NOTES TO THE ACCOUNTS

1 Principal accounting policies

The accounts have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Society of Accountants ("HKSA"). The accounts are prepared under the historical cost convention except that, as disclosed in the accounting policies below, certain investment properties and other investments are stated at fair value.

In the current year, the Group adopted Statement of Standard Accounting Practice ("SSAP") No. 12 (revised) "Income Taxes" issued by the HKSA, which is effective for accounting periods commencing on or after 1st January 2003.

The changes to the Group's accounting policy and its effect following the adoption of the revised standard are stated in note 1(m) below.

The principal accounting policies adopted in the preparation of these accounts are set out below:

(a) CONSOLIDATION

The consolidated accounts include the accounts of the Company and its subsidiaries made up to 31st March and the Group's share of post-acquisition profits less losses, and reserves, of its associated companies and jointly controlled entities. The results of subsidiaries acquired during the year are included in the consolidated profit and loss account from the effective date of acquisition as appropriate.

All significant intercompany transactions and balances within the Group are eliminated on consolidation.

Minority interests represent the interests of outside shareholders in the operating results and net assets of subsidiaries.

(b) REVENUE RECOGNITION

(i) Sales of goods

Revenue from the sale of goods is recognised on the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and title has passed.

(ii) Interest income

Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

(iii) Gross earnings from investments in finance leases

Gross earnings from investments in finance leases are recognised on the basis as set out in note 1(n).

(iv) Rental income

Rental income is recognised on a straight-line basis over the period of the lease.

(v) Royalty income

Royalty income is recognised on an accrual basis.

1 Principal accounting policies *(Cont'd)*

(c) SUBSIDIARIES

Subsidiaries are those entities in which the Company, directly or indirectly, controls more than one half of the voting power; has the power to govern the financial and operating policies; to appoint or remove the majority of the members of the board of directors; or to cast majority of votes at the meetings of the board of directors.

In the Company's balance sheet the investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(d) JOINTLY CONTROLLED ENTITIES

A jointly controlled entity is an entity in which the Group and other parties undertake an economic activity which is subject to joint control and none of the participating parties has unilateral control over the economic activity.

The consolidated profit and loss account includes the Group's share of the results of jointly controlled entities for the year, and the consolidated balance sheet includes the Group's share of the net assets of the jointly controlled entities and goodwill / negative goodwill (net of accumulated amortisation) on acquisition.

In the Company's balance sheet, the investment in the jointly controlled entity is stated at cost less provision for impairment losses. The results of the jointly controlled entity is accounted for by the Company on the basis of dividends received and receivable.

(e) ASSOCIATED COMPANIES

An associated company is a company, not being a subsidiary or jointly controlled entity, in which an equity interest is held for the long-term and significant influence is exercised in its management.

The consolidated profit and loss account includes the Group's share of the results of associated companies for the year, and the consolidated balance sheet includes the Group's share of the net assets of the associated companies and goodwill / negative goodwill (net of accumulated amortisation) on acquisition.

(f) INTANGIBLES

(i) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net assets of subsidiary / associated company / jointly controlled entity at the date of acquisition.

In accordance with SSAP 30 "Business Combination", goodwill on acquisitions occurring on or after 1st January 2001 is included in intangible assets and is amortised using the straight-line method over its estimated useful life in the range of 5 to 20 years.

Goodwill on acquisitions that occurred prior to 1st January 2001 was written off against reserves. Any impairment arising on such goodwill is accounted for in the profit and loss account.

1 Principal accounting policies *(Cont'd)*

(f) INTANGIBLES *(Cont'd)*

(ii) Negative goodwill

Negative goodwill represents the excess of the fair value of the Group's share of the net assets acquired over the cost of acquisition.

For acquisitions after 1st January 2001, negative goodwill is presented in the same balance sheet classification as goodwill. To the extent that negative goodwill relates to expectations of future losses and expenses that are identified in the Group's plan for the acquisition and can be measured reliably, but which do not represent identifiable liabilities at the date of acquisition, that portion of negative goodwill is recognised in the profit and loss account when the future losses and expenses are recognised. Any remaining negative goodwill, not exceeding the fair values of the non-monetary assets acquired, is recognised in the profit and loss account over the remaining weighted average useful life of those assets; negative goodwill in excess of the fair values of those non-monetary assets is recognised in the profit and loss account immediately.

For acquisitions prior to 1st January 2001, negative goodwill was taken directly to reserves on acquisition.

(iii) Research and development costs

Research costs are expensed as incurred. Costs incurred on development projects relating to the design and testing of new or improved products are recognised as an intangible asset where the technical feasibility and intention of completing the product under development has been demonstrated and the resources are available to do so, costs are identifiable and there is an ability to sell or use the asset that will generate probable future economic benefits. Such development costs are recognised as an asset and amortised on a straight-line basis over its estimated useful lives in the range of 3 to 8 years, to reflect the pattern in which the related economic benefits are recognised. Development costs that do not meet the above criteria are expensed as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

(iv) Patents

Expenditure on acquired patents are capitalised and amortised using the straight-line method over their estimated useful lives in the range of 6 to 20 years. Patents are not revalued as there is no active market for these assets.

1 Principal accounting policies *(Cont'd)*

(g) PROPERTIES, PLANT AND EQUIPMENT

Properties, plant and equipment other than investment properties (note 1(i)) are stated at cost less accumulated depreciation and accumulated impairment losses. Freehold land is not amortised. No depreciation is provided for assets under construction.

Depreciation of other properties, plant and equipment is calculated to write off the cost of assets less accumulated impairment losses on a straight-line basis over their estimated useful lives on the following bases:

Leasehold land and buildings	The unexpired term of lease
Buildings situated on freehold land outside Hong Kong and buildings situated on leasehold land in the New Territories, Hong Kong	25 years
Motor vehicles	5 years
Moulds	7 years
Computers	4 years
Plant and machinery, equipment, furniture and fixtures, and tools	10 years

The initial costs of moulds and tools are capitalised as other assets. Subsequent replacements of moulds and tools are charged to the manufacturing account as production overheads.

Gains or losses arising from the retirement or disposal of properties, plant and equipments are determined as the difference between the net disposal proceeds and the carrying amounts of those assets are recognised as income or expense in the profit and loss account.

(h) INVESTMENT SECURITIES

(i) Investment securities

Investment securities represents unlisted equity shares and are stated at cost less any provision for impairment losses.

The carrying amounts of individual investments are reviewed at each balance sheet date to assess whether the fair values have declined below the carrying amounts. When a decline other than temporary has occurred, the carrying amount of such securities will be reduced to its fair value. The impairment loss is recognised as an expense in the profit and loss account. This impairment loss is written back to profit and loss account when the circumstances and events that led to the write-downs or write-offs cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future.

1 Principal accounting policies *(Cont'd)*

(h) INVESTMENT SECURITIES *(Cont'd)*

(ii) Other investments

Other investments are carried at fair value. At each balance sheet date, the net unrealised gains or losses arising from the changes in fair value of other investments are recognised in the profit and loss account. Profits or losses on disposal of other investments representing the difference between the net sales proceeds and the carrying amounts, are recognised in the profit and loss account as they arise.

(i) INVESTMENT PROPERTIES

Investment properties are interests in land and buildings in respect of which construction work and development have been completed and which are held for their investment potential.

Investment properties held on leases with unexpired periods greater than 20 years are valued annually by independent valuers. The valuations are on an open market value basis related to individual properties and separate values are not attributed to land and buildings. The valuations are incorporated in the annual accounts. Increases in valuation are credited to the investment properties revaluation reserve; decreases are first set off against increases on earlier valuations on a portfolio basis and thereafter are debited to operating profit. Any subsequent increase is credited to the profit and loss account up to the amount previously debited.

Investment properties held on leases with unexpired periods of 20 years or less are depreciated over the remaining portion of the leases.

Upon the disposal of an investment property, the relevant portion of the revaluation reserve realised in respect of previous valuations is released from the investment properties revaluation reserve to the profit and loss account.

(j) IMPAIRMENT OF ASSETS

At each balance sheet date, both internal and external sources of information are considered to assess whether there is any indication that the assets, including tangible and intangible assets, are impaired. If any such indication exists, the recoverable amount of the asset is estimated and where relevant, an impairment loss is recognised to reduce the asset to its recoverable amount. Such impairment losses are recognised in the profit and loss account.

(k) STOCKS AND WORK IN PROGRESS

Stocks and work in progress are stated at the lower of cost and net realisable value. Cost, calculated on a weighted average basis, comprises materials, direct labour and an appropriate proportion of all production overhead expenditure. Net realisable value is determined on the basis of anticipated sales proceeds less the estimated costs of completion and the estimated selling expenses.

1 Principal accounting policies *(Cont'd)*

(l) FOREIGN EXCHANGE

The rates of exchange at which foreign currencies are translated for accounting purposes are as follows:

(i) In respect of foreign currency denominated assets and liabilities and the balance sheets of subsidiaries, jointly controlled entities and associated companies, the rates ruling at the balance sheet date; whilst for profit and loss accounts, average rates during the year; and

(ii) In respect of foreign currency transactions entered into during the year, the market rates ruling at the relevant transaction dates.

Exchange differences arising on the translation of foreign currencies into US Dollars are reflected in the profit and loss account except that unrealised differences on net investments in foreign subsidiaries are taken directly to reserves.

On disposal of a foreign enterprise, the cumulative amount of the exchange differences which relate to that foreign enterprise is included in the calculation of profit or loss on disposal.

(m) DEFERRED TAXATION

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the accounts. Taxation rates enacted or substantively enacted by the balance sheet date are used to determine deferred taxation.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred taxation is provided on temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

In prior years, deferred taxation was accounted for at the current taxation rate in respect of timing differences between profit as computed for taxation purposes and profit as stated in the accounts to the extent that a liability or an asset was expected to be payable or recoverable in the foreseeable future. The adoption of the revised SSAP 12 represents a change in accounting policy, which has been applied retrospectively so that the comparatives presented have been restated to conform to the changed policy.

As detailed in note 28 to the accounts, opening retained earnings at 1st April 2002 and 2003 have been reduced by US$2,426,000 and US$3,030,000, respectively, which represent the unprovided net deferred tax liabilities. This change has resulted in a decrease in deferred tax assets and an increase in deferred tax liabilities at 31st March 2003 by US$2,843,000 and US$187,000, respectively. The profit for the year ended 31st March 2003 has been reduced by US$604,000.

1 Principal accounting policies *(Cont'd)*

(n) INVESTMENTS IN FINANCE LEASES

Leases that transfer substantially all the risks and rewards incidental to ownership of the relevant assets, other than legal title, to the lessees are accounted for as investments in finance leases. Finance lease debtors are included in the balance sheet net of gross earnings allocated to future periods.

Gross earnings under finance leases are allocated to accounting periods to give a constant periodic rate of return on the net investment in the leases in each period.

(o) OPERATING LEASES

Leases where substantially all the risks and rewards of ownership of assets remain with the leasing company are accounted for as operating leases. Payments made under operating leases net of any incentives from the leasing company are charged to the profit and loss account on a straight-line basis over the lease term.

(p) EMPLOYEE BENEFITS

(i) Defined contribution schemes

Contributions are expensed as incurred. Except for the Hong Kong Mandatory Provident Fund, contributions are reduced by amounts forfeited by those employees who leave the scheme prior to vesting fully in the contributions. The assets of the schemes are held separately from those of the Group in an independently administered fund.

(ii) Other pension costs

Other pension costs represent employment service payments payable to certain employees outside Hong Kong upon termination of their services. The amount is provided in accordance with the existing legal requirements, national labour contract, individual company agreements and is determined with reference to a formula that takes into account years of service, compensation and inflation.

(iii) Profit sharing and bonus plan

Provisions for profit sharing and bonus plans due wholly within twelve months after balance sheet date are recognised when the Group has a legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

(q) CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash on hand, demand deposits with banks, bank overdrafts and highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of change in value, having been within three months of maturity at acquisition.

(r) PROVISIONS

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

1 Principal accounting policies *(Cont'd)*

(s) CONTINGENT LIABILITIES

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the accounts. When a change in the probability of an outflow occurs so that the outflow is probable, it will then be recognised as a provision.

(t) SEGMENT REPORTING

In accordance with the Group's internal financial reporting system, the Group has only one business segment which is manufacture of motors. For the purpose of these accounts, the Group has chosen geographical segment information as the primary reporting format.

Segment revenues, expenses, results, assets and liabilities include items directly attributable to a segment based on location of production facilities where the Group's products are produced. Capital expenditure comprises additions to intangible assets and fixed assets, including additions resulting from acquisitions through purchases of subsidiaries.

2 Turnover, revenues and segment information

The Group is principally engaged in the manufacture of motors. Revenues recognised during the year are as follows:

	2004	2003
	US$'000	US$'000
Turnover		
Sales of goods	**1,050,707**	955,339
Other revenues		
Scrap sales	**11,373**	6,483
Interest income	**2,138**	2,360
Gross earnings from investments in finance leases	**227**	414
Gross rental income from investment properties	**1,302**	1,437
Royalty income	**307**	312
	15,347	11,006
Total revenues	**1,066,054**	966,345

2 Turnover, revenues and segment information *(Cont'd)*

The Group's business operates in three geographical areas by manufacturing location:

	Asia 2004 US$'000	America 2004 US$'000	Europe 2004 US$'000	Group 2004 US$'000
Turnover	674,750	95,764	280,193	**1,050,707**
Operating profit	140,576	(16,268)	4,163	**128,471**
Finance costs				**(233)**
Share of profits less losses of jointly controlled entities and associated companies	6,314	–	(19)	**6,295**
Profit before taxation				**134,533**
Taxation				**(17,956)**
Profit after taxation				**116,577**
Minority interests				**–**
Profit attributable to shareholders				**116,577**
Segment assets	547,018	50,809	161,458	**759,285**
Investment securities and other investments				**125,295**
Investments in jointly controlled entities				**16,104**
Investments in associated companies				**13,163**
Deferred tax assets and tax recoverable				**39,188**
Total assets				**953,035**
Segment liabilities	88,048	13,498	92,952	**194,498**
Deferred tax liabilities and tax payable				**24,420**
Total liabilities				**218,918**
Restructuring costs/provisions	4,306	13,650	3,334	**21,290**
Capital expenditure	54,009	2,304	7,644	**63,957**
Depreciation	27,533	4,316	11,901	**43,750**
Amortisation charge	2,342	154	240	**2,736**
Turnover by geographical destinations of customers	317,069	310,861	422,777	**1,050,707**

2 Turnover, revenues and segment information *(Cont'd)*

	Asia 2003 US$'000	**America 2003 US$'000**	**Europe 2003 US$'000**	**Group 2003 As restated US$'000**
Turnover	579,695	132,534	243,110	**955,339**
Operating profit	143,551	4,804	27,450	**175,805**
Finance costs				**(883)**
Share of profits less losses of jointly controlled entities and associated companies	636	–	(1,356)	**(720)**
Profit before taxation				**174,202**
Taxation				**(24,788)**
Profit after taxation				**149,414**
Minority interests				**(2)**
Profit attributable to shareholders				**149,412**
Segment assets	494,196	75,905	169,014	**739,115**
Investment securities and other investments				**84,648**
Investments in jointly controlled entities				**18,882**
Investments in associated companies				**40**
Deferred tax assets and tax recoverable				**35,248**
Total assets				**877,933**
Segment liabilities	84,112	16,658	94,390	**195,160**
Deferred tax liabilities and tax payable				**17,155**
Total liabilities				**212,315**
Capital expenditure	41,633	3,280	19,212	**64,125**
Depreciation	24,788	3,687	8,784	**37,259**
Amortisation charge	2,511	440	274	**3,225**
Turnover by geographical destinations of customers	285,086	298,850	371,403	**955,339**

3 Selling and administrative expenses

	2004	2003
	US$'000	US$'000
Selling expenses	**70,421**	51,485
Administrative expenses	**108,657**	94,414
	179,078	145,899

4 Restructuring costs / provisions

During the year, Johnson Electric accelerated its strategy of restructuring those existing and acquired operations whose strategic location and relative cost position do not meet the current needs of the marketplace. The Group completed closure of its manufacturing plant in Thailand and research and development centre in Germany. Actions are also being taken to further restructure the manufacturing operations at Matamoros in Mexico. Other costs mainly comprise of severance payments and provisions for other shutdown costs.

	2004	2003
	US$'000	US$'000
Assets write-offs (including provision for impairment)	**11,819**	–
Other costs	**9,471**	–
Total	**21,290**	–

Net restructuring costs/provisions is US$15,987,000, after deduction of tax impact of US$5,303,000.

5 Operating profit

Operating profit is stated after crediting and charging the following:

	2004	2003
	US$'000	US$'000
Crediting		
Amortisation of negative goodwill (note 13)	**444**	429
Interest income		
– listed investments	**578**	615
– unlisted investments	**2**	87
– deposits	**1,558**	1,658
Net exchange gain	**3,948**	771
Charging		
Depreciation on properties, plant and equipment	**43,750**	37,259
Less: amounts capitalised on assets under construction	**(626)**	(1,114)
	43,124	36,145
Staff costs (including directors' remuneration)	**160,566**	145,454
Less: amounts capitalised on assets under construction	**(1,321)**	(2,290)
	159,245	143,164
Retirement benefit costs		
– defined contribution schemes (note 11)	**2,424**	2,167
– other pension costs, net (note 25)	**5,571**	3,795
Auditors' remuneration	**537**	427
Amortisation of goodwill (note 13)	**1,660**	1,768
Amortisation of development costs and patents (note 13)	**1,520**	1,886
Impairment of assets (note 14)	**10,794**	–
Loss on disposal of properties, plant and equipment	**2,588**	2,721
Net realised and unrealised loss on other investments and investment securities	**276**	1,513

6 Finance costs

	2004	2003
	US$'000	US$'000
Interest on bank loans and overdrafts	**211**	756
Interest on other loans, not wholly repayable within five years	**21**	59
Other incidental borrowing costs	**1**	68
	233	883

7 Taxation

Hong Kong profits tax has been provided at the rate of 17.5% (2003: 16%) on the estimated assessable profit for the year. In 2003, the Hong Kong government enacted a change in the profits tax rate from 16% to 17.5% for the fiscal year 2003/04. Overseas tax has been provided at the applicable rates on the estimated assessable profit in respective countries of operations for the year.

	2004	2003
		As restated
	US$'000	US$'000
Current taxation		
Hong Kong profits tax	**(7,407)**	(6,992)
Overseas taxation	**(6,255)**	(2,794)
(Under) / over provisions in prior years	**(637)**	1,026
	(14,299)	(8,760)
Deferred taxation (note 26)	**(2,323)**	(15,836)
	(16,622)	(24,596)
Share of taxation attributable to jointly controlled entities / associated companies	**(1,334)**	(192)
	(17,956)	(24,788)

7 Taxation *(Cont'd)*

The effective tax rate of the Group differs from the taxation rate of Hong Kong as follows:

	2004	2003
	%	%
Tax rate of Hong Kong	**17.5**	16.0
Effect of different taxation rates in other countries	**4.6**	5.2
Income net of expenses not subject to taxation	**(9.8)**	(8.6)
Unrecognised tax losses	**1.1**	1.6
Effective tax rate	**13.4**	14.2

8 Profit attributable to shareholders

The Group consolidated profit attributable to shareholders is US$116,577,000 (2003 as restated: US$149,412,000) of which US$4,369,000 (2003: US$105,527,000) is dealt with in the accounts of the Company.

Details are shown in note 28.

9 Dividends

	2004	2003
	US$'000	US$'000
Interim, paid, of 0.58 US cents per share (2003: 0.51 US cents)	**21,195**	18,840
Final, proposed, of 1.15 US cents per share (2003: 1.15 US cents)	**42,390**	42,390
	63,585	61,230

At a meeting held on 7th June 2004 the directors declared a final dividend of 1.15 US cents per share. This proposed dividend is not reflected as a dividend payable in these accounts, but will be reflected as an appropriation of retained earnings for the year ending 31st March 2005.

10 Earnings per share

The calculation of basic and fully diluted earnings per share is based on the Group's profit attributable to shareholders of US$116,577,000 (2003 as restated: US$149,412,000).

The basic earnings per share is based on 3,673,788,920 (2003: 3,673,788,920) shares in issue during the year.

The fully diluted earnings per share is based on 3,674,185,681 (2003: 3,673,983,580) ordinary shares which is the weighted average number of ordinary shares in issue during the year plus weighted average of 396,761 (2003: 194,660) ordinary shares deemed to be issued at no consideration if all outstanding options had been exercised.

11 Defined contribution schemes

The Group operates two defined contribution schemes in Hong Kong which comply with all the respective requirements under the Occupational Retirement Schemes Ordinance ("ORSO") and the Mandatory Provident Fund ("MPF") Ordinance. All the assets under the schemes are held separately from the Group under independently administered funds. Contributions to the MPF Scheme follow the MPF Ordinance while contributions to the ORSO Scheme are based on 5% of the basic salary of the employees.

The Group also operates other defined contribution retirement schemes which is available to certain employees in the United States of America.

Contributions are charged to profit and loss account as incurred and may be reduced by contributions forfeited from those employees who leave the ORSO scheme prior to vesting fully in the contributions. At 31st March 2004, the balance of the forfeited contributions was US$726,000 (2003: US$603,000). The Group did not utilise any of the forfeited contribution (2003: Nil) during the year to offset the required contributions to the retirement scheme.

12 Directors' emoluments and senior management compensation

(a) DIRECTORS' EMOLUMENTS

	2004	2003
	US$'000	US$'000
Fees	**262**	310
Salaries and allowances	**2,246**	2,682
Retirement scheme contributions	**8**	8
Bonuses	**14**	14
	2,530	3,014

The emoluments were paid to the directors as follows:

Emoluments band	**Number of directors**	
	2004	2003
US$0 – US$128,000 (HK$0 – HK$1,000,000)	**8**	7
US$128,001 – US$256,000 (HK$1,000,001 – HK$2,000,000)	**–**	1
US$578,001 – US$642,000 (HK$4,500,001 – HK$5,000,000)	**1**	–
US$642,001 – US$706,000 (HK$5,000,001 – HK$5,500,000)	**–**	1
US$706,001 – US$770,000 (HK$5,500,001 – HK$6,000,000)	**1**	–
US$834,001 – US$898,000 (HK$6,500,001 – HK$7,000,000)	**1**	–
US$898,001 – US$962,000 (HK$7,000,001 – HK$7,500,000)	**–**	1
US$1,090,001 – US$1,154,000 (HK$8,500,001 – HK$9,000,000)	**–**	1

12 Directors' emoluments and senior management compensation *(Cont'd)*

(a) DIRECTORS' EMOLUMENTS *(Cont'd)*

Emoluments paid to independent non-executive directors amounted to US$223,000 during the year (2003: US$268,000).

During the year, no option (2003: Nil) was granted to the directors under the share option scheme approved by the shareholders on 29th July 2002.

(b) SENIOR MANAGEMENT COMPENSATION

The emoluments of the five highest paid individuals, including 3 directors (2003: 3), were analysed as follows:

	2004	2003
	US$'000	US$'000
Salaries, allowances and other benefits	**3,229**	3,600
Retirement scheme contributions	**40**	48
Bonuses	**72**	78
	3,341	3,726

Emoluments band	**Number of individuals**	
	2004	2003
US$385,001 – US$450,000 (HK$3,000,001 – HK$3,500,000)	**–**	1
US$450,001 – US$514,000 (HK$3,500,001 – HK$4,000,000)	**1**	–
US$578,001 – US$642,000 (HK$4,500,001 – HK$5,000,000)	**1**	1
US$642,001 – US$706,000 (HK$5,000,001 – HK$5,500,000)	**1**	1
US$706,001 – US$770,000 (HK$5,500,001 – HK$6,000,000)	**1**	–
US$834,001 – US$898,000 (HK$6,500,001 – HK$7,000,000)	**1**	–
US$898,001 – US$962,000 (HK$7,000,001 – HK$7,500,000)	**–**	1
US$1,090,001 – US$1,154,000 (HK$8,500,001 – HK$9,000,000)	**–**	1

13 Intangibles

Group	Negative goodwill 2004 US$'000	Negative goodwill 2003 US$'000	Goodwill 2004 US$'000	Goodwill 2003 US$'000	Patents 2004 US$'000	Patents 2003 US$'000	Development costs 2004 US$'000	Development costs 2003 US$'000	Total 2004 US$'000	Total 2003 US$'000
At beginning of year	**(1,716)**	–	**18,107**	19,261	**3,300**	–	**2,730**	3,322	**22,421**	22,583
Exchange adjustments	**(129)**	–	**471**	560	**247**	(5)	**160**	–	**749**	555
Additions	**–**	–	**–**	54	**130**	3,991	**155**	608	**285**	4,653
Acquisition (note 31(b))	**(645)**	(2,145)	**–**	–	**–**	–	**–**	–	**(645)**	(2,145)
Reclassification	**–**	–	**–**	–	**(1,202)**	–	**1,202**	–	**–**	–
Amortisation (note 5)	**444**	429	**(1,660)**	(1,768)	**(416)**	(686)	**(1,104)**	(1,200)	**(2,736)**	(3,225)
At end of year	**(2,046)**	(1,716)	**16,918**	18,107	**2,059**	3,300	**3,143**	2,730	**20,074**	22,421
Cost	**(2,919)**	(2,145)	**20,987**	20,516	**3,161**	3,986	**5,447**	3,930	**26,676**	26,287
Accumulated amortisation	**873**	429	**(4,069)**	(2,409)	**(1,102)**	(686)	**(2,304)**	(1,200)	**(6,602)**	(3,866)
At end of year	**(2,046)**	(1,716)	**16,918**	18,107	**2,059**	3,300	**3,143**	2,730	**20,074**	22,421

14 Properties, plant and equipment

Group

	Investment properties US$'000	Other properties US$'000	Plant and machinery US$'000	Assets under construction US$'000	Other assets* US$'000	Total US$'000
Cost or valuation						
At 1st April 2003	7,670	89,186	401,763	10,188	118,332	627,139
Exchange adjustments	–	1,910	15,974	(72)	3,008	20,820
Acquisition through business combinations (note 31(b))	–	381	15,153	466	1,959	17,959
Additions	–	6,462	24,700	12,912	7,164	51,238
Transfers	–	1,053	4,055	(12,149)	7,041	–
Disposals	(488)	(2,999)	(23,866)	(318)	(18,226)	(45,897)
Revaluation surplus (note 28)	1,763	–	–	–	–	1,763
At 31st March 2004	8,945	95,993	437,779	11,027	119,278	673,022
Accumulated depreciation						
At 1st April 2003	–	24,184	286,123	–	68,331	378,638
Exchange adjustments	–	897	12,633	–	959	14,489
Acquisition through business combinations (note 31(b))	–	89	4,579	–	572	5,240
Charge for the year	–	3,227	29,288	–	11,235	43,750
Provision for impairment (note 5)	–	4,387	6,407	–	–	10,794
Written back on disposals	–	(571)	(20,869)	–	(15,401)	(36,841)
At 31st March 2004	–	32,213	318,161	–	65,696	416,070
Net book value						
At 31st March 2004	**8,945**	**63,780**	**119,618**	**11,027**	**53,582**	**256,952**
At 31st March 2003	7,670	65,002	115,640	10,188	50,001	248,501
The analysis of cost or valuation of the above assets is as follows:						
At cost	–	95,993	437,779	11,027	119,278	664,077
At professional valuation – 2004	8,945	–	–	–	–	8,945
At 31st March 2004	**8,945**	**95,993**	**437,779**	**11,027**	**119,278**	**673,022**

* *Other assets comprise equipment, furniture and fixtures, motor vehicles, moulds and tools.*

14 Properties, plant and equipment *(Cont'd)*

Investment properties and other properties at their net book values are analysed as follows:

Group	**2004**		2003	
	Investment properties US$'000	**Other properties US$'000**	Investment properties US$'000	Other properties US$'000
In Hong Kong:				
On long-term lease				
(over 50 years)	**7,323**	**–**	5,590	–
On medium-term lease				
(between 10 to 50 years)	**1,622**	**27,608**	2,080	25,840
Outside Hong Kong:				
Freehold	**–**	**23,994**	–	26,860
On medium-term lease				
(between 10 to 50 years)	**–**	**12,178**	–	12,302
	8,945	**63,780**	7,670	65,002

The investment properties were revalued on an open market value basis as at 31st March 2004 by an independent valuer, DTZ Debenham Tie Leung Limited, Registered Professional Surveyors.

15 Subsidiaries

Company	**2004 US$'000**	2003 US$'000
Unlisted shares, at cost	**479,096**	472,397
Amounts due from subsidiaries	**256,910**	250,470
	736,006	722,867
Amounts due to subsidiaries	**(201,073)**	(141,547)
	534,933	581,320

During the year, the Group acquired the remaining 50% equity interest in Nidec Johnson Electric Corporation, a joint venture previously set up in 2000. The effect of the acquisition was disclosed in note 31(b).

Details of principal subsidiaries are shown in note 35.

16 Jointly controlled entities

Group	**2004**	2003
	US$'000	US$'000
Share of net assets	**16,104**	11,382
Loan	–	7,500
	16,104	18,882
Investments at cost, unlisted	**8,500**	22,172

Company	**2004**	2003
	US$'000	US$'000
Unlisted shares, at cost	–	5,712
Loan	–	7,500
	–	13,212

The Group's share of profits less losses of these jointly controlled entities during the year amounts to US$5,172,000 (2003: US$636,000).

The loan to a jointly controlled entity was interest bearing at 0.5% above 3-month LIBOR.

Details of principal jointly controlled entities are shown in note 35.

17 Associated companies

Group	**2004**	2003
	US$'000	US$'000
Share of net assets	**7,694**	40
Goodwill on acquisition of an associated company	**5,469**	–
	13,163	40
Investments at cost, unlisted	**12,646**	44

The Group's share of profits less losses of these associated companies during the year amounts to US$1,123,000 (2003: share of losses US$1,356,000).

Details of principal associated companies are shown in note 35.

18 Investment securities

Group and company	**2004**	2003
	US$'000	US$'000
Unlisted equity securities	**7,871**	7,336

19 Investments in finance leases

Group	**2004**	2003
	US$'000	US$'000
Gross rental receivable	**7,142**	9,950
Less: gross earnings allocated to future period	**(1,234)**	(955)
	5,908	8,995
Less: amounts due within one year included in trade and other receivables	**(309)**	(457)
	5,599	8,538

The finance leases are receivable in the following years:

	Net investment		**Gross earnings**		**Gross rental**	
	2004	2003	**2004**	2003	**2004**	2003
	US$'000	US$'000	**US$'000**	US$'000	**US$'000**	US$'000
Within one year	**309**	458	**287**	438	**596**	896
In the second to fifth year	**4,085**	8,109	**644**	497	**4,729**	8,606
After the fifth year	**1,514**	428	**303**	20	**1,817**	448
	5,908	8,995	**1,234**	955	**7,142**	9,950

The Group has entered into agreements with its employees whereby certain leasehold property assets of the Group which are located in Hong Kong are leased to these employees. Under the terms of these agreements, substantially all the risks and rewards of ownership of the assets are transferred to the employees. Consequently, these transactions are accounted for as finance leases.

20 Stocks and work in progress

Group	**2004**	2003
	US$'000	US$'000
Raw materials	**50,958**	61,970
Work in progress	**4,898**	9,355
Finished goods	**60,314**	59,216
	116,170	130,541

At 31st March 2004, no carrying amount of stocks and work in progress are pledged as security for long term bank loans (2003: US$38,923,000).

21 Trade and other receivables

(a) The Group allows an average credit period of 30 to 90 days to its trade customers.

The trade and other receivables included trade receivables balance of US$198,817,000 (2003: US$178,170,000). The ageing analysis of trade receivables was as follows:

Group	**2004**	2003
	US$'000	US$'000
0-60 days	**144,704**	130,019
61-90 days	**39,857**	24,009
Over 90 days	**14,256**	24,142
Total	**198,817**	178,170

(b) Included in trade and other receivables was an advance to the company secretary and the details are as follows:

	31st March 2004	31st March 2003	Maximum outstanding during year
	US$'000	US$'000	US$'000
Yip Chee Lan	–	63	63

The advance was originated in October 1991, bearing interest at 5% per annum and was repayable in a fixed monthly instalments of US$1,747 (HK$13,600). It was fully repaid in March 2004.

(c) At 31st March 2004, no trade receivables (2003: US$25,960,000) are pledged as security for long term bank loans.

22 Other investments

Group	**2004**	2003
	US$'000	US$'000
Unlisted investments	**11,158**	4,202
Listed investments, outside Hong Kong	**106,266**	73,110
Total	**117,424**	77,312

Other investments mainly comprise bonds and floating rate notes. Listed investments are stated at market value as at 31st March 2004.

23 Trade and other payables

The trade and other payables included trade payables balance of US$118,502,000 (2003: US$124,717,000). The ageing analysis of trade payables was as follows:

Group	**2004**	2003
	US$'000	US$'000
0-60 days	**88,740**	94,219
61-90 days	**13,447**	13,821
Over 90 days	**16,315**	16,677
Total	**118,502**	124,717

24 Long term loans

Group	2004 US$'000	2003 US$'000
Loans		
Secured	–	6,477
Unsecured	**3,058**	1,004
	3,058	7,481
Current portion of long term loans	**(137)**	(345)
	2,921	7,136

The analysis of the above is as follows:

	2004 US$'000	2003 US$'000
Wholly repayable within five years		
Bank loans	–	5,000
Not wholly repayable within five years		
Other loans	**3,058**	2,481
	3,058	7,481
Current portion of long term loans	**(137)**	(345)
	2,921	7,136

At 31st March 2004, the Group's loans were repayable as follows:

	Bank loans		Other loans	
	2004 US$'000	2003 US$'000	**2004 US$'000**	2003 US$'000
Within one year	–	–	**137**	345
In the second year	–	5,000	**146**	336
In the third to fifth year	–	–	**485**	1,325
After the fifth year	–	–	**2,290**	475
	–	5,000	**3,058**	2,481

Other loans not wholly repayable within five years are repayable by instalments starting from February 2002 to October 2018. Interest is charged on the outstanding balances at 1.5% to 3.2% per annum (2003: 1.5% to 3.7% per annum).

25 Other provisions

Group	Other pension costs US$'000	Sundries US$'000	Total US$'000
At 1st April 2002	9,727	–	9,727
Exchange adjustments	1,975	9	1,984
Reclassification	(396)	396	–
Acquisition through business combinations	1,044	–	1,044
Provisions	3,795	601	4,396
Utilised	(3,780)	(18)	(3,798)
At 1st April 2003	12,365	988	13,353
Exchange adjustments	1,841	–	1,841
Provisions	5,571	–	5,571
Utilised	(3,633)	(988)	(4,621)
At 31st March 2004	**16,144**	**–**	**16,144**

26 Deferred taxation

Group	2004 US$'000	2003 As restated US$'000
At beginning of year, as previously reported	**16,832**	24,456
Effect of adopting SSAP 12 (revised)	**(3,030)**	(2,426)
At beginning of year, as restated	**13,802**	22,030
Exchange adjustments	**1,159**	1,051
Acquisition through business combinations	**–**	6,557
Transfer to profit and loss account (note 7)	**(2,323)**	(15,836)
At end of year	**12,638**	13,802

Deferred tax assets are recognised for tax losses carried forward to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised. The Group has unrecognised tax losses of US$7,144,000 (2003: US$4,908,000) to carry forward against future taxable income.

26 Deferred taxation *(Cont'd)*

The movement in deferred tax assets / (liabilities) during the year is as follows:

Deferred tax assets / (liabilities)	Provisions		Accelerated tax depreciation		Impairment of assets		Tax losses		Others		Total	
	2004	2003	**2004**	2003	**2004**	2003	**2004**	2003	**2004**	2003	**2004**	2003
	US$'000	US$'000	**US$'000**	US$'000	**US$'000**	US$'000	**US$'000**	US$'000	**US$'000**	US$'000	**US$'000**	US$'000
At beginning of year	**1,951**	6,959	**(13,957)**	(9,080)	**–**	–	**27,168**	21,175	**(1,360)**	2,976	**13,802**	22,030
Exchange adjustments	**43**	217	**(118)**	524	**–**	–	**996**	–	**238**	310	**1,159**	1,051
Credited / (charged) to profit and loss account	**(4,556)**	(5,225)	**(4,942)**	(5,401)	**3,702**	–	**1,199**	(564)	**2,274**	(4,646)	**(2,323)**	(15,836)
Acquisition of subsidiary	**–**	–	**–**	–	**–**	–	**–**	6,557	**–**	–	**–**	6,557
At end of year	**(2,562)**	1,951	**(19,017)**	(13,957)	**3,702**	–	**29,363**	27,168	**1,152**	(1,360)	**12,638**	13,802

	2004	2003 As restated
	US$'000	US$'000
Represented by:		
Deferred tax assets	**33,731**	29,188
Deferred tax liabilities	**(21,093)**	(15,386)
	12,638	13,802

27 Share capital

	2004	2003
	US$'000	US$'000
Authorised:		
7,040,000,000 ordinary shares of HK$0.0125 each	**11,355**	11,355
Issued and fully paid:		
3,673,788,920 ordinary shares of HK$0.0125 each	**5,925**	5,925

Share options granted to employee as at 31st March 2004 under a share option scheme approved at an Annual General Meeting of the Group held on 29th July 2002 are as follows:

Options held at 01/04/2003	**Options granted during the year**	**Options held at 31/03/2004**	**Subscription price per share** (HK$)	**Date of grant**	**Exercisable from**	**Exercisable until**
100,000	–	100,000	7.90	17/09/2002	01/08/2004	16/09/2012
100,000	–	100,000	7.90	17/09/2002	01/08/2005	16/09/2012
750,000	–	750,000	8.02	17/09/2002	01/08/2004	16/09/2012
750,000	–	750,000	8.02	17/09/2002	01/08/2005	16/09/2012
–	150,000	150,000	9.40	10/07/2003	01/07/2005	09/07/2013
–	150,000	150,000	9.40	10/07/2003	01/07/2006	09/07/2013
–	837,500	837,500	9.65	31/07/2003	01/07/2005	30/07/2013
–	837,500	837,500	9.65	31/07/2003	01/07/2006	30/07/2013
–	100,000	100,000	10.70	01/08/2003	01/08/2005	31/07/2013
–	100,000	100,000	10.70	01/08/2003	01/08/2006	31/07/2013
–	100,000	100,000	11.95	06/10/2003	01/10/2005	30/09/2013
–	100,000	100,000	11.95	06/10/2003	01/10/2006	30/09/2013
1,700,000	2,375,000	4,075,000				

No share option was exercised and lapsed during the year.

28 Reserves

Group

	Share premium US$'000	Contributed surplus US$'000	Investment property revaluation reserve US$'000	Capital reserve US$'000	(Goodwill) / reserve on consolidation US$'000	Exchange reserve US$'000	Retained earnings US$'000	Total US$'000
At 31st March 2002								
As previously reported	77,855	15,499	9,184	38,917	(233,885)	(31,157)	673,830	550,243
Effect of adopting SSAP 12 (revised) (Note 1(m))	–	–	–	–	–	–	(2,426)	(2,426)
As restated	77,855	15,499	9,184	38,917	(233,885)	(31,157)	671,404	547,817
Exchange adjustments	–	–	–	–	–	18,162	–	18,162
Revaluation deficit	–	–	(487)	–	–	–	–	(487)
Revaluation surplus realised upon disposal	–	–	(1,988)	–	–	–	–	(1,988)
Profit for the year	–	–	–	–	–	–	149,412	149,412
01/02 Final dividend paid	–	–	–	–	–	–	(34,383)	(34,383)
02/03 Interim dividend paid	–	–	–	–	–	–	(18,840)	(18,840)
At 31st March 2003	77,855	15,499	6,709	38,917	(233,885)	(12,995)	767,593	659,693
Final dividend proposed	–	–	–	–	–	–	42,390	42,390
Other	77,855	15,499	6,709	38,917	(233,885)	(12,995)	725,203	617,303
At 31st March 2003	77,855	15,499	6,709	38,917	(233,885)	(12,995)	767,593	659,693
Company and subsidiaries	77,855	15,499	6,709	38,917	(233,885)	(12,995)	769,335	661,435
Jointly controlled entities	–	–	–	–	–	–	(1,742)	(1,742)
At 31st March 2003	77,855	15,499	6,709	38,917	(233,885)	(12,995)	767,593	659,693

28 Reserves *(Cont'd)*

Group

	Share premium US$'000	Contributed surplus US$'000	Investment property revaluation reserve US$'000	Capital reserve US$'000	(Goodwill) / reserve on consolidation US$'000	Exchange reserve US$'000	Retained earnings US$'000	Total US$'000
At 31st March 2003								
As previously reported	77,855	15,499	6,709	38,917	(233,885)	(12,995)	770,623	662,723
Effect of adopting SSAP 12 (revised) (Note 1(m))	–	–	–	–	–	–	(3,030)	(3,030)
As restated	77,855	15,499	6,709	38,917	(233,885)	(12,995)	767,593	659,693
Exchange adjustments	–	–	–	–	–	13,993	–	13,993
Revaluation surplus	–	–	1,763	–	–	–	–	1,763
Revaluation surplus realised upon disposal	–	–	(249)	–	–	–	–	(249)
Profit for the year	–	–	–	–	–	–	116,577	116,577
02/03 Final dividend paid	–	–	–	–	–	–	(42,390)	(42,390)
03/04 Interim dividend paid	–	–	–	–	–	–	(21,195)	(21,195)
At 31st March 2004	**77,855**	**15,499**	**8,223**	**38,917**	**(233,885)**	**998**	**820,585**	**728,192**
Final dividend proposed	–	–	–	–	–	–	42,390	42,390
Other	77,855	15,499	8,223	38,917	(233,885)	998	778,195	685,802
At 31st March 2004	**77,855**	**15,499**	**8,223**	**38,917**	**(233,885)**	**998**	**820,585**	**728,192**
Company and subsidiaries	77,855	15,499	8,223	38,917	(233,885)	998	816,837	724,444
Jointly controlled entities	–	–	–	–	–	–	3,239	3,239
Associated companies	–	–	–	–	–	–	509	509
At 31st March 2004	**77,855**	**15,499**	**8,223**	**38,917**	**(233,885)**	**998**	**820,585**	**728,192**

28 Reserves *(Cont'd)*

Company	Share premium US$'000	Contributed surplus US$'000	Retained earnings US$'000	Total US$'000
At 31st March 2002	77,855	95,273	373,860	546,988
Profit for the year	–	–	105,527	105,527
Dividends	–	–	(53,223)	(53,223)
At 31st March 2003	77,855	95,273	426,164	599,292
Profit for the year	–	–	4,369	4,369
Dividends	–	–	(63,585)	(63,585)
At 31st March 2004	**77,855**	**95,273**	**366,948**	**540,076**
Final dividend proposed	–	–	42,390	42,390
Other	77,855	95,273	324,558	497,686
At 31st March 2004	**77,855**	**95,273**	**366,948**	**540,076**
Final dividend proposed	–	–	42,390	42,390
Other	77,855	95,273	383,774	556,902
At 31st March 2003	77,855	95,273	426,164	599,292

Distributable reserves of the Company at 31st March 2004 amounted to US$462,221,000 (2003: US$521,437,000).

29 Contingent liabilities

(a)	Group		Company	
	2004 US$'000	2003 US$'000	**2004 US$'000**	2003 US$'000
Discounted bills with recourse	**258**	1,554	**–**	–
Guarantee for credit facilities granted to subsidiaries	**–**	–	**23,103**	23,103
	258	1,554	**23,103**	23,103

(b) The Company has given guarantees for a subsidiary in respect of future payment of operating lease rentals amounting to US$1,966,000 (2003: US$2,291,000).

29 Contingent liabilities *(Cont'd)*

(c) In August 2001, a claim for damages was made against a subsidiary of the Group and over ten other third party defendants (including, inter alia, United Technologies Corporation and Lear Corporation Automotive Systems) for personal injury and property damage in a lawsuit pertaining to environmental contamination involving an automotive parts manufacturing facility in Columbus, Mississippi, USA. This facility was part of the acquisition of the former Electric Motor Systems business ("EMS"), a sub-division of UT Automotive, Inc. purchased by Lear Corporation from United Technologies Corporation in May 1999. The Group purchased EMS from Lear in June 1999 and closed down the said facility in November 2001. No amount of damages was specified in the complaint. The defendants removed the case from the Lowndes County Circuit Court in Mississippi to the United States District Court for the Northern District of Mississippi, Eastern Division (the "District Court"). The plaintiffs filed a motion to remand the case. On 26th August 2002, the District Court remanded the case to the Lowndes County Circuit Court. Since remand, the parties have been engaged in merits discovery.

On or about 30th December 2002, counsel representing the plaintiffs in the above-described lawsuit filed additional complaints in the Lowndes County Circuit Court on behalf of approximately 1,000 plaintiffs against the same subsidiary of the Group and the same co-defendants named in the above-described case. The new complaints raised allegations similar to the above-described complaint. On or about 9th September 2003, the claims against the subsidiary of the Group were dismissed without prejudice for lack of service of process. During February and March 2004, plaintiffs filed amended complaints in these actions which were answered by the subsidiary of the Group.

In January 2004, four new actions were filed in the Lowndes County Circuit Court on behalf of approximately 100 plaintiffs against similar defendants as in the pending actions. Plaintiffs in the new actions are represented by different counsel but their complaints raise similar allegations. These new complaints name the same subsidiary as in the above-described lawsuits and also Johnson Electric Holdings Limited, who intends to contest personal jurisdiction in these actions.

The Group is vigorously defending all actions on behalf of the subsidiary of the Group and has asserted that the Mississippi state court lacks personal jurisdiction over Johnson Electric Holdings Limited in the newly filed actions. In addition, the Group has asserted claims for indemnity against prior owners. Because this litigation is in its formative stages, the Group is unable at this time to predict with certainty the ultimate outcome of this litigation.

30 Commitments

(a) CAPITAL COMMITMENTS

Group	2004 US$'000	2003 US$'000
Capital commitments for properties, plant and equipment		
Authorised but not contracted for	**4,876**	3,847
Contracted but not provided for	**10,494**	8,248
	15,370	12,095

(b) OPERATING LEASE COMMITMENTS

(i) At 31st March 2004, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	2004		2003	
	Land and buildings US$'000	**Others US$'000**	Land and buildings US$'000	Others US$'000
Not later than one year	**2,682**	**169**	2,176	8
Later than one year and not later than five years	**5,877**	**279**	5,223	18
Later than five years	**7,494**	**–**	2,222	–
	16,053	**448**	9,621	26

(ii) At 31st March 2004, the Group had future aggregate minimum lease rental receivable under non-cancellable operating leases on land and buildings as follows:

	2004 US$'000	2003 US$'000
Not later than one year	**1,045**	914
Later than one year and not later than five years	**649**	841
	1,694	1,755

31 Consolidated cash flow statement

(a) RECONCILIATION OF PROFIT BEFORE TAXATION TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2004 **US$'000**	2003 US$'000
Profit before taxation	**134,533**	174,202
Share of profits less losses of jointly controlled entities / associated companies	**(6,295)**	720
Depreciation charges	**43,124**	36,145
Amortisation of intangible assets	**2,736**	3,225
Loss on sale of properties, plant and equipment	**2,588**	2,721
Provision for assets impairment	**10,794**	–
Net interest income	**(1,905)**	(1,477)
Gross earnings from investments in finance leases	**(227)**	(414)
Net realised and unrealised loss on other investments and investment securities	**276**	1,513
Exchange translation differences	**6,512**	11,673
Decrease / (increase) in stocks and work in progress	**15,781**	(34,596)
(Increase) / decrease in trade and other receivables	**(15,526)**	2,209
Increase / (decrease) in trade and other payables and other provisions	**4,819**	(14,391)
Cash generated from operations	**197,210**	181,530
Interest paid	**(233)**	(883)
Tax paid	**(12,587)**	(14,733)
Net cash inflow from operating activities	**184,390**	165,914

31 Consolidated cash flow statement *(Cont'd)*

(b) ACQUISITION THROUGH BUSINESS COMBINATIONS

	2004	2003
	US$'000	US$'000
Net assets acquired		
Intangible assets	**–**	4,045
Properties, plant and equipment	**12,719**	10,797
Deferred tax assets	**–**	6,557
Stocks and work in progress	**1,410**	7,463
Trade and other receivables	**668**	21,684
Bank balances and cash / (bank loans and overdraft)	**2,827**	(13,349)
Trade and other payables	**(1,262)**	(31,079)
Shareholders loan	**(15,000)**	–
	1,362	6,118
Interest in jointly controlled entities previously accounted for	**269**	(3,111)
	1,631	3,007
Negative goodwill (note 13)	**(645)**	(2,145)
	986	862
Satisfied by		
Cash	**986**	862

31 Consolidated cash flow statement *(Cont'd)*

(c) ANALYSIS OF THE NET OUTFLOW IN RESPECT OF THE ACQUISITION THROUGH BUSINESS COMBINATIONS

	2004	2003
	US$'000	US$'000
Cash consideration	**986**	862
Loan repayment	**7,500**	–
(Bank balances and cash) / bank loans and overdraft acquired	**(2,827)**	13,349
Net cash outflow in respect of the acquisition through business combinations	**5,659**	14,211

32 Significant subsequent events

Johnson Electric Holdings Limited has entered into agreements on 26th April 2004 to acquire the remaining 51 percent of Nihon Mini Motor Co. Ltd., an associated company from Mitsubishi Materials Corporation and other minority shareholders for approximately US$14.2 million.

33 Comparative figures

Certain comparative figures have been adjusted or extended to conform with revised SSAP 12 "Income taxes" issued by HKSA which was adopted by the Group during the financial year.

34 Approval of accounts

The accounts were approved by the directors on 7th June 2004.

35 Principal subsidiaries, jointly controlled entities and associated companies

The following list contains particulars of subsidiaries, jointly controlled entities and associated companies of the Group which in the opinion of the directors, materially affect the results and assets of the Group:

Name	Principal activities	Place of incorporation and operation	Issued and paid up capital	Effective shareholding by company	Effective shareholding by subsidiary
SUBSIDIARIES					
Bloor Company Ltd.	Property holding	British Virgin Islands	50,000 shares of US$1 each	–	100%
Brushless Technology Motor S.r.l.	Manufacturing	Italy	EUR20,000,000	–	100%
Crown Trend Ltd.	Property holding	British Virgin Islands	1 share of US$1 each	–	100%
Delta Success Electric Company Limited	Investment holding	Malaysia	1 share of US$1 each	–	100%
Deyang Lianzhou Electric Ltd.	Manufacturing	China	US$480,000	–	100%
Easy Fortune (H.K.) Ltd.	Property holding	British Virgin Islands	50,000 shares of US$1 each	–	100%
Gate do Brasil Ltda	Manufacturing	Brazil	BRL383,166.66	–	100%
Gate Deutschland GmbH	Manufacturing	Germany	DM100,000	–	100%
Gate Espana Automocion, S.A.	Manufacturing	Spain	PTS25,000,000	–	100%
Gate France S.A.	Manufacturing	France	FFR2,500,000	–	99.98%
Gate S.r.l.	Manufacturing	Italy	5,000,000 shares of ITL1,000 each	–	100%
Gate U.K. Ltd.	Manufacturing	United Kingdom	GBP50,000	–	100%
Gatebrook International Capital Management Hungary Limited Liability Company	Financing activities	Hungary	US$91,000	–	100%
Gatebrook Ltd.	Investment holding	Cyprus	CYP10,000	–	100%
Gether Success Ltd.	Investment holding	British Virgin Islands	30,000 shares of US$1 each	100%	–
Guiyang Deguang Electric Co Ltd.	Manufacturing	China	US$200,000	–	100%
Harbour Sky (BVI) Ltd.	Property holding	British Virgin Islands	50,000 shares of US$1 each	–	100%
Hwa Sun Electric Company Ltd.	Subcontractor	Hong Kong	10,000 shares of HK$1 each	–	100%
JE Automotive Holdings, Inc.	Investment holding	United States of America	100 shares of US$0.01 each	–	100%
JEA Gate Holdings S.r.l.	Investment holding	Italy	ITL63,400,000	–	100%
JEA Limited	Investment holding	British Virgin Islands	1 share of US$1 each	100%	–

35 Principal subsidiaries, jointly controlled entities and associated companies *(Cont'd)*

Name	Principal activities	Place of incorporation and operation	Issued and paid up capital	Effective shareholding by company	Effective shareholding by subsidiary
SUBSIDIARIES					
Johnson Electric Automotive de Mexico S.A. de C.V.	Manufacturing	Mexico	39,246,590 shares of 1 Peso each	–	100%
Johnson Electric Automotive, Inc.	Manufacturing and investment holding	United States of America	100 shares of US$0.01 each	–	100%
Johnson Electric Capital Ltd.	Investment holding	British Virgin Islands	1 share of US$1 each	100%	–
Johnson Electric Engineering Ltd.	Technical support	Hong Kong	100,000 shares of HK$1 each	100%	–
Johnson Electric (France) SAS	Trading	France	1,910 shares of EUR20 each	–	100%
Johnson Electric Industrial Manufactory, Ltd.	Manufacturing	Hong Kong	308,000,000 shares of HK$0.5 each	100%	–
Johnson Electric Intellectual Property Ltd.	Licensing	Bermuda	1,000,000 shares of HK$0.1 each	100%	–
Johnson Electric (Italy) S.r.l.	Sales & marketing	Italy	EUR10,000	–	100%
Johnson Electric (Nanjing) Co., Ltd.	Manufacturing	China	US$1,500,000	–	100%
Johnson Electric North America, Inc.	Sales distributor	United States of America	12 shares with no par value issued at US$120,000	–	100%
Johnson Electric S.A.	Research and development	Switzerland	500 shares of SFR1,000 each	–	100%
Johnson Electric (Shanghai) Ltd.	Sales & marketing	China	US$200,000	–	100%
Johnson Electric (Shenzhen) Co. Ltd.	Manufacturing	China	HK$30,000,000	100%	–
Johnson Electric (Suzhou) Ltd.	Manufacturing	China	US$3,089,261	–	100%
Johnson Electric Trading Ltd.	Trading	Hong Kong	100,000 shares of HK$1 each	100%	–
Johnson Electric World Trade Ltd.	Marketing, sales agent and distributor	Hong Kong	100,000 shares of HK$1 each	100%	–
Johnson Properties Ltd.	Investment holding	British Virgin Islands	50,000 shares of US$1 each	100%	–
Main Country Ltd.	Property holding	British Virgin Islands	1 share of US$1 each	–	100%
Manufactura de Motores Argentinos S.r.l.	Manufacturing	Argentina	Peso3,880,000	–	100%

35 Principal subsidiaries, jointly controlled entities and associated companies *(Cont'd)*

Name	Principal activities	Place of incorporation and operation	Issued and paid up capital	Effective shareholding by company	Effective shareholding by subsidiary
SUBSIDIARIES					
Nanjing Hop Keung Industrial Co. Ltd.	Manufacturing	China	US$2,500,000	–	100%
Nison Trading Ltd.	Trading	Malaysia	1,000 share of US$1 each	–	100%
Sun View Group (Denmark) ApS	Investment holding	Denmark	DKK2,912,000 distributed on shares of DKK1,000 or multiples	–	100%
Teknik Development Inc.	Licensing	British Virgin Islands	15,000 shares of US$1 each	100%	–
Triowell Ltd.	Property holding	British Virgin Islands	50,000 shares of US$1 each	–	100%
Unicorn (France) SAS	Sales and marketing	France	1,910 shares of EUR20 each	–	100%
Nidec Johnson Electric (Hong Kong) Ltd.	Investment holding	Hong Kong	11,200,000 shares of US$1 each	100%	–
Nidec Johnson Electric (Malaysia) Ltd.	Manufacturing	Malaysia	1 share of US$1 each	–	100%
JOINTLY CONTROLLED ENTITIES					
Shanghai Ri Yong-JEA Gate Electric Co., Ltd.	Manufacturing	China	US$17,000,000	–	50%
ASSOCIATED COMPANIES					
FG Microdesign S.r.l.	Manufacturing	Italy	ITL100,000,000	–	40%
Nihon Mini Motor Co. Ltd.	Manufacturing	Japan	JPY330,000,000	–	49%