and cross-currency interest rate swaps in hedge accounting |       | <b>(63,367)</b>    | 162,205          |
| Exchange differences on translation of foreign operations   |       | <b>(128,382)</b>   | (15,949)         |
| Other comprehensive (loss) income for the year  |       | <b>(172,373)</b>   | 154,095          |
| Total comprehensive income for the year   |       | <b>904,777</b>     | 1,253,196        |
| Profit for the year attributable to:  |       |                    |                  |
| Owners of the Company   |       | <b>1,077,150</b>   | 1,099,003        |
| Non-controlling interests   |       | <b>—</b>           | 98               |
|   |       | <b>1,077,150</b>   | 1,099,101        |
| Total comprehensive income attributable to:   |       |                    |                  |
| Owners of the Company   |       | <b>904,777</b>     | 1,253,098        |
| Non-controlling interests   |       | <b>—</b>           | 98               |
|   |       | <b>904,777</b>     | 1,253,196        |
| Earnings per share (US cents)   | 15    |                    |                  |
| Basic   |       | <b>58.86</b>       | 60.04            |
| Diluted   |       | <b>58.67</b>       | 59.73            |

# Consolidated Statement of Financial Position

As at December 31, 2022

|   | Notes | 2022<br>US\$'000 | 2021<br>US\$'000 |
|---|-------|------------------|------------------|
| <b>Non-current assets</b>                             |       |                  |                  |
| Property, plant and equipment                         | 16    | 2,085,871        | 1,852,886        |
| Right of use assets                                   | 17    | 683,289          | 553,365          |
| Goodwill  | 18    | 598,674          | 577,237          |
| Intangible assets                                     | 19    | 1,124,013        | 849,785          |
| Interest in an associate                              | 21    | 2,029            | 2,026            |
| Financial assets at fair value through profit or loss | 22    | 9,744            | 4,959            |
| Deposits  |       | 177,300          | —                |
| Finance lease receivables                             | 23    | 8,487            | —                |
| Derivative financial instruments                      | 29    | 8,002            | 8,302            |
| Deferred tax assets                                   | 42    | 81,082           | 97,436           |
|   |       | <b>4,778,491</b> | 3,945,996        |
| <b>Current assets</b>                                 |       |                  |                  |
| Inventories   | 24    | 5,084,951        | 4,849,792        |
| Right to returned goods asset                         | 25    | 10,563           | 9,692            |
| Trade and other receivables                           | 26    | 1,639,563        | 2,022,278        |
| Deposits and prepayments                              |       | 232,127          | 151,443          |
| Bills receivable                                      | 27    | 6,887            | 7,643            |
| Finance lease receivables                             | 23    | 2,589            | —                |
| Tax recoverable                                       |       | 36,231           | 29,874           |
| Trade receivables from an associate                   | 28    | 5,026            | 6,600            |
| Derivative financial instruments                      | 29    | 76,774           | 93,554           |
| Financial assets at fair value through profit or loss | 22    | 13,466           | 16,272           |
| Bank balances, deposits and cash                      | 30    | 1,428,930        | 1,874,401        |
|   |       | <b>8,537,107</b> | 9,061,549        |
| <b>Current liabilities</b>                            |       |                  |                  |
| Trade and other payables                              | 31    | 3,777,427        | 3,991,797        |
| Bills payable   | 32    | 20,267           | 47,549           |
| Warranty provision                                    | 33    | 205,350          | 182,765          |
| Tax payable   |       | 56,750           | 56,123           |
| Derivative financial instruments                      | 29    | 50,474           | 8,282            |
| Lease liabilities                                     | 34    | 139,520          | 115,194          |
| Discounted bills with recourse                        | 35    | 2,003            | 1,857            |
| Unsecured borrowings – due within one year            | 38    | 1,952,947        | 2,252,636        |
| Refund liabilities from right of return               | 25    | 17,577           | 22,767           |
|   |       | <b>6,222,315</b> | 6,678,970        |
| Net current assets                                    |       | <b>2,314,792</b> | 2,382,579        |
| Total assets less current liabilities                 |       | <b>7,093,283</b> | 6,328,575        |

|   | Notes | 2022<br>US\$'000 | 2021<br>US\$'000 |
|---|-------|------------------|------------------|
| <b>Capital and Reserves</b>                                   |       |                  |                  |
| Share capital   | 39    | <b>684,710</b>   | 683,395          |
| Reserves  |       | <b>4,520,771</b> | 4,039,123        |
| Equity attributable to Owners of the Company and total equity |       | <b>5,205,481</b> | 4,722,518        |
| <b>Non-current Liabilities</b>                                |       |                  |                  |
| Lease liabilities   | 34    | <b>565,561</b>   | 439,006          |
| Unsecured borrowings – due after one year                     | 38    | <b>1,198,002</b> | 1,028,351        |
| Retirement benefit obligations                                | 41    | <b>47,671</b>    | 76,139           |
| Other payables  | 31    | <b>60,346</b>    | 48,502           |
| Deferred tax liabilities                                      | 42    | <b>16,222</b>    | 14,059           |
|   |       | <b>1,887,802</b> | 1,606,057        |
| Total equity and non-current liabilities                      |       | <b>7,093,283</b> | 6,328,575        |

The consolidated financial statements on pages 89 to 182 were approved and authorized for issue by the Board of Directors on March 1, 2023 and are signed on its behalf by:

**Chi Chung Chan**  
Group Executive Director

**Stephan Horst Pudwill**  
Vice Chairman

# Consolidated Statement of Changes in Equity

For the year ended December 31, 2022

|  | Attributable to Owners of the Company |                                    |                     |   |   |                 |                  | Attributable to non-controlling interests |                                     |           |
|--|---------------------------------------|------------------------------------|---------------------|---|---|-----------------|------------------|---|-------------------------------------|-----------|
|  | Share capital                         | Shares held for share award scheme | Translation reserve | Employee share-based compensation reserve | Defined benefit obligations remeasurement reserve | Hedging reserve | Retained profits | Total                                     | Share of net assets of subsidiaries | Total     |
|  | US\$'000                              | US\$'000                           | US\$'000            | US\$'000                                  | US\$'000  | US\$'000        | US\$'000         | US\$'000                                  | US\$'000                            | US\$'000  |
| At January 1, 2021   | 673,141                               | (42,086)                           | (87,765)            | 17,411                                    | (19,620)  | (80,305)        | 3,442,229        | 3,903,005                                 | (98)                                | 3,902,907 |
| Profit for the year  | —                                     | —                                  | —                   | —   | —   | —               | 1,099,003        | 1,099,003                                 | 98                                  | 1,099,101 |
| Remeasurement of defined benefit obligations   | —                                     | —                                  | —                   | —   | 7,459   | —               | —                | 7,459                                     | —                                   | 7,459     |
| Fair value gain on foreign currency forward contracts and cross-currency interest rate swaps in hedge accounting | —                                     | —                                  | —                   | —   | —   | 163,556         | —                | 163,556                                   | —                                   | 163,556   |
| Deferred tax asset on remeasurement of defined benefit obligations   | —                                     | —                                  | —                   | —   | 380   | —               | —                | 380                                       | —                                   | 380       |
| Deferred tax liability on hedging reserve  | —                                     | —                                  | —                   | —   | —   | (1,351)         | —                | (1,351)                                   | —                                   | (1,351)   |
| Exchange differences on translation of foreign operations  | —                                     | —                                  | (15,949)            | —   | —   | —               | —                | (15,949)                                  | —                                   | (15,949)  |
| Other comprehensive (loss) income for the year   | —                                     | —                                  | (15,949)            | —   | 7,839   | 162,205         | —                | 154,095                                   | —                                   | 154,095   |
| Total comprehensive (loss) income for the year   | —                                     | —                                  | (15,949)            | —   | 7,839   | 162,205         | 1,099,003        | 1,253,098                                 | 98                                  | 1,253,196 |
| Shares issued on exercise of options   | 10,254                                | —                                  | —                   | (2,046)                                   | —   | —               | —                | 8,208                                     | —                                   | 8,208     |
| Vesting of awarded shares  | —                                     | 17,597                             | —                   | (17,597)                                  | —   | —               | —                | —   | —                                   | —         |
| Shares for share award scheme  | —                                     | (81,251)                           | —                   | —   | —   | —               | —                | (81,251)                                  | —                                   | (81,251)  |
| Recognition of share-based payments  | —                                     | —                                  | —                   | 33,573                                    | —   | —               | —                | 33,573                                    | —                                   | 33,573    |
| Final dividend – 2020  | —                                     | —                                  | —                   | —   | —   | —               | (193,488)        | (193,488)                                 | —                                   | (193,488) |
| Interim dividend – 2021  | —                                     | —                                  | —                   | —   | —   | —               | (200,627)        | (200,627)                                 | —                                   | (200,627) |
| At December 31, 2021   | 683,395                               | (105,740)                          | (103,714)           | 31,341                                    | (11,781)  | 81,900          | 4,147,117        | 4,722,518                                 | —                                   | 4,722,518 |
| Profit for the year  | —                                     | —                                  | —                   | —   | —   | —               | 1,077,150        | 1,077,150                                 | —                                   | 1,077,150 |
| Remeasurement of defined benefit obligations   | —                                     | —                                  | —                   | —   | 22,007  | —               | —                | 22,007                                    | —                                   | 22,007    |
| Fair value loss on foreign currency forward contracts and cross-currency interest rate swaps in hedge accounting | —                                     | —                                  | —                   | —   | —   | (63,671)        | —                | (63,671)                                  | —                                   | (63,671)  |
| Deferred tax liability on remeasurement of defined benefit obligations   | —                                     | —                                  | —                   | —   | (2,631)   | —               | —                | (2,631)                                   | —                                   | (2,631)   |
| Deferred tax asset on hedging reserve  | —                                     | —                                  | —                   | —   | —   | 304             | —                | 304                                       | —                                   | 304       |
| Exchange differences on translation of foreign operations  | —                                     | —                                  | (128,382)           | —   | —   | —               | —                | (128,382)                                 | —                                   | (128,382) |
| Other comprehensive (loss) income for the year   | —                                     | —                                  | (128,382)           | —   | 19,376  | (63,367)        | —                | (172,373)                                 | —                                   | (172,373) |
| Total comprehensive (loss) income for the year   | —                                     | —                                  | (128,382)           | —   | 19,376  | (63,367)        | 1,077,150        | 904,777                                   | —                                   | 904,777   |
| Shares issued on exercise of options   | 1,315                                 | —                                  | —                   | (258)                                     | —   | —               | —                | 1,057                                     | —                                   | 1,057     |
| Vesting of awarded shares  | —                                     | 21,651                             | —                   | (21,651)                                  | —   | —               | —                | —   | —                                   | —         |
| Shares for share award scheme  | —                                     | (9,796)                            | —                   | —   | —   | —               | —                | (9,796)                                   | —                                   | (9,796)   |
| Recognition of share-based payments  | —                                     | —                                  | —                   | 47,346                                    | —   | —               | —                | 47,346                                    | —                                   | 47,346    |
| Final dividend – 2021  | —                                     | —                                  | —                   | —   | —   | —               | (236,104)        | (236,104)                                 | —                                   | (236,104) |
| Interim dividend – 2022  | —                                     | —                                  | —                   | —   | —   | —               | (224,317)        | (224,317)                                 | —                                   | (224,317) |
| At December 31, 2022   | 684,710                               | (93,885)                           | (232,096)           | 56,778                                    | 7,595   | 18,533          | 4,763,846        | 5,205,481                                 | —                                   | 5,205,481 |

# Consolidated Statement of Cash Flows

For the year ended December 31, 2022

|   | 2022<br>US\$'000 | 2021<br>US\$'000 |
|---|------------------|------------------|
| <b>Operating Activities</b>   |                  |                  |
| Profit before taxation  | <b>1,156,897</b> | 1,181,825        |
| Adjustments for:  |                  |                  |
| Amortization/write-off of intangible assets   | <b>132,434</b>   | 123,992          |
| Depreciation of property, plant and equipment   | <b>240,428</b>   | 190,289          |
| Depreciation of right of use assets   | <b>139,998</b>   | 112,815          |
| Fair value gain on foreign currency forward contracts   | <b>(4,339)</b>   | (9,074)          |
| Fair value loss on acquisition right of certain property, plant and equipment                       | <b>300</b>       | 192              |
| Fair value loss on listed equity securities   | <b>2,806</b>     | 4,792            |
| Finance costs   | <b>69,868</b>    | 42,008           |
| Gain on early termination of leases   | <b>(178)</b>     | (734)            |
| Gain on sale and leaseback transactions   | <b>(9,072)</b>   | —                |
| (Reversal of impairment loss) impairment loss on trade receivables under expected credit loss model | <b>(12,268)</b>  | 24,820           |
| Impairment loss on right of use assets  | <b>—</b>         | 876              |
| Interest income   | <b>(25,852)</b>  | (32,028)         |
| Loss on disposal of property, plant and equipment   | <b>16,497</b>    | 32,707           |
| Share-based payments expense  | <b>47,346</b>    | 33,573           |
| Share of result of an associate   | <b>(3)</b>       | (5)              |
| Write down of inventories   | <b>61,611</b>    | 101,991          |
| Operating cash flows before movements in working capital  | <b>1,816,473</b> | 1,808,039        |
| Increase in inventories   | <b>(361,235)</b> | (1,732,671)      |
| Decrease (increase) in trade and other receivables, deposits and prepayments                        | <b>119,405</b>   | (697,983)        |
| Increase in right to returned goods asset   | <b>(871)</b>     | (426)            |
| Decrease in bills receivable  | <b>756</b>       | 17               |
| Decrease (increase) in trade receivables from an associate  | <b>1,574</b>     | (2,360)          |
| (Decrease) increase in trade and other payables   | <b>(178,038)</b> | 734,304          |
| Decrease in refund liabilities from right of return   | <b>(5,190)</b>   | (3,946)          |
| Decrease in bills payable   | <b>(27,282)</b>  | (14,242)         |
| Increase in warranty provision  | <b>26,195</b>    | 29,048           |
| Decrease in retirement benefit obligations  | <b>(6,462)</b>   | (8,719)          |
| Net payment for purchase of shares for share award scheme   | <b>(9,796)</b>   | (81,251)         |
| Cash generated from operations  | <b>1,375,529</b> | 29,810           |
| Interest paid   | <b>(69,868)</b>  | (42,008)         |
| Hong Kong Profits Tax paid  | <b>(1,904)</b>   | (4,990)          |
| Overseas tax paid   | <b>(73,527)</b>  | (87,874)         |
| Hong Kong Profits Tax refunded  | <b>41</b>        | 1,104            |
| Overseas tax refunded   | <b>2,832</b>     | 3,013            |
| <b>Net Cash from (used in) Operating Activities</b>   | <b>1,233,103</b> | (100,945)        |

|  | Note | 2022<br>US\$'000 | 2021<br>US\$'000   |
|--|------|------------------|--------------------|
| <b>Investing Activities</b>                                  |      |                  |                    |
| Acquisition of a subsidiary                                  | 43   | (37,060)         | —                  |
| Additions to intangible assets                               |      | (404,876)        | (310,238)          |
| Interest received  |      | 25,852           | 32,028             |
| Proceeds from disposal of property, plant and equipment      |      | 3,643            | 1,632              |
| Proceeds from sale and leaseback transactions                |      | 78,572           | —                  |
| Proceeds from (payment for) early termination of leases      |      | 6                | (71)               |
| Purchase of club membership debenture                        |      | —                | (1,737)            |
| Purchase of property, plant and equipment                    |      | (580,990)        | (746,538)          |
| Purchase of unlisted equity securities                       |      | (4,800)          | —                  |
| Repayment in finance lease receivable                        |      | 423              | —                  |
| <b>Net Cash used in Investing Activities</b>                 |      | <b>(919,230)</b> | <b>(1,024,924)</b> |
| <b>Financing Activities</b>                                  |      |                  |                    |
| Increase in discounted bills with recourse                   |      | 146              | 421                |
| Dividends paid   |      | (460,421)        | (394,115)          |
| New unsecured borrowings obtained                            |      | 4,839,103        | 7,300,433          |
| Proceeds from issue of shares                                |      | 1,057            | 8,208              |
| Repayment of lease liabilities                               |      | (137,333)        | (101,736)          |
| Repayment of unsecured borrowings                            |      | (4,955,291)      | (5,341,104)        |
| <b>Net Cash (used in) from Financing Activities</b>          |      | <b>(712,739)</b> | <b>1,472,107</b>   |
| <b>Net (Decrease) Increase in Cash and Cash Equivalents</b>  |      | <b>(398,866)</b> | <b>346,238</b>     |
| <b>Cash and Cash Equivalents at Beginning of the Year</b>    |      | <b>1,874,401</b> | <b>1,533,876</b>   |
| <b>Effect of Foreign Exchange Rate Changes</b>               |      | <b>(46,605)</b>  | <b>(5,713)</b>     |
| <b>Cash and Cash Equivalents at End of the Year</b>          |      | <b>1,428,930</b> | <b>1,874,401</b>   |
| <b>Analysis of the Balances of Cash and Cash Equivalents</b> |      |                  |                    |
| Represented by:  |      |                  |                    |
| Bank balances, deposits and cash                             |      | 1,428,930        | 1,874,401          |
|  |      | <b>1,428,930</b> | <b>1,874,401</b>   |

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

## 1. General Information

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

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

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

## 2. Application of Amendments to Hong Kong Financial Reporting Standards (“HKFRSs”)

### Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) for the first time, which are mandatorily effective for the annual period beginning on January 1, 2022 for the preparation of the consolidated financial statements:

|                       |  |
|-----------------------|--|
| Amendments to HKFRS 3 | Reference to the Conceptual Framework                        |
| Amendment to HKFRS 16 | Covid-19-Related Rent Concessions beyond June 30, 2021       |
| Amendments to HKAS 16 | Property, Plant and Equipment – Proceeds before Intended Use |
| Amendments to HKAS 37 | Onerous Contract – Cost of Fulfilling a Contract             |
| Amendments to HKFRSs  | Annual Improvements to HKFRSs 2018 – 2020                    |

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

### Impacts on application of Amendments to HKFRS 3 Reference to the Conceptual Framework

The Group has applied the amendments to business combinations for which the acquisition date was on or after January 1, 2022. The amendments update a reference in HKFRS 3 *Business Combinations* so that it refers to the *Conceptual Framework for Financial Reporting 2018* issued in June 2018 (the “Conceptual Framework”) instead of *Framework for the Preparation and Presentation of Financial Statements* (replaced by the *Conceptual Framework for Financial Reporting 2010* issued in October 2010), add a requirement that, for transactions and events within the scope of HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* or HK(IFRIC)-Int 21 *Levies*, an acquirer applies HKAS 37 or HK(IFRIC)-Int 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination and add an explicit statement that an acquirer does not recognize contingent assets acquired in a business combination.

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

## 2. Application of Amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) (continued)

### New and amendments to HKFRSs in issue but not yet effective

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

|   |  |
|---|--|
| Amendments to HKFRS 10 and HKAS 28                  | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>2</sup>                               |
| Amendment to HKFRS 16                               | Lease Liability in a Sale and Leaseback <sup>3</sup>   |
| Amendments to HKAS 1                                | Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) <sup>3</sup> |
| Amendments to HKAS 1                                | Non-current Liabilities with Covenants <sup>3</sup>  |
| Amendments to HKAS 1 and HKFRS Practice Statement 2 | Disclosure of Accounting Policies <sup>1</sup>   |
| Amendments to HKAS 8                                | Definition of Accounting Estimates <sup>1</sup>  |
| Amendments to HKAS 12                               | Deferred Tax related to Assets and Liabilities arising from a Single Transaction <sup>1</sup>                                    |

<sup>1</sup> Effective for annual periods beginning on or after January 1, 2023.

<sup>2</sup> Effective for annual periods beginning on or after a date to be determined.

<sup>3</sup> Effective for annual periods beginning on or after January 1, 2024.

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

### Amendments to HKRS 16 *Lease Liability in a Sale and Leaseback*

The amendments add subsequent measurement requirements for sale and leaseback transactions that satisfy the requirements of HKFRS 15 to be accounted for as a sale. The amendments require a seller-lessee to determine “lease payments” or “revised lease payments” such that the seller-lessee would not recognize a gain or loss that relates to the right of use retained by the seller-lessee. The amendments also clarify that applying the requirements does not prevent the seller-lessee from recognizing in profit or loss any gain or loss relating to subsequent partial or full termination of a lease.

As part of the amendments, Illustrative Example 25 accompanying HKFRS 16 is added to illustrate the application of the requirements in a sale and leaseback transaction with variable lease payments that do not depend on an index or rate.

The amendments are effective for annual reporting periods beginning on or after January 1, 2024, with early application permitted. The application of the amendments is not expected to have significant impact on the financial position and performance of the Group.

## 2. Application of Amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) (continued)

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

The amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that:
  - (i) the classification should not be affected by management intentions or expectations to settle the liability within 12 months; and
  - (ii) if the right is conditional on the compliance with covenants, the right exists if the conditions are met at the end of the reporting period, even if the lender does not test compliance until a later date; and
- clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognizes the option separately as an equity instrument applying HKAS 32 *Financial Instruments: Presentation*.

In addition, Hong Kong Interpretation 5 was revised as a consequence of the Amendments to HKAS 1 to align the corresponding wordings with no change in conclusion.

### *Amendments to HKAS 1 Non-current Liabilities with Covenants (‘the 2022 Amendments’)*

The 2022 Amendments modify the requirements introduced by the amendments to HKAS 1 issued in 2020, Classification of Liabilities as Current or Non-current (“the 2020 Amendment”) on how an entity classifies debt and other financial liabilities with covenants as current or non-current. The amendments specify that only covenants with which the entity is required to comply with on or before the end of the reporting period affect the entity's right to defer settlement of a liability for at least twelve months after the reporting date. Covenants which are required to comply with only after the reporting period do not affect whether that right exists at the end of the reporting period.

The amendments also specify the disclosure requirements about information that enables users of financial statements to understand the risk that the liabilities could become repayable within twelve months after the reporting period, if the entity classify liabilities arising from loan arrangements as non-current when the entity's right to defer settlement of those liabilities is subject to the entity complying with covenants within twelve months after the reporting period.

The amendments also defer the effective date of the 2020 Amendments to annual reporting periods beginning on or after January 1, 2024. The amendments, together with the 2020 Amendments, are effective for annual reporting periods beginning on or after January 1, 2024, with early application permitted. If an entity applies the 2020 amendments for an earlier period after the issue of the 2022 Amendments, the entity should also apply the 2022 Amendments for that period.

As at December 31, 2022, the Group's right to defer settlement for borrowings of US\$1,198,002,000 are subject to compliance with certain financial ratios within 12 months from the reporting date. Such borrowings were classified as non-current as the Group met such ratios at December 31, 2022. Upon the application of the amendments, covenants which the Group is required to comply with only after the reporting period do not affect whether that right exists at the end of the reporting date. Instead, the Group will disclose additional information about the covenants and facts and circumstances that indicate the Group may have difficulty complying with the covenants.

## 2. Application of Amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) (continued)

### Amendments to HKAS 1 and HKFRS Practice Statement 2 *Disclosure of Accounting Policies*

HKAS 1 is amended to replace all instances of the term “significant accounting policies” with “material accounting policy information”. Accounting policy information is material if, when considered together with other information included in an entity’s financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

HKFRS Practice Statement 2 *Making Materiality Judgements* (the “Practice Statement”) is also amended to illustrate how an entity applies the “four-step materiality process” to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments is not expected to have significant impact on the financial position or performance of the Group but may affect the disclosures of the Group’s significant accounting policies. The impacts of application, if any, will be disclosed in the Group’s future consolidated financial statements.

### Amendments to HKAS 8 *Definition of Accounting Estimates*

The amendments define accounting estimates as “monetary amounts in financial statements that are subject to measurement uncertainty”. An accounting policy may require items in financial statements to be measured in a way that involves measurement uncertainty – that is, the accounting policy may require such items to be measured at monetary amounts that cannot be observed directly and must instead be estimated. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policy. Developing accounting estimates involves the use of judgements or assumptions based on the latest available, reliable information.

In addition, the concept of changes in accounting estimates in HKAS 8 is retained with additional clarifications.

The application of the amendments is not expected to have significant impact on the Group’s consolidated financial statements.

### Amendments to HKAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

The amendments narrow the scope of the recognition exemption of deferred tax liabilities and deferred tax assets in paragraphs 15 and 24 of HKAS 12 Income Taxes so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

As disclosed in Note 3 to the consolidated financial statements, for leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 requirements to the relevant assets and liabilities as a whole. Temporary differences relating to relevant assets and liabilities are assessed on a net basis.

Upon the application of the amendments, the Group will recognize a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized) and a deferred tax liability for all deductible and taxable temporary differences associated with the right of use assets (“ROU assets”) and the lease liabilities.

The amendments are effective for the Group’s annual reporting period beginning on January 1, 2023. The application of the amendments is not expected to have significant impact on the Group’s consolidated financial statements.

### 3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies

#### Basis of Preparation of Consolidated Financial Statements

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) and by the Hong Kong Companies Ordinance (“CO”).

The directors of the Company have, at the time of approving the consolidated financial statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the consolidated financial statements.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair value at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 *Share-based Payment*, leasing transactions that are accounted for in accordance with HKFRS 16 *Leases* and measurements that have some similarities to fair value but are not fair value, such as net realizable value in HKAS 2 *Inventories* or value in use in HKAS 36 *Impairment of Assets*.

In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

### 3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies

(continued)

#### Significant Accounting Policies

##### BASIS OF CONSOLIDATION

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has the power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

##### BUSINESS COMBINATIONS OR ASSET ACQUISITIONS

###### Optional concentration test

The Group can elect to apply an optional concentration test, on a transaction-by-transaction basis, that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. If the concentration test is met, the set of activities and assets is determined not to be a business and no further assessment is needed.

###### Asset acquisitions

When the Group acquires a group of assets and liabilities that do not constitute a business, the Group identifies and recognizes the individual identifiable assets acquired and liabilities assumed by allocating the purchase price first to financial assets/financial liabilities at the respective fair values, the remaining balance of the purchase price is then allocated to the other identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction does not give rise to goodwill or bargain purchase gain.

###### Business Combinations

A business is an integrated set of activities and assets which includes an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired processes are considered substantive if they are critical to the ability to continue producing outputs, including an organized workforce with the necessary skills, knowledge, or experience to perform the related processes or they significantly contribute to the ability to continue producing outputs and are considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognized in profit or loss as incurred.

### 3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies

(continued)

#### Significant Accounting Policies (continued)

##### BUSINESS COMBINATIONS OR ASSET ACQUISITIONS (continued)

##### Business Combinations (continued)

For business combinations in which the acquisition date is on or after January 1, 2022, the identifiable assets acquired and liabilities assumed must meet the definitions of an asset and a liability in the Conceptual Framework except for transactions and events within the scope of HKAS 37 or HK(IFRIC)-Int 21, in which the Group applies HKAS 37 or HK(IFRIC)-Int 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination. Contingent assets are not recognized.

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

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognized and measured in accordance with HKAS 12 *Income Taxes* and HKAS 19 *Employee Benefits* respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 at the acquisition date (see the accounting policy below);
- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard; and
- lease liabilities are recognized and measured at the present value of the remaining lease payments (as defined in HKFRS 16) as if the acquired leases were new leases at the acquisition date, except for leases for which (a) the lease term ends within 12 months of the acquisition date; or (b) the underlying asset is of low value. ROU assets are recognized and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognized immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation are initially measured either at fair value or at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets or at fair value. The choice of measurement basis is made on a transaction-by-transaction basis.

When the consideration transferred by the Group in a business combination includes a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured to fair value at subsequent reporting dates with the corresponding gain or loss being recognized in profit or loss.

### 3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies

(continued)

#### Significant Accounting Policies (continued)

##### BUSINESS COMBINATIONS OR ASSET ACQUISITIONS (continued)

###### Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less any accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units ("CGUs") (or group of CGUs) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A CGU (or group of CGUs) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the CGU (or groups of CGUs) to which goodwill has been allocated is tested for impairment before the end of that reporting period.

If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets of the unit on a pro-rata basis based on the carrying amount of each asset in the unit (or group of CGUs). Any impairment loss for goodwill is recognized directly in profit or loss in the consolidated statement of profit or loss and other comprehensive income. An impairment loss recognized for goodwill is not reversed in subsequent periods.

On disposal of the relevant CGU or any of the CGU within the group of CGUs, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal. When the Group disposes of an operation within the CGU (or a CGU within a group of CGUs), the amount of goodwill disposed of is measured on the basis of the relative values of the operation (or the CGU) disposed of and the portion of the CGU (or the group of CGUs) retained.

The Group's policy for goodwill arising on the acquisition of an associate is disclosed below.

###### INTEREST IN AN ASSOCIATE

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 result and assets and liabilities of an associate are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of an associate used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, investment in an associate is initially recognized in the consolidated statement of financial position at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of an associate. Changes in net assets of an associate other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of loss of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognized as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognized immediately in profit or loss in the period in which the investment is acquired.

The Group assesses whether there is objective evidence that the interest in an associate may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognized is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

### 3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies

(continued)

#### Significant Accounting Policies (continued)

##### INTEREST IN AN ASSOCIATE (continued)

When the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognized in profit or loss. When the Group retains an interest in the former associate and the retained interest is a financial asset within the scope of HKFRS 9, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of the relevant interest in the 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 recognized in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognized in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal/partial disposal of the relevant associate.

When a group entity transacts with an associate of the Group (such as a sale or contribution of assets), profits and losses resulting from the transactions with the associate are recognized in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

##### CHANGES IN THE GROUP'S INTEREST IN AN ASSOCIATE

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 recognized in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

##### Acquisition of additional interest in an associate

When the Group increases its ownership interest in an associate but the Group continues to use the equity method, goodwill is recognized at acquisition date if there is excess of the consideration paid over the share of carrying amount of net assets attributable to the additional interest in an associate acquired. Any excess of share of carrying amount of net assets attributable to the additional interest in an associate acquired over the consideration paid are recognized in the profit or loss in the period in which the additional interest is acquired.

##### INTANGIBLE ASSETS

##### Intangible Assets Acquired Separately

Intangible assets acquired separately and with finite useful lives are carried at cost less accumulated amortization and any accumulated impairment losses. Amortization of intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less any subsequent accumulated impairment losses.

##### Intangible Assets Acquired in a Business Combination

Intangible assets acquired in a business combination are recognized separately from goodwill and are initially recognized at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at cost less accumulated amortization and any accumulated impairment losses, on the same basis as intangible assets that are acquired separately. Intangible assets acquired in a business combination with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses.

### 3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies

(continued)

#### Significant Accounting Policies (continued)

##### INTANGIBLE ASSETS (continued)

##### Internally-Generated Intangible Assets – Research and Development Expenditure

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

An internally-generated intangible asset arising from development activities (or from the development phase of an internal project) is recognized only if all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognized for an internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognized, development expenditure is recognized in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, an internally-generated intangible asset is reported at cost less accumulated amortization and accumulated impairment losses (if any), on the same basis as intangible assets acquired separately.

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss in the period when the asset is derecognized.

##### LEASES

##### Definition of a Lease

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

For contracts entered into or modified on or after the date of initial application of HKFRS 16 or arising from business combinations, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

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

##### The Group as a Lessee

##### Allocation of Consideration to Components of a Contract

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

Non-lease components are separated from lease component and are accounted for by applying other applicable standards.

##### Short-term Leases and Leases of Low-value Assets

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

### 3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies

(continued)

#### Significant Accounting Policies (continued)

##### LEASES (continued)

##### The Group as a Lessee (continued)

##### ROU Assets

The cost of ROU assets includes:

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

ROU assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

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

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

##### Refundable Rental Deposits

Refundable rental deposits paid are accounted under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of ROU assets.

##### Lease Liabilities

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

The lease payments include:

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

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

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

##### Lease Modifications

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

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

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

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant ROU asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative standalone price of the lease component and the aggregate standalone price of the non-lease components.

### 3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies

(continued)

#### Significant Accounting Policies (continued)

##### LEASES (continued)

##### The Group as a Lessor

###### Classification and measurement of leases

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Amounts due from lessees under finance leases are recognized as receivables at commencement date at amounts equal to net investments in the leases, measured using the interest rate implicit in the respective leases. Initial direct costs (other than those incurred by manufacturer or dealer lessors) are included in the initial measurement of the net investments in the leases. Interest income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognized in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognized as an expense on a straight-line basis over the lease term except for investment properties measured under fair value model.

###### Sublease

When the Group is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the ROU asset arising from the head lease, not with reference to the underlying asset.

The Group uses the discount rate used for the head lease (adjusted for any initial direct costs associated with the sublease) to measure the net investment in the sublease if the interest rate implicit in the sublease cannot be readily determined.

##### SALE AND LEASEBACK TRANSACTIONS

The Group applies the requirements of HKFRS 15 to assess whether sale and leaseback transaction constitutes a sale by the Group.

###### The Group as a seller-lessee

For a transfer that satisfies the requirements as a sale, the Group as a seller-lessee measures the ROU asset arising from the leaseback at the proportion of the previous carrying amount of the asset and recognizes any gain or loss that relates to the rights transferred to the buyer-lessor only. ROU asset and lease liability with fixed payments are subsequently measured in accordance with the Group's accounting policies above.

If the fair value of the consideration for the sale does not equal the fair value of the asset, or if the payments for the lease are not at market rates, the Group makes the following adjustments to measure the sale proceeds at fair value:

- (a) any below-market terms is accounted for as a prepayment of lease payments; and
- (b) any above-market terms is accounted for as additional financing provided by the buyer-lessor to the seller-lessee.

##### PROPERTY, PLANT & EQUIPMENT ("PP&E")

PP&E are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes, other than freehold land and construction in progress as described below. PP&E are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Freehold land is not depreciated and are measured at cost less subsequent accumulated impairment losses.

Depreciation is recognized so as to write-off the cost of items of PP&E, other than freehold land and construction in progress, over their estimated useful lives and after taking into account of their estimated residual values, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

### 3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies

(continued)

#### Significant Accounting Policies (continued)

##### PROPERTY, PLANT & EQUIPMENT (“PP&E”) (continued)

PP&E in the course of construction for production, supply or administrative purpose is carried at cost, less any recognized impairment loss. Cost includes any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and, for qualifying assets, borrowing costs capitalized in accordance with the Group’s accounting policy. Construction in progress is classified to the appropriate category of PP&E when completed and ready for its intended use. Depreciation of these assets, on the same basis as other PP&E, commences when the assets are ready for their intended use.

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition. To the extent the allocation of the relevant payments can be made reliably, interest in leasehold is presented as “ROU assets” in the consolidated statement of financial position. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as PP&E.

An item of PP&E is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the period in which the item is derecognized.

##### IMPAIRMENT ON PP&E, ROU ASSETS AND INTANGIBLE ASSETS OTHER THAN GOODWILL

At the end of the reporting period, the Group reviews the carrying amounts of its PP&E, ROU assets and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss, if any. Intangible assets with indefinite useful lives are tested for impairment at least annually, and whenever there is an indication that they may be impaired. The recoverable amount of PP&E, ROU assets and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the CGU to which the asset belongs.

In testing a CGU for impairment, corporate assets are allocated to the relevant CGU when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the CGU or group of CGUs to which the corporate asset belongs, and is compared with the carrying amount of the relevant CGU or group of CGUs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a CGU) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or a CGU) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a CGU, the Group compares the carrying amount of a group of CGUs, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of CGUs, with the recoverable amount of the group of CGUs. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of CGUs. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro-rata to the other assets of the unit or the group of CGUs. An impairment loss is recognized immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU or a group of CGUs) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or CGU or a group of CGUs) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

### 3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies

(continued)

#### Significant Accounting Policies (continued)

##### BANK BALANCES, DEPOSITS AND CASH

Bank balances, deposits and cash presented on the consolidated statement of financial position include:

- (a) cash, which comprises of cash on hand and demand deposits, excluding bank balances that are subject to regulatory restrictions that result in such balances no longer meeting the definition of cash; and
- (b) cash equivalents, which comprises of short-term (generally with original maturity of three months or less), highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

For the purposes of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

##### FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognized in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15 *Revenue from Contracts with Customers* ("HKFRS 15"). Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss ("FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

The effective interest method is a method of calculating the amortized cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

#### Financial Assets

##### Classification and Subsequent Measurement of Financial Assets

Financial assets that meet the following conditions are subsequently measured at amortized cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except for derivatives designated as cash flow hedge relationship and at initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognized by an acquirer in a business combination to which HKFRS 3 *Business Combinations* ("HKFRS 3") applies.

### 3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies

(continued)

#### Significant Accounting Policies (continued)

##### FINANCIAL INSTRUMENTS (continued)

##### Financial Assets (continued)

##### Classification and Subsequent Measurement of Financial Assets (continued)

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

##### *Amortized Cost and Interest Income*

Interest income is recognized using the effective interest method for financial assets measured subsequently at amortized cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognized by applying the effective interest rate to the amortized cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognized by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

##### *Financial Assets at FVTPL*

Financial assets that do not meet the criteria for being measured at amortized cost or FVTOCI or designated as FVTOCI are measured at FVTPL except for derivatives designated as cash flow hedge relationship.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognized in profit or loss. The net gain or loss recognized in profit or loss includes any dividend or interest earned on the financial assets.

##### *Impairment of Financial Assets and Other Item Subject to Impairment Assessment under HKFRS 9*

The Group performs impairment assessment under expected credit loss (“ECL”) model on financial assets (including trade and other receivables, bills receivable, trade receivables from an associate, finance lease receivables, bank balances and deposits) which are subject to impairment assessment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL (“12m ECL”) represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessments are done based on the Group’s historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognizes lifetime ECL for trade receivables.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless there has been a significant increase in credit risk since initial recognition, in which case the Group recognizes lifetime ECL. The assessment of whether lifetime ECL should be recognized is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

### 3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies

(continued)

#### Significant Accounting Policies (continued)

##### FINANCIAL INSTRUMENTS (continued)

##### Financial Assets (continued)

Classification and Subsequent Measurement of Financial Assets (continued)

##### *Impairment of Financial Assets and Other Item Subject to Impairment Assessment under HKFRS 9 (continued)*

##### (i) Significant Increase in Credit Risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if (i) it has a low risk of default, (ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of "investment grade" as per globally understood definitions.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

##### (ii) Definition of Default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

### 3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies

(continued)

#### Significant Accounting Policies (continued)

#### FINANCIAL INSTRUMENTS (continued)

#### Financial Assets (continued)

Classification and Subsequent Measurement of Financial Assets (continued)

#### *Impairment of Financial Assets and Other Item Subject to Impairment Assessment under HKFRS 9 (continued)*

#### (iii) Credit-impaired Financial Assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- (a) significant financial difficulty of the issuer or the borrower;
- (b) a breach of contract, such as a default or past due event;
- (c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or
- (d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganization.

#### (iv) Write-off Policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognized in profit or loss.

#### (v) Measurement and Recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Lifetime ECL for trade receivables are considered on a collective basis taking into consideration past due information and relevant credit information such as forward-looking macroeconomic information.

For collective assessment, the Group takes into consideration the following characteristics when formulating the grouping:

- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortized cost of the financial asset (i.e. gross carrying amount less loss allowance for ECL).

The Group recognizes an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables where the corresponding adjustment is recognized through a loss allowance account.

### 3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies

(continued)

#### Significant Accounting Policies (continued)

##### FINANCIAL INSTRUMENTS (continued)

##### Financial Liabilities and Equity

Debt and equity instruments are classified either as financial liabilities or as equity in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

##### Equity Instrument

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs.

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

##### Financial Liabilities at Amortized Cost

Financial liabilities (including unsecured borrowings, trade and other payables, bills payable and discounted bills with recourse) are subsequently measured at amortized cost, using the effective interest method.

##### Financial Liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination to which HKFRS 3 applies, (ii) held for trading or (iii) it is designated as at FVTPL.

A financial liability is held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative, except for a derivative that is a designated and effective hedging instrument.

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKFRS 9 permits the entire combined contract to be designated as at FVTPL.

For financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognized in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognized in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to retained profits upon derecognition of the financial liability.

##### Changes in the basis for determining the contractual cash flows as a result of interest rate benchmark reform

For changes in the basis for determining the contractual cash flows of a financial asset or financial liability to which the amortized cost measurement applies as a result of interest rate benchmark reform, the Group applies the practical expedient to account for these changes by updating the effective interest rate, such change in effective interest rate normally has no significant effect on the carrying amount of the relevant financial asset or financial liability.

### 3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies

(continued)

#### Significant Accounting Policies (continued)

##### FINANCIAL INSTRUMENTS (continued)

##### Financial Liabilities and Equity (continued)

Changes in the basis for determining the contractual cash flows as a result of interest rate benchmark reform (continued)

A change in the basis for determining the contractual cash flows is required by interest rate benchmark reform if and only if, both these conditions are met:

- the change is necessary as a direct consequence of interest rate benchmark reform; and
- the new basis for determining the contractual cash flows is economically equivalent to the previous basis (i.e. the basis immediately preceding the change).

##### Derivative Financial Instruments

Derivatives are initially recognized at fair value at the date when a derivative contract is entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

##### Hedge Accounting

The Group designates certain derivatives as hedging instruments for cash flow hedges.

At the inception of the hedging relationship the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument that is used in a hedging relationship is highly effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk.

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

##### Assessment of Hedging Relationship and Effectiveness

For hedge effectiveness assessment, the Group considers whether the hedging instrument is effective in offsetting changes in cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship; and
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item.

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the Group adjusts the hedge ratio of the hedging relationship (i.e. rebalances the hedge) so that it meets the qualifying criteria again.

For changes made to the hedged risk, hedged item or hedging instrument required by interest rate benchmark reform, the Group amends the formal designation of a hedging relationship to reflect the changes by the end of the reporting period during which the relevant changes were made. Such an amendment to the formal designation of the hedging relationship constitutes neither the discontinuation of the hedging relationship nor the designation of a new hedging relationship.

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

### 3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies

(continued)

#### Significant Accounting Policies (continued)

##### FINANCIAL INSTRUMENTS (continued)

##### Financial Liabilities and Equity (continued)

##### Cash Flow Hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognized in other comprehensive income and accumulated in the hedging reserve, limited to the cumulative change in fair value of the hedged item from inception of the hedge. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss.

When a hedged item in a cash flow hedge is amended to reflect the changes that are required by the interest rate benchmark reform, the amount accumulated in the cash flow hedge reserve is deemed to be based on the alternative benchmark rate on which the hedged future cash flows are determined.

Amounts previously recognized in other comprehensive income and accumulated in equity (hedging reserve) are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line of the consolidated statement of profit or loss and other comprehensive income as the recognized hedged item. Furthermore, if the Group expects that some or all of the loss accumulated in the cash flow hedging reserve will not be recovered in the future, that amount is immediately reclassified to profit or loss.

##### Discontinuation of Hedge Accounting

The Group discontinues hedge accounting prospectively only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised. Discontinuing hedge accounting can either affect a hedging relationship in its entirety or only a part of it (in which case hedge accounting continues for the remainder of the hedging relationship).

For cash flow hedge, any gain or loss recognized in other comprehensive income and accumulated in equity at that time remains in equity and is recognized when the forecast transactions is ultimately recognized in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognized immediately in profit or loss.

##### Derecognition of Financial Assets and Liabilities

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and has not retained control of the transferred asset, the Group derecognizes the financial asset and recognizes separately as assets or liabilities any rights and obligations created or retained in the transfer. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

On derecognition of a financial asset measured at amortized cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss.

The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

##### PROVISIONS

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Provisions for the expected cost of assurance-type warranty obligations under the relevant contracts with customers for sales of goods are recognized at the date of sale of the relevant products, at the directors' best estimate of the expenditure required to settle the Group's obligation.

### 3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies

(continued)

#### Significant Accounting Policies (continued)

##### INVENTORIES

Inventories are stated at the lower of cost and net realizable value. Cost of inventories are determined on a using the first-in, first-out method. Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sales. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.

##### REVENUE FROM CONTRACTS WITH CUSTOMERS

The Group recognizes revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognized over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group’s performance as the Group performs;
- the Group’s performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group’s performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognized at a point in time when the customer obtains control of the distinct good or service.

##### OVER TIME REVENUE RECOGNITION (COMMISSION AND ROYALTY INCOME): MEASUREMENT OF PROGRESS TOWARDS COMPLETE SATISFACTION OF A PERFORMANCE OBLIGATION

The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognize revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict the Group’s performance in transferring control of goods or services.

As a practical expedient, if the Group has a right to consideration in an amount that corresponds directly with the value of the Group’s performance completed to date (i.e. royalty income), the Group recognizes revenue in the amount to which the Group has the right to invoice.

##### REFUND LIABILITIES

The Group recognizes a refund liability if the Group expects to refund some or all of the consideration received from customers.

##### SALE WITH A RIGHT OF RETURN/EXCHANGE

For a sale of products with a right of return/exchange for dissimilar products, the Group recognizes all of the following:

- (a) revenue for the transferred products in the amount of consideration to which the Group expects to be entitled (therefore, revenue would not be recognized for the products expected to be returned/exchanged);
- (b) a refund liability; and
- (c) an asset (and corresponding adjustment to cost of sales) for its right to recover products from customers and are presented as right to returned goods asset.

### 3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies

(continued)

#### Significant Accounting Policies (continued)

##### TAXATION

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before taxation as reported in the consolidated statement of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognized if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and an associate, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax is recognized in profit or loss, except when it relates to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

In assessing any uncertainty over income tax treatments, the Group considers whether it is probable that the relevant tax authority will accept the uncertain tax treatment used, or proposed to be used, by individual group entities in their income tax filings. If it is probable, the current and deferred taxes are determined consistently with the tax treatment in the income tax filings. If it is not probable that the relevant taxation authority will accept an uncertain tax treatment, the effect of each uncertainty is reflected by using either the most likely amount or the expected value.

### 3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies

(continued)

#### Significant Accounting Policies (continued)

##### FOREIGN CURRENCIES

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognized at the rates of exchange prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the exchange rates at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognized in profit or loss in the period in which they arise, except for exchange differences arising on a monetary items receivable from or payable to foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in a foreign operation), in which case, such exchange differences are recognized in other comprehensive income and accumulated in equity and will be reclassified from equity to profit or loss on disposal or partial disposal of the foreign operation.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. US\$) at the rate of exchange prevailing at the end of each reporting period, and their income and expenses are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognized in profit or loss. For all other partial disposals (i.e. partial disposals of an associate that do not result in the Group losing significant influence), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation on or after January 1, 2005 are treated as assets and liabilities of that foreign operation and retranslated at the rate of exchange prevailing at the end of the reporting date. Exchange differences arising are recognized in the other comprehensive income.

Goodwill and fair value adjustments on identifiable assets acquired arising on acquisitions of foreign operations before January 1, 2005 are treated as non-monetary foreign currency items of the acquirer and reported using the historical exchange rate prevailing at the date of the acquisition.

##### BORROWING COSTS

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

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

### 3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies

(continued)

#### Significant Accounting Policies (continued)

##### EQUITY-SETTLED SHARE-BASED PAYMENT TRANSACTIONS

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (employee share-based compensation reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the employee share-based compensation reserve.

At the time when the share options are exercised, the amount previously recognized in employee share-based compensation reserve would be transferred to share capital. When the share options are forfeited or are still not exercised at the expiry date, the amount previously recognized in the employee share-based compensation reserve would be transferred to retained profits.

When the trustee purchases the Company's shares from the open market, the consideration paid, including any directly attributable incremental costs, is presented as shares held for share award scheme and deducted from total equity. No gain or loss is recognized on the transactions of the Company's own shares.

When the trustee transfers the Company's shares to grantees upon vesting, the related costs of the granted shares vested are reversed from shares held under the share award scheme. Accordingly, the related expense of the granted shares vested is reversed from the employee share-based compensation reserve. The difference arising from this transfer is debited/credited to retained profits. At the end of the reporting period, the Group revises its estimate of the number of shares that are expected to ultimately vest. The impact of the revision of the estimate, if any, is recognized in profit or loss with a corresponding adjustment to the employee share-based compensation reserve.

##### GOVERNMENT GRANTS

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received. Government grants are recognized in profit or loss on a systematic basis over the periods in which the Group recognized as expenses the related costs for which the grants are intended to compensate.

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they become receivable. Government grants relating to compensation of expenses are deducted from the related expenses, other government grants are presented under "other income".

##### 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. In determining the present value of the Group's defined benefit obligations and the related current service cost and, where applicable, past service cost, the Group attributes benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than earlier years, the Group attributes the benefit on a straight-line basis from:

- (a) the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- (b) the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the consolidated statement of financial position with a charge or credit recognized in other comprehensive income in the period in which they occur. Remeasurement recognized in other comprehensive income is reflected immediately in retained profits and will not be reclassified to profit or loss.

### 3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies

(continued)

#### Significant Accounting Policies (continued)

##### RETIREMENT BENEFIT SCHEMES (continued)

Past service cost is recognized in profit or loss in the period of a plan amendment or curtailment and a gain or loss on settlement is recognized when settlement occurs. When determining past service cost, or a gain or loss on settlement, an entity shall remeasure the net defined benefit liability or asset using the current fair value of plan assets and current actuarial assumptions, reflecting the benefits offered under the plan and the plan assets before and after the plan amendment, curtailment or settlement, without considering the effect of asset ceiling (i.e. the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan).

Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. However, if the Group remeasures the net defined benefit liability or asset before plan amendment, curtailment or settlement, the Group determines net interest for the remainder of the annual reporting period after the plan amendment, curtailment or settlement using the benefits offered under the plan and the plan assets after the plan amendment, curtailment or settlement and the discount rate used to remeasure such net defined benefit liability or asset, taking into account any changes in the net defined benefit liability or asset during the period resulting from contributions or benefit payments.

Defined benefit costs are categorized as follows:

- service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements);
- net interest expense or income; and
- remeasurement.

The retirement benefit obligations recognized in the consolidated statement of financial position represents the actual deficit or surplus in the Group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

##### SHORT-TERM AND OTHER LONG-TERM EMPLOYEE BENEFITS

Short-term employee benefits are recognized at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognized as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognized for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Liabilities recognized in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date. Any changes in the liabilities' carrying amounts resulting from service costs, interests and remeasurements are recognized in profit or loss except to the extent that another HKFRS requires or permits their inclusion in the cost of an asset.

#### 4. Key Sources of Accounting Estimates

In the application of the Group's accounting policies, which are described in Note 3, the directors of the Company are required to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period, or in the period of the revisions and future periods if the revisions affect both current and future periods.

##### Key Sources of Estimation Uncertainty

The following are key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

##### Capitalization, Useful Lives and Estimated Impairment of Deferred Development Costs

Determining the development costs, including the time and costs for individual projects, to be capitalized requires estimations and assumptions based on the expected future economic benefits to be generated by the products resulting from these development costs. Other important estimations and assumptions in this assessment process are the feasibility of mass production, the distinction between research and development and the estimated useful life. As at December 31, 2022, the carrying amount of deferred development costs of the Group was US\$836,933,000 (2021: US\$572,449,000). The estimation of their useful lives impacts the level of annual amortization recorded. The estimation of their useful lives reflects the directors' best estimate of the periods that future economic benefits will be received through the use of the assets. In determining whether the deferred development costs are impaired, the management takes into consideration the anticipated revenues and estimated future cash flows from the underlying projects, and the progress of these projects. When the actual revenues and future cash flows are less than expected, a material impairment loss may arise and need to be recognized. Management is confident that the carrying amount of the assets will be recovered in full. This situation will be closely monitored and adjustments will be made in future periods if future market activity indicates that adjustments are required.

##### Income Taxes

The Group operates in a complex multinational tax environment. The Group carefully evaluates tax implications of its transactions in accordance with prevailing tax regulations and makes tax provision accordingly. However, estimation is required in determining the Group's provision for taxation charge as there are many complex transactions and calculations, of which the ultimate tax determination is uncertain during the ordinary course of business. When the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact on the income tax and deferred tax provision in the periods in which such determination is made. The carrying amount of current tax payable carried as liabilities in the consolidated statement of financial position as at December 31, 2022 was US\$56,750,000 (2021: US\$56,123,000).

As at December 31, 2022, deferred tax assets of US\$52,761,000 (2021: US\$17,797,000) in relation to unused tax losses and US\$64,051,000 (2021: US\$74,748,000) in relation to employee related provisions has been recognized in the Group's consolidated statement of financial position. The realizability of the deferred tax assets mainly depends on whether sufficient taxable profits, or taxable temporary differences, will be available in the future. In cases where the actual future taxable profits generated are less than expected, or change in facts and circumstances which result in revision of future taxable profits estimation, a material reversal or further recognition of the deferred tax assets may arise, which would be recognized in profit or loss for the period in which the reversal or further recognition takes place.

## 5. Segment Information

Information reported to the executive directors of the Company, being the chief operating decision makers, for the purposes of resources allocation and assessment of segment performance focuses on the types of goods sold.

The principal categories of goods supplied are “Power Equipment” and “Floorcare & Cleaning”. The Group’s operating segments under HKFRS 8 are as follows:

1. Power Equipment – sales of power tools, power tool accessories, outdoor products, and outdoor product accessories for consumer, trade, professional and industrial users. The products are available under the MILWAUKEE, EMPIRE, AEG, RYOBI, HOMELITE and HART brands plus original equipment manufacturer (“OEM”) customers.
2. Floorcare & Cleaning – sales of floorcare products and floorcare accessories under the HOOVER, DIRT DEVIL, VAX and ORECK brands plus OEM customers.

### Segment Revenue and Results

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

#### For the year ended December 31, 2022

|                              | Power Equipment<br>US\$'000 | Floorcare & Cleaning<br>US\$'000 | Eliminations<br>US\$'000 | Consolidated<br>US\$'000 |
|------------------------------|-----------------------------|----------------------------------|--------------------------|--------------------------|
| <b>Segment revenue</b>       |                             |                                  |                          |                          |
| External sales               | 12,329,071                  | 924,846                          | —                        | 13,253,917               |
| Inter-segment sales          | —                           | 61,836                           | (61,836)                 | —                        |
| <b>Total segment revenue</b> | <b>12,329,071</b>           | <b>986,682</b>                   | <b>(61,836)</b>          | <b>13,253,917</b>        |

Inter-segment sales are charged at prevailing market rates.

|                               |           |          |   |                  |
|-------------------------------|-----------|----------|---|------------------|
| <b>Result</b>                 |           |          |   |                  |
| Segment results               | 1,238,993 | (38,080) | — | 1,200,913        |
| Interest income               |           |          |   | 25,852           |
| Finance costs                 |           |          |   | (69,868)         |
| <b>Profit before taxation</b> |           |          |   | <b>1,156,897</b> |

For the year ended December 31, 2021

|                              | Power Equipment<br>US\$'000 | Floorcare & Cleaning<br>US\$'000 | Eliminations<br>US\$'000 | Consolidated<br>US\$'000 |
|------------------------------|-----------------------------|----------------------------------|--------------------------|--------------------------|
| <b>Segment revenue</b>       |                             |                                  |                          |                          |
| External sales               | 11,960,891                  | 1,242,270                        | —                        | 13,203,161               |
| Inter-segment sales          | —                           | 20,340                           | (20,340)                 | —                        |
| <b>Total segment revenue</b> | <b>11,960,891</b>           | <b>1,262,610</b>                 | <b>(20,340)</b>          | <b>13,203,161</b>        |

Inter-segment sales are charged at prevailing market rates.

|                               |           |        |   |                  |
|-------------------------------|-----------|--------|---|------------------|
| <b>Result</b>                 |           |        |   |                  |
| Segment results               | 1,162,480 | 29,227 | — | 1,191,707        |
| Interest income               |           |        |   | 32,028           |
| Finance costs                 |           |        |   | (42,008)         |
| <b>Profit before taxation</b> |           |        |   | <b>1,181,727</b> |

## 5. Segment Information (continued)

### Segment Revenue and Results (continued)

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 or loss incurred by each segment without allocation of interest income and finance costs. This is the measure reported to the executive directors of the Company for the purpose of resources allocation and performance assessment.

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

### Other Segment Information

#### For the year ended December 31, 2022

Amounts included in the measure of segment results:

|   | Power Equipment<br>US\$'000 | Floorcare & Cleaning<br>US\$'000 | Consolidated<br>US\$'000 |
|---|-----------------------------|----------------------------------|--------------------------|
| Loss on disposal of property, plant and equipment                                 | 14,089                      | 2,408                            | 16,497                   |
| Gain on sale and leaseback transactions   | (9,072)                     | —                                | (9,072)                  |
| Write down of inventories   | 59,161                      | 2,450                            | 61,611                   |
| Reversal of impairment loss on trade receivables under expected credit loss model | (10,777)                    | (1,491)                          | (12,268)                 |
| Write-off of intangible assets  | 10,817                      | 1,192                            | 12,009                   |
| Depreciation and amortization   | 462,536                     | 38,315                           | 500,851                  |
| Gain on early termination of leases   | (178)                       | —                                | (178)                    |

For the year ended December 31, 2021

Amounts included in the measure of segment results:

|   | Power Equipment<br>US\$'000 | Floorcare & Cleaning<br>US\$'000 | Consolidated<br>US\$'000 |
|---|-----------------------------|----------------------------------|--------------------------|
| Loss on disposal of property, plant and equipment   | 31,374                      | 1,333                            | 32,707                   |
| Write down of inventories   | 90,860                      | 11,131                           | 101,991                  |
| Impairment loss (reversal of impairment loss) on trade receivables under expected credit loss model | 32,226                      | (7,406)                          | 24,820                   |
| Write-off of intangible assets  | 26,830                      | 1,493                            | 28,323                   |
| Depreciation and amortization   | 356,938                     | 41,835                           | 398,773                  |
| Gain on early termination of leases   | (734)                       | —                                | (734)                    |

## 5. Segment Information (continued)

### Revenue from Major Products

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

|                      | <b>2022</b>       | 2021       |
|----------------------|-------------------|------------|
|                      | <b>US\$'000</b>   | US\$'000   |
| Power Equipment      | <b>12,329,071</b> | 11,960,891 |
| Floorcare & Cleaning | <b>924,846</b>    | 1,242,270  |
| <b>Total</b>         | <b>13,253,917</b> | 13,203,161 |

### 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:

|                 | <b>Revenue from external customers</b> |            | <b>Non-Current Assets*</b> |           |
|-----------------|--|------------|----------------------------|-----------|
|                 | <b>2022</b>                            | 2021       | <b>2022</b>                | 2021      |
|                 | <b>US\$'000</b>                        | US\$'000   | <b>US\$'000</b>            | US\$'000  |
| North America   | <b>10,232,470</b>                      | 10,225,163 | <b>2,695,426</b>           | 2,329,309 |
| Europe          | <b>1,927,755</b>                       | 1,951,454  | <b>196,590</b>             | 189,085   |
| Other countries | <b>1,093,692</b>                       | 1,026,544  | <b>1,608,318</b>           | 1,314,879 |
| <b>Total</b>    | <b>13,253,917</b>                      | 13,203,161 | <b>4,500,334</b>           | 3,833,273 |

\* Non-current assets exclude interest in an associate, financial assets at FVTPL, derivative financial instruments and deferred tax assets.

### Information about Major Customer

During the years ended December 31, 2022 and 2021, the Group's largest customer contributed total revenue of US\$6,333,127,000 (2021: US\$6,275,193,000), of which US\$6,293,896,000 (2021: US\$6,206,588,000) was under the Power Equipment segment and US\$39,231,000 (2021: US\$68,605,000) was under the Floorcare & Cleaning segment. There is no other customer contributing more than 10% of total revenue.

## 6. Revenue

Revenue represents the fair value of the net amounts received and receivable for goods sold by the Group to outside customers, less returns and allowances, and commission and royalty income received during the year and is analyzed as follows:

|                               | 2022<br>US\$'000  | 2021<br>US\$'000 |
|-------------------------------|-------------------|------------------|
| Sales of goods                | 13,238,728        | 13,187,327       |
| Commission and royalty income | 15,189            | 15,834           |
|                               | <b>13,253,917</b> | 13,203,161       |

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

The Group sells products mainly to the wholesale market. Revenue is recognized when control of the goods has transferred, being when the goods have been shipped to the wholesaler's specific location or pick up point (delivery).

Following delivery, the wholesaler has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility when on selling the goods and bears the risks of obsolescence and loss in relation to the goods.

Revenue is recognized for sales which are considered highly probable and where a significant reversal of the cumulative revenue recognized will not occur. A contract liability is recognized for sales in which revenue has not yet been recognized. The Group's right to recover the product when customers exercise their right to return products is recognized as a right to returned goods asset and a corresponding adjustment to cost of sales.

As at December 31, 2022, revenue for unsatisfied contracts to be recognized by the Group over one year is immaterial. As permitted by HKFRS 15, the transaction price allocated to unsatisfied contracts for contracts with period of one year or less is not disclosed.

## 7. Other Income

Other income in both 2022 and 2021 mainly comprises of the sale of scrap materials and claims and reimbursements from customers and vendors.

## 8. Interest Income

Interest income represents interest earned on bank deposits.

## 9. Finance Costs

|                      | 2022<br>US\$'000 | 2021<br>US\$'000 |
|----------------------|------------------|------------------|
| Interest on:         |                  |                  |
| Unsecured borrowings | 58,810           | 31,656           |
| Lease liabilities    | 11,058           | 10,352           |
|                      | <b>69,868</b>    | 42,008           |

## 10. Taxation Charge

|                                | 2022<br>US\$'000 | 2021<br>US\$'000 |
|--------------------------------|------------------|------------------|
| Current tax:                   |                  |                  |
| Hong Kong Profits Tax          | (1,344)          | (1,337)          |
| Under provision in prior years | (559)            | (392)            |
|                                | <b>(1,903)</b>   | (1,729)          |
| Overseas taxation              | <b>(64,554)</b>  | (105,702)        |
| Under provision in prior years | (453)            | (1,539)          |
|                                | <b>(65,007)</b>  | (107,241)        |
| Deferred tax (Note 42):        |                  |                  |
| Current year                   | <b>1,636</b>     | 39,916           |
| Deferred tax asset impairment  | <b>(14,452)</b>  | (14,127)         |
| Change in tax rates            | (21)             | 457              |
|                                | <b>(12,837)</b>  | 26,246           |
|                                | <b>(79,747)</b>  | (82,724)         |

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

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

The taxation charge for the year is reconciled as follows:

|  | 2022<br>US\$'000 | 2022<br>%      | 2021<br>US\$'000 | 2021<br>% |
|--|------------------|----------------|------------------|-----------|
| Profit before taxation   | <b>1,156,897</b> |                | 1,181,825        |           |
| Tax at Hong Kong Profits Tax rate  | <b>(190,888)</b> | <b>16.5%</b>   | (195,001)        | 16.5%     |
| Effect of different tax rates of subsidiaries operating in other jurisdictions | <b>139,542</b>   | <b>(12.1%)</b> | 161,337          | (13.7%)   |
| Tax effect of expenses not deductible for tax purposes                         | <b>(33,032)</b>  | <b>2.9%</b>    | (61,339)         | 5.2%      |
| Tax effect of income not taxable for tax purposes                              | <b>2,422</b>     | <b>(0.2%)</b>  | 3,386            | (0.3%)    |
| Utilization of deductible temporary differences previously not recognized      | <b>3,368</b>     | <b>(0.3%)</b>  | 8,100            | (0.7%)    |
| Tax effect of tax losses and deductible temporary differences not recognized   | <b>14,325</b>    | <b>(1.2%)</b>  | 16,394           | (1.4%)    |
| Deferred tax asset impairment  | <b>(14,452)</b>  | <b>1.2%</b>    | (14,127)         | 1.2%      |
| Under provision in respect of prior years                                      | <b>(1,012)</b>   | <b>0.1%</b>    | (1,931)          | 0.2%      |
| Tax effect of changes in tax rates   | <b>(21)</b>      | <b>0.0%</b>    | 457              | 0.0%      |
| Tax effect of share of result of an associate                                  | <b>1</b>         | <b>0.0%</b>    | —                | 0.0%      |
| Taxation charge for the year   | <b>(79,747)</b>  | <b>6.9%</b>    | (82,724)         | 7.0%      |

Details of deferred tax are set out in Note 42.

## 11. Profit for the Year

|   | 2022<br>US\$'000 | 2021<br>US\$'000 |
|---|------------------|------------------|
| Profit for the year has been arrived at after charging (crediting):                                   |                  |                  |
| Amortization of intangible assets   | 120,425          | 95,669           |
| Auditors' remuneration  | 3,714            | 3,352            |
| Cost of inventories recognized as an expense  | 8,041,340        | 8,081,548        |
| Depreciation of property, plant and equipment   | 240,428          | 190,289          |
| Depreciation of right of use assets   | 139,998          | 112,815          |
| Fair value gain on foreign currency forward contracts   | (4,339)          | (9,074)          |
| Fair value loss on acquisition right of certain property, plant and equipment                         | 300              | 192              |
| Fair value loss on listed equity securities   | 2,806            | 4,792            |
| Gain on early termination of leases   | (178)            | (734)            |
| Gain on sale and leaseback transactions   | (9,072)          | —                |
| (Reversal of impairment loss) impairment loss on trade receivables under expected credit loss model   | (12,268)         | 24,820           |
| Impairment loss on right of use assets  | —                | 876              |
| Loss on disposal of property, plant and equipment   | 16,497           | 32,707           |
| Net exchange gain   | (112,125)        | (1,443)          |
| Expenses relating to short-term leases and low-value assets recognized in respect of:                 |                  |                  |
| Motor vehicles  | 3,716            | 988              |
| Plant and machinery   | 6,619            | 6,437            |
| Office equipment, furniture and fixtures  | 20,659           | 11,768           |
| Premises  | 13,696           | 14,618           |
| Other assets  | 1,560            | 1,036            |
| Share of result of an associate   | (3)              | (5)              |
| Unconditional government grants   | (685)            | (1,026)          |
| Write down of inventories   | 61,611           | 101,991          |
| Write-off of intangible assets  | 12,009           | 28,323           |
| Staff costs   |                  |                  |
| Directors' remuneration   |                  |                  |
| Fees  | 644              | 515              |
| Other emoluments  | 76,843           | 86,645           |
| Other staff costs   | 77,487           | 87,160           |
| Contributions to retirement benefits schemes (other than those included in the Directors' emoluments) | 1,836,729        | 1,765,516        |
| Defined contribution plans  | 29,838           | 24,594           |
| Defined benefit plans (Note 41)   | 865              | 874              |
|   | <b>1,944,919</b> | <b>1,878,144</b> |

Staff costs disclosed above do not include an amount of US\$475,188,000 (2021: US\$328,684,000) of staff costs incurred relating to research and development activities.

## 12. Directors' Emoluments

The emoluments paid or payable to each of the twelve (2021: thirteen) directors, disclosed pursuant to the applicable Listing Rules and the CO, was as follows:

### For the year ended December 31, 2022

|   | Other emoluments |   |   |                   |                                     | Total<br>US\$'000 |
|---|------------------|---|---|-------------------|-------------------------------------|-------------------|
|   | Fees<br>US\$'000 | Basic<br>salaries and<br>allowances<br>US\$'000 | Contributions<br>to retirement<br>benefits<br>schemes<br>US\$'000 | Bonus<br>US\$'000 | Share-based<br>payments<br>US\$'000 |                   |
| Mr Horst Julius Pudwill (Note i)  | —                | 1,826   | 2   | 10,803            | 2,994                               | 15,625            |
| Mr Stephan Horst Pudwill (Note i)                                       | —                | 988   | 2   | 2,200             | 5,270                               | 8,460             |
| Mr Joseph Galli Jr (Note i)   | —                | 1,851   | 10  | 14,100            | 16,781                              | 32,742            |
| Mr Kin Wah Chan (Note i)  | —                | 912   | 2   | 2,641             | 5,270                               | 8,825             |
| Mr Chi Chung Chan (Note i)  | —                | 909   | —   | 2,940             | 5,270                               | 9,119             |
| Prof Roy Chi Ping Chung GBS BBS JP (Note ii)                            | 94               | —   | —   | —                 | 366                                 | 460               |
| Mr Camille Jojo (Note ii)   | 94               | 29  | —   | —                 | 601                                 | 724               |
| Mr Peter David Sullivan (Note iii)                                      | 94               | 47  | —   | —                 | 366                                 | 507               |
| Mr Johannes-Gerhard Hesse (Note iii)                                    | 94               | 29  | —   | —                 | 261                                 | 384               |
| Mr Robert Hinman Getz (Note iii)  | 94               | 50  | —   | —                 | 212                                 | 356               |
| Ms Virginia Davis Wilmerding (Note iii)                                 | 94               | 4   | —   | —                 | 107                                 | 205               |
| Ms Caroline Christina Kracht<br>(appointed on March 7, 2022) (Note iii) | 80               | —   | —   | —                 | —                                   | 80                |
| <b>Total</b>  | <b>644</b>       | <b>6,645</b>                                    | <b>16</b>   | <b>32,684</b>     | <b>37,498</b>                       | <b>77,487</b>     |

**12. Directors' Emoluments** (continued)

For the year ended December 31, 2021

|   | Other emoluments |   |   |                   |                                     | Total<br>US\$'000 |
|---|------------------|---|---|-------------------|-------------------------------------|-------------------|
|   | Fees<br>US\$'000 | Basic<br>salaries and<br>allowances<br>US\$'000 | Contributions<br>to retirement<br>benefits<br>schemes<br>US\$'000 | Bonus<br>US\$'000 | Share-based<br>payments<br>US\$'000 |                   |
| Mr Horst Julius Pudwill (Note i)  | —                | 1,671   | 2   | 14,257            | 3,249                               | 19,179            |
| Mr Stephan Horst Pudwill (Note i)   | —                | 1,034   | 2   | 2,556             | 4,630                               | 8,222             |
| Mr Joseph Galli Jr (Note i)   | —                | 1,743   | 874   | 22,773            | 13,870                              | 39,260            |
| Mr Kin Wah Chan (Note i)  | —                | 905   | 2   | 3,035             | 4,630                               | 8,572             |
| Mr Chi Chung Chan (Note i)  | —                | 902   | —   | 4,362             | 4,630                               | 9,894             |
| Prof Roy Chi Ping Chung GBS BBS JP (Note ii)  | 77               | —   | —   | —                 | 149                                 | 226               |
| Mr Camille Jojo (Note ii)   | 77               | 27  | —   | —                 | 364                                 | 468               |
| Mr Peter David Sullivan (Note iii)  | 77               | 37  | —   | —                 | 149                                 | 263               |
| Mr Johannes-Gerhard Hesse (Note iii)  | 77               | 27  | —   | —                 | 149                                 | 253               |
| Mr Robert Hinman Getz (Note iii)  | 77               | 28  | —   | —                 | 193                                 | 298               |
| Ms Virginia Davis Wilmerding<br>(appointed on April 9, 2021) (Note iii)   | 56               | —   | —   | —                 | 42                                  | 98                |
| Mr Christopher Patrick Langley OBE<br>(retired after the conclusion of the annual<br>general meeting of the Company held on<br>May 14, 2021) (Note iii) | 29               | 6   | —   | —                 | 162                                 | 197               |
| Mr Vincent Ting Kau Cheung<br>(passed away on July 31, 2021) (Note iii)   | 45               | 23  | —   | —                 | 162                                 | 230               |
| <b>Total</b>  | <b>515</b>       | <b>6,403</b>                                    | <b>880</b>  | <b>46,983</b>     | <b>32,379</b>                       | <b>87,160</b>     |

Note i: The individuals represent the Executive Directors of the Company and the Group. The Executive Directors' emoluments shown above were mainly for their services in connection with management of the affairs of the Company and the Group. Mr Joseph Galli Jr serves as the Chief Executive Officer of the Group.

Note ii: The individuals represent the Non-Executive Directors of the Company. The Non-Executive Directors' emoluments shown above were mainly for their services as directors of the Company or its subsidiaries.

Note iii: The individuals represent the independent Non-Executive Directors of the Company. The Independent Non-Executive Directors' emoluments shown above were mainly for their services as directors of the Company.

The bonuses were based on past performance of the Group.

The above emoluments include the value of share options granted and shares awarded to certain directors under the Company's share option schemes and share award scheme, respectively, as estimated at the date of grant and award. The share-based payments represent the costs of share options and share awards granted to directors as charged to the Company's profit and loss, but not as income of respective directors. Details of these benefits in kind are disclosed under the sections "Share Options" and "Share Award Scheme" in Notes 45 and 46 respectively.

### 13. Employees' Emoluments

Of the five individuals with the highest emoluments in the Group, four (2021: four) were directors of the Company whose emoluments are included in Note 12 above. The emoluments of the remaining one (2021: one) individuals for the year ended December 31, 2022 were as follows:

|  | 2022<br>US\$'000 | 2021<br>US\$'000 |
|--|------------------|------------------|
| Basic salaries and allowances                | 905              | 829              |
| Contributions to retirement benefits schemes | 183              | 40               |
| Bonus  | 10,515           | 7,500            |
| Share-based payments                         | —                | —                |
|  | <b>11,603</b>    | <b>8,369</b>     |

The emoluments of these one (2021: one) highest paid individuals for the year ended December 31, 2022 were within the following bands:

| HK\$                     | No. of persons |      |
|--------------------------|----------------|------|
|                          | 2022           | 2021 |
| 65,000,001 to 65,500,000 | —              | 1    |
| 90,000,001 to 90,500,000 | 1              | —    |

During each of the two years ended December 31, 2022 and 2021, 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

|  | 2022<br>US\$'000 | 2021<br>US\$'000 |
|--|------------------|------------------|
| Dividends recognized as distributions during the year:   |                  |                  |
| Final dividend paid:   |                  |                  |
| 2021: HK1 dollar (approximately US12.87 cents)<br>(2020: HK82.00 cents (approximately US10.55 cents)) per share    | <b>236,104</b>   | 193,488          |
| Interim dividend paid:   |                  |                  |
| 2022: HK95.00 cents (approximately US12.23 cents)<br>(2021: HK85.00 cents (approximately US10.94 cents)) per share | <b>224,317</b>   | 200,627          |
|  | <b>460,421</b>   | <b>394,115</b>   |

The final dividend of HK90.00 cents (approximately US11.58 cents) per share with a total of approximately US\$212,513,000 in respect of the year ended December 31, 2022 (2021: final dividend of HK1 dollar (approximately US12.87 cents) per share in respect of the year ended December 31, 2021) has been proposed by the directors of the Company 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:

|  | 2022<br>US\$'000 | 2021<br>US\$'000 |
|--|------------------|------------------|
| Earnings for the purposes of basic and diluted earnings per share:                       |                  |                  |
| Profit for the year attributable to Owners of the Company                                | 1,077,150        | 1,099,003        |
| Weighted average number of ordinary shares for the purpose of basic earnings per share   | 1,829,931,694    | 1,830,544,048    |
| Effect of dilutive potential ordinary shares:  |                  |                  |
| Share options  | 4,199,642        | 7,179,011        |
| Share awards   | 1,900,192        | 2,287,031        |
| Weighted average number of ordinary shares for the purpose of diluted earnings per share | 1,836,031,528    | 1,840,010,090    |

## 16. Property, Plant and Equipment

|                                       | Freehold land<br>and land<br>and buildings<br>(Note)<br>US\$'000 | Leasehold<br>improvements<br>US\$'000 | Office<br>equipment,<br>furniture<br>and fixtures<br>US\$'000 | Plant and<br>machinery<br>US\$'000 | Motor<br>vehicles<br>US\$'000 | Moulds<br>and<br>tooling<br>US\$'000 | Vessels<br>US\$'000 | Aircraft<br>US\$'000 | Construction<br>in progress<br>US\$'000 | Total<br>US\$'000 |
|---------------------------------------|--|---------------------------------------|---|------------------------------------|-------------------------------|--------------------------------------|---------------------|----------------------|---|-------------------|
| <b>Cost</b>                           |  |                                       |   |                                    |                               |                                      |                     |                      |   |                   |
| At January 1, 2021                    | 459,680  | 90,431                                | 285,727   | 481,709                            | 8,664                         | 360,643                              | 7,106               | 27,695               | 383,857                                 | 2,105,512         |
| Currency realignment                  | (1,552)  | (36)                                  | (2,771)   | (1,198)                            | (140)                         | 2,345                                | —                   | —                    | (871)                                   | (4,223)           |
| Additions                             | 4,193  | 11,965                                | 29,226  | 67,609                             | 1,977                         | 1,945                                | —                   | 41,119               | 588,504                                 | 746,538           |
| Disposals                             | (2,614)  | (2,218)                               | (19,285)  | (14,714)                           | (170)                         | (137,483)                            | —                   | (1,321)              | (9,590)                                 | (187,395)         |
| Reclassification                      | 94,826   | 14,640                                | 30,148  | 81,343                             | 140                           | 143,129                              | —                   | —                    | (364,226)                               | —                 |
| At December 31, 2021                  | 554,533  | 114,782                               | 323,045   | 614,749                            | 10,471                        | 370,579                              | 7,106               | 67,493               | 597,674                                 | 2,660,432         |
| Currency realignment                  | (1,713)  | (5,484)                               | (5,109)   | (21,513)                           | (152)                         | (9,447)                              | —                   | —                    | (2,019)                                 | (45,437)          |
| Additions                             | —  | 5,862                                 | 19,524  | 49,017                             | 849                           | 3,130                                | —                   | 2,467                | 500,141                                 | 580,990           |
| Acquisition of a subsidiary (Note 43) | —  | 1,057                                 | 141   | 1,327                              | —                             | 106                                  | —                   | —                    | 569                                     | 3,200             |
| Disposals                             | (68,197)   | (6,430)                               | (32,394)  | (11,284)                           | (342)                         | (72,051)                             | —                   | —                    | (4,622)                                 | (195,320)         |
| Reclassification                      | 94,075   | 17,948                                | 59,998  | 63,633                             | 257                           | 111,812                              | —                   | —                    | (347,723)                               | —                 |
| <b>At December 31, 2022</b>           | <b>578,698</b>   | <b>127,735</b>                        | <b>365,205</b>  | <b>695,929</b>                     | <b>11,083</b>                 | <b>404,129</b>                       | <b>7,106</b>        | <b>69,960</b>        | <b>744,020</b>                          | <b>3,003,865</b>  |
| <b>Depreciation and Impairment</b>    |  |                                       |   |                                    |                               |                                      |                     |                      |   |                   |
| At January 1, 2021                    | 52,494   | 49,241                                | 178,568   | 253,438                            | 5,030                         | 224,321                              | 5,419               | 4,041                | —                                       | 772,552           |
| Currency realignment                  | (146)  | (1)                                   | (2,145)   | (885)                              | (91)                          | 1,029                                | —                   | —                    | —                                       | (2,239)           |
| Provided for the year                 | 13,334   | 13,110                                | 33,939  | 55,750                             | 1,560                         | 69,681                               | 1,191               | 1,724                | —                                       | 190,289           |
| Eliminated on disposals               | (21)   | (1,886)                               | (15,096)  | (12,399)                           | (151)                         | (122,713)                            | —                   | (790)                | —                                       | (153,056)         |
| At December 31, 2021                  | 65,661   | 60,464                                | 195,266   | 295,904                            | 6,348                         | 172,318                              | 6,610               | 4,975                | —                                       | 807,546           |
| Currency realignment                  | (1,454)  | (3,098)                               | (3,548)   | (12,083)                           | (116)                         | (4,001)                              | —                   | —                    | —                                       | (24,300)          |
| Provided for the year                 | 14,579   | 15,739                                | 37,839  | 69,734                             | 1,645                         | 96,188                               | 494                 | 4,210                | —                                       | 240,428           |
| Eliminated on disposals               | (2,321)  | (4,258)                               | (29,805)  | (8,954)                            | (241)                         | (60,101)                             | —                   | —                    | —                                       | (105,680)         |
| <b>At December 31, 2022</b>           | <b>76,465</b>  | <b>68,847</b>                         | <b>199,752</b>  | <b>344,601</b>                     | <b>7,636</b>                  | <b>204,404</b>                       | <b>7,104</b>        | <b>9,185</b>         | <b>—</b>                                | <b>917,994</b>    |
| <b>Carrying amounts</b>               |  |                                       |   |                                    |                               |                                      |                     |                      |   |                   |
| <b>At December 31, 2022</b>           | <b>502,233</b>   | <b>58,888</b>                         | <b>165,453</b>  | <b>351,328</b>                     | <b>3,447</b>                  | <b>199,725</b>                       | <b>2</b>            | <b>60,775</b>        | <b>744,020</b>                          | <b>2,085,871</b>  |
| At December 31, 2021                  | 488,872  | 54,318                                | 127,779   | 318,845                            | 4,123                         | 198,261                              | 496                 | 62,518               | 597,674                                 | 1,852,886         |

Note: Buildings with a carrying amount of US\$11,371,000 (2021: US\$13,319,000) are erected on leasehold land that is presented as ROU assets on the consolidated statement of financial position.

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

The above PP&E, other than freehold land and construction in progress, are depreciated on a straight-line basis, at the following rates per annum:

|  |  |
|--|--|
| Land and buildings                       | Over the Shorter of lease term or useful life of twenty to fifty years |
| Leasehold improvements                   | 2½% – 37½%   |
| Office equipment, furniture and fixtures | 10% – 33⅓%   |
| Plant and machinery                      | 5% – 33⅓%  |
| Motor vehicles                           | 10% – 33⅓%   |
| Moulds and tooling                       | 18% – 33⅓%   |
| Vessels                                  | 20% – 25%  |
| Aircraft                                 | 6% – 16⅔%  |

The carrying amounts of properties shown above comprise:

|  | <b>2022</b>     | 2021     |
|--|-----------------|----------|
|  | <b>US\$'000</b> | US\$'000 |
| Properties situated outside Hong Kong are analyzed as follows: |                 |          |
| Freehold land  | <b>431,519</b>  | 414,814  |
| Land and buildings   | <b>11,371</b>   | 13,319   |
|  | <b>442,890</b>  | 428,133  |
| Land and buildings situated in Hong Kong                       | <b>59,343</b>   | 60,739   |
|  | <b>502,233</b>  | 488,872  |

The cost of the Group's PP&E includes amounts of US\$233,661,000 (2021: US\$286,318,000) in respect of fully depreciated PP&E that are still in use.

## 17. Right of Use Assets

|   | Land and<br>buildings<br>US\$'000 | Office<br>equipment,<br>furniture<br>and fixtures<br>US\$'000 | Plant and<br>machinery<br>US\$'000 | Motor<br>vehicles<br>US\$'000 | Aircraft<br>US\$'000 | Leasehold<br>land<br>US\$'000 | Total<br>US\$'000 |
|---|-----------------------------------|---|------------------------------------|-------------------------------|----------------------|-------------------------------|-------------------|
| <b>Cost</b>                                       |                                   |   |                                    |                               |                      |                               |                   |
| At January 1, 2021                                | 496,258                           | 8,310   | 6,453                              | 104,858                       | 12,582               | 37,854                        | 666,315           |
| Currency realignment                              | (9,483)                           | (21)  | (143)                              | (2,393)                       | —                    | 1,019                         | (11,021)          |
| Additions   | 241,862                           | 5,934   | 4,337                              | 42,021                        | —                    | —                             | 294,154           |
| Early termination/end of<br>leases                | (40,413)                          | (1,165)   | (1,707)                            | (13,432)                      | —                    | —                             | (56,717)          |
| Impairment loss                                   | (876)                             | —   | —                                  | —                             | —                    | —                             | (876)             |
| At December 31, 2021                              | 687,348                           | 13,058  | 8,940                              | 131,054                       | 12,582               | 38,873                        | 891,855           |
| Currency realignment                              | <b>(16,937)</b>                   | <b>(33)</b>   | <b>(256)</b>                       | <b>(3,727)</b>                | —                    | <b>(3,057)</b>                | <b>(24,010)</b>   |
| Additions   | <b>232,501</b>                    | <b>9,457</b>  | <b>534</b>                         | <b>51,424</b>                 | —                    | —                             | <b>293,916</b>    |
| Acquisition of a subsidiary<br>(Note 43)          | <b>1,701</b>                      | <b>11</b>   | —                                  | —                             | —                    | —                             | <b>1,712</b>      |
| Early termination/end of<br>leases                | <b>(25,800)</b>                   | <b>(1,153)</b>  | <b>(224)</b>                       | <b>(11,025)</b>               | <b>(12,582)</b>      | —                             | <b>(50,784)</b>   |
| <b>At December 31, 2022</b>                       | <b>878,813</b>                    | <b>21,340</b>   | <b>8,994</b>                       | <b>167,726</b>                | —                    | <b>35,816</b>                 | <b>1,112,689</b>  |
| <b>Depreciation</b>                               |                                   |   |                                    |                               |                      |                               |                   |
| At January 1, 2021                                | 206,808                           | 3,499   | 4,307                              | 48,627                        | 9,961                | 9,395                         | 282,597           |
| Currency realignment                              | (6,317)                           | (9)   | (79)                               | (1,613)                       | —                    | 264                           | (7,754)           |
| Provided for the year                             | 80,020                            | 2,331   | 1,068                              | 27,372                        | 1,258                | 766                           | 112,815           |
| Elimination on early<br>termination/end of leases | (33,421)                          | (1,138)   | (1,667)                            | (12,942)                      | —                    | —                             | (49,168)          |
| At December 31, 2021                              | 247,090                           | 4,683   | 3,629                              | 61,444                        | 11,219               | 10,425                        | 338,490           |
| Currency realignment                              | <b>(8,423)</b>                    | <b>(8)</b>  | <b>(128)</b>                       | <b>(2,216)</b>                | —                    | <b>(835)</b>                  | <b>(11,610)</b>   |
| Provided for the year                             | <b>100,733</b>                    | <b>4,527</b>  | <b>1,498</b>                       | <b>31,306</b>                 | <b>1,201</b>         | <b>733</b>                    | <b>139,998</b>    |
| Elimination on early<br>termination/end of leases | <b>(13,765)</b>                   | <b>(1,129)</b>  | <b>(224)</b>                       | <b>(9,940)</b>                | <b>(12,420)</b>      | —                             | <b>(37,478)</b>   |
| <b>At December 31, 2022</b>                       | <b>325,635</b>                    | <b>8,073</b>  | <b>4,775</b>                       | <b>80,594</b>                 | —                    | <b>10,323</b>                 | <b>429,400</b>    |
| <b>Carrying amounts</b>                           |                                   |   |                                    |                               |                      |                               |                   |
| <b>At December 31, 2022</b>                       | <b>553,178</b>                    | <b>13,267</b>   | <b>4,219</b>                       | <b>87,132</b>                 | —                    | <b>25,493</b>                 | <b>683,289</b>    |
| At December 31, 2021                              | 440,258                           | 8,375   | 5,311                              | 69,610                        | 1,363                | 28,448                        | 553,365           |

**17. Right of Use Assets** (continued)

During the year ended December 31, 2022, the Group disposed certain PP&E mainly Land and buildings with carrying amount of approximately US\$67,595,000 at consideration of US\$78,572,000 to an independent third party. Subsequently, the Group entered into a lease agreement with the purchaser to leaseback the PP&E for 36 months. The transaction constituted a sales and leaseback transaction and the Group recognized ROU assets and lease liabilities of approximately US\$11,735,000 and US\$13,640,000 respectively.

|   | <b>2022</b>     | 2021     |
|---|-----------------|----------|
|   | <b>US\$'000</b> | US\$'000 |
| Expense relating to short-term leases   | <b>27,549</b>   | 22,536   |
| Expense relating to leases of low-value assets, excluding short-term leases of low-value assets | <b>18,701</b>   | 12,311   |
| Total cash outflow for leases   | <b>194,641</b>  | 146,935  |

For both years, the Group leases land and buildings, office equipment, furniture and fixtures, plant and machinery, motor vehicles and aircraft for its operations. Lease contracts are entered into for term of up to 50 years (2021: 50 years). Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

In addition, the Group owns office buildings. The Group is the registered owner of these property interests, including the underlying leasehold lands. Lump sum payments were made upfront to acquire these property interests. The leasehold land components of these owned properties are presented separately only if the payments made can be allocated reliably.

The Group regularly entered into short-term leases for premises, plant and machinery, office equipment, furniture and fixtures and motor vehicles. As at December 31, 2022 and 2021, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense disclosed above.

**Leases Committed**

As at December 31, 2022, the Group entered into new leases for certain PP&E that have not yet commenced, with average non-cancellable period that ranges from 2 to 6 years (2021: 1 to 6 years) with extension options, the total future undiscounted cash flows under which amounts to US\$12,212,000 (2021: US\$59,395,000) over the non-cancellable period.

Details of the lease maturity analysis of the lease liabilities are set out in Note 34.

**18. Goodwill**

|  | <b>US\$'000</b> |
|--|-----------------|
| At January 1, 2021                               | 578,461         |
| Currency realignment                             | (1,224)         |
| At December 31, 2021                             | 577,237         |
| Currency realignment                             | <b>(3,668)</b>  |
| Arising on acquisition of a subsidiary (Note 43) | <b>25,105</b>   |
| <b>At December 31, 2022</b>                      | <b>598,674</b>  |

Particulars regarding impairment testing of goodwill are disclosed in Note 20.

## 19. Intangible Assets

|   | Deferred<br>development<br>costs<br>US\$'000 | Patents<br>US\$'000 | Trademarks<br>US\$'000 | Manufacturing<br>know-how<br>US\$'000 | Retailer<br>and service<br>relationships<br>US\$'000 | Non<br>compete<br>agreement<br>US\$'000 | Total<br>US\$'000 |
|---|--|---------------------|------------------------|---------------------------------------|--|---|-------------------|
| <b>Cost</b>   |  |                     |                        |                                       |  |   |                   |
| At January 1, 2021                                  | 763,509                                      | 95,653              | 239,212                | 1,753                                 | 9,900  | 1,300                                   | 1,111,327         |
| Currency realignment                                | (156)  | —                   | —                      | —                                     | —  | —                                       | (156)             |
| Additions   | 296,179                                      | 14,059              | —                      | —                                     | —  | —                                       | 310,238           |
| Written off in the year                             | (34,939)                                     | (200)               | —                      | —                                     | —  | —                                       | (35,139)          |
| At December 31, 2021                                | 1,024,593                                    | 109,512             | 239,212                | 1,753                                 | 9,900  | 1,300                                   | 1,386,270         |
| Currency realignment                                | (78)   | (280)               | —                      | —                                     | —  | —                                       | (358)             |
| Additions   | 388,266                                      | 15,401              | 1,209                  | —                                     | —  | —                                       | 404,876           |
| Arising on acquisition of<br>a subsidiary (Note 43) | —  | 2,015               | —                      | —                                     | —  | —                                       | 2,015             |
| Written off in the year                             | (37,958)                                     | (309)               | —                      | —                                     | —  | —                                       | (38,267)          |
| <b>At December 31, 2022</b>                         | <b>1,374,823</b>                             | <b>126,339</b>      | <b>240,421</b>         | <b>1,753</b>                          | <b>9,900</b>   | <b>1,300</b>                            | <b>1,754,536</b>  |
| <b>Amortization</b>                                 |  |                     |                        |                                       |  |   |                   |
| At January 1, 2021                                  | 369,365                                      | 59,797              | 14,497                 | 746                                   | 2,107  | 1,141                                   | 447,653           |
| Currency realignment                                | (21)   | —                   | —                      | —                                     | —  | —                                       | (21)              |
| Provided for the year                               | 89,616                                       | 4,829               | 275                    | 130                                   | 660  | 159                                     | 95,669            |
| Eliminated on write-off                             | (6,816)                                      | —                   | —                      | —                                     | —  | —                                       | (6,816)           |
| At December 31, 2021                                | 452,144                                      | 64,626              | 14,772                 | 876                                   | 2,767  | 1,300                                   | 536,485           |
| Currency realignment                                | (61)   | (68)                | —                      | —                                     | —  | —                                       | (129)             |
| Provided for the year                               | 112,065                                      | 6,468               | 37                     | 130                                   | 1,725  | —                                       | 120,425           |
| Eliminated on write-off                             | (26,258)                                     | —                   | —                      | —                                     | —  | —                                       | (26,258)          |
| <b>At December 31, 2022</b>                         | <b>537,890</b>                               | <b>71,026</b>       | <b>14,809</b>          | <b>1,006</b>                          | <b>4,492</b>   | <b>1,300</b>                            | <b>630,523</b>    |
| <b>Carrying amounts</b>                             |  |                     |                        |                                       |  |   |                   |
| <b>At December 31, 2022</b>                         | <b>836,933</b>                               | <b>55,313</b>       | <b>225,612</b>         | <b>747</b>                            | <b>5,408</b>   | <b>—</b>                                | <b>1,124,013</b>  |
| At December 31, 2021                                | 572,449                                      | 44,886              | 224,440                | 877                                   | 7,133  | —                                       | 849,785           |

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 capitalizing the costs pertaining to the development of new or enhancement of existing products.

Included in trademarks of the Group, US\$224,440,000 (2021: US\$224,440,000) are trademarks considered by the management of the Group as having indefinite useful lives because they are expected to contribute to the Group's net cash inflows indefinitely. The trademarks will not be amortized until their useful lives are determined to be finite. Instead they will be tested for impairment annually and whenever there is an indication that they may be impaired. Particulars of the impairment testing are disclosed in Note 20.

## 19. Intangible Assets (continued)

The above intangible assets, other than trademarks with indefinite useful lives, are amortized on a straight-line basis, at the following rates per annum:

|                                     |                          |
|-------------------------------------|--------------------------|
| Deferred development costs          | 20% – 33 $\frac{1}{3}$ % |
| Patents                             | 10% – 25%                |
| Trademarks with finite useful lives | 6 $\frac{2}{3}$ % – 10%  |
| Manufacturing know-how              | 10%                      |
| Retailer and service relationships  | 5% – 6 $\frac{2}{3}$ %   |
| Non compete agreement               | 6 $\frac{2}{3}$ %        |

## 20. Impairment Testing on Goodwill and Intangible Assets with Indefinite Useful Lives

As explained in Note 5, the Group uses the types of goods sold for preparing the operating segment information. For the purpose of impairment testing, goodwill and trademarks with indefinite useful lives set out in Notes 18 and 19, the majority of the amounts have been allocated to four major individual CGUs, including three units in the Power Equipment segment and one unit in the Floorcare & Cleaning segment. The carrying amounts of goodwill and trademarks as at December 31, 2022 allocated to these units are as follows:

|                                       | Goodwill         |                  | Trademarks       |                  |
|---------------------------------------|------------------|------------------|------------------|------------------|
|                                       | 2022<br>US\$'000 | 2021<br>US\$'000 | 2022<br>US\$'000 | 2021<br>US\$'000 |
| Power Equipment – MET                 | 466,705          | 443,264          | 126,607          | 126,607          |
| Power Equipment – TTI OPE             | 16,509           | 16,509           | 30,648           | 30,648           |
| Power Equipment – Drebo               | 21,040           | 22,010           | —                | —                |
| Floorcare & Cleaning – RAM/Hoover/VAX | 75,748           | 75,748           | 67,179           | 67,179           |
| Others                                | 18,672           | 19,706           | 6                | 6                |
|                                       | <b>598,674</b>   | 577,237          | <b>224,440</b>   | 224,440          |

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

### Power Equipment – MET (“MET”)

The recoverable amounts of MET’s goodwill and intangible assets have been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a 5-year period and a discount rate of 7.5% (2021: 7.5%) 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 of the new products launched, managing the working capital and the continuance of costs controlling strategy implemented by the Group. Cash flow projections beyond the 5-year period are extrapolated using a steady 3.0% (2021: 3.0%) growth rate. Management believes that any reasonably possible change in any of these assumptions would not cause the carrying amounts of MET’s goodwill and intangible assets to exceed the estimated recoverable amounts.

### Power Equipment – TTI OPE (“TTI OPE”)

The recoverable amounts of TTI OPE’s goodwill and intangible assets have been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a 5-year period, and a discount rate of 9.0% (2021: 9.0%) per annum.

Cash flow projections during the budget period for TTI OPE 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 TTI OPE’s past performance, management’s expectations of the market development, the success of the new products launched and the continuance of costs controlling strategy implemented. Cash flow projections beyond the 5-year period are extrapolated without considering any growth rate. Management believes that any reasonably possible change in any of these assumptions would not cause the carrying amounts of TTI OPE’s goodwill and intangible assets to exceed the estimated recoverable amounts.

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

### Power Equipment – Drebo (“Drebo”)

The recoverable amounts of Drebo’s goodwill have been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a 5-year period, and a discount rate of 9.5% (2021: 9.0%) per annum.

Cash flow projections during the budget period for Drebo are based on management’s estimation of cash inflows/outflows including sales, gross margin, operating expenses and working capital requirements. The assumptions and estimations are based on Drebo’s past performance, management’s expectations of the market development, the success of the new products launched and the continuance of costs controlling strategies implemented. Cash flow projections beyond the 5-year period are extrapolated using a 3.0% (2021: 3.0%) growth rate. Management believes that any reasonably possible change in any of these assumptions would not cause the carrying amounts of Drebo’s goodwill to exceed the estimated recoverable amount.

### Floorcare & Cleaning – RAM/Hoover/VAX (“RAM/Hoover/VAX”)

The recoverable amounts of RAM/Hoover/VAX’s goodwill and intangible assets have been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a 5-year period, and a discount rate of 12.5% (2021: 12.0%) 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, managing the working capital and the continuance of costs controlling strategies implemented. Cash flow projections beyond the 5-year period are extrapolated using a steady 2.0% (2021: 2.0%) growth rate. Management believes that any reasonably possible change in any of these assumptions would not cause the carrying amounts of RAM/Hoover/VAX’s goodwill and intangibles to exceed the estimated aggregate recoverable amounts.

## 21. Interest in an Associate

|                                    | 2022<br>US\$'000 | 2021<br>US\$'000 |
|------------------------------------|------------------|------------------|
| Cost of investment in an associate | 1,470            | 1,470            |
| Share of post-acquisition profits  | 559              | 556              |
| Share of net assets                | 2,029            | 2,026            |

Summarized financial information in respect of an associate, Wuerth Master Power Tools Limited (“Wuerth”), is set out below. The summarized financial information below represents amounts shown in Wuerth’s financial statements prepared in accordance with HKFRSs.

Wuerth is accounted for using equity method in the consolidated financial statements.

|                     | 2022<br>US\$'000 | 2021<br>US\$'000 |
|---------------------|------------------|------------------|
| Non-current assets  | 1,944            | 1,578            |
| Current assets      | 7,490            | 9,391            |
| Current liabilities | 5,293            | 6,834            |
| Net assets          | 4,141            | 4,135            |

|                     | 2022<br>US\$'000 | 2021<br>US\$'000 |
|---------------------|------------------|------------------|
| Profit for the year | 8                | 9                |

**21. Interest in an Associate** (continued)

Reconciliation of the above summarized financial information to the carrying amount of the interest in Wuerth recognized in the consolidated financial statements:

|  | <b>2022</b>     | 2021     |
|--|-----------------|----------|
|  | <b>US\$'000</b> | US\$'000 |
| Net assets                                   | <b>4,141</b>    | 4,135    |
| Proportion of the Group's ownership interest | <b>49.0%</b>    | 49.0%    |
| The Group's share of net assets              | <b>2,029</b>    | 2,026    |
| Carrying amount of the Group's interest      | <b>2,029</b>    | 2,026    |

Particulars of an associate as at December 31, 2022 and 2021 are set out in Note 52.

The trade receivables from an associate are unsecured, non-interest bearing and are repayable on demand.

**22. Financial Assets at FVTPL**

|  | Notes | <b>2022</b>     | 2021     |
|--|-------|-----------------|----------|
|  |       | <b>US\$'000</b> | US\$'000 |
| Club membership debentures                 | (a)   | <b>4,899</b>    | 4,914    |
| Unlisted equity securities                 | (b)   | <b>4,800</b>    | —        |
| Listed equity securities                   | (c)   | <b>13,466</b>   | 16,272   |
| Other                                      |       | <b>45</b>       | 45       |
|  |       | <b>23,210</b>   | 21,231   |
| <b>Analyzed for reporting purposes as:</b> |       |                 |          |
| Current assets                             |       | <b>13,466</b>   | 16,272   |
| Non-current assets                         |       | <b>9,744</b>    | 4,959    |
|  |       | <b>23,210</b>   | 21,231   |

Notes:

- (a) As at December 31, 2022 and 2021, the club membership debentures measured at fair value with reference to recent transaction prices for similar comparables with similar characteristic.
- (b) As at December 31, 2022, the unlisted equity securities represented the interests in private companies incorporated in the United States of America ("US"). The fair value was arrived at with reference to the latest purchase price per share arising on subscribing for the shares in a private market.
- (c) The Group's listed equity securities were carried at fair value using the market bid prices on the reporting date.

## 23. Finance lease receivables

The finance lease receivables represent the sublease arrangement entered by the Group as a lessor for land and building during the year. The term of finance lease entered into is approximately four years. The interest rate inherent in the lease is fixed at the contract date over the lease term.

|  | Minimum lease<br>payments<br>2022<br>US\$'000 | Present value of<br>minimum lease<br>payments<br>2022<br>US\$'000 |
|--|---|---|
| Finance lease receivables comprise:                |   |   |
| Within one year                                    | 2,746   | 2,589   |
| In the second year                                 | 2,821   | 2,706   |
| In the third year                                  | 2,899   | 2,828   |
| In the fourth year                                 | 2,979   | 2,953   |
|  | 11,445  | 11,076  |
| Less: Unearned finance income                      | (369)   | N/A   |
| Present value of minimum lease payment receivables | 11,076  | 11,076  |
| Analyzed as:                                       |   |   |
| Current  |   | 2,589   |
| Non-current  |   | 8,487   |
|  |   | 11,076  |

Interest rate implicit in the above finance lease was 1.6%.

The Group is not exposed to foreign currency risk as a result of the lease arrangement, as the finance lease is denominated in the respective functional currency of the group entity.

Details of impairment assessment are set out in Note 37.2.4.

## 24. Inventories

|                  | 2022<br>US\$'000 | 2021<br>US\$'000 |
|------------------|------------------|------------------|
| Raw materials    | 870,652          | 602,312          |
| Work in progress | 102,190          | 61,129           |
| Finished goods   | 4,112,109        | 4,186,351        |
|                  | 5,084,951        | 4,849,792        |

## 25. Right to Returned Goods Asset/Refund Liabilities from Right of Return

The right to returned goods asset represents the Group's right to recover products from customers where customers exercise their right of return under the Group's various returns policies. The Group uses its accumulated historical experience to estimate the dollar value of returns on a portfolio level based on the expected return level.

The refund liabilities relate to customers' right to return products within certain days of purchase. At the point of sale, a refund liability and a corresponding adjustment to revenue is recognized for the sold products expected to be returned. The Group uses its accumulated historical experience to estimate the dollar value of returns on a portfolio level based on the expected return level.

## 26. Trade and Other Receivables

|                                    | 2022<br>US\$'000 | 2021<br>US\$'000 |
|------------------------------------|------------------|------------------|
| Trade receivables                  | 1,559,646        | 1,976,060        |
| Less: Allowances for credit losses | (58,387)         | (75,913)         |
|                                    | <b>1,501,259</b> | 1,900,147        |
| Other receivables                  | <b>138,304</b>   | 122,131          |
|                                    | <b>1,639,563</b> | 2,022,278        |

As at January 1, 2021, all trade receivables amounted US\$1,359,988,000 are derived from contracts with customers.

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

|                         | 2022<br>US\$'000 | 2021<br>US\$'000 |
|-------------------------|------------------|------------------|
| 0 to 60 days            | 1,090,446        | 1,795,436        |
| 61 to 120 days          | 328,173          | 22,583           |
| 121 days or above       | 82,640           | 82,128           |
| Total trade receivables | <b>1,501,259</b> | 1,900,147        |

Before accepting any new customer, the Group uses an internal credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed regularly. Trade receivables that are neither past due nor impaired have the best credit scoring attributable under the internal credit scoring system used by the Group.

As at December 31, 2022, included in the Group's trade receivables balance are debtors with aggregate carrying amount of US\$315,617,000 (2021: US\$220,824,000) which are past due as at the reporting date. The past due over 90 days balances that are presumed in default in accordance with the Group's accounting policy of US\$29,486,000 (2021: US\$145,059,000) are not considered as in default as they are due from a number of independent customers that have a good payment track record with the Group.

The Group had a policy of allowing credit periods ranging mainly from 30 days to 120 days.

In accordance with receivables purchase agreements, certain trade receivables have been factored to banks (the "Factored Trade Receivables"). As the Group still retained the risks associated in respect of default payments, the Group has continued to recognize the Factored Trade Receivables in the consolidated statement of financial position. At the end of the reporting period, proceeds from the Factored Trade Receivables of US\$54,426,000 (2021: US\$75,000,000) were recognized as liabilities and included in "Unsecured borrowings – due within one year" in the consolidated statement of financial position.

## 27. Bills Receivable

All the Group's bills receivable at December 31, 2022 and 2021 are aged within 120 days based on invoice date.

## 28. Trade Receivables from an Associate

The trade receivables from an associate are aged within 120 days based on invoice date.

## 29. Derivative Financial Instruments

|   | 2022<br>US\$'000 | 2021<br>US\$'000 |
|---|------------------|------------------|
| <b>Assets</b>   |                  |                  |
| Acquisition right of certain property, plant and equipment      | 8,002            | 8,302            |
| Foreign currency forward contracts – under hedge accounting     | 49,146           | 86,226           |
| Foreign currency forward contracts – not under hedge accounting | 10,564           | 7,328            |
| Cross-currency interest rate swaps – under hedge accounting     | 17,064           | —                |
|   | <b>84,776</b>    | 101,856          |
| <b>Liabilities</b>  |                  |                  |
| Foreign currency forward contracts – under hedge accounting     | 50,474           | 1,885            |
| Cross-currency interest rate swaps – under hedge accounting     | —                | 6,397            |
|   | <b>50,474</b>    | 8,282            |

### Acquisition Right of Certain PP&E

As at December 31, 2022 and 2021, the Group owned a right to acquire certain PP&E which was acquired as part of the acquisition of the Oreck business from the Oreck Bankruptcy Estate. The right is expected to be exercised in 2032. The fair value of the PP&E was US\$8,002,000 valued on September 30, 2022 (2021: US\$8,302,000 valued on September 30, 2021) by Duff & Phelps, 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.

**29. Derivative Financial Instruments** (continued)**Foreign Currency Forward Contracts under Hedge Accounting** (continued)

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

**2022**

| Notional amounts in millions ("M") | Maturity                              |
|------------------------------------|---------------------------------------|
| Sell AUD 575.5M, Buy US\$          | January 30, 2023 to December 28, 2023 |
| Sell EUR 545M, Buy US\$            | January 26, 2023 to December 28, 2023 |
| Sell US\$ 44.9M, Buy HK\$          | January 5, 2023 to February 16, 2023  |
| Sell US\$ 877.6M, Buy RMB          | January 30, 2023 to December 29, 2023 |
| Sell US\$ 103.8M, Buy EUR          | January 5, 2023 to December 21, 2023  |
| Sell GBP 59.1M, Buy US\$           | January 6, 2023 to December 22, 2023  |
| Sell GBP 70.5M, Buy EUR            | January 12, 2023 to December 18, 2023 |
| Sell CHF 7M, Buy EUR               | January 12, 2023 to December 14, 2023 |
| Sell NOK 68M, Buy EUR              | January 12, 2023 to March 9, 2023     |

## 2021

| Notional amounts in M     | Maturity                              |
|---------------------------|---------------------------------------|
| Sell AUD 488M, Buy US\$   | January 28, 2022 to December 29, 2022 |
| Sell EUR 673.6M, Buy US\$ | January 27, 2022 to December 29, 2022 |
| Sell US\$954.8M, Buy RMB  | January 27, 2022 to December 29, 2022 |
| Sell US\$101M, Buy EUR    | January 5, 2022 to October 16, 2023   |
| Sell GBP 89.5M, Buy US\$  | January 4, 2022 to December 22, 2022  |
| Sell GBP 72M, Buy EUR     | January 13, 2022 to December 15, 2022 |
| Sell CHF 6.6M, Buy EUR    | January 13, 2022 to December 15, 2022 |
| Sell SEK 660M, Buy EUR    | January 13, 2022 to December 15, 2022 |
| Sell NOK 96M, Buy EUR     | January 13, 2022 to April 13, 2022    |

As at December 31, 2022, a fair value loss of US\$171,465,000 (December 31, 2021: fair value gain of US\$175,263,000) has been recognized in other comprehensive income and accumulated in hedging reserve and is expected to be reclassified to profit or loss upon maturity.

During the year, a fair value gain of US\$84,333,000 (2021: fair value loss of US\$33,587,000) was reclassified from reserves to profit or loss upon maturity.

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

**2022**

| Notional amounts in M     | Maturity                              |
|---------------------------|---------------------------------------|
| Buy EUR 3M, Sell AUD      | January 23, 2023 to December 21, 2023 |
| Buy US\$ 70.4M, Sell AUD  | January 20, 2023 to December 22, 2023 |
| Buy US\$ 62.2M, Sell NZD  | January 24, 2023 to December 22, 2023 |
| Buy US\$ 244.8M, Sell CAD | January 31, 2023 to June 30, 2023     |

## 2021

| Notional amounts in M    | Maturity                              |
|--------------------------|---------------------------------------|
| Buy EUR 3.2M, Sell AUD   | January 20, 2022 to December 20, 2022 |
| Buy US\$65.5M, Sell AUD  | January 20, 2022 to December 23, 2022 |
| Buy US\$60.1M, Sell NZD  | January 20, 2022 to December 22, 2022 |
| Buy US\$402.9M, Sell CAD | January 31, 2022 to November 2, 2022  |

## 29. Derivative Financial Instruments (continued)

### Cross-currency Interest Rate Swaps

The Group uses cross-currency interest rate swaps designated as effective hedging instrument to minimize its exposures to interest rate risk on US\$ floating borrowings and foreign currency risk on the intercompany advances which affects the consolidated profit or loss.

The cross-currency interest rate swaps with notional amount of US\$210,300,000 (2021: US\$210,300,000) have fixed currency payments in EUR at exchange rate of EUR to US\$ at 1.102 and 1.077 (2021: at 1.102 and 1.077), fixed interest payments monthly in EUR at 0.305% and 0.520% per annum (2021: 0.305% and 0.520% per annum) for periods up until October 2023, October 2024, April 2024 and April 2025 (2021: October 2023, October 2024, April 2024 and April 2025).

The floating rate index and the currency exposure of the cross-currency interest rate swaps match with the floating rate US\$ bank borrowings and the currency exposure of the intercompany advances respectively.

During the year, a fair value gain of US\$23,461,000 (December 31, 2021: fair value gain of US\$21,880,000) has been recognized in other comprehensive income and accumulated in hedging reserve and is expected to be reclassified to profit or loss.

The fair value of the cross-currency interest rate swaps is determined by using the discounted cash flow method based on London Interbank Offered Rate ("LIBOR") yield curves and the forward exchange rates between US\$ and EUR estimated at the end of the reporting period.

Major terms of the cross-currency interest rate swaps were as follows:

#### 2022

| Notional amounts | Maturity         | Receive floating* | Pay fixed |
|------------------|------------------|-------------------|-----------|
| US\$ 66,120,000  | October 16, 2023 | LIBOR +0.85%      | 0.305%    |
| US\$ 99,180,000  | October 9, 2024  | LIBOR +0.85%      | 0.305%    |
| US\$ 18,000,000  | April 23, 2024   | LIBOR +0.85%      | 0.520%    |
| US\$ 27,000,000  | April 23, 2025   | LIBOR +0.85%      | 0.520%    |

#### 2021

| Notional amounts | Maturity         | Receive floating* | Pay fixed |
|------------------|------------------|-------------------|-----------|
| US\$66,120,000   | October 16, 2023 | LIBOR +0.85%      | 0.305%    |
| US\$99,180,000   | October 9, 2024  | LIBOR +0.85%      | 0.305%    |
| US\$18,000,000   | April 23, 2024   | LIBOR +0.85%      | 0.520%    |
| US\$27,000,000   | April 23, 2025   | LIBOR +0.85%      | 0.520%    |

\* The receive floating would be changed from "LIBOR + 0.85%" to "Secured Overnight Financing Rate ("SOFR") + Credit Adjustment Spread + 0.85%" on rate switch date June 30, 2023.

## 30. Bank Balances, Deposits and Cash

Bank balances carry interest at market rates which ranged from 0.001% to 6.00% (2021: (1.25%) to 3.50%) per annum.

### 31. Trade and Other Payables

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

|                                       | <b>2022</b>      | 2021      |
|---------------------------------------|------------------|-----------|
|                                       | <b>US\$'000</b>  | US\$'000  |
| 0 to 60 days                          | <b>1,306,486</b> | 1,267,129 |
| 61 to 120 days                        | <b>533,961</b>   | 672,558   |
| 121 days or above                     | <b>232,838</b>   | 92,789    |
| Total trade payables                  | <b>2,073,285</b> | 2,032,476 |
| Other payables                        | <b>1,764,488</b> | 2,007,823 |
| Total trade and other payables        | <b>3,837,773</b> | 4,040,299 |
| Non-current portion of other payables | <b>(60,346)</b>  | (48,502)  |
|                                       | <b>3,777,427</b> | 3,991,797 |

The credit period on the purchase of goods ranges from 30 days to 120 days (2021: 30 days to 120 days). The Group has financial risk management policies in place to ensure that all payables are settled within the credit time frame.

The other payables mainly represents accruals of various selling, general and administrative expenses of US\$1,554,656,000 (2021: US\$1,731,545,000). The non-current other payables mainly represents accruals of long-term incentive benefits offered to certain management executives of the Group.

### 32. Bills Payable

All the Group's bills payable at December 31, 2022 and 2021 are aged within 120 days based on invoice date.

### 33. Warranty Provision

|                             | <b>US\$'000</b>  |
|-----------------------------|------------------|
| At January 1, 2021          | 156,671          |
| Currency realignment        | (2,954)          |
| Provision in the year       | 140,742          |
| Utilization of provision    | (111,694)        |
| At December 31, 2021        | 182,765          |
| Currency realignment        | <b>(3,610)</b>   |
| Provision in the year       | <b>157,724</b>   |
| Utilization of provision    | <b>(131,529)</b> |
| <b>At December 31, 2022</b> | <b>205,350</b>   |

The warranty provision represents management's best estimate of the Group's service commitments arising from products sold, based on past claims and industry averages for defective products. It is expected that the majority of this expenditure will be utilized in the next financial year.

### 34. Lease Liabilities

|  | 2022<br>US\$'000 | 2021<br>US\$'000 |
|--|------------------|------------------|
| Amounts payable under lease liabilities:                                       |                  |                  |
| Within one year  | <b>139,520</b>   | 115,194          |
| In more than one year but not more than two years                              | <b>110,402</b>   | 106,211          |
| In more than two years but not more than five years                            | <b>224,702</b>   | 181,084          |
| More than five years   | <b>230,457</b>   | 151,711          |
|  | <b>705,081</b>   | 554,200          |
| Less: Amount due for settlement with 12 months shown under current liabilities | <b>(139,520)</b> | (115,194)        |
| Amount due for settlement after 12 months shown under non-current liabilities  | <b>565,561</b>   | 439,006          |

The weighted average incremental borrowing rates applied to lease liabilities ranged from 1.10% to 2.80% (2021: from 1.60% to 2.80%).

Lease obligations that are denominated in major currencies other than the functional currencies of the relevant group entities are set out below:

|                                | EUR<br>US\$'000 | AUD<br>US\$'000 | VND<br>US\$'000 | GBP<br>US\$'000 |
|--------------------------------|-----------------|-----------------|-----------------|-----------------|
| <b>As at December 31, 2022</b> | <b>35,387</b>   | <b>18,811</b>   | <b>49,654</b>   | <b>22,340</b>   |
| As at December 31, 2021        | 49,532          | 24,166          | 35,050          | 23,497          |

### 35. Discounted Bills with Recourse

Bills discounted with banks at an effective interest rate of 2.01% per annum (2021: 3.81% per annum) have maturity profiles of less than 120 days.

### 36. Capital Risk Management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximizing the return to shareholders through the optimization of the debt and equity balances. The Group's overall strategy remains unchanged from prior years.

The capital structure of the Group consists of net debt which includes unsecured borrowings and discounted bills with recourse, net of cash and cash equivalents and equity attributable to Owners of the Company, comprising issued share capital, reserves and retained profits.

#### Gearing Ratio

The Group's management reviews the capital structure on a semi-annual basis. As part of this review, the management considers the cost of capital and the risks associated with each class of capital. The Group has a target gearing ratio of not exceeding 35% determined as the proportion of net debt to equity. The Group will continue to execute very disciplined control and management of its working capital and generate free cash inflows through the growth of the business.

The gearing ratio at the year end was as follows:

|                                  | 2022<br>US\$'000   | 2021<br>US\$'000 |
|----------------------------------|--------------------|------------------|
| Bank balances, deposits and cash | 1,428,930          | 1,874,401        |
| Debt <sup>(i)</sup>              | <b>(3,098,526)</b> | (3,207,844)      |
| Net debt                         | <b>(1,669,596)</b> | (1,333,443)      |
| Equity <sup>(ii)</sup>           | <b>5,205,481</b>   | 4,722,518        |
| Net debt to equity ratio         | <b>32.07%</b>      | 28.24%           |

(i) Debt comprises discounted bills with recourse and unsecured borrowings but excludes bank advances from Factored Trade Receivables as detailed in Notes 35, 38 and 26 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.

## 37. Financial Instruments

### 37.1 Categories of Financial Instruments

|   | 2022<br>US\$'000 | 2021<br>US\$'000 |
|---|------------------|------------------|
| <b>Financial assets</b>   |                  |                  |
| <i>FVTPL</i>  |                  |                  |
| Financial assets at FVTPL                                       | <b>23,210</b>    | 21,231           |
|   | <b>23,210</b>    | 21,231           |
| <i>Derivative financial instruments</i>                         |                  |                  |
| Acquisition right of certain property, plant and equipment      | <b>8,002</b>     | 8,302            |
| Foreign currency forward contracts – under hedge accounting     | <b>49,146</b>    | 86,226           |
| Foreign currency forward contracts – not under hedge accounting | <b>10,564</b>    | 7,328            |
| Cross-currency interest rate swaps – under hedge accounting     | <b>17,064</b>    | —                |
|   | <b>84,776</b>    | 101,856          |
| <i>Financial assets at amortized cost</i>                       |                  |                  |
| Trade and other receivables                                     | <b>1,639,563</b> | 2,022,278        |
| Finance lease receivables                                       | <b>11,076</b>    | —                |
| Bills receivable  | <b>6,887</b>     | 7,643            |
| Trade receivables from an associate                             | <b>5,026</b>     | 6,600            |
| Bank balances, deposits and cash                                | <b>1,428,930</b> | 1,874,401        |
|   | <b>3,091,482</b> | 3,910,922        |
| <b>Financial liabilities</b>                                    |                  |                  |
| <i>Derivative financial instruments</i>                         |                  |                  |
| Foreign currency forward contracts – under hedge accounting     | <b>50,474</b>    | 1,885            |
| Cross-currency interest rate swaps – under hedge accounting     | —                | 6,397            |
|   | <b>50,474</b>    | 8,282            |
| <i>Financial liabilities at amortized cost</i>                  |                  |                  |
| Trade and other payables  | <b>3,837,773</b> | 4,040,299        |
| Bills payable   | <b>20,267</b>    | 47,549           |
| Discounted bills with recourse                                  | <b>2,003</b>     | 1,857            |
| Unsecured borrowings  | <b>3,150,949</b> | 3,280,987        |
|   | <b>7,010,992</b> | 7,370,692        |

## 37. Financial Instruments (continued)

### 37.2 Financial Risk Management Objectives and Policies

The Group's corporate treasury function provides risk management advice to the business units, co-ordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyze exposures by degree and magnitude of risks. These financial risks include market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

The Group seeks to minimize the effects of these risks by using derivative financial instruments or natural hedges to mitigate these risk exposures. The use of financial derivatives is governed by the Group's policies approved by the board of directors, which provide written principles on foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. Compliance with policies is reviewed internally on a continuous basis. The Group does not enter into or trade derivative financial instruments for speculative purposes.

#### 37.2.1 FOREIGN CURRENCY RISK MANAGEMENT

Subsidiaries of the Group have foreign currency sales and purchases, which exposes the Group to foreign currency risk. Approximately 21.2% (2021: 21.0%) of the Group's sales are denominated in currencies other than the functional currency of the group entity making the sale, whilst almost 12.7% (2021: 13.0%) 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           |                  |
|------------------|------------------|------------------|------------------|------------------|
|                  | 2022<br>US\$'000 | 2021<br>US\$'000 | 2022<br>US\$'000 | 2021<br>US\$'000 |
| Foreign Currency |                  |                  |                  |                  |
| EUR              | <b>303,238</b>   | 413,646          | <b>340,216</b>   | 672,148          |
| US\$             | <b>5,400,972</b> | 3,927,546        | <b>1,884,521</b> | 883,038          |

Note: For group entities with their functional currency as the US\$, monetary assets and monetary liabilities denominated in HK\$ have no material foreign currency risk exposure as the HK\$ is pegged with the US\$.

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 amounting to US\$519,161,000 (2021: US\$693,733,000). It is the Group's policy to negotiate the terms of the hedge derivatives to match the terms of the hedged item to maximize hedge effectiveness (see Note 29 for details).

The Group also uses cross-currency interest rate swaps to reduce currency exposure to hedge against the debts which are effective to convert the foreign currency debts to the functional currency of the relevant group entity. The critical terms of these currency swaps are similar to those of hedged borrowings.

## 37. Financial Instruments (continued)

### 37.2 Financial Risk Management Objectives and Policies (continued)

#### 37.2.1 FOREIGN CURRENCY RISK MANAGEMENT (continued)

##### Sensitivity Analysis

The following table details the Group's sensitivity to a 5% (2021: 5%) increase and decrease in the functional currency against foreign currency without considering the cross-currency interest rate swaps entered at end of the reporting period. 5% (2021: 5%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in the foreign exchange rate. The sensitivity analysis includes outstanding foreign currency denominated monetary items and excludes the effect of cross-currency interest rate swaps held at the reporting date. A positive number below indicates an increase in profit for the year where functional currency weakens 5% (2021: 5%) against foreign currency. For a 5% (2021: 5%) strengthening of functional currency against the foreign currency, there would be an equal and opposite impact on the profit for the year and the amounts below would be negative.

|                                    | Impact of US\$   |                  | Impact of EUR    |                  |
|------------------------------------|------------------|------------------|------------------|------------------|
|                                    | 2022<br>US\$'000 | 2021<br>US\$'000 | 2022<br>US\$'000 | 2021<br>US\$'000 |
| Profit for the year <sup>(i)</sup> | <b>(163,703)</b> | (141,571)        | <b>1,721</b>     | 12,020           |

(i) This is mainly attributable to the net exposure on receivables, payables and unsecured borrowings denominated in US\$ & EUR as foreign currency at the reporting date.

#### 37.2.2 INTEREST RATE RISK MANAGEMENT

The Group's exposure to interest rates on financial assets and liabilities is detailed in the liquidity risk management section of this note. The Group is exposed to cash flow interest rate risk in relation to variable-rate borrowings (see Note 38 for details of these borrowings), discounted bills with recourse, finance lease receivables and bank balances and deposits. The Group's cash flow interest rate risk is mainly concentrated on Term SOFR and LIBOR arising from the Group's US\$ and EUR denominated borrowings. In relation to interest bearing bank balances and deposits, the Group considers the interest rate risk to be low. The management continuously monitors interest rate fluctuations and will consider further hedging the interest rate risk should the need arise.

The Group is also exposed to fair value interest rate risk in relation to fixed-rate unsecured borrowings (see Note 38 for details of these borrowings), finance lease receivables and lease liabilities.

During the year, the Group obtained new unsecured borrowings of US\$4,839 million (2021: US\$7,300 million) which are either at a fixed rate, Term SOFR or LIBOR based. The proceeds were used for refinancing the Group's borrowings.

A fundamental reform of major interest rate benchmarks is being undertaken globally, including the replacement of some interbank offered rates ("IBORs") with alternative nearly risk-free rates. Details of the impacts on the Group's risk management strategy arising from the interest rate benchmark reform and the progress towards implementation of alternative benchmark interest rates are set out under "interest rate benchmark reform" in this note.

## 37. Financial Instruments (continued)

### 37.2 Financial Risk Management Objectives and Policies (continued)

#### 37.2.2 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 at the end of the reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period was outstanding for the whole year without considering the cross-currency interest rate swaps entered at the end of the reporting period. A 50 basis points (2021: 50 basis points) increase or decrease in LIBOR or Term SOFR 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 (2021: 50 basis points) higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended December 31, 2022 would decrease/increase by US\$10,004,000 (2021: decrease/increase by US\$11,828,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate borrowings.

The Group's sensitivity to interest rates has decreased during the current period mainly due to the decrease in variable-rate debt instruments.

#### 37.2.3 OTHER PRICE RISK

The Group is exposed to price risk mainly through its listed equity securities.

##### Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to equity price risks of listed equity securities measured at fair value at the reporting date.

If the prices of the listed equity securities had been 10% higher, the profit for the year ended December 31, 2022 of the Group would have increase by US\$1,347,000 (2021: increase by US\$1,627,000) as a result of the changes in the fair values of the listed equity securities.

#### 37.2.4 CREDIT RISK MANAGEMENT AND IMPAIRMENT ASSESSMENT

As at December 31, 2022, the Group's maximum exposure to credit risk which will cause a financial loss to the Group amounted to US\$3,091,482,000 (2021: US\$3,910,922,000). The Group's credit risk exposures are primarily attributable to trade and other receivables, bills receivables, trade receivables from an associate, finance lease receivables and bank balances, deposits and cash. The Group does not hold any collateral or other credit enhancements to cover its credit risk associated with its financial assets.

##### Trade receivables arising from contracts with customers

In order to minimize the credit risk, the management of the Group has delegated a team responsible for determination of credit limits and credit approvals. Before accepting any new customer, the Group uses an internal credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed twice a year. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. In addition, the Group performs impairment assessment using an ECL model on trade receivables collectively which are grouped based on shared credit risk characteristics by reference to the Group's internal credit ratings. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group has concentration of credit risk as 31.6% (2021: 43.0%) and 49.1% (2021: 61.9%) of the total trade receivables were due from the Group's largest customer and the five largest customers respectively. In order to minimize the credit risk, the management of Group has delegated a team responsible for determination of credit limits and credit approvals.

### 37. Financial Instruments (continued)

#### 37.2 Financial Risk Management Objectives and Policies (continued)

##### 37.2.4 CREDIT RISK MANAGEMENT AND IMPAIRMENT ASSESSMENT (continued)

###### Bank balances and deposits

The credit risks on bank balances and deposits are limited because the counterparties are banks/financial institutions with high credit ratings assigned by international credit-rating agencies.

The Group's internal credit risk grading assessment comprises the following categories:

| Internal credit rating | Description  | Trade receivables                  | Other financial assets/<br>Other items |
|------------------------|--|------------------------------------|--|
| Minimal risk           | The counterparty has minimal risk of default and does not have any past-due amounts.   | Lifetime ECL – not credit-impaired | 12m ECL                                |
| Low risk               | The counterparty has a low risk of default and occasionally repays after due dates.  | Lifetime ECL – not credit-impaired | 12m ECL                                |
| Medium risk            | The counterparty has a medium risk of default and occasionally repays after due dates.   | Lifetime ECL – not credit-impaired | 12m ECL                                |
| High risk              | There have been significant increases in credit risk since initial recognition through information developed internally or external resources. | Lifetime ECL – not credit-impaired | Lifetime ECL – not credit-impaired     |
| Loss                   | There is evidence indicating the asset is credit-impaired.   | Lifetime ECL – credit-impaired     | Lifetime ECL – credit-impaired         |
| Write-off              | There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery.            | Amount is written off              | Amount is written off                  |

The tables below detail the credit risk exposure of the Group's financial assets, which are subject to ECL assessment:

|                                     | Notes | Internal credit rating | 12m or lifetime ECL                | 2022                   |                                   | 2021                   |                                   |
|-------------------------------------|-------|------------------------|------------------------------------|------------------------|-----------------------------------|------------------------|-----------------------------------|
|                                     |       |                        |                                    | External credit rating | Gross carrying amount<br>US\$'000 | External credit rating | Gross carrying amount<br>US\$'000 |
| Trade receivables                   | 26    | (Note 1)               | Lifetime ECL (not credit-impaired) | <b>N/A</b>             | <b>1,559,646</b>                  | N/A                    | 1,976,060                         |
| Other receivables                   | 26    | (Note 2)               | 12m ECL                            | <b>N/A</b>             | <b>138,304</b>                    | N/A                    | 122,131                           |
| Bills receivable                    | 27    | N/A                    | 12m ECL                            | <b>A To AA-</b>        | <b>6,887</b>                      | A- To A+               | 7,643                             |
| Trade receivables from an associate | 28    | (Note 2)               | 12m ECL                            | <b>N/A</b>             | <b>5,026</b>                      | N/A                    | 6,600                             |
| Finance lease receivables           | 23    | (Note 2)               | 12m ECL                            | <b>N/A</b>             | <b>11,076</b>                     | N/A                    | —                                 |
| Bank balances and deposits          | 30    | N/A                    | 12m ECL                            | <b>A To A+</b>         | <b>1,428,930</b>                  | A To A+                | 1,874,401                         |

Notes:

- For trade receivables, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the ECL on these items by using a collective assessment grouped by internal credit rating.
- Trade receivables from an associate and other receivables amounted to US\$5,026,000 and US\$138,304,000 (2021: US\$6,600,000 and US\$122,131,000) respectively have no fixed repayment terms. The Group has assessed these balances on a 12m ECL basis as there has been no significant increase in the credit risk since initial recognition.

**37. Financial Instruments** (continued)**37.2 Financial Risk Management Objectives and Policies** (continued)**37.2.4 CREDIT RISK MANAGEMENT AND IMPAIRMENT ASSESSMENT** (continued)

As part of the Group's credit risk management, the Group applies internal credit rating for its customers in relation to its operations. The following table provides information about the exposure to credit risk and ECL for trade receivables which are assessed collectively as at December 31, 2022.

|                        | 2022                |                                   |  | 2021              |                                   |  |
|------------------------|---------------------|-----------------------------------|--|-------------------|-----------------------------------|--|
|                        | Average loss rate   | Gross carrying amount<br>US\$'000 | Allowances for credit losses<br>US\$'000 | Average loss rate | Gross carrying amount<br>US\$'000 | Allowances for credit losses<br>US\$'000 |
| Internal credit rating |                     |                                   |  |                   |                                   |  |
| Minimal risk           | <b>Less than 1%</b> | <b>346,104</b>                    | <b>—</b>                                 | Less than 1%      | 405,109                           | —  |
| Low risk               | <b>1-5%</b>         | <b>1,164,637</b>                  | <b>34,766</b>                            | 1-5%              | 1,516,371                         | 58,848                                   |
| Medium risk            | <b>6-20%</b>        | <b>22,582</b>                     | <b>2,525</b>                             | 6-20%             | 29,485                            | 3,007                                    |
| High risk              | <b>Over 20%</b>     | <b>26,323</b>                     | <b>21,096</b>                            | Over 20%          | 25,095                            | 14,058                                   |
|                        |                     | <b>1,559,646</b>                  | <b>58,387</b>                            |                   | 1,976,060                         | 75,913                                   |

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and forward-looking information that is available without undue cost or effort. The grouping is regularly reviewed by management to ensure relevant information about specific debtors is updated.

During the year ended December 31, 2022, the Group provided US\$58,387,000 (2021: US\$75,913,000) for credit losses allowances for trade receivables.

The Group writes off trade receivables when there is information indicating that the debtors are in severe financial difficulties and there is no realistic prospect of recovery.

**37. Financial Instruments** (continued)**37.2 Financial Risk Management Objectives and Policies** (continued)**37.2.4 CREDIT RISK MANAGEMENT AND IMPAIRMENT ASSESSMENT** (continued)

The following table shows the movement in the lifetime ECL that has been recognized for trade receivables under the simplified approach.

|   | <b>Lifetime ECL<br/>(not credit-impaired)<br/>US\$'000</b> |
|---|--|
| As at January 1, 2021   | 52,932   |
| Currency realignment  | (619)  |
| Impairment losses reversed upon settlement in full of trade debtors with a gross carrying amount of US\$978,274,000   | (51,093)   |
| Impairment losses recognized on new trade receivables with a gross carrying amount of US\$1,570,951,000               | 75,913   |
| Write-offs  | (1,220)  |
| <b>As at December 31, 2021</b>  | <b>75,913</b>  |
| Currency realignment  | <b>(511)</b>   |
| Impairment losses reversed upon settlement in full of trade debtors with a gross carrying amount of US\$1,566,204,000 | <b>(70,655)</b>  |
| Impairment losses recognized on new trade receivables with a gross carrying amount of US\$1,213,542,000               | <b>58,387</b>  |
| Write-offs  | <b>(4,747)</b>   |
| <b>As at December 31, 2022</b>  | <b>58,387</b>  |

**37.2.5 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, 2022, the Group has available unutilized overdrafts facilities and short and medium term bank loan facilities of approximately US\$306 million (2021: US\$323 million) and US\$3,570 million (2021: US\$2,248 million) respectively.

**Liquidity Tables**

The following tables detail the Group's remaining contractual maturity for its financial liabilities and derivative instruments. The tables have been drawn up based on the undiscounted cash flow of financial liabilities based on the earliest date on which the Group can be required to pay. The maturity dates for non-derivative financial liabilities are based on agreed repayment dates. The table includes both interest and principal cash flows. To the extent that the interest flows are floating rate, the undiscounted amount is derived from the interest rate curve at the end of the reporting period.

In addition, the following table details the Group's liquidity analysis for its derivative financial instruments. The tables have been drawn up based on the undiscounted contractual net cash inflows and (outflows) on derivative instruments that settle on a net basis, and the undiscounted gross inflows and (outflows) on those derivatives that require gross settlement. When the amount payable is not fixed, the amount disclosed has been determined by reference to the foreign currency exchange rates prevailing at the end of the reporting period. The liquidity analysis for the Group's derivative financial instruments are prepared based on the contractual maturities/settlement as the management considers that the contractual maturities are essential for an understanding of the timing of the cash flows of derivatives.

**37. Financial Instruments** (continued)**37.2 Financial Risk Management Objectives and Policies** (continued)**37.2.5 LIQUIDITY RISK MANAGEMENT** (continued)**Liquidity Tables** (continued)

|   | Weighted<br>average<br>effective<br>interest rate<br>% | Less than<br>1 month/<br>on demand<br>US\$'000 | 1-3 months<br>US\$'000 | 4 months-<br>1 year<br>US\$'000 | 1-2 years<br>US\$'000 | 2+ years<br>US\$'000 | Total<br>undiscounted<br>cash flows<br>US\$'000 | Total carrying<br>amount at<br>December 31,<br>2022<br>US\$'000 |
|---|--|--|------------------------|---------------------------------|-----------------------|----------------------|---|---|
| <b>2022</b>   |  |  |                        |                                 |                       |                      |   |   |
| <b>Non-derivative financial liabilities</b>                   |  |  |                        |                                 |                       |                      |   |   |
| Trade and other payables                                      | —  | (2,546,096)                                    | (712,597)              | (518,734)                       | (45,447)              | (14,899)             | (3,837,773)                                     | (3,837,773)   |
| Bills payable   | —  | (2,435)  | (7,672)                | (10,160)                        | —                     | —                    | (20,267)  | (20,267)  |
| Lease liabilities   | 1.10% - 2.80%  | (11,627)                                       | (23,339)               | (106,367)                       | (112,831)             | (475,186)            | (729,350)                                       | (705,081)   |
| Discounted bills with recourse                                | 2.01%  | —  | (2,010)                | —                               | —                     | —                    | (2,010)   | (2,003)   |
| Unsecured borrowings  | 0.31% - 5.14%  | (1,097,300)                                    | (391,972)              | (474,959)                       | (310,149)             | (944,917)            | (3,219,297)                                     | (3,150,949)   |
| Refund liabilities from right of return                       | —  | (10,840)                                       | —                      | (6,737)                         | —                     | —                    | (17,577)  | (17,577)  |
|   |  | (3,668,298)                                    | (1,137,590)            | (1,116,957)                     | (468,427)             | (1,435,002)          | (7,826,274)                                     | (7,733,650)   |
| <b>2022</b>   |  |  |                        |                                 |                       |                      |   |   |
| <b>Derivatives – net settlement</b>                           |  |  |                        |                                 |                       |                      |   |   |
| Acquisition right of certain property,<br>plant and equipment | —  | —  | —                      | —                               | —                     | 8,002                | 8,002   | 8,002   |
| Cross-currency interest rate<br>swaps contracts               | —  | 894  | 1,874                  | 8,193                           | 7,025                 | 352                  | 18,338  | 17,064  |
| Foreign currency forward contracts<br>– US\$                  | —  | —  | 1,488                  | 1,628                           | —                     | —                    | 3,116   | 3,116   |
|   |  | 894  | 3,362                  | 9,821                           | 7,025                 | 8,354                | 29,456  | 28,182  |
| <b>Derivatives – gross settlement</b>                         |  |  |                        |                                 |                       |                      |   |   |
| Foreign currency forward contracts<br>– inflow                |  |  |                        |                                 |                       |                      |   |   |
| – HK\$  | —  | 33,820   | 11,246                 | —                               | —                     | —                    | 45,066  | 45,066  |
| – EUR   | —  | 14,207   | 27,671                 | 93,402                          | —                     | —                    | 135,280   | 135,280   |
| – RMB   | —  | 136,480  | 250,006                | 456,715                         | —                     | —                    | 843,201   | 843,201   |
| – GBP   | —  | 3,304  | 6,601                  | 59,912                          | —                     | —                    | 69,817  | 69,817  |
| – US\$  | —  | 68,809   | 204,169                | 816,427                         | —                     | —                    | 1,089,405                                       | 1,089,405   |
| – AUD   | —  | 7,226  | 24,072                 | 42,377                          | —                     | —                    | 73,675  | 73,675  |
| – NZD   | —  | 6,809  | 20,171                 | 35,256                          | —                     | —                    | 62,236  | 62,236  |
|   |  | 270,655  | 543,936                | 1,504,089                       | —                     | —                    | 2,318,680                                       | 2,318,680   |
| – outflow   |  |  |                        |                                 |                       |                      |   |   |
| – HK\$  | —  | (33,776)                                       | (11,225)               | —                               | —                     | —                    | (45,001)  | (45,001)  |
| – EUR   | —  | (13,798)                                       | (26,930)               | (92,675)                        | —                     | —                    | (133,403)                                       | (133,403)   |
| – RMB   | —  | (139,385)                                      | (259,486)              | (479,873)                       | —                     | —                    | (878,744)                                       | (878,744)   |
| – GBP   | —  | (3,281)  | (6,554)                | (61,731)                        | —                     | —                    | (71,566)  | (71,566)  |
| – US\$  | —  | (68,203)                                       | (204,720)              | (782,396)                       | —                     | —                    | (1,055,319)                                     | (1,055,319)   |
| – AUD   | —  | (6,680)  | (22,208)               | (39,788)                        | —                     | —                    | (68,676)  | (68,676)  |
| – NZD   | —  | (6,402)  | (18,684)               | (34,765)                        | —                     | —                    | (59,851)  | (59,851)  |
|   |  | (271,525)                                      | (549,807)              | (1,491,228)                     | —                     | —                    | (2,312,560)                                     | (2,312,560)   |
|   |  | (870)  | (5,871)                | 12,861                          | —                     | —                    | 6,120   | 6,120   |

**37. Financial Instruments** (continued)

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

**37.2.5 LIQUIDITY RISK MANAGEMENT** (continued)

**Liquidity Tables** (continued)

|   | Weighted<br>average<br>effective<br>interest rate<br>% | Less than<br>1 month/<br>on demand<br>US\$'000 | 1-3 months<br>US\$'000 | 4 months-<br>1 year<br>US\$'000 | 1-2 years<br>US\$'000 | 2+ years<br>US\$'000 | Total<br>undiscounted<br>cash flows<br>US\$'000 | Total carrying<br>amount at<br>December 31,<br>2021<br>US\$'000 |
|---|--|--|------------------------|---------------------------------|-----------------------|----------------------|---|---|
| 2021  |  |  |                        |                                 |                       |                      |   |   |
| Non-derivative financial liabilities                          |  |  |                        |                                 |                       |                      |   |   |
| Trade and other payables                                      | —  | (2,746,663)                                    | (869,860)              | (375,274)                       | (48,502)              | —                    | (4,040,299)                                     | (4,040,299)   |
| Bills payable   | —  | (1,708)  | (19,225)               | (26,616)                        | —                     | —                    | (47,549)  | (47,549)  |
| Lease liabilities   | 1.60% — 2.80%  | (9,600)  | (19,268)               | (87,821)                        | (108,548)             | (347,438)            | (572,675)                                       | (554,200)   |
| Discounted bills with recourse                                | 3.81%  | (723)  | (1,142)                | —                               | —                     | —                    | (1,865)   | (1,857)   |
| Unsecured borrowings  | 0.31% — 3.52%  | (1,695,726)                                    | (105,435)              | (458,299)                       | (189,414)             | (874,764)            | (3,323,638)                                     | (3,280,987)   |
| Refund liabilities from right of return                       | —  | (8,763)  | —                      | (14,002)                        | (2,885)               | —                    | (25,650)  | (22,767)  |
|   |  | (4,463,183)                                    | (1,014,930)            | (962,012)                       | (349,349)             | (1,222,202)          | (8,011,676)                                     | (7,947,659)   |
| 2021  |  |  |                        |                                 |                       |                      |   |   |
| Derivatives – net settlement                                  |  |  |                        |                                 |                       |                      |   |   |
| Acquisition right of certain property,<br>plant and equipment | —  | —  | —                      | —                               | —                     | 8,302                | 8,302   | 8,302   |
| Cross-currency interest rate<br>swaps contracts               | —  | 103  | 227                    | 1,683                           | (1,084)               | (7,922)              | (6,993)   | (6,397)   |
| Foreign currency forward contracts<br>– US\$                  | —  | —  | 881                    | 2,209                           | —                     | —                    | 3,090   | 3,090   |
|   |  | 103  | 1,108                  | 3,892                           | (1,084)               | 380                  | 4,399   | 4,995   |
| Derivatives – gross settlement                                |  |  |                        |                                 |                       |                      |   |   |
| Foreign currency forward contracts                            |  |  |                        |                                 |                       |                      |   |   |
| – inflow  |  |  |                        |                                 |                       |                      |   |   |
| – EUR   | —  | 20,518   | 40,676                 | 160,690                         | —                     | —                    | 221,884   | 221,884   |
| – RMB   | —  | 182,971  | 298,083                | 494,375                         | —                     | —                    | 975,429   | 975,429   |
| – GBP   | —  | 11,994   | 23,991                 | 87,092                          | —                     | —                    | 123,077   | 123,077   |
| – US\$  | —  | 105,438  | 192,979                | 887,189                         | 69,947                | —                    | 1,255,553                                       | 1,255,553   |
| – AUD   | —  | 6,286  | 11,569                 | 51,278                          | —                     | —                    | 69,133  | 69,133  |
| – NZD   | —  | 3,980  | 8,712                  | 47,449                          | —                     | —                    | 60,141  | 60,141  |
|   |  | 331,187  | 576,010                | 1,728,073                       | 69,947                | —                    | 2,705,217                                       | 2,705,217   |
| – outflow   |  |  |                        |                                 |                       |                      |   |   |
| – EUR   | —  | (20,738)                                       | (41,105)               | (161,632)                       | —                     | —                    | (223,475)                                       | (223,475)   |
| – RMB   | —  | (178,977)                                      | (291,420)              | (484,798)                       | —                     | —                    | (955,195)                                       | (955,195)   |
| – GBP   | —  | (12,123)                                       | (24,290)               | (84,722)                        | —                     | —                    | (121,135)                                       | (121,135)   |
| – US\$  | —  | (98,965)                                       | (180,967)              | (842,565)                       | (69,300)              | —                    | (1,191,797)                                     | (1,191,797)   |
| – AUD   | —  | (6,162)  | (11,343)               | (50,293)                        | —                     | —                    | (67,798)  | (67,798)  |
| – NZD   | —  | (3,804)  | (8,325)                | (45,109)                        | —                     | —                    | (57,238)  | (57,238)  |
|   |  | (320,769)                                      | (557,450)              | (1,669,119)                     | (69,300)              | —                    | (2,616,638)                                     | (2,616,638)   |
|   |  | 10,418   | 18,560                 | 58,954                          | 647                   | —                    | 88,579  | 88,579  |

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

## 37. Financial Instruments (continued)

### 37.2 Financial Risk Management Objectives and Policies (continued)

#### 37.2.5 LIQUIDITY RISK MANAGEMENT (continued)

##### Liquidity Tables (continued)

The amount included above for variable interest rate instruments for non-derivative financial liabilities is subject to change if changes in variable interest rates differ to those estimates of interest rate determined at the end of the reporting period.

#### 37.2.6 INTEREST RATE BENCHMARK REFORM

Several of the Group's financial liabilities and derivative financial instruments, the interest of which are indexed to benchmark rates will be subject to the interest rate benchmark reform. The Group is closely monitoring the market and managing the transition to new benchmark interest rates, including announcements made by the relevant IBOR regulators.

##### LIBOR

As at December 31, 2022, all LIBOR settings have been either ceased to be provided by any administrator or no longer be representative, except for US\$ settings (other than the 1-week and 2-month settings) which will be ceased immediately after June 30, 2023.

Risks arising from the interest rate benchmark reform

The following are the key risks for the Group arising from the transition:

##### *Interest rate related risks*

For contracts which have not been transitioned to the relevant alternative benchmark rates and without detailed fallback clauses, if the bilateral negotiations with the Group's counterparties are not successfully concluded before the cessation of LIBORs, there are significant uncertainties with regard to the interest rate that would apply. This gives rise to additional interest rate risk that was not anticipated when the contracts were entered into.

There are fundamental differences between IBORs and the various alternative benchmark rates. IBORs are forward looking term rates published for a period (e.g. 3 months) at the beginning of that period and include an inter-bank credit spread, whereas alternative benchmark rates are typically risk-free overnight rates published at the end of the overnight period with no embedded credit spread. These differences will result in additional uncertainty regarding floating rate interest payments.

##### *Liquidity risk*

The additional uncertainty on various alternative rates which are typically published on overnight basis will require additional liquidity management. The Group's liquidity risk management policy has been updated to ensure sufficient liquid resources to accommodate unexpected increases in overnight rates.

##### *Litigation risk*

If no agreement is reached to implement the interest rate benchmark reform on contracts which have not been transitioned to the relevant alternative benchmark rates (e.g. arising from differing interpretation of existing fallback terms), there is a risk of prolonged disputes with counterparties which could give rise to additional legal and other costs. The Group is working closely with all counterparties to avoid this from occurring.

##### *Interest rate basis risk*

Interest rate basis risk may arise if a non-derivative instrument and the derivative instrument held to manage the interest risk on the non-derivative instrument transition to alternative benchmark rates at different times. This risk may also arise where back-to-back derivatives transition at different times. If such a case arises, the Group will monitor this risk against its risk management policy which has been updated to allow for temporary mismatches of up to 12 months and transact additional basis interest rate swaps if required.

## 37. Financial Instruments (continued)

### 37.2 Financial Risk Management Objectives and Policies (continued)

#### 37.2.6 INTEREST RATE BENCHMARK REFORM (continued)

##### LIBOR (continued)

##### *Progress towards implementation of alternative benchmark interest rates*

As part of the Group's risk management for transition, new contracts entered into by the Group are linked to interest rates which are not subject to reform to the extent feasible. Otherwise, the Group ensured the relevant contracts include detailed fallback clauses clearly referencing the alternative benchmark rate and the specific triggering event on which the clause is activated.

The Group is exposed to the impact of interest rate changes, primarily through its floating rate borrowings that require it to make interest payments based on LIBOR. The Group uses cross-currency interest rate swaps to reduce its market risk from changes in interest rates.

During the year, no bank loan linked to US\$ LIBOR has been transitioned to SOFR and Term SOFR. The Group accounted for the changes using the practical expedient in HKFRS 9 which allows the Group to change the basis for determining the contractual cash flows prospectively by revising the effective interest rate.

The Group plans to transition the majority of its remaining LIBOR linked contracts to risk-free rates through amendments to fallback clauses in its floating rate credit facilities and debt instruments which would change the basis for determining the interest rate cash flows from LIBOR to a risk-free rate at an agreed point in time. Those bank loan linked to US\$ LIBOR will be transitioned to SOFR and Term SOFR.

##### *Interest rate benchmark transition for non-derivative financial liabilities*

The following table shows the total amounts of outstanding US\$ LIBOR referenced borrowings and the progress in completing the transition to alternative benchmark rates. The amounts of financial liabilities are shown at their carrying amounts.

##### As at December 31, 2022

|                          | Principal<br>US\$'000 | Weighted average term<br>(years) | Transition progress  |
|--------------------------|-----------------------|----------------------------------|--|
| Term loans               | 310,215               | 1.32                             | Expected to amend fallback clauses prior to cessation of publication of LIBOR. |
| Revolving and trade loan | 670,000               | 0.08                             | Expected to amend fallback clauses prior to cessation of publication of LIBOR. |
| <b>Total</b>             | <b>980,215</b>        |                                  |  |

##### As at December 31, 2021

|                          | Principal<br>US\$'000 | Weighted average term<br>(years) | Transition progress  |
|--------------------------|-----------------------|----------------------------------|--|
| Term loans               | 450,970               | 2.09                             | Expected to amend fallback clauses prior to cessation of publication of LIBOR. |
| Revolving and trade loan | 2,060,110             | 0.11                             | Expected to amend fallback clauses prior to cessation of publication of LIBOR. |
| <b>Total</b>             | <b>2,511,080</b>      |                                  |  |

**37. Financial Instruments** (continued)**37.2 Financial Risk Management Objectives and Policies** (continued)**37.2.6 INTEREST RATE BENCHMARK REFORM** (continued)**LIBOR** (continued)*Interest rate benchmark transition for derivatives*

As at December 31, 2022, the Group had an outstanding notional balance of US\$210,300,000 (2021: US\$210,300,000) of US\$ LIBOR referenced cross-currency interest rate swaps which were in a cash flow hedge with the Group's variable-rate US\$ unsecured borrowings.

The Group has closely monitored the market and the output from the various industry working groups managing the transition to new benchmark interest rates. This includes announcements made by LIBOR regulators regarding the transition away from LIBOR. In response to the announcements, the Group has set up an LIBOR transition programme comprised of the following work streams: tax, treasury, legal, accounting and systems. The aim of the programme is to understand where LIBOR exposures are within the business and prepare and deliver on an action plan to enable a smooth transition to alternative benchmark rates. None of the Group's current LIBOR linked contracts include adequate and robust fall back provisions for a cessation of the referenced benchmark interest rate. Different working groups in the industry are working on fall back language for different instruments and different LIBORs, which the Group is monitoring closely and will look to implement these when appropriate.

For the Group's cross-currency interest rate swaps, the International Swaps and Derivatives Association's ("ISDA") fall back clauses were made available in the first quarter of 2021 and the Group is discussing with its banks with the aim to implement this language into its ISDA agreements within 2022.

The Group will continue to apply the amendments to HKFRS 9 until the uncertainty arising from the interest rate benchmark reforms with respect to the timing and the amount of the underlying cash flows that the Group is exposed ends. The Group has assumed that this uncertainty will not end until the Group's LIBOR contracts are amended to specify the date on which the interest rate benchmark will be replaced, the cash flows of the alternative benchmark rate and the relevant spread adjustment. This will, in part, be dependent on the introduction of fall back clauses which have yet to be added to the Group's contracts and the negotiation with lenders is underway.

Below are details of the hedging instruments and the related hedged items that have been or will be subject to transition to alternative benchmark interest rates, by hedge type. The terms of the hedged items listed match those of the corresponding hedging instruments.

**As at December 31, 2022**

| Hedge type      | Instrument type                    | Maturing in   | Nominal amount<br>US\$'000 | Hedged item   | Transition progress                         |
|-----------------|------------------------------------|---|----------------------------|---|---|
| Cash flow hedge | Cross-currency interest rate swaps | October 2023, October 2024, April 2024 and April 2025 | 210,300                    | Floating rate US\$ bank borrowings and the currency exposure of the intercompany advances | To transition derivatives via ISDA protocol |

## As at December 31, 2021

| Hedge type      | Instrument type                    | Maturing in   | Nominal amount<br>US\$'000 | Hedged item   | Transition progress                         |
|-----------------|------------------------------------|---|----------------------------|---|---|
| Cash flow hedge | Cross-currency interest rate swaps | October 2023, October 2024, April 2024 and April 2025 | 210,300                    | Floating rate US\$ bank borrowings and the currency exposure of the intercompany advances | To transition derivatives via ISDA protocol |

## 37. Financial Instruments (continued)

### 37.3 Fair Value

The fair value of financial assets and financial liabilities are determined as follows:

- the fair value of foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching the maturities of the contract;
- the fair value of cross-currency interest rate swaps is measured by the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates and foreign exchange rates between US\$ and EUR, which is observable at the end of the reporting period;
- the fair value of financial assets with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices or latest purchase/transaction prices; and
- the fair value of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions.

#### **FAIR VALUE MEASUREMENTS RECOGNIZED IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

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

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

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

**37. Financial Instruments** (continued)

## 37.3 Fair Value (continued)

**FAIR VALUE MEASUREMENTS RECOGNIZED IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION** (continued)

|    | Financial assets/<br>financial liabilities  | Fair value as at   |  | Fair value<br>hierarchy | Valuation techniques and key inputs   |
|----|---|--|--|-------------------------|---|
|    |   | 2022   | 2021   |                         |   |
| 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:<br/>US\$8,002,000</b> | Acquisition right of certain property, plant and equipment:<br>US\$8,302,000 | Level 2                 | Measured at the fair value of the land and buildings associated with the acquisition right which is based on a valuation by third party independent valuer at the end of the financial year.  |
| 2) | Foreign currency forward contracts classified as derivative financial instruments in the consolidated statement of financial position                         | <b>Assets –<br/>US\$59,710,000;<br/>and Liabilities –<br/>US\$50,474,000</b>         | Assets –<br>US\$93,554,000;<br>and Liabilities –<br>US\$1,885,000            | Level 2                 | Discounted cash flow Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates and yield curves at the end of the reporting period) and contracted forward rates, discounted at a rate that reflects the credit risk of various counterparties. |
| 3) | Listed equity securities classified as financial assets at FVTPL in the consolidated statement of financial position  | <b>Listed shares:<br/>US\$13,466,000</b>   | Listed shares:<br>US\$16,272,000   | 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:<br/>US\$4,899,000</b>                                 | Club membership debentures:<br>US\$4,914,000                                 | Level 2                 | The fair value was arrived at with reference to recent transaction prices for similar comparables with similar characteristics.   |
|    |   | <b>Unlisted equity securities:<br/>US\$4,800,000</b>                                 | Unlisted equity securities:<br>Nil   | Level 2                 | The fair value was arrived at with reference to the latest purchase price per share arising on subscribing for the shares in private market.  |
|    |   | <b>Other:<br/>US\$45,000</b>   | Other:<br>US\$45,000   | Level 2                 | The fair value was arrived at with reference to recent transaction prices for similar comparables with similar characteristics.   |
| 5) | Cross-currency interest rate swaps classified as derivative financial instruments in the consolidated statement of financial position                         | <b>Assets –<br/>US\$17,064,000;<br/>and Liabilities –<br/>Nil</b>                    | Assets –<br>Nil;<br>and Liabilities –<br>US\$6,397,000                       | Level 2                 | Measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates and foreign exchange rates between US\$ and EUR, which is observable at the end of the reporting period.                                  |

**37. Financial Instruments** (continued)

## 37.3 Fair Value (continued)

**FAIR VALUE MEASUREMENTS RECOGNIZED IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION** (continued)

|  | Level 1<br>US\$'000 | Level 2<br>US\$'000 | Total<br>US\$'000 |
|--|---------------------|---------------------|-------------------|
| <b>2022</b>  |                     |                     |                   |
| <b>Financial assets</b>                                    |                     |                     |                   |
| Acquisition right of certain property, plant and equipment | —                   | 8,002               | 8,002             |
| Foreign currency forward contracts                         | —                   | 59,710              | 59,710            |
| Cross-currency interest rate swaps                         | —                   | 17,064              | 17,064            |
| Financial assets at FVTPL                                  | 13,466              | 9,744               | 23,210            |
| <b>Total</b>   | <b>13,466</b>       | <b>94,520</b>       | <b>107,986</b>    |
| <b>Financial liabilities</b>                               |                     |                     |                   |
| Foreign currency forward contracts                         | —                   | (50,474)            | (50,474)          |
| <b>Total</b>   | <b>—</b>            | <b>(50,474)</b>     | <b>(50,474)</b>   |
| <b>2021</b>  |                     |                     |                   |
| <b>Financial assets</b>                                    |                     |                     |                   |
| Acquisition right of certain property, plant and equipment | —                   | 8,302               | 8,302             |
| Foreign currency forward contracts                         | —                   | 93,554              | 93,554            |
| Financial assets at FVTPL                                  | 16,272              | 4,959               | 21,231            |
| <b>Total</b>   | <b>16,272</b>       | <b>106,815</b>      | <b>123,087</b>    |
| <b>Financial liabilities</b>                               |                     |                     |                   |
| Foreign currency forward contracts                         | —                   | (1,885)             | (1,885)           |
| Cross-currency interest rate swaps                         | —                   | (6,397)             | (6,397)           |
| <b>Total</b>   | <b>—</b>            | <b>(8,282)</b>      | <b>(8,282)</b>    |

**37. Financial Instruments** (continued)**37.4 Transfers of financial assets**

The following were the Group's financial assets as at December 31, 2022 that were transferred to banks by discounting or factoring those trade and bills receivables on a full recourse basis. As the Group retained substantially all of the significant risks and rewards relating to these receivables, it continues to recognize the full carrying amount of the receivables and has recognized the cash received on the transfer as discounted bills with recourse (see Note 35) and unsecured borrowings – due within one year (see Note 38). These financial assets are carried at amortized cost in the Group's consolidated statement of financial position.

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

|   | <b>2022</b>     | 2021     |
|---|-----------------|----------|
|   | <b>US\$'000</b> | US\$'000 |
| Carrying amount of transferred assets     | <b>56,429</b>   | 76,857   |
| Carrying amount of associated liabilities | <b>(56,429)</b> | (76,857) |
| Net position                              | <b>—</b>        | —        |

The directors of the Company consider that the carrying amounts of the discounted bills and unsecured borrowings approximate their fair values.

**38. Unsecured Borrowings**

|  | <b>2022</b>      | 2021      |
|--|------------------|-----------|
|  | <b>US\$'000</b>  | US\$'000  |
| Bank advance from Factored Trade Receivables | <b>54,426</b>    | 75,000    |
| Bank loans                                   | <b>2,835,760</b> | 2,991,475 |
| Medium term notes                            | <b>260,763</b>   | 214,512   |
| Total borrowings                             | <b>3,150,949</b> | 3,280,987 |

The borrowings of the Group are repayable as follows:

|  | <b>2022</b>        | 2021        |
|--|--------------------|-------------|
|  | <b>US\$'000</b>    | US\$'000    |
| <b>Fixed-rate</b>  |                    |             |
| Within one year  | <b>79,931</b>      | 21,000      |
| In more than one year but not more than two years                | <b>124,796</b>     | 79,856      |
| In more than two years but not more than five years              | <b>591,916</b>     | 423,860     |
| More than five years   | <b>207,458</b>     | 214,512     |
| <b>Variable-rate</b>   |                    |             |
| Within one year  | <b>1,873,016</b>   | 2,231,636   |
| In more than one year but not more than two years                | <b>177,125</b>     | 105,998     |
| In more than two years but not more than five years              | <b>96,707</b>      | 204,125     |
|  | <b>3,150,949</b>   | 3,280,987   |
| Less: Amount due within one year shown under current liabilities | <b>(1,952,947)</b> | (2,252,636) |
| Amount due after one year  | <b>1,198,002</b>   | 1,028,351   |

### 38. Unsecured Borrowings (continued)

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

|                          | 2022                  | 2021           |
|--------------------------|-----------------------|----------------|
| Effective interest rate: |                       |                |
| Fixed-rate borrowings    | <b>0.73% to 3.66%</b> | 0.73% to 3.52% |
| Variable-rate borrowings | <b>0.31% to 5.14%</b> | 0.31% to 2.91% |

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

|                                | EUR<br>US\$'000 |
|--------------------------------|-----------------|
| <b>As at December 31, 2022</b> | <b>53,305</b>   |
| As at December 31, 2021        | 87,258          |

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

### 39. Share Capital

|  | 2022<br>Number of shares | 2021<br>Number of shares | 2022<br>US\$'000 | 2021<br>US\$'000 |
|--|--------------------------|--------------------------|------------------|------------------|
| <b>Ordinary shares</b>                         |                          |                          |                  |                  |
| Issued and fully paid:                         |                          |                          |                  |                  |
| At the beginning of the year                   | <b>1,834,484,441</b>     | 1,832,620,441            | <b>683,395</b>   | 673,141          |
| Issue of shares upon exercise of share options | <b>213,500</b>           | 1,864,000                | <b>1,315</b>     | 10,254           |
| At the end of the year                         | <b>1,834,697,941</b>     | 1,834,484,441            | <b>684,710</b>   | 683,395          |

Details of the share options are set out in Note 45.

## 40. Reserves

|  | Shares held for<br>share award<br>scheme<br>US\$'000 | Employee<br>share-based<br>compensation<br>reserve<br>US\$'000 | Hedging<br>reserve<br>US\$'000 | Retained<br>profits<br>US\$'000 | Total<br>US\$'000 |
|--|--|--|--------------------------------|---------------------------------|-------------------|
| <b>The Company</b>   |  |  |                                |                                 |                   |
| At January 1, 2021   | (42,086)   | 17,411   | (64,490)                       | 23,572,235                      | 23,483,070        |
| Loss for the year  | —  | —  | —                              | (72,591)                        | (72,591)          |
| Fair value gain on foreign currency forward contracts<br>and cross-currency interest rate swaps<br>in hedge accounting | —  | —  | 131,393                        | —                               | 131,393           |
| Total comprehensive income (loss) for the year   | —  | —  | 131,393                        | (72,591)                        | 58,802            |
| Shares issued on exercise of options   | —  | (2,046)  | —                              | —                               | (2,046)           |
| Vesting of awarded shares  | 17,597   | (17,597)   | —                              | —                               | —                 |
| Shares for share award scheme  | (81,251)   | —  | —                              | —                               | (81,251)          |
| Recognition of equity-settled share-based payments   | —  | 33,573   | —                              | —                               | 33,573            |
| Final dividend – 2020  | —  | —  | —                              | (193,488)                       | (193,488)         |
| Interim dividend – 2021  | —  | —  | —                              | (200,627)                       | (200,627)         |
| At December 31, 2021   | (105,740)  | 31,341   | 66,903                         | 23,105,529                      | 23,098,033        |
| Profit for the year  | —  | —  | —                              | <b>192,922</b>                  | <b>192,922</b>    |
| Fair value loss on foreign currency forward contracts<br>and cross-currency interest rate swaps<br>in hedge accounting | —  | —  | <b>(74,220)</b>                | —                               | <b>(74,220)</b>   |
| Total comprehensive (loss) income for the year   | —  | —  | <b>(74,220)</b>                | <b>192,922</b>                  | <b>118,702</b>    |
| Shares issued on exercise of options   | —  | <b>(258)</b>   | —                              | —                               | <b>(258)</b>      |
| Vesting of awarded shares  | <b>21,651</b>  | <b>(21,651)</b>  | —                              | —                               | —                 |
| Shares for share award scheme  | <b>(9,796)</b>                                       | —  | —                              | —                               | <b>(9,796)</b>    |
| Recognition of equity-settled share-based payments   | —  | <b>47,346</b>  | —                              | —                               | <b>47,346</b>     |
| Final dividend – 2021  | —  | —  | —                              | <b>(236,104)</b>                | <b>(236,104)</b>  |
| Interim dividend – 2022  | —  | —  | —                              | <b>(224,317)</b>                | <b>(224,317)</b>  |
| <b>At December 31, 2022</b>  | <b>(93,885)</b>                                      | <b>56,778</b>  | <b>(7,317)</b>                 | <b>22,838,030</b>               | <b>22,793,606</b> |

As at December 31, 2022, the Company's reserves available for distribution to shareholders comprised the retained profits of US\$22,838,030,000 (2021: US\$23,105,529,000).

## 41. Retirement Benefit Obligations

### Defined Contribution Plans:

The Group operating in Hong Kong have participated in the Mandatory Provident Fund Schemes (“MPF Schemes”) registered under the Mandatory Provident Fund Schemes Ordinance since December 2000. The assets of the MPF Schemes are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of relevant payroll cost to the MPF Schemes with a maximum amount of HK\$18,000 (2021: HK\$18,000) per employee per annum, which contribution is matched by the employee.

The employees of the Group’s subsidiaries in the People’s Republic of China (“PRC”) are members of a state-managed retirement benefit scheme operated by the PRC government. The subsidiaries are required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions.

The Group’s overseas subsidiaries operate a number of defined contribution schemes. Contributions to the defined contribution schemes applicable to each year are made at a certain percentage of the employees’ payroll.

The total expense recognized in profit or loss of US\$29,854,000 (2021: US\$25,474,000) represents contributions payable to these plans by the Group at rates specified in the rules of the plans.

### Defined Benefits Plans:

The Group operates several defined benefit plans for qualifying employees of its subsidiaries in Germany and the US, of which these plans cover substantially all remaining employees that are not covered by defined contribution plans. The defined benefit plans are administered by separate funds that are legally separated from the Group. The board of the pension fund is composed of an equal number of representatives from both employers and (former) employees. The board of the pension fund is required by law and by its articles of association to act in the interest of the fund and of all relevant stakeholders in the scheme, i.e. active employees, inactive employees, retirees, employers. The board of the pension fund is responsible for the investment policy with regard to the assets of the fund. The major defined benefit plans are as follows:

|   | 2022<br>US\$'000 | 2021<br>US\$'000 |
|---|------------------|------------------|
| Pension plan obligations (Note i)         | 46,107           | 74,474           |
| Life and medical insurance plan (Note ii) | 900              | 1,051            |
| Others                                    | 664              | 614              |
|   | <b>47,671</b>    | <b>76,139</b>    |

#### Note i: Pension plan obligations

The pension plan obligations are provided in the German operations and includes an unfunded plan that pays retirement benefits based on the term of service and final pay. In general, the benefit plans were closed to new members at the end of 1995. Under the plan, the qualifying employees are entitled to retirement benefits varying between 10% and 20% of final salary (based on the average of the last three years) on attainment of a retirement age of 65. The most recent actuarial valuations of the present value of the defined benefit obligations were carried out on January 1, 2023, by BDO AG Wirtschaftsprüfungsgesellschaft, an independent valuer not related to the Group.

#### Note ii: Life and medical insurance plan

Milwaukee Electric Tool Corporation, a subsidiary of the Group in the US, operates unfunded life insurance plans. The most recent actuarial valuations of the present value of the obligations were carried out on December 16, 2022 by Willis Towers Watson, an independent valuer not related to the Group.

## 41. Retirement Benefit Obligations (continued)

### Defined Benefits Plans: (continued)

The plans in Germany and the US expose the Group to actuarial risks such as investment risk, interest rate risk, longevity risk and salary risk.

|                    |   |
|--------------------|---|
| Investment risk    | The present value of the defined benefit plan liability is calculated using a discount rate determined by reference to high quality corporate bond yields; if the return on plan asset is below this rate, it will create a plan deficit.   |
| Interest rate risk | A decrease in the bond interest rate will increase the plan liability; however, this will be partially offset by an increase in the return on the plan's debt investments.  |
| Longevity risk     | The present value of the defined benefit plan liability is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan's liability. |
| Salary risk        | The present value of the defined benefit plan liability is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the plan's liability.   |

The risk relating to benefits to be paid to the dependents of plan members (widow and orphan benefits) is reinsured by an external insurance company.

The main actuarial assumptions used were as follows:

|                                   | Pension plan |       | Life & medical insurance plan |       |
|-----------------------------------|--------------|-------|-------------------------------|-------|
|                                   | 2022         | 2021  | 2022                          | 2021  |
| Discount rate                     | 3.80%        | 0.55% | 4.25%                         | 2.00% |
| Expected rate of salary increases | 2.00%        | 2.00% | N/A                           | N/A   |
| Future pension increases          | 2.00%        | 2.00% | N/A                           | N/A   |
| Medical cost trend rates          | N/A          | N/A   | 5.00%                         | 5.00% |

The effect of an increase of one percentage point in the assumed medical cost trend rate on the aggregate of the current service cost and interest cost; and the accumulated post-employment benefit obligations are as follows:

|   | Pension plan     |                  | Life & medical insurance plan |                  |
|---|------------------|------------------|-------------------------------|------------------|
|   | 2022<br>US\$'000 | 2021<br>US\$'000 | 2022<br>US\$'000              | 2021<br>US\$'000 |
| Current service cost and interest cost                            | N/A              | N/A              | 2                             | 1                |
| Accumulated post-employment benefit obligations for medical costs | N/A              | N/A              | 44                            | 61               |

## 41. Retirement Benefit Obligations (continued)

### Defined Benefits Plans: (continued)

Amounts recognized in other comprehensive income in respect of the defined benefit plans are as follows:

|   | Pension plan     |                  | Life & medical Insurance plan |                  |
|---|------------------|------------------|-------------------------------|------------------|
|   | 2022<br>US\$'000 | 2021<br>US\$'000 | 2022<br>US\$'000              | 2021<br>US\$'000 |
| Service cost:   |                  |                  |                               |                  |
| Current service cost  | 463              | 479              | —                             | —                |
| Net interest expense on defined benefit liabilities                                 | 382              | 374              | 20                            | 21               |
| <b>Components of defined benefit costs recognized in profit or loss</b>             | <b>845</b>       | <b>853</b>       | <b>20</b>                     | <b>21</b>        |
| Remeasurement on the net defined benefit liability:                                 |                  |                  |                               |                  |
| Actuarial gains arising from changes in financial assumptions                       | (21,855)         | (7,257)          | (152)                         | (202)            |
| <b>Components of defined benefit costs recognized in other comprehensive income</b> | <b>(21,855)</b>  | <b>(7,257)</b>   | <b>(152)</b>                  | <b>(202)</b>     |
| <b>Total</b>  | <b>(21,010)</b>  | <b>(6,404)</b>   | <b>(132)</b>                  | <b>(181)</b>     |

The charge for the year has been included in staff costs.

The amount included in the consolidated statement of financial position arising from the Group's obligation in respect of the major defined benefit plans is as follows:

|                                       | Pension plan     |                  | Life & medical insurance plan |                  |
|---------------------------------------|------------------|------------------|-------------------------------|------------------|
|                                       | 2022<br>US\$'000 | 2021<br>US\$'000 | 2022<br>US\$'000              | 2021<br>US\$'000 |
| Present value of unfunded obligations | 46,107           | 74,474           | 900                           | 1,051            |

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

|                      | Pension plan     |                  | Life & medical insurance plan |                  |
|----------------------|------------------|------------------|-------------------------------|------------------|
|                      | 2022<br>US\$'000 | 2021<br>US\$'000 | 2022<br>US\$'000              | 2021<br>US\$'000 |
| At January 1         | 74,474           | 90,505           | 1,051                         | 1,245            |
| Exchange realignment | (4,013)          | (5,857)          | —                             | —                |
| Current service cost | 463              | 479              | —                             | —                |
| Actuarial gains      | (21,855)         | (7,257)          | (152)                         | (202)            |
| Interest cost        | 382              | 374              | 20                            | 21               |
| Benefit paid         | (3,344)          | (3,770)          | (19)                          | (13)             |
| At December 31       | 46,107           | 74,474           | 900                           | 1,051            |

The significant actuarial assumption for the determination of the defined obligation is the discount rate. If the discount rate is 100 basis points higher (lower), the effect on defined benefit obligation would be immaterial.

## 42. Deferred Tax Assets (Liabilities)

The following are the major deferred tax assets and liabilities recognized and movements thereon during the current and prior year:

|                                       | Accelerated tax<br>depreciation<br>US\$'000 | Warranty<br>provision<br>US\$'000 | Employee<br>related<br>provision<br>US\$'000 | Tax losses<br>US\$'000 | Inventory<br>provision<br>US\$'000 | Others<br>US\$'000 | Total<br>US\$'000 |
|---------------------------------------|---|-----------------------------------|--|------------------------|------------------------------------|--------------------|-------------------|
| At January 1, 2021                    | (54,347)                                    | 21,646                            | 39,452                                       | 25,362                 | 1,015                              | 27,451             | 60,579            |
| Currency realignment                  | 68  | (429)                             | (410)  | (57)                   | (190)                              | (1,459)            | (2,477)           |
| Credit to hedging reserve             | —   | —                                 | —  | —                      | —                                  | (1,351)            | (1,351)           |
| (Charge) credit to profit or loss     | (28,052)                                    | 4,770                             | 35,259                                       | (7,589)                | (2,405)                            | 23,806             | 25,789            |
| Change in tax rates                   | (1)   | 13                                | 67   | 81                     | 19                                 | 278                | 457               |
| Charge to other comprehensive income  | —   | —                                 | 380  | —                      | —                                  | —                  | 380               |
| At December 31, 2021                  | (82,332)                                    | 26,000                            | 74,748                                       | 17,797                 | (1,561)                            | 48,725             | 83,377            |
| Currency realignment                  | <b>39</b>                                   | <b>(457)</b>                      | <b>(465)</b>                                 | <b>(113)</b>           | <b>(439)</b>                       | <b>(1,542)</b>     | <b>(2,977)</b>    |
| Charge to hedging reserve             | —   | —                                 | —  | —                      | —                                  | <b>304</b>         | <b>304</b>        |
| (Charge) credit to profit or loss     | <b>(24,043)</b>                             | <b>5,712</b>                      | <b>(7,608)</b>                               | <b>35,098</b>          | <b>(45,882)</b>                    | <b>23,907</b>      | <b>(12,816)</b>   |
| Change in tax rates                   | —   | —                                 | —  | <b>(21)</b>            | —                                  | —                  | <b>(21)</b>       |
| Acquisition of a subsidiary (Note 43) | <b>(380)</b>                                | —                                 | <b>7</b>                                     | —                      | —                                  | <b>(3)</b>         | <b>(376)</b>      |
| Credit to other comprehensive income  | —   | —                                 | <b>(2,631)</b>                               | —                      | —                                  | —                  | <b>(2,631)</b>    |
| <b>At December 31, 2022</b>           | <b>(106,716)</b>                            | <b>31,255</b>                     | <b>64,051</b>                                | <b>52,761</b>          | <b>(47,882)</b>                    | <b>71,391</b>      | <b>64,860</b>     |

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:

|                          | 2022<br>US\$'000 | 2021<br>US\$'000 |
|--------------------------|------------------|------------------|
| Deferred tax assets      | <b>81,082</b>    | 97,436           |
| Deferred tax liabilities | <b>(16,222)</b>  | (14,059)         |
|                          | <b>64,860</b>    | 83,377           |

At the end of the reporting period, the Group has unused tax losses of US\$2,537 million (2021: US\$2,031 million) available for offset against future taxable profits. Of the US\$2,537 million of unused losses approximately US\$447 million expire over the next 6 to 15 years with the remaining loss carryforwards having no useful life limitation. No deferred tax asset has been recognized in respect of tax losses of US\$2,323 million (2021: US\$1,946 million) due to the lack of probable future taxable profits.

In respect of all unrepatriated foreign earnings, the Group has provided deferred taxes of US\$15 million (2021: US\$13 million) as these unrepatriated foreign earnings are not considered permanently reinvested.

### 43. Acquisition of a subsidiary

In January 2022, the Group acquired 100% equity interest in C4 Carbides Limited ("C4") from independent third parties for a cash consideration of approximately US\$39,589,000. C4's business was acquired so as to continue the expansion of the Group's power equipment business. C4 is engaged in the manufacture and sale of saw blades and is included in the Power Equipment segment.

|  | Fair value<br>US\$'000 |
|--|------------------------|
| <b>Net Assets Acquired</b>   |                        |
| Property, plant and equipment  | 3,200                  |
| Right of use assets  | 1,712                  |
| Intangible assets  | 2,015                  |
| Inventories  | 4,797                  |
| Trade and other receivables  | 7,639                  |
| Bank balances and cash   | 2,529                  |
| Trade and other payables   | (5,034)                |
| Lease liabilities  | (1,876)                |
| Tax payable  | (122)                  |
| Deferred tax liabilities   | (376)                  |
| Goodwill arising on acquisition of C4  | 25,105                 |
| Total consideration  | 39,589                 |
| Net cash outflow arising on acquisition:                                     |                        |
| Total consideration  | 39,589                 |
| Less: Bank balances and cash acquired  | (2,529)                |
| Net outflow of cash and cash equivalents in respect of the acquisition of C4 | 37,060                 |

Intangible assets of US\$2,015,000 and goodwill of US\$25,105,000 arose on the acquisition of C4's business from patents and the anticipated profitability arising from new product synergies and cost savings within the Power Equipment segment.

The fair value and contractual amounts of trade and other receivables at the date of acquisition amounted to US\$7,639,000. All amount are expected to be collected.

The acquisition-related costs are insignificant. They have been excluded from the consideration transferred and have been recognized as an expense in the current year.

The business acquired contributed approximately US\$16,876,000 to the Group's revenue, and approximately US\$419,000 decrease in the Group's profit before taxation for the period between the date of acquisition and the reporting date as at December 31, 2022.

### 44. Guarantees

The Company has given guarantees to banks in respect of general facilities granted to its subsidiaries. The extent of such facilities utilized by the subsidiaries as at December 31, 2022 amounted to US\$802,996,000 (2021: US\$670,896,000).

## 45. Share Options

### Share Option Schemes

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

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

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

- (i) employees; or
- (ii) Directors; or
- (iii) secondees; or
- (iv) any shareholders of any member of the Group or invested entity or controlling shareholders or any holders of any securities issued by any member of the Group; or
- (v) business partners; or
- (vi) suppliers; or
- (vii) customers; or
- (viii) advisers of the Group.

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

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

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

## 45. Share Options (continued)

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

### 2022

| 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         |
|------------------------------------|-------------------------------|------------------------------|--------------------------------------|-------------------------|---------------------------|------------------------|--------------------------------|-------------------------|-------------------------|
| <b>Directors</b>                   |                               |                              |                                      |                         |                           |                        |                                |                         |                         |
| Mr Horst Julius Pudwill            | 22.12.2020                    | E                            | 47,000                               | —                       | (23,500)                  | —                      | 23,500                         | 105.500                 | 22.12.2021 - 21.12.2030 |
|                                    | 30.12.2021                    | E                            | 32,000                               | —                       | —                         | —                      | 32,000                         | 154.900                 | 30.12.2022 - 29.12.2031 |
| Mr Stephan Horst Pudwill           | 20.3.2014                     | D                            | 750,000                              | —                       | —                         | —                      | 750,000                        | 21.600                  | 20.3.2015 - 19.3.2024   |
|                                    | 11.9.2015                     | D                            | 250,000                              | —                       | —                         | —                      | 250,000                        | 29.650                  | 11.9.2016 - 10.9.2025   |
|                                    | 17.3.2017                     | D                            | 500,000                              | —                       | —                         | —                      | 500,000                        | 32.100                  | 17.3.2018 - 16.3.2027   |
|                                    | 14.3.2018                     | E                            | 250,000                              | —                       | —                         | —                      | 250,000                        | 47.900                  | 14.3.2019 - 13.3.2028   |
|                                    | 20.5.2019                     | E                            | 500,000                              | —                       | —                         | —                      | 500,000                        | 51.080                  | 20.5.2020 - 19.5.2029   |
|                                    | 15.5.2020                     | E                            | 500,000                              | —                       | —                         | —                      | 500,000                        | 65.250                  | 15.5.2021 - 14.5.2030   |
|                                    | 22.12.2020                    | E                            | 2,000,000                            | —                       | —                         | —                      | 2,000,000                      | 105.500                 | 22.12.2021 - 21.12.2030 |
| 30.12.2021                         | E                             | 1,000,000                    | —                                    | —                       | —                         | 1,000,000              | 154.900                        | 30.12.2022 - 29.12.2031 |                         |
| Mr Kin Wah Chan                    | 17.3.2017                     | D                            | 200,000                              | —                       | —                         | —                      | 200,000                        | 32.100                  | 17.3.2018 - 16.3.2027   |
|                                    | 14.3.2018                     | E                            | 250,000                              | —                       | —                         | —                      | 250,000                        | 47.900                  | 14.3.2019 - 13.3.2028   |
|                                    | 20.5.2019                     | E                            | 500,000                              | —                       | —                         | —                      | 500,000                        | 51.080                  | 20.5.2020 - 19.5.2029   |
|                                    | 15.5.2020                     | E                            | 500,000                              | —                       | —                         | —                      | 500,000                        | 65.250                  | 15.5.2021 - 14.5.2030   |
|                                    | 22.12.2020                    | E                            | 2,000,000                            | —                       | —                         | —                      | 2,000,000                      | 105.500                 | 22.12.2021 - 21.12.2030 |
| 30.12.2021                         | E                             | 1,000,000                    | —                                    | —                       | —                         | 1,000,000              | 154.900                        | 30.12.2022 - 29.12.2031 |                         |
| Mr Chi Chung Chan                  | 17.3.2017                     | D                            | 500,000                              | —                       | —                         | —                      | 500,000                        | 32.100                  | 17.3.2018 - 16.3.2027   |
|                                    | 14.3.2018                     | E                            | 250,000                              | —                       | —                         | —                      | 250,000                        | 47.900                  | 14.3.2019 - 13.3.2028   |
|                                    | 20.5.2019                     | E                            | 500,000                              | —                       | —                         | —                      | 500,000                        | 51.080                  | 20.5.2020 - 19.5.2029   |
|                                    | 15.5.2020                     | E                            | 500,000                              | —                       | —                         | —                      | 500,000                        | 65.250                  | 15.5.2021 - 14.5.2030   |
|                                    | 22.12.2020                    | E                            | 2,000,000                            | —                       | —                         | —                      | 2,000,000                      | 105.500                 | 22.12.2021 - 21.12.2030 |
| 30.12.2021                         | E                             | 1,000,000                    | —                                    | —                       | —                         | 1,000,000              | 154.900                        | 30.12.2022 - 29.12.2031 |                         |
| Prof Roy Chi Ping Chung GBS BBS JP | 11.9.2015                     | D                            | 150,000                              | —                       | (150,000)                 | —                      | —                              | 29.650                  | 11.9.2016 - 10.9.2025   |
|                                    | 17.3.2017                     | D                            | 150,000                              | —                       | —                         | —                      | 150,000                        | 32.100                  | 17.3.2018 - 16.3.2027   |
|                                    | 14.3.2018                     | E                            | 100,000                              | —                       | —                         | —                      | 100,000                        | 47.900                  | 14.3.2019 - 13.3.2028   |
|                                    | 20.5.2019                     | E                            | 97,000                               | —                       | —                         | —                      | 97,000                         | 51.080                  | 20.5.2020 - 19.5.2029   |
|                                    | 22.12.2020                    | E                            | 47,000                               | —                       | —                         | —                      | 47,000                         | 105.500                 | 22.12.2021 - 21.12.2030 |
|                                    | 30.12.2021                    | E                            | 32,000                               | —                       | —                         | —                      | 32,000                         | 154.900                 | 30.12.2022 - 29.12.2031 |
| Mr Camille Jojo                    | 14.3.2018                     | E                            | 50,000                               | —                       | —                         | —                      | 50,000                         | 47.900                  | 14.3.2019 - 13.3.2028   |
|                                    | 20.5.2019                     | E                            | 97,000                               | —                       | —                         | —                      | 97,000                         | 51.080                  | 20.5.2020 - 19.5.2029   |
|                                    | 22.12.2020                    | E                            | 47,000                               | —                       | —                         | —                      | 47,000                         | 105.500                 | 22.12.2021 - 21.12.2030 |
|                                    | 30.12.2021                    | E                            | 32,000                               | —                       | —                         | —                      | 32,000                         | 154.900                 | 30.12.2022 - 29.12.2031 |

**45. Share Options** (continued)

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

**2022**

| 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         |
|---|-------------------------------|------------------------------|--------------------------------------|-------------------------|---------------------------|------------------------|--------------------------------|-------------------------|-------------------------|
| <b>Directors</b>                          |                               |                              |                                      |                         |                           |                        |                                |                         |                         |
| Mr Peter David Sullivan                   | 22.12.2020                    | E                            | 47,000                               | —                       | —                         | —                      | 47,000                         | 105.500                 | 22.12.2021 - 21.12.2030 |
|   | 30.12.2021                    | E                            | 32,000                               | —                       | —                         | —                      | 32,000                         | 154.900                 | 30.12.2022 - 29.12.2031 |
| Mr Johannes-Gerhard Hesse                 | 19.6.2017                     | E                            | 135,000                              | —                       | —                         | —                      | 135,000                        | 36.300                  | 19.6.2018 - 18.6.2027   |
|   | 14.3.2018                     | E                            | 100,000                              | —                       | —                         | —                      | 100,000                        | 47.900                  | 14.3.2019 - 13.3.2028   |
|   | 20.5.2019                     | E                            | 97,000                               | —                       | —                         | —                      | 97,000                         | 51.080                  | 20.5.2020 - 19.5.2029   |
|   | 22.12.2020                    | E                            | 47,000                               | —                       | —                         | —                      | 47,000                         | 105.500                 | 22.12.2021 - 21.12.2030 |
|   | 30.12.2021                    | E                            | 32,000                               | —                       | —                         | —                      | 32,000                         | 154.900                 | 30.12.2022 - 29.12.2031 |
| Mr Robert Hinman Getz                     | 15.5.2020                     | E                            | 75,000                               | —                       | —                         | —                      | 75,000                         | 65.250                  | 15.5.2021 - 14.5.2030   |
|   | 22.12.2020                    | E                            | 47,000                               | —                       | —                         | —                      | 47,000                         | 105.500                 | 22.12.2021 - 21.12.2030 |
|   | 30.12.2021                    | E                            | 32,000                               | —                       | —                         | —                      | 32,000                         | 154.900                 | 30.12.2022 - 29.12.2031 |
| Ms. Virginia Davis Wilmerding             | 19.08.2021                    | E                            | 29,500                               | —                       | —                         | 29,500                 | 167.200                        | 19.08.2022 - 19.08.2031 |                         |
| <b>Total for directors</b>                |                               |                              | <b>16,504,500</b>                    | <b>—</b>                | <b>(173,500)</b>          | <b>—</b>               | <b>16,331,000</b>              |                         |                         |
| <b>Employees</b>                          |                               |                              |                                      |                         |                           |                        |                                |                         |                         |
| Employees                                 | 17.3.2017                     | D                            | 110,000                              | —                       | (40,000)                  | —                      | 70,000                         | 32.100                  | 17.3.2017 - 16.3.2027   |
|   | 19.6.2017                     | E                            | 100,000                              | —                       | —                         | —                      | 100,000                        | 36.300                  | 19.6.2018 - 18.6.2027   |
|   | 14.3.2018                     | E                            | 150,000                              | —                       | —                         | —                      | 150,000                        | 47.900                  | 14.3.2019 - 13.3.2028   |
|   | 20.5.2019                     | E                            | 194,000                              | —                       | —                         | —                      | 194,000                        | 51.080                  | 20.5.2020 - 19.5.2029   |
|   | 22.12.2020                    | E                            | 94,000                               | —                       | —                         | —                      | 94,000                         | 105.500                 | 22.12.2021 - 21.12.2030 |
| <b>Total for employees</b>                |                               |                              | <b>648,000</b>                       | <b>—</b>                | <b>(40,000)</b>           | <b>—</b>               | <b>608,000</b>                 |                         |                         |
| <b>Total for all categories</b>           |                               |                              | <b>17,152,500</b>                    | <b>—</b>                | <b>(213,500)</b>          | <b>—</b>               | <b>16,939,000</b>              |                         |                         |
| <b>Exercisable at the end of the year</b> |                               |                              |                                      |                         |                           |                        | <b>12,291,250</b>              |                         |                         |

## 45. Share Options (continued)

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

2021

| 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         |
|------------------------------------|-------------------------------|------------------------------|--------------------------------------|-------------------------|---------------------------|------------------------|--------------------------------|-------------------------|-------------------------|
| <b>Directors</b>                   |                               |                              |                                      |                         |                           |                        |                                |                         |                         |
| Mr Horst Julius Pudwill            | 20.5.2019                     | E                            | 97,000                               | —                       | (97,000)                  | —                      | —                              | 51.080                  | 20.5.2020 - 19.5.2029   |
|                                    | 22.12.2020                    | E                            | 47,000                               | —                       | —                         | —                      | 47,000                         | 105.500                 | 22.12.2021 - 21.12.2030 |
|                                    | 30.12.2021                    | E                            | —                                    | 32,000                  | —                         | —                      | 32,000                         | 154.900                 | 30.12.2022 - 29.12.2031 |
| Mr Stephan Horst Pudwill           | 20.3.2014                     | D                            | 750,000                              | —                       | —                         | —                      | 750,000                        | 21.600                  | 20.3.2015 - 19.3.2024   |
|                                    | 11.9.2015                     | D                            | 250,000                              | —                       | —                         | —                      | 250,000                        | 29.650                  | 11.9.2016 - 10.9.2025   |
|                                    | 17.3.2017                     | D                            | 500,000                              | —                       | —                         | —                      | 500,000                        | 32.100                  | 17.3.2018 - 16.3.2027   |
|                                    | 14.3.2018                     | E                            | 250,000                              | —                       | —                         | —                      | 250,000                        | 47.900                  | 14.3.2019 - 13.3.2028   |
|                                    | 20.5.2019                     | E                            | 500,000                              | —                       | —                         | —                      | 500,000                        | 51.080                  | 20.5.2020 - 19.5.2029   |
|                                    | 15.5.2020                     | E                            | 500,000                              | —                       | —                         | —                      | 500,000                        | 65.250                  | 15.5.2021 - 14.5.2030   |
|                                    | 22.12.2020                    | E                            | 2,000,000                            | —                       | —                         | —                      | 2,000,000                      | 105.500                 | 22.12.2021 - 21.12.2030 |
|                                    | 30.12.2021                    | E                            | —                                    | 1,000,000               | —                         | —                      | 1,000,000                      | 154.900                 | 30.12.2022 - 29.12.2031 |
| Mr Kin Wah Chan                    | 11.9.2015                     | D                            | 250,000                              | —                       | (250,000)                 | —                      | —                              | 29.650                  | 11.9.2016 - 10.9.2025   |
|                                    | 17.3.2017                     | D                            | 500,000                              | —                       | (300,000)                 | —                      | 200,000                        | 32.100                  | 17.3.2018 - 16.3.2027   |
|                                    | 14.3.2018                     | E                            | 250,000                              | —                       | —                         | —                      | 250,000                        | 47.900                  | 14.3.2019 - 13.3.2028   |
|                                    | 20.5.2019                     | E                            | 500,000                              | —                       | —                         | —                      | 500,000                        | 51.080                  | 20.5.2020 - 19.5.2029   |
|                                    | 15.5.2020                     | E                            | 500,000                              | —                       | —                         | —                      | 500,000                        | 65.250                  | 15.5.2021 - 14.5.2030   |
|                                    | 22.12.2020                    | E                            | 2,000,000                            | —                       | —                         | —                      | 2,000,000                      | 105.500                 | 22.12.2021 - 21.12.2030 |
|                                    | 30.12.2021                    | E                            | —                                    | 1,000,000               | —                         | —                      | 1,000,000                      | 154.900                 | 30.12.2022 - 29.12.2031 |
|                                    | Mr Chi Chung Chan             | 20.3.2014                    | D                                    | 200,000                 | —                         | (200,000)              | —                              | —                       | 21.600                  |
| 11.9.2015                          |                               | D                            | 250,000                              | —                       | (250,000)                 | —                      | —                              | 29.650                  | 11.9.2016 - 10.9.2025   |
| 17.3.2017                          |                               | D                            | 500,000                              | —                       | —                         | —                      | 500,000                        | 32.100                  | 17.3.2018 - 16.3.2027   |
| 14.3.2018                          |                               | E                            | 250,000                              | —                       | —                         | —                      | 250,000                        | 47.900                  | 14.3.2019 - 13.3.2028   |
| 20.5.2019                          |                               | E                            | 500,000                              | —                       | —                         | —                      | 500,000                        | 51.080                  | 20.5.2020 - 19.5.2029   |
| 15.5.2020                          |                               | E                            | 500,000                              | —                       | —                         | —                      | 500,000                        | 65.250                  | 15.5.2021 - 14.5.2030   |
| 22.12.2020                         |                               | E                            | 2,000,000                            | —                       | —                         | —                      | 2,000,000                      | 105.500                 | 22.12.2021 - 21.12.2030 |
| 30.12.2021                         |                               | E                            | —                                    | 1,000,000               | —                         | —                      | 1,000,000                      | 154.900                 | 30.12.2022 - 29.12.2031 |
| Prof Roy Chi Ping Chung GBS BBS JP | 11.9.2015                     | D                            | 150,000                              | —                       | —                         | —                      | 150,000                        | 29.650                  | 11.9.2016 - 10.9.2025   |
|                                    | 17.3.2017                     | D                            | 150,000                              | —                       | —                         | —                      | 150,000                        | 32.100                  | 17.3.2018 - 16.3.2027   |
|                                    | 14.3.2018                     | E                            | 100,000                              | —                       | —                         | —                      | 100,000                        | 47.900                  | 14.3.2019 - 13.3.2028   |
|                                    | 20.5.2019                     | E                            | 97,000                               | —                       | —                         | —                      | 97,000                         | 51.080                  | 20.5.2020 - 19.5.2029   |
|                                    | 22.12.2020                    | E                            | 47,000                               | —                       | —                         | —                      | 47,000                         | 105.500                 | 22.12.2021 - 21.12.2030 |
|                                    | 30.12.2021                    | E                            | —                                    | 32,000                  | —                         | —                      | 32,000                         | 154.900                 | 30.12.2022 - 29.12.2031 |
| Mr Camille Jojo                    | 14.3.2018                     | E                            | 100,000                              | —                       | (50,000)                  | —                      | 50,000                         | 47.900                  | 14.3.2019 - 13.3.2028   |
|                                    | 20.5.2019                     | E                            | 97,000                               | —                       | —                         | —                      | 97,000                         | 51.080                  | 20.5.2020 - 19.5.2029   |
|                                    | 22.12.2020                    | E                            | 47,000                               | —                       | —                         | —                      | 47,000                         | 105.500                 | 22.12.2021 - 21.12.2030 |
|                                    | 30.12.2021                    | E                            | —                                    | 32,000                  | —                         | —                      | 32,000                         | 154.900                 | 30.12.2022 - 29.12.2031 |

**45. Share Options** (continued)

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

2021

| 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         |
|--|-------------------------------|------------------------------|--------------------------------------|-------------------------|---------------------------|------------------------|--------------------------------|-------------------------|-------------------------|
| <b>Directors</b>   |                               |                              |                                      |                         |                           |                        |                                |                         |                         |
| Mr Peter David Sullivan  | 11.9.2015                     | D                            | 150,000                              | —                       | (150,000)                 | —                      | —                              | 29.650                  | 11.9.2016 - 10.9.2025   |
|  | 17.3.2017                     | D                            | 150,000                              | —                       | (150,000)                 | —                      | —                              | 32.100                  | 17.3.2018 - 16.3.2027   |
|  | 14.3.2018                     | E                            | 100,000                              | —                       | (100,000)                 | —                      | —                              | 47.900                  | 14.3.2019 - 13.3.2028   |
|  | 20.5.2019                     | E                            | 97,000                               | —                       | (97,000)                  | —                      | —                              | 51.080                  | 20.5.2020 - 19.5.2029   |
|  | 22.12.2020                    | E                            | 47,000                               | —                       | —                         | —                      | 47,000                         | 105.500                 | 22.12.2021 - 21.12.2030 |
|  | 30.12.2021                    | E                            | —                                    | 32,000                  | —                         | —                      | 32,000                         | 154.900                 | 30.12.2022 - 29.12.2031 |
| Mr Johannes-Gerhard Hesse  | 19.6.2017                     | E                            | 135,000                              | —                       | —                         | —                      | 135,000                        | 36.300                  | 19.6.2018 - 18.6.2027   |
|  | 14.3.2018                     | E                            | 100,000                              | —                       | —                         | —                      | 100,000                        | 47.900                  | 14.3.2019 - 13.3.2028   |
|  | 20.5.2019                     | E                            | 97,000                               | —                       | —                         | —                      | 97,000                         | 51.080                  | 20.5.2020 - 19.5.2029   |
|  | 22.12.2020                    | E                            | 47,000                               | —                       | —                         | —                      | 47,000                         | 105.500                 | 22.12.2021 - 21.12.2030 |
|  | 30.12.2021                    | E                            | —                                    | 32,000                  | —                         | —                      | 32,000                         | 154.900                 | 30.12.2022 - 29.12.2031 |
|  | Mr Robert Hinman Getz         | 15.5.2020                    | E                                    | 75,000                  | —                         | —                      | —                              | 75,000                  | 65.250                  |
| 22.12.2020   |                               | E                            | 47,000                               | —                       | —                         | —                      | 47,000                         | 105.500                 | 22.12.2021 - 21.12.2030 |
| 30.12.2021   |                               | E                            | —                                    | 32,000                  | —                         | —                      | 32,000                         | 154.900                 | 30.12.2022 - 29.12.2031 |
| Ms. Virginia Davis Wilmerding<br>(appointed on April 9, 2021)  | 19.08.2021                    | E                            | —                                    | 29,500                  | —                         | —                      | 29,500                         | 167.200                 | 19.08.2022 - 19.08.2031 |
| Mr Christopher Patrick Langley OBE<br>(retired after the conclusion of the annual general meeting of the Company held on May 14, 2021) | 17.3.2017                     | D                            | 130,000                              | —                       | (20,000)                  | —                      | 110,000                        | 32.100                  | 17.3.2018 - 16.3.2027   |
|  | 14.3.2018                     | E                            | 100,000                              | —                       | —                         | —                      | 100,000                        | 47.900                  | 14.3.2019 - 13.3.2028   |
|  | 20.5.2019                     | E                            | 97,000                               | —                       | —                         | —                      | 97,000                         | 51.080                  | 20.5.2020 - 19.5.2029   |
|  | 22.12.2020                    | E                            | 47,000                               | —                       | —                         | —                      | 47,000                         | 105.500                 | 22.12.2021 - 21.12.2030 |
| Mr Vincent Ting Kau Cheung<br>(passed away on July 31, 2021)   | 14.3.2018                     | E                            | 50,000                               | —                       | —                         | —                      | 50,000                         | 47.900                  | 14.3.2019 - 13.3.2028   |
|  | 20.5.2019                     | E                            | 97,000                               | —                       | —                         | —                      | 97,000                         | 51.080                  | 20.5.2020 - 19.5.2029   |
|  | 22.12.2020                    | E                            | 47,000                               | —                       | —                         | —                      | 47,000                         | 105.500                 | 22.12.2021 - 21.12.2030 |
| <b>Total for directors</b>   |                               |                              | <b>15,495,000</b>                    | <b>3,221,500</b>        | <b>(1,664,000)</b>        | <b>—</b>               | <b>17,052,500</b>              |                         |                         |
| Employees  | 23.3.2017                     | D                            | 100,000                              | —                       | (100,000)                 | —                      | —                              | 32.150                  | 23.3.2018 - 22.3.2027   |
|  | 19.6.2017                     | E                            | 100,000                              | —                       | —                         | —                      | 100,000                        | 36.300                  | 19.6.2018 - 18.6.2027   |
|  | 14.3.2018                     | E                            | 100,000                              | —                       | (100,000)                 | —                      | —                              | 47.900                  | 14.3.2019 - 13.3.2028   |
| <b>Total for employees</b>   |                               |                              | <b>300,000</b>                       | <b>—</b>                | <b>(200,000)</b>          | <b>—</b>               | <b>100,000</b>                 |                         |                         |
| <b>Total for all categories</b>  |                               |                              | <b>15,795,000</b>                    | <b>3,221,500</b>        | <b>(1,864,000)</b>        | <b>—</b>               | <b>17,152,500</b>              |                         |                         |
| <b>Exercisable at the end of the year</b>  |                               |                              |                                      |                         |                           |                        | <b>8,690,500</b>               |                         |                         |

**45. Share Options** (continued)

The following significant assumptions were used to derive the fair values using the Black-Scholes option pricing model:

| Date of grant                        | Exercise price<br>HK\$ | Expected life of share options | Expected volatility based on historical volatility of share prices | Yields of Hong Kong Government Bonds | Expected annual dividend yield |
|--------------------------------------|------------------------|--------------------------------|--|--------------------------------------|--------------------------------|
| For the year ended December 31, 2021 |                        |                                |  |                                      |                                |
| 19.8.2021                            | 167.20                 | 3 years                        | 38%  | 0.254%                               | 1.5%                           |
| 30.12.2021                           | 154.90                 | 3 years                        | 38%  | 0.553%                               | 1.5%                           |

The share options are vested in parts over 1 to 3 years from the date of grant.

Expected volatility was determined by using the historical volatility of the Company's share price over the previous 3 years. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and 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 the Company's shares immediately before the various dates on which the share options were granted during 2021 was HK\$152.31.

The closing price of the Company's shares immediately before the various dates on which the share options were granted ranged from HK\$152.20 to HK\$163.70 in 2021.

The weighted average closing prices of the Company's shares immediately before various dates during 2022 and 2021 on which the share options were exercised were HK\$87.98 (2021: HK\$152.40) respectively.

The Group recognized a total expense of US\$15,366,000 (2021: US\$13,935,000) for the year ended December 31, 2022 in relation to share options granted by the Company.

The fair value of the share options granted in 2021 measured at various dates on which the share options were granted was ranged from HK\$36.67 to HK\$39.49. The weighted average fair value of the share options granted in 2021 was HK\$36.70 per option.

The Company had 16,939,000 share options outstanding (2021: 17,152,500), which represented approximately 0.92% (2021: 0.94%) of the issued share capital of the Company as at December 31, 2022. No option (2021: 3,221,500) was granted, no option (2021: Nil) was cancelled and no share options (2021: Nil) was lapsed during the year.

Total securities available for issue under Scheme D are 117,281,565 shares, which represented approximately 6.39% of the issued shares of the Company as at December 31, 2022. Total securities available for issue under Scheme E are 168,012,694 shares, which represented approximately 9.16% of the issued shares of the Company as at December 31, 2022.

## 46. Share Award Scheme

The purpose of the share award scheme is to recognize the contributions by certain eligible persons and to provide them with incentives in order to retain them for the continual operation and development of the Group and to attract suitable personnel for further development of the Group.

The share award scheme of the Company was adopted by the Board of Directors on January 9, 2008 and renewed on January 17, 2018. The Board may, from time to time, at their absolute discretion select any eligible person for participation in the scheme as a selected grantee and determine the number of shares to be awarded or make reference to a nominal amount. The Board of Directors are required to pay the trustee the purchase price and the related expenses. The trustee must either purchase shares from the market or subscribe for new shares. The trustee must hold the shares until they are vested in accordance with the scheme rules. When the selected grantee has satisfied all vesting conditions specified by the Board of Directors at the time of making the award and becomes entitled to the shares forming the subject of the award, the trustee will transfer the relevant vested shares together with the income derived therefrom (net of accrued interest) to the selected grantee.

An award of shares automatically lapses when, (i) a selected grantee who is an employee ceases to be an employee; or (ii) the subsidiary by which a selected grantee is employed ceases to be a subsidiary of the Company (or of a member of the Group); or (iii) a selected grantee who is a director of the Company or a subsidiary ceases to be a director of the same; or (iv) an order for the winding-up of the Company is made or a resolution is passed (otherwise than for certain purposes) for the voluntary winding-up of the Company, and, in any such case, the award, unless the Board otherwise agrees, automatically lapses forthwith and all the awarded shares and related income of such award do not vest on the relevant vesting date but become returned shares for the purpose of the scheme.

Recognition of share-based payment expenses under the share award scheme during the year was US\$31,980,000 (2021: US\$19,638,000). During the year ended December 31, 2022, 1,784,500 shares (2021: 2,391,500 shares) were transferred to the awardees upon vesting.

(i) Movements in the number of awarded shares and their related average fair value were as follows:

|                                  | Number           |             |
|----------------------------------|------------------|-------------|
|                                  | 2022             | 2021        |
| At January 1                     | 4,591,000        | 3,452,000   |
| Awarded (Note (a))               | 3,011,000        | 3,530,500   |
| Vested                           | (1,784,500)      | (2,391,500) |
| <b>At December 31 (Note (b))</b> | <b>5,817,500</b> | 4,591,000   |

Notes:

- (a) All the awarded shares were purchased from the market with the average price of HK\$134.48.
- (b) At the end of the year, the average fair value per share is HK\$100.52 (2021: HK\$75.82). 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 |           |
|------------------|--------------------------|-----------|
|                  | 2022                     | 2021      |
| Less than 1 year | 1,425,000                | 966,000   |
| More than 1 year | 4,392,500                | 3,625,000 |
|                  | <b>5,817,500</b>         | 4,591,000 |

## 47. Capital Commitments

|   | 2022<br>US\$'000 | 2021<br>US\$'000 |
|---|------------------|------------------|
| Capital expenditure in respect of the acquisition of property, plant and equipment and equity interest in a subsidiary contracted for but not provided in the consolidated financial statements | <b>328,364</b>   | 235,174          |

## 48. Related Party Transactions

During the year, the Group entered into the following transactions with its associate, which did not constitute connected transactions under Chapter 14A of the Listing Rules:

|                | 2022<br>US\$'000 | 2021<br>US\$'000 |
|----------------|------------------|------------------|
| Sales income   | <b>75,211</b>    | 56,956           |
| Service income | <b>2,453</b>     | 1,464            |
| Purchases      | —                | 1,847            |

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

|                          | 2022<br>US\$'000 | 2021<br>US\$'000 |
|--------------------------|------------------|------------------|
| Short-term benefits      | <b>112,981</b>   | 113,825          |
| Post-employment benefits | <b>1,131</b>     | 1,542            |
| Share-based payments     | <b>38,173</b>    | 33,517           |
|                          | <b>152,285</b>   | 148,884          |

Details of the balances and transactions with related parties are set out in the consolidated statements of financial position and Notes 21 and 28.

## 49. Reconciliation of Liabilities Arising from Financing Activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

|                             | Dividend payable | Unsecured borrowings | Discounted bills with recourse | Lease liabilities | Total            |
|-----------------------------|------------------|----------------------|--------------------------------|-------------------|------------------|
|                             | Note 38          | Note 35              | Note 34                        |                   |                  |
|                             | US\$'000         | US\$'000             | US\$'000                       | US\$'000          | US\$'000         |
| At January 1, 2021          | —                | 1,325,434            | 1,436                          | 374,407           | 1,701,277        |
| Currency realignment        | —                | (3,776)              | —                              | (4,271)           | (8,047)          |
| Financing cash flows        | (394,115)        | 1,959,329            | 421                            | (101,736)         | 1,463,899        |
| New leases entered          | —                | —                    | —                              | 294,154           | 294,154          |
| Early termination of leases | —                | —                    | —                              | (8,354)           | (8,354)          |
| Interest expenses           | —                | 31,656               | —                              | 10,352            | 42,008           |
| Interest paid               | —                | (31,656)             | —                              | (10,352)          | (42,008)         |
| Dividends declared          | 394,115          | —                    | —                              | —                 | 394,115          |
| At December 31, 2021        | —                | 3,280,987            | 1,857                          | 554,200           | 3,837,044        |
| Currency realignment        | —                | (13,850)             | —                              | (7,503)           | (21,353)         |
| Financing cash flows        | (460,421)        | (116,188)            | 146                            | (137,333)         | (713,796)        |
| New leases entered          | —                | —                    | —                              | 295,821           | 295,821          |
| Early termination of leases | —                | —                    | —                              | (1,980)           | (1,980)          |
| Interest expenses           | —                | 58,810               | —                              | 11,058            | 69,868           |
| Interest paid               | —                | (58,810)             | —                              | (11,058)          | (69,868)         |
| Dividends declared          | 460,421          | —                    | —                              | —                 | 460,421          |
| Acquisition of a subsidiary | —                | —                    | —                              | 1,876             | 1,876            |
| <b>At December 31, 2022</b> | <b>—</b>         | <b>3,150,949</b>     | <b>2,003</b>                   | <b>705,081</b>    | <b>3,858,033</b> |

**50. Statement of Financial Position of the Company**

As at December 31, 2022

|  | 2022<br>US\$'000   | 2021<br>US\$'000 |
|--|--------------------|------------------|
| <b>Non-current assets</b>                  |                    |                  |
| Property, plant and equipment              | 3,012              | 3,888            |
| Right of use assets                        | 2,838              | 1,988            |
| Intangible assets                          | 11                 | 18               |
| Investments in subsidiaries                | 28,141,334         | 26,500,976       |
| Loans to subsidiaries                      | 12,716             | 12,822           |
| Investment in an associate                 | —                  | 1,470            |
| Financial assets at FVTPL                  | 3,635              | 3,647            |
| Deposits                                   | 90,000             | —                |
|  | <b>28,253,546</b>  | 26,524,809       |
| <b>Current assets</b>                      |                    |                  |
| Deposits and prepayments                   | 57,995             | 25,226           |
| Financial assets at FVTPL                  | 13,466             | 16,272           |
| Tax recoverable                            | 7,612              | 7,612            |
| Derivative financial instruments           | 39,481             | 73,300           |
| Amounts due from subsidiaries              | 662,539            | 682,938          |
| Bank balances, deposits and cash           | 303,439            | 773,663          |
|  | <b>1,084,532</b>   | 1,579,011        |
| <b>Current liabilities</b>                 |                    |                  |
| Trade and other payables                   | 193,388            | 170,147          |
| Derivative financial instruments           | 46,798             | 6,397            |
| Lease liabilities                          | 1,477              | 893              |
| Amounts due to subsidiaries                | 3,229,332          | 1,484,310        |
| Unsecured borrowings – due within one year | 1,172,221          | 1,631,147        |
|  | <b>4,643,216</b>   | 3,292,894        |
| Net current liabilities                    | <b>(3,558,684)</b> | (1,713,883)      |
| Total assets less current liabilities      | <b>24,694,862</b>  | 24,810,926       |

**50. Statement of Financial Position of the Company** (continued)

As at December 31, 2022

|   | Note | 2022<br>US\$'000 | 2021<br>US\$'000 |
|---|------|------------------|------------------|
| <b>Capital and Reserves</b>               |      |                  |                  |
| Share capital                             |      | 684,710          | 683,395          |
| Reserves                                  | 40   | 22,793,606       | 23,098,033       |
| Total equity                              |      | 23,478,316       | 23,781,428       |
| <b>Non-current Liabilities</b>            |      |                  |                  |
| Lease liabilities                         |      | 1,390            | 1,147            |
| Unsecured borrowings – due after one year |      | 1,198,002        | 1,028,351        |
| Other payables                            |      | 17,154           | —                |
| Total equity and non-current liabilities  |      | 24,694,862       | 24,810,926       |

The Company's statement of financial position was approved and authorized for issue by the Board of Directors on March 1, 2023 and are signed on its behalf by:

**Chi Chung Chan**  
Group Executive Director

**Stephan Horst Pudwill**  
Vice Chairman

## 51. Particulars of Principal Subsidiaries

Particulars of the principal subsidiaries of the Company as at December 31, 2022 and December 31, 2021 are as follows:

| Name of subsidiaries                         | Place of incorporation/operation | Issued and fully paid share capital | Proportion of nominal value of issued capital held by the Company |              |            |              | Principal activities   |
|--|----------------------------------|-------------------------------------|---|--------------|------------|--------------|--|
|  |                                  |                                     | 2022  |              | 2021       |              |  |
|  |                                  |                                     | Directly %  | Indirectly % | Directly % | Indirectly % |  |
| DreBo Werkzeugfabrik GmbH *                  | Germany                          | EUR1,000,000                        | —   | 100          | —          | 100          | Trading and manufacture of power equipment products                            |
| TTI Outdoor Power Equipment, Inc.            | US                               | US\$10                              | —   | 100          | —          | 100          | Trading of outdoor power equipment products                                    |
| Hart Consumer Products, Inc.                 | US                               | US\$10                              | —   | 100          | —          | 100          | Trading of power equipment and outdoor power equipment products                |
| Milwaukee Electric Tool Corporation          | US                               | US\$50,000,000                      | —   | 100          | —          | 100          | Trading and manufacture of power equipment products                            |
| TTI Consumer Power Tools, Inc.               | US                               | US\$10                              | —   | 100          | —          | 100          | Trading of power equipment products  |
| Royal Appliance Mfg. Co.                     | US                               | US\$1                               | —   | 100          | —          | 100          | Trading and manufacture of floorcare products                                  |
| Techtronic Cordless GP                       | US                               | US\$200                             | —   | 100          | —          | 100          | Trading of power equipment, floorcare and outdoor power equipment products     |
| Techtronic Industries (Dongguan) Co. Ltd.#   | PRC                              | US\$47,000,000                      | —   | 100          | —          | 100          | Manufacture of power equipment, floorcare and outdoor power equipment products |
| Techtronic Industries (Taiwan) Co. Ltd.      | Taiwan                           | NTD5,000,000                        | 100   | —            | 100        | —            | Provision of inspection services   |
| Techtronic Industries (UK) Ltd               | United Kingdom                   | GBP4,000,000                        | —   | 100          | —          | 100          | Trading of power equipment products  |
| Techtronic Industries Australia Pty. Limited | Australia                        | AUD25,575,762                       | —   | 100          | —          | 100          | Trading of power equipment, floorcare and outdoor power equipment products     |
| Techtronic Industries Central Europe GmbH*   | Germany                          | EUR25,600                           | —   | 100          | —          | 100          | Trading of power equipment products  |
| Techtronic Industries ELC GmbH*              | Germany                          | EUR25,000                           | —   | 100          | —          | 100          | Trading of power equipment products and outdoor power equipment products       |
| Techtronic Industries France SAS             | France                           | EUR14,919,832                       | —   | 100          | —          | 100          | Trading of power equipment products  |
| Techtronic Industries GmbH                   | Germany                          | EUR20,452,500                       | —   | 100          | —          | 100          | Trading and manufacture of power equipment products                            |
| Techtronic Industries Korea LLC              | Korea                            | KRW3,400,000,000                    | —   | 100          | 100        | —            | Trading of power equipment products  |

**51. Particulars of Principal Subsidiaries** (continued)

| Name of subsidiaries                                 | Place of incorporation/<br>operation | Issued and fully paid share capital                           | Proportion of nominal value of issued capital held by the Company |              |            |              | Principal activities   |
|--|--------------------------------------|---|---|--------------|------------|--------------|--|
|  |                                      |   | 2022  |              | 2021       |              |  |
|  |                                      |   | Directly %  | Indirectly % | Directly % | Indirectly % |  |
| Techtronic Industries Mexico, S.A. de C.V.           | Mexico                               | MXN50,000 (Serie I)<br>MXN596,964,358 (Serie II)              | 100   | —            | —          | 100          | Trading of power equipment, floorcare and outdoor power equipment products |
| Techtronic Industries Co. Mexico, S. De R.L. de C.V. | Mexico                               | MXN678,954,230 (2021: MXN878,896,230)                         | 100   | —            | 99.99      | 0.01         | Manufacture of power equipment products                                    |
| Techtronic Industries N.Z. Limited                   | New Zealand                          | NZD4,165,600  | —   | 100          | 100        | —            | Trading of power equipment, floorcare and outdoor power equipment products |
| Techtronic Industries North America, Inc.            | US                                   | US\$10  | —   | 100          | 100        | —            | Investment holding   |
| Techtronic Industries Vietnam Manufacturing Co Ltd   | Vietnam                              | VND406,954,000,000  | —   | 100          | 100        | —            | Manufacture of power equipment and outdoor power equipment products        |
| Techtronic Product Development Limited               | Hong Kong                            | HK\$2   | —   | 100          | 100        | —            | Engage in research and development activities                              |
| Techtronic Trading Limited                           | Hong Kong                            | HK\$2   | —   | 100          | 100        | —            | Trading of power equipment, floorcare and outdoor power equipment products |
| TTI Investments (Dongguan) Company Limited           | Hong Kong                            | HK\$6,086,955   | 100   | —            | 100        | —            | Investment holding   |
| Techtronic Industries Company Pte. Ltd.              | Singapore                            | US\$38,000,101  | —   | 100          | —          | 100          | Investment holding   |
| TTI Singapore SPV Pte. Ltd.                          | Singapore                            | US\$5,544,032,272   | 100   | —            | 100        | —            | Investment holding   |
| Vax Limited  | United Kingdom                       | GBP30,000 (Ordinary A shares)<br>GBP2,500 (Ordinary B shares) | —   | 100          | —          | 100          | Trading of household electrical and floorcare products                     |

\* Exempt from the obligation to publish local financial statements.

# A wholly foreign owned enterprise.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

**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 summarized as follows:

| Principal activities   | Principal place of business                                  | Number of subsidiaries |      |
|--|--|------------------------|------|
|  |  | 2022                   | 2021 |
| Manufacture of power equipment, floorcare and outdoor power equipment products | Europe, PRC, US and others                                   | 9                      | 6    |
| Trading of power equipment, floorcare and outdoor power equipment product      | Canada, Europe, Hong Kong, Latin America, PRC, US and others | 39                     | 38   |
| Investment holding   | Australia, BVI, Europe, Hong Kong, US                        | 22                     | 22   |
| Dormant  | BVI, Europe, Hong Kong, US                                   | 22                     | 19   |

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 an Associate**

Particulars of an associate are 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 Group |           | Principal activities                    |
|-----------------------------------|----------------------------------|-------------------------------------|---|-----------|---|
|                                   |                                  |                                     | 2022<br>%   | 2021<br>% |   |
| Wuerth Master Power Tools Limited | Hong Kong                        | US\$3,000,000                       | 49.0  | 49.0      | Manufacture and sale of power equipment |

# Financial Summary

## Results

|                                     | Year ended December 31 |                  |                  |                  |                   |
|-------------------------------------|------------------------|------------------|------------------|------------------|-------------------|
|                                     | 2018<br>US\$'000       | 2019<br>US\$'000 | 2020<br>US\$'000 | 2021<br>US\$'000 | 2022<br>US\$'000  |
| Revenue                             | 7,021,182              | 7,666,721        | 9,811,941        | 13,203,161       | <b>13,253,917</b> |
| Profit before taxation              | 594,610                | 661,286          | 861,254          | 1,181,825        | <b>1,156,897</b>  |
| Taxation charge                     | (42,070)               | (46,290)         | (60,258)         | (82,724)         | <b>(79,747)</b>   |
| Profit for the year                 | 552,540                | 614,996          | 800,996          | 1,099,101        | <b>1,077,150</b>  |
| Attributable to:                    |                        |                  |                  |                  |                   |
| Owners of the Company               | 552,463                | 614,900          | 800,760          | 1,099,003        | <b>1,077,150</b>  |
| Non-controlling interests           | 77                     | 96               | 236              | 98               | <b>—</b>          |
| Profit for the year                 | 552,540                | 614,996          | 800,996          | 1,099,101        | <b>1,077,150</b>  |
| Basic earnings per share (US cents) | 30.16                  | 33.67            | 43.80            | 60.04            | <b>58.86</b>      |

## Assets and Liabilities

|  | As at December 31 |                  |                  |                  |                   |
|--|-------------------|------------------|------------------|------------------|-------------------|
|  | 2018<br>US\$'000  | 2019<br>US\$'000 | 2020<br>US\$'000 | 2021<br>US\$'000 | 2022<br>US\$'000  |
| Total assets                                 | 6,348,862         | 7,698,051        | 9,390,402        | 13,007,545       | <b>13,315,598</b> |
| Total liabilities                            | 3,291,521         | 4,303,740        | 5,487,495        | 8,285,027        | <b>8,110,117</b>  |
|  | 3,057,341         | 3,394,311        | 3,902,907        | 4,722,518        | <b>5,205,481</b>  |
| Equity attributable to Owners of the Company | 3,057,771         | 3,394,645        | 3,903,005        | 4,722,518        | <b>5,205,481</b>  |
| Non-controlling interests                    | (430)             | (334)            | (98)             | —                | <b>—</b>          |
|  | 3,057,341         | 3,394,311        | 3,902,907        | 4,722,518        | <b>5,205,481</b>  |

# Corporate Information

## Board of Directors

### Group Executive Directors

Mr Horst Julius Pudwill  
*Chairman*

Mr Stephan Horst Pudwill  
*Vice Chairman*

Mr Joseph Galli Jr  
*Chief Executive Officer*

Mr Patrick Kin Wah Chan  
Mr Frank Chi Chung Chan

### Non-executive Directors

Prof Roy Chi Ping Chung GBS BBS JP  
Mr Camille Jojo

### Independent Non-executive Directors

Mr Peter David Sullivan  
Mr Johannes-Gerhard Hesse  
Mr Robert Hinman Getz  
Ms Virginia Davis Wilmerding  
Ms Caroline Christina Kracht

## Financial Calendar 2023

March 1 : Announcement of 2022 annual results  
May 9 : Last day to register for the entitlement to attend and vote at Annual General Meeting  
May 10-12 : Book closure period for the entitlement to attend and vote at Annual General Meeting  
May 12 : Annual General Meeting  
May 18 : Last day to register for 2022 final dividend  
May 19 : Book closure period for 2022 final dividend  
June 30 : Six months interim period end  
July 7 : Final dividend payment  
December 31 : Financial year end

## Investor Relations Contact

Investor Relations and Communications  
Techtronic Industries Co. Ltd.  
29/F, Tower 2  
Kowloon Commerce Centre  
51 Kwai Cheong Road  
Kwai Chung, N.T.  
Hong Kong  
email: [ir@tti.com.hk](mailto:ir@tti.com.hk)

## Website

[www.ttigroup.com](http://www.ttigroup.com)  
Earnings results, annual/interim reports are available online.

## Listing Information

The Stock Exchange of Hong Kong Limited  
Ordinary Shares (stock code: 669)  
ADR Level 1 Programme (symbol: TTNDY)

## Share Registrar and Transfer Office

Tricor Secretaries Limited  
17/F, Far East Finance Centre  
16 Harcourt Road  
Hong Kong  
Tel: (852) 2980 1888

## ADR Depositary

BNY Mellon

## Principal Bankers

Bank of America, N.A.  
Bank of China Group  
The Hongkong and Shanghai Banking Corporation Limited  
Standard Chartered Bank  
Citibank N.A.  
MUFG Bank, Ltd.  
Mizuho Bank, Ltd., Hong Kong Branch

## Solicitors

Vincent T.K. Cheung, Yap & Co.

## Auditor

Deloitte Touche Tohmatsu  
Registered Public Interest Entity Auditors

## Company Secretary

Ms Veronica Ka Po Ng

## Trademarks

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**PRINCIPAL AND REGISTERED OFFICE OF THE ISSUER**

**Techtronic Industries Company Limited**

(創科實業有限公司)

29/F, Tower 2, Kowloon Commerce Centre  
Kwai Chung, New Territories, Hong Kong

**AUDITOR OF THE ISSUER**

**Deloitte Touche Tohmatsu**

35th Floor, One Pacific Place  
88 Queensway, Admiralty  
Hong Kong

**TRUSTEE**

**Citicorp International Limited**

40/F Champion Tower  
3 Garden Road, Central  
Hong Kong

**PRINCIPAL PAYING AGENT, PAYING AGENT, TRANSFER AGENT AND REGISTRAR IN  
RESPECT OF NOTES CLEARED THROUGH EUROCLEAR/CLEARSTREAM**

**Citibank, N.A., London Branch**

c/o 1 North Wall Quay  
Dublin 1  
Ireland

**CMU LODGING AND PAYING AGENT**

**Citicorp International Limited**

40/F Champion Tower  
3 Garden Road, Central  
Hong Kong

**LEGAL ADVISERS**

*To the Issuer  
as to Hong Kong law*

**Paul Hastings**  
22nd Floor  
Bank of China Tower  
1 Garden Road  
Hong Kong

*To the Issuer  
as to English Law*

**Paul Hastings (Europe) LLP**  
Ten Bishops Square  
Eighth Floor  
London E1 6EG  
United Kingdom

*To the Arrangers and Dealers  
as to English law  
and Hong Kong law*

**Clifford Chance**  
27th Floor  
Jardine House  
One Connaught Place  
Central  
Hong Kong