NOTES TO THE ACCOUNTS

1. General information

The principal operations of Johnson Electric Holdings Limited (the Company) and its subsidiaries (together the Group) are the manufacture, sale, and trading of motors, electromechanical components and materials. The Group has manufacturing plants and sales operations around the world. During the year, the Group acquired control of "Saia-Burgess Electronics Holding AG (Saia-Burgess)" and "Parlex Corporation (Parlex)". Saia-Burgess is a leading supplier of stepper motors, switches, actuators, sensors and electronic controllers to customers within the automotive, industrial, medical, home appliances, and infrastructure automation industries. Parlex is a world leader in the design and manufacture of flexible, interconnect products.

The Company is a limited liability company incorporated in Bermuda. The address of its registered office is Canon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda.

The Company has its primary listing on The Stock Exchange of Hong Kong Limited.

These consolidated financial statements are presented in thousands of units of US dollars (US$'000), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 5th June 2006.

2. Principal accounting policies

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (HKFRS). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss and investment properties, which are carried at fair value.

The preparation of financial statements in conformity with HKFRS requires the use of certain accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 4.

In 2005/06, the Group adopted the new / revised standards and interpretations of HKFRS. The effect of adopting the new HKFRS is disclosed in note 44.

2.1 CONSOLIDATION

The consolidated financial statements include the financial statements of the Company and all its subsidiaries made up to 31st March 2006.

2. Principal accounting policies *(Cont'd)*

2.2 SUBSIDIARIES

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the profit and loss account.

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

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 by the Company on the basis of dividend received and receivable.

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

2.3 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 (net of any accumulated impairment loss) on acquisition.

2.4 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 (net of any accumulated impairment loss) on acquisition.

2. Principal accounting policies *(Cont'd)*

2.5 SEGMENT REPORTING

In accordance with the Group's internal financial reporting system, the Group's major business segment is manufacture of motors. For the purpose of these financial statements, 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 fixed assets, including additions resulting from acquisitions through purchases of subsidiaries.

2.6 FOREIGN CURRENCY TRANSLATION

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in US dollars, which is the Company's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account, except when deferred in equity as qualifying cash flow hedges or qualifying net investment hedges.

Translation differences on non-monetary items, such as equity instruments held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation difference on non-monetary items, such as equities classified as available-for-sale financial assets, are included in the fair value reserve in equity.

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each profit and loss account are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(iii) all resulting exchange differences are recognised as a separate component of equity.

2. Principal accounting policies *(Cont'd)*

2.6 FOREIGN CURRENCY TRANSLATION *(Cont'd)*

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to equity holders' equity. When a foreign operation is sold, such exchange differences are recognised in the profit and loss account as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

2.7 PROPERTIES, PLANT AND EQUIPMENT

Properties, plant and equipment other than investment properties (note 2.8) 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:

Buildings on leasehold land	The unexpired term of lease
Buildings situated on freehold land	25 – 50 years
Plant and machinery, equipment, and tools and moulds	2 – 15 years
Furniture and fixtures, motor vehicles and Computers	3 – 10 years

At each balance sheet date, both internal and external sources of information are considered to assess whether there is any indication that properties, plant and equipment 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. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

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

2. Principal accounting policies *(Cont'd)*

2.8 INVESTMENT PROPERTIES

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the companies in the consolidated Group, is classified as investment property.

Investment property comprises land held under operating leases and buildings held under finance leases.

Land held under operating leases are classified and accounted for as investment property when the rest of the definition of investment property is met. The operating lease is accounted for as if it were a finance lease.

Investment property is measured initially at its cost, including related transaction costs.

After initial recognition, investment property is carried at fair value. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. These valuations are reviewed annually by external valuers. Investment property that is being redeveloped for continuing use as investment property, or for which the market has become less active, continues to be measured at fair value.

The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed in the profit and loss account during the financial period in which they are incurred.

Changes in fair values are recognised in the profit and loss account.

If an item of properties, plant and equipment becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is recognised in equity as a revaluation of properties, plant and equipment under HKAS 16. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in the profit and loss account.

2.9 INTANGIBLES

(a) Goodwill

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

Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates and jointly controlled entities is included in investments in associates and jointly controlled entities. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

2. Principal accounting policies *(Cont'd)*

2.9 INTANGIBLES *(Cont'd)*

(b) Intangible assets (other than goodwill)

Patents, technology, brands and client relationships that are acquired by the Group are stated in the balance sheet at fair value at the date of acquisition less accumulated amortisation and impairment losses.

Research and development costs are expensed as incurred and are only 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 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.

Amortisation is calculated using the straight-line method to allocate the cost over the estimated useful life. The estimated useful life for amortisation purpose is:

Patents	3 to 20 years
Technology	15 to 20 years
Brands	25 years
Client relationships	5 to 25 years
Research and development costs	3 to 8 years

2.10 IMPAIRMENT OF ASSETS

Assets that have an indefinite useful life are not subject to amortisation, but are tested at least annually for impairment and also reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

2. Principal accounting policies *(Cont'd)*

2.11 INVESTMENTS

The Group classifies its investments in the following categories: other financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date.

(a) Other financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realized within twelve months of the balance sheet date.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable. They are included in current assets, except for maturities greater than twelve months after the balance sheet date. These are classified as non-current assets. Loans and receivables are included in trade and other receivables in the balance sheet (note 2.13).

(c) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. During the year, the Group did not hold any investments in this category.

(d) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within twelve months of the balance sheet date.

Purchases and sales of investments are recognised on trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Investments are not recognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Realized and unrealized gains and losses arising from changes in the fair value of the 'other financial assets at fair value through profit or loss' category are included in the profit and loss account in the period in which they arose. Unrealized gains and losses arising from changes in the fair value of non-monetary securities classified as available-for-sale are recognised in equity. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the profit and loss account as gains or losses from investment securities.

2. Principal accounting policies *(Cont'd)*

2.11 INVESTMENTS *(Cont'd)*

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the profit and loss account – is removed from equity and recognised in the profit and loss account. Impairment losses recognised in the profit and loss account on equity instruments are not reversed through the profit and loss account.

2.12 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.

2.13 TRADE AND OTHER RECEIVABLES

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the profit and loss account.

2.14 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, and within three months of maturity at acquisition.

2.15 SHARE CAPITAL

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any Group company purchases the Company's equity share capital (Treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes,) is deducted from equity attributable to the Company's equity holders until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

2. Principal accounting policies *(Cont'd)*

2.16 BORROWINGS

Borrowings are recognised at fair value, net of transaction costs incurred. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability, including fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date.

2.17 DEFERRED INCOME TAX

Deferred income tax 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 financial statements. Taxation rates enacted or substantively enacted at the balance sheet date are used to determine deferred income tax.

Deferred income 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 income tax is provided on temporary differences arising on investments in subsidiaries, associates and jointly controlled entities, 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.

2.18 EMPLOYEE BENEFITS

(a) Pension obligations

Group companies operate various pension schemes. The schemes are generally funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations. The Group has both defined benefit and defined contribution plans. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan. Typically, defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension liability.

All actuarial gains and losses are recognised in full in the period in which they occur, outside profit and loss account, in reserve.

2. Principal accounting policies *(Cont'd)*

2.18 EMPLOYEE BENEFITS *(Cont'd)*

(a) Pension obligations *(Cont'd)*

Past-service costs are recognised immediately as income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due and are reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions.

(b) Share-based compensation

The Group operates an equity-settled, share-based compensation plan. The fair value of the option granted for the employee services is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the entity revises its estimates of the number of options that are expected to become exercisable. It recognizes the impact of the revision of original estimates, if any, in the profit and loss account, and a corresponding adjustment to equity over the remaining vesting period.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

(c) Employee leave entitlements

Employee entitlements to annual leave and long services leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long-service leave as a result of services rendered by employees up to the balance sheet date.

(d) 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.

2.19 PROVISIONS

Provisions are recognised when the company 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 company 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.

2. Principal accounting policies *(Cont'd)*

2.20 REVENUE RECOGNITION

(a) 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.

(b) Interest income

Interest income is recognised when it is earned on a time-proportion basis using the effective interest method.

(c) Gross earnings from investments in finance leases

Gross earnings from investments in finance leases are recognised on the basis as set out in note 2.21(a).

(d) Rental income

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

(e) Royalty income

Royalty income is recognised on an accrual basis.

2.21 LEASES

(a) Finance leases (as the lessor)

HKAS 17 defines a lease as being an agreement whereby the lessor conveys to the lessee in return for a payment, or series of payments, the right to use an asset for an agreed period of time.

When assets are leased out under a finance lease, the present value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income.

Lease income is recognised over the term of the lease using the net investment method, which reflects a constant periodic rate of return.

(b) Operating leases (as the lessee)

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.

2. Principal accounting policies *(Cont'd)*

2.22 DIVIDEND DISTRIBUTION

Dividend distribution to the Company's equity holders is recognised as a liability in the Group's financial statements when the dividends are approved by the Company's equity holders.

2.23 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 company. 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.

3. Financial risk management

3.1 FINANCIAL RISK FACTORS

The Group's activities expose to a variety of financial risks: foreign exchange risk, credit risk, liquidity risk, interest rate risk and price risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

Risk management is carried out by a central treasury department (Group Treasury) according to the Group policy, Group Treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units.

(a) Foreign exchange risk

The Group operates globally and is thus exposed to foreign exchange risk. To manage the foreign exchange risk, forward currency and options contracts are used with a view to reducing the net exposure to currency fluctuations.

(b) Credit risk

The Group has no significant concentrations of credit risk. It has policies in place to evaluate the credit risk of customers. The Group normally grants credit term ranging from 30 to 90 days to its trade customers.

3. Financial risk management *(Cont'd)*

3.1 FINANCIAL RISK FACTORS *(Cont'd)*

(c) Liquidity risk

The Group follows a policy of prudence in managing its cash balances and maintains a high level of liquidity and the availability of funding through an adequate amount of bank credit facilities.

(d) Interest rate risk

The Group's current borrowings are mainly on floating rate basis and interest rate exposure is closely monitored by the management.

(e) Price risk

The Group is exposed to commodity price risk, mainly due to fluctuations in steel and copper prices. The price risk due to steel and copper is reduced through contracts with our suppliers and hedging through derivatives market respectively.

4. Accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

4.1 ACCOUNTING ESTIMATES AND ASSUMPTIONS

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 2.10. The recoverable amounts have been determined based on value-in-use calculations. These calculations require the use of estimates (note 9).

(b) Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

5. Segment information

Primary reporting format – geographical segments

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

	Asia 2006 US$'000	America 2006 US$'000	Europe 2006 US$'000	Group 2006 US$'000
Sales	954,090	120,992	451,246	**1,526,328**
Operating profit / (loss)	126,773	29	(5,331)	**121,471**
Finance costs				**(7,618)**
Share of profits less losses of jointly controlled entities / associated companies	2,375	–	23	**2,398**
Profit before income tax				**116,251**
Income tax expenses				**(21,884)**
Profit for the year				**94,367**
Attributable to:				
Equity holders of the Company				**93,990**
Minority interests				**377**
Segment assets	886,916	122,206	609,445	**1,618,567**
Jointly controlled entities	16,494	–	–	**16,494**
Associated companies	–	–	2,271	**2,271**
Available-for-sale financial assets	5,294	–	–	**5,294**
Other financial assets at fair value through profit or loss	2,705	2	–	**2,707**
Derivative financial instruments	7,335	–	654	**7,989**
Deferred income tax assets and income tax recoverable				**36,378**
Unallocated corporate assets				**324,343**
Total assets				**2,014,043**
Segment liabilities	715,641	43,341	292,839	**1,051,821**
Deferred income tax liabilities and income tax liabilities				**106,418**
Total liabilities				**1,158,239**
Restructuring costs / provisions	1,644	1,106	14,498	**17,248**
Capital expenditure	47,307	4,208	14,148	**65,663**
Addition of properties, plant and equipment from the acquisition of subsidiaries	5,282	27,883	110,260	**143,425**
Depreciation on properties, plant and equipment	34,479	4,791	16,380	**55,650**
Amortisation charge on leasehold land and land use rights	318	–	–	**318**
Amortisation charge on intangibles	170	424	7,234	**7,828**
Sales by geographical destinations of customers	510,969	396,181	619,178	**1,526,328**

5. Segment information *(Cont'd)*

Primary reporting format – geographical segments *(Cont'd)*

	Asia 2005 US$'000	America 2005 US$'000	Europe 2005 US$'000	Group 2005 (Restated) US$'000
Sales	783,640	80,880	279,263	1,143,783
Operating profit / (loss)	157,728	(9,767)	5,942	153,903
Finance costs				(308)
Share of profits less losses of jointly controlled entities / associated companies	2,840	–	11	2,851
Profit before income tax				156,446
Income tax expenses				(15,193)
Profit for the year				141,253
Attributable to:				
Equity holders of the Company				141,229
Minority interests				24
Segment assets	726,089	42,552	170,588	939,229
Jointly controlled entities	14,921	–	–	14,921
Associated companies	3,159	–	34	3,193
Investment securities and other investments	64,631	–	–	64,631
Deferred income tax assets and income tax recoverable				39,857
Total assets				1,061,831
Segment liabilities	122,857	9,991	81,882	214,730
Deferred income tax liabilities and income tax liabilities				27,734
Total liabilities				242,464
Restructuring costs / provisions	2,616	6,958	418	9,992
Capital expenditure	56,339	3,417	7,229	66,985
Addition of properties, plant and equipment from the acquisition of subsidiaries	9,123	–	–	9,123
Depreciation on properties, plant and equipment	30,212	3,296	10,859	44,367
Amortisation charge on leasehold land and land use rights	718	–	–	718
Amortisation charge on intangibles	1,615	440	1,258	3,313
Sales by geographical destinations of customers	382,359	314,411	447,013	1,143,783

5. Segment information *(Cont'd)*

Secondary reporting format – business segments

The principal operations of the Group are the manufacture, sale, and trading of motors, electromechanical components and materials.

The segment results for the year ended 31st March are as follows:

	Sales		Capital expenditure		Total assets	
	2006	2005	**2006**	2005	**2006**	2005
	US$'000	US$'000	**US$'000**	US$'000	**US$'000**	US$'000
Manufacturing and sales	**1,460,574**	1,138,024	**65,577**	66,855	**1,984,120**	1,028,799
Trading	**65,754**	5,759	**86**	130	**29,923**	33,032
	1,526,328	1,143,783	**65,663**	66,985	**2,014,043**	1,061,831

6. Properties, plant and equipment

Group

	Freehold land and buildings US$'000	Plant and machinery US$'000	Assets under construction US$'000	Other assets* US$'000	Total US$'000
At 1st April 2004, as previously reported					
Cost	95,993	437,779	11,027	119,278	664,077
Accumulated depreciation	(32,213)	(318,161)	–	(65,696)	(416,070)
Adoption of HKAS 17	(22,359)	–	–	–	(22,359)
Net book amount, as restated	41,421	119,618	11,027	53,582	225,648
Year ended 31st March 2005					
Opening net book amount, as restated	41,421	119,618	11,027	53,582	225,648
Exchange differences	663	866	53	949	2,531
Acquisitions of subsidiaries	3,633	2,716	72	2,702	9,123
Additions	8,334	17,213	19,071	15,758	60,376
Transfer	22	(1,071)	(18,309)	19,358	–
Disposals	(5,690)	(2,413)	(6)	(1,087)	(9,196)
Depreciation	(2,582)	(23,412)	–	(18,373)	(44,367)
Closing net book amount	45,801	113,517	11,908	72,889	244,115
At 1st April 2005, as previously reported					
Cost	113,342	406,898	11,908	188,144	720,292
Accumulated depreciation	(39,449)	(293,381)	–	(115,255)	(448,085)
Adoption of HKAS 17	(28,092)	–	–	–	(28,092)
Net book amount, as restated	45,801	113,517	11,908	72,889	244,115
Year ended 31st March 2006					
Opening net book amount, as restated	**45,801**	**113,517**	**11,908**	**72,889**	**244,115**
Exchange differences	(194)	(2,336)	(1,151)	493	**(3,188)**
Acquisitions of subsidiaries (note 42)	66,175	49,404	6,463	21,082	**143,124**
Additions	5,443	22,512	20,698	15,835	**64,488**
Transfer	3,283	6,262	(19,777)	10,232	**–**
Transfer to investment properties	(296)	–	–	–	**(296)**
Disposals	(4,142)	(2,823)	(129)	(2,552)	**(9,646)**
Provision for impairment (note 31)	(1,393)	(3,011)	–	–	**(4,404)**
Depreciation	(5,070)	(27,953)	–	(22,627)	**(55,650)**
Closing net book amount	**109,607**	**155,572**	**18,012**	**95,352**	**378,543**
At 31st March 2006					
Cost	**166,203**	**518,977**	**18,012**	**292,321**	**995,513**
Accumulated depreciation	**(56,596)**	**(363,405)**	**–**	**(196,969)**	**(616,970)**
Net book amount	**109,607**	**155,572**	**18,012**	**95,352**	**378,543**

Freehold land is located in Thailand, Europe and North America.

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

7. Investment properties

	2006 **US$'000**	2005 US$'000
At 1st April, as restated	**8,356**	8,945
Fair value gains (note 28)	**5,671**	462
Transfer from properties, plant and equipment and leasehold land		
– Costs	**807**	–
– Revaluation surplus (note 27)	**2,368**	–
Disposals	**–**	(1,051)
At 31st March	**17,202**	8,356

The investment properties were revalued on an open market value basis as at 31st March 2006 by an independent, professionally qualified valuer, DTZ Debenham Tie Leung Limited, Registered Professional Surveyors.

The Group's interests in investment properties at their net book values are analysed as follows:

	2006 **US$'000**	2005 US$'000
In Hong Kong:		
On medium-term lease (between 10 to 50 years)	**17,202**	8,356

8. Leasehold land and land use rights

The Group's interests in leasehold land and land use rights represent prepaid operating lease payments and their net book value are analysed as follows:

Group

	2006 **US$'000**	2005 US$'000
In Hong Kong:		
On medium-term lease (between 10 to 50 years)	**20,857**	23,196
Outside Hong Kong:		
On medium-term lease (between 10 to 50 years)	**4,498**	4,681
	25,355	27,877

	2006 **US$'000**	2005 US$'000
At 1st April, as previously reported	**–**	–
Adoption of HKAS 17	**27,877**	22,019
At 1st April, as restated	**27,877**	22,019
Exchange adjustments	**(371)**	(14)
Additions	**1,175**	6,609
Transfer to investment properties	**(511)**	–
Acquisition of subsidiaries (note 42)	**301**	–
Amortisation of prepaid operating lease payment	**(318)**	(718)
Disposals	**(2,798)**	(19)
At 31st March	**25,355**	27,877

9. Intangibles

	Goodwill US$'000	Negative goodwill US$'000	Patents US$'000	Technology US$'000	Brands US$'000	Client relationships US$'000	Development costs US$'000	Total intangibles US$'000
At 31st March 2004, as previously reported								
Cost	20,987	(2,919)	3,161	–	–	–	5,447	26,676
Accumulated amortisation and impairment	(4,069)	873	(1,102)	–	–	–	(2,304)	(6,602)
Net book amount	16,918	(2,046)	2,059	–	–	–	3,143	20,074
At 1st April 2004	16,918	(2,046)	2,059	–	–	–	3,143	20,074
Exchange adjustments	3	(26)	123	–	–	–	31	131
Acquisitions of subsidiaries	26,373	–	–	–	–	–	–	26,373
Additions	–	–	58	–	–	–	12	70
Amortisation	(1,917)	208	(650)	–	–	–	(954)	(3,313)
At 31st March 2005	41,377	(1,864)	1,590	–	–	–	2,232	43,335
At 31st March 2005								
Cost	47,112	(2,945)	3,342	–	–	–	4,866	52,375
Accumulated amortisation and impairment	(5,735)	1,081	(1,752)	–	–	–	(2,634)	(9,040)
Net book amount	41,377	(1,864)	1,590	–	–	–	2,232	43,335
At 1st April 2005, as previously reported	**41,377**	**(1,864)**	**1,590**	**–**	**–**	**–**	**2,232**	**43,335**
Adoption of HKFRS 3	–	1,864	–	–	–	–	–	1,864
At 1st April 2005, as restated	**41,377**	**–**	**1,590**	**–**	**–**	**–**	**2,232**	**45,199**
Exchange adjustments	(6,436)	–	(97)	(1,909)	(859)	(1,414)	(43)	(10,758)
Acquisitions of subsidiaries	331,690	–	5	130,144	53,245	88,936	–	604,020
Additions	–	–	157	–	–	–	802	959
Amortisation	–	–	(529)	(3,430)	(838)	(1,958)	(1,073)	(7,828)
At 31st March 2006	**366,631**	**–**	**1,126**	**124,805**	**51,548**	**85,564**	**1,918**	**631,592**
At 31st March 2006								
Cost	**366,631**	**–**	**3,407**	**128,235**	**52,386**	**87,522**	**5,625**	**643,806**
Accumulated amortisation and impairment	**–**	**–**	**(2,281)**	**(3,430)**	**(838)**	**(1,958)**	**(3,707)**	**(12,214)**
Net book amount	**366,631**	**–**	**1,126**	**124,805**	**51,548**	**85,564**	**1,918**	**631,592**

9. Intangibles *(Cont'd)*

A segment-level summary of the goodwill allocation is presented below:

	2006 Total US$'000	2005 Total US$'000
Asia	**42,288**	39,513
Unallocated	**324,343**	–
	366,631	39,513

In accordance with HKAS 36 "Impairment of Assets" the Group completed its annual impairment test for goodwill to the Group's various cash generated units ("CGUs") by comparing their recoverable amounts to their carrying amounts as at the balance sheet date. The recoverable amount of a CGU is determined based on a value-in-use calculation. These calculations use cashflow projections based on financial forecasts covering the first five-year period together with cash flows beyond the five-year period which are extrapolated using the estimated growth rates for the respective CGUs in the range of 0% to 1%. Future cash flows are discounted at the rate of 10%. This growth rate does not exceed the long-term average growth rate for the business in which the CGU operates. There was no evidence of impairment arising from the review.

Goodwill of US$324,343,000 arising from the acquisitions of Saia-Burgess and Parlex during the year is shown as "unallocated" in the segment analysis. The Group is in the process of assessing the synergistic effect that the acquisitions of Saia-Burgess and Parlex will bring to the respective CGUs of the Group and may allocate the goodwill to those respective CGUs after such assessment is completed by March 2007.

10. Subsidiaries

Company	**2006 US$'000**	2005 (Restated) US$'000
Unlisted shares, at cost	**1,008,580**	479,075
Amounts due from subsidiaries	**462,831**	457,579
	1,471,411	936,654
Amounts due to subsidiaries	**(457,531)**	(396,431)
	1,013,880	540,223

Balances with subsidiaries are not repayable within the next twelve months.

Details of principal subsidiaries are shown in note 47.

11. Jointly controlled entities

The Group has a 50% interest in two jointly controlled entities, Shanghai Ri Yong-JEA Gate Electric Co., Ltd. and CJ Electric Systems Co. Ltd. The details of incorporation and principal activities are shown in note 47. The following amounts represent the Group's 50% share of the assets and liabilities, and sales and results of the jointly controlled entities.

	2006 **US$'000**	2005 US$'000
Assets		
Non-current assets	**5,538**	5,750
Current assets	**17,494**	12,689
	23,032	18,439
Liabilities		
Current liabilities	**6,538**	3,518
	6,538	3,518
Net assets	**16,494**	14,921
Income	**19,642**	17,309
Expenses	**(18,069)**	(14,577)
Profit after income tax	**1,573**	2,732

12. Associated companies

Group	**2006** **US$'000**	2005 US$'000
Beginning of the year	**3,193**	13,163
Share of associated companies' results		
– profit before taxation	**932**	139
– taxation	**(107)**	(20)
Exchange differences	**(15)**	(8)
Other equity movements	**–**	(13,131)
Transfer associates to subsidiaries	**(3,799)**	–
Acquisition of associate by a subsidiary	**457**	–
Acquisitions of subsidiaries	**1,610**	3,050
End of the year	**2,271**	3,193

Details of principal associated companies are shown in note 47.

13. Available-for-sale financial assets

	Group		Company	
	2006	2005	**2006**	2005
	US$'000	US$'000	**US$'000**	US$'000
Carrying value of redesignated financial assets	**5,818**	–	**5,687**	–
Fair value adjustment pursuant to transitional provision of HKAS 39	**925**	–	**925**	–
Carrying value as at 1st April 2005, as restated	**6,743**	–	**6,612**	–
Additions	**45**	–	**45**	–
Disposal	**(867)**	–	**(736)**	–
Fair value loss transfer to equity	**(627)**	–	**(627)**	–
End of the year	**5,294**	–	**5,294**	–

There were no impairment provisions on available-for-sale financial assets in 2006.

Available-for-sale financial assets include the following:

	2006	2005
	US$'000	US$'000
Unlisted securities		
– Unlisted equity investments	**5,294**	–

14. Investment securities

	Group		Company	
	2006	2005	**2006**	2005
	US$'000	US$'000	**US$'000**	US$'000
Unlisted equity securities	–	5,818	–	5,687

From 1st April 2005 onwards, the Group classifies its investment securities to available-for-sale financial assets.

15. Derivative financial instruments

	Assets		Liabilities	
	2006	2005	**2006**	2005
	US$'000	US$'000	**US$'000**	US$'000
Interest-rate swaps-held for trading	**654**	–	**–**	–
Forward foreign exchange contracts				
– cash flow hedges	**–**	–	**371**	–
– held for trading	**–**	–	**208**	–
Commodity contracts				
– raw material hedge (note)	**7,097**	–	**–**	–
– held for trading	**238**	–	**–**	–
Total	**7,989**	–	**579**	–
Current portion	**7,989**	–	**579**	–

Note: This represents hedging contracts for future purchase of copper.

16. Stocks and work in progress

Group	**2006**	2005
	US$'000	US$'000
Raw materials	**129,616**	85,464
Work in progress	**14,579**	5,746
Finished goods	**89,184**	69,561
	233,379	160,771

17. Trade and other receivables

	2006	2005
	US$'000	US$'000
Trade receivables	**375,558**	233,474
Less: provision for impairment of receivables	**(8,612)**	(2,539)
Trade receivables – net	**366,946**	230,935
Prepayments and other receivables	**51,223**	47,078
Investments in finance leases (note 18)	**8**	15
	418,177	278,028

All trade and other receivables are either repayable within one year or on demand. Accordingly, the fair value of the Group's and the Company's trade and other receivables are approximately the same as the carrying value.

17. Trade and other receivables *(Cont'd)*

The trade and other receivables include trade receivables of US$375,558,000 (2005: US$233,474,000). The Group normally grants credit period ranging from 30 to 90 days to its trade customers. The ageing analysis of trade receivables was as follows:

Group	**2006**	2005
	US$'000	US$'000
0-60 days	**284,475**	162,847
61-90 days	**41,226**	36,254
Over 90 days	**49,857**	34,373
Total	**375,558**	233,474

There is no concentration of credit risk with respect to trade receivables, as the Group has a large number of customers.

18. Investments in finance leases

Group	**2006**	2005
	US$'000	US$'000
Non-current receivables		
Finance leases – gross receivables	**209**	629
Unearned finance income	**(57)**	(203)
	152	426
Current receivables		
Finance leases – gross receivables	**16**	37
Unearned finance income	**(8)**	(22)
	8	15

18. Investments in finance leases *(Cont'd)*

The finance leases are receivable in the following years:

	Net investment		Unearned finance income		Gross receivables	
	2006	2005	**2006**	2005	**2006**	2005
	US$'000	US$'000	**US$'000**	US$'000	**US$'000**	US$'000
Within one year	**8**	15	**8**	22	**16**	37
In the second to fifth year	**36**	75	**27**	78	**63**	153
After the fifth year	**116**	351	**30**	125	**146**	476
	160	441	**65**	225	**225**	666

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.

19. Other financial assets at fair value through profit or loss

Group	**2006**	2005
	US$'000	US$'000
Listed securities:		
– Equity securities – US	**2**	–
Market value of listed securities	**2**	–
Unlisted securities:	**2,705**	–

The carrying amounts of the above financial assets are classified as follows:

Designated as fair value through profit or loss on initial recognition	**2,707**	–
	2,707	–

Other financial assets at fair value through profit or loss are presented within the section on operating activities as part of changes in working capital in the cash flow statement (note 41).

20. Other investments

Group	**2006**	2005
	US$'000	US$'000
Unlisted investments	–	24,386
Listed investments, outside Hong Kong	–	34,427
Total	–	58,813

From 1st April 2005 onwards, the Group classifies its investments in the following categories: financial assets at fair value through profit or loss, and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date.

21. Bank balances and cash

	Group		**Company**	
	2006	2005	**2006**	2005
	US$'000	US$'000	**US$'000**	US$'000
Cash at bank and in hand	**67,228**	38,923	**651**	181
Short-term bank deposits	**171,282**	137,398	**360**	–
	238,510	176,321	**1,011**	181

The effective interest rate on short-term bank deposits was 4.32% (2005: 2.58%); these deposits have an average maturity of 30 days.

Cash included in the cash flow statement as follows:

	Group		**Company**	
	2006	2005	**2006**	2005
	US$'000	US$'000	**US$'000**	US$'000
Cash and cash equivalents	**238,510**	176,321	**1,011**	181

22. Trade and other payables

	2006	2005
	US$'000	US$'000
Trade payables	**194,925**	128,255
Accrued expenses and sundry payables	**92,763**	50,947
	287,688	179,202

The trade and other payables include trade payables of US$194,925,000 (2005: US$128,255,000). The ageing analysis of trade payables was as follows:

Group	**2006**	2005
	US$'000	US$'000
0-60 days	**151,055**	91,124
61-90 days	**15,652**	15,888
Over 90 days	**28,218**	21,243
Total	**194,925**	128,255

23. Borrowings

	Group		**Company**	
	2006	2005	**2006**	2005
	US$'000	US$'000	**US$'000**	US$'000
Non-Current				
Bank borrowings (note)	**520,723**	–	**520,718**	–
Other loans	**2,470**	3,018	**–**	–
	523,193	3,018	**520,718**	–
Current				
Bank borrowings	**184,710**	12,878	**–**	–
Other loans	**210**	92	**–**	–
	184,920	12,970	**–**	–

23. Borrowings *(Cont'd)*

The maturity of borrowings is as follows:

	Group				Company	
	Bank loans		Other loans		Bank loans	
	2006	2005	**2006**	2005	**2006**	2005
	US$'000	US$'000	**US$'000**	US$'000	**US$'000**	US$'000
Within one year	**184,710**	12,878	**210**	92	**–**	–
In the second year	**5**	–	**364**	239	**–**	–
In the third to fifth year (note)	**520,718**	–	**1,059**	949	**520,718**	–
After the fifth year	**–**	–	**1,047**	1,830	**–**	–
	705,433	12,878	**2,680**	3,110	**520,718**	–

Interest is charged on the outstanding balances at 1.5% to 6.875% per annum (2005: 1.5% to 3.2% per annum).

The carrying amount of the above loans approximate their fair value as at 31st March 2006.

Note: At 31st March 2006, the Group had an outstanding bridge loan in the amount of US$520,718,000. This had been taken out in November 2005 for the purpose of funding the purchase of shares in Saia-Burgess. At 31st March 2006 the Company also had in place a facility agreement with a syndicate of banks for a five-year loan facility of up to US$530,000,000, for the express purpose of refinancing the bridge loan. This facility was drawn down on 6th April 2006 to refinance in full the bridge loan. The five-year loan is repayable in full on the Final Maturity Date, 31st March 2011. Accordingly, the bridge loan is classified as non-current in the balance sheet.

The carrying amounts of the borrowings are denominated in the following currencies:

	Group		Company	
	2006	2005	**2006**	2005
	US$'000	US$'000	**US$'000**	US$'000
Hong Kong dollar	**9,710**	9,986	**–**	–
US dollar	**124,209**	–	**–**	–
Euro	**42,481**	3,096	**–**	–
Swiss Francs	**520,718**	–	**520,718**	–
Other currencies	**10,995**	2,906	**–**	–
	708,113	15,988	**520,718**	–

24. Provisions and other liabilities

Group	Other pension costs US$'000	Restructuring US$'000	Retirement benefit obligations US$'000	Finance lease liabilities US$'000	Sundries US$'000	Total US$'000
At 1st April 2004	2,402	–	13,742	–	–	16,144
Exchange adjustments	(6)	–	826	–	–	820
Acquisitions of subsidiaries	539	–	–	–	–	539
Provisions	29	9,992	2,951	–	–	12,972
Utilised	(1,137)	(7,101)	(2,697)	–	–	(10,935)
Reclassification	616	–	(616)	–	–	–
At 1st April 2005	2,443	2,891	14,206	–	–	19,540
Exchange adjustments	(26)	–	(1,188)	–	–	(1,214)
Acquisitions of subsidiaries (note 42)	701	–	22,353	8,787	978	32,819
Provisions	348	17,248	3,652	–	26	21,274
Utilised	(274)	(7,890)	(2,911)	(126)	–	(11,201)
Recognised as equity	–	–	(5,777)	–	–	(5,777)
At 31st March 2006	**3,192**	**12,249**	**30,335**	**8,661**	**1,004**	**55,441**
Less: non-current portion	**(3,192)**	**–**	**(30,335)**	**(8,368)**	**(1,004)**	**(42,899)**
Current portion	**–**	**12,249**	**–**	**293**	**–**	**12,542**

24.1 Restructuring

Details of provision of restructuring cost are as follows:

	2006 US$'000	2005 US$'000
Asset write-offs (including provision for impairment)	**2,763**	184
Other costs	**9,486**	2,707
	12,249	2,891

24. Provisions and other liabilities *(Cont'd)*

24.2 Retirement benefit obligations

Most of the pension plans are final salary defined benefit plans. The assets of the funded plans are held independently of the Group assets in separate trustee administered funds. The Group's major plans are valued by qualified actuaries annually using the projected unit credit method.

The principal actuarial assumptions used for retirement benefit obligation were as follows:

	2006	2005
Discount rate	**3% – 4.25%**	4.5%
Expected return on plan assets	**0% – 7%**	0%
Future salary increases	**0% – 3%**	3%
Future pension increases	**0% – 3%**	2%

The amounts recognised in the consolidated balance sheet are determined as follows:

	2006 **US$'000**	2005 US$'000
Present value of funded obligations	**112,159**	–
Present value of unfunded obligations	**20,579**	14,206
Present value of total obligations	**132,738**	14,206
Fair value of plan assets	**(102,403)**	–
	30,335	14,206

The movement in the obligation recognised in the consolidated balance sheet is as follows:

	2006 **US$'000**	2005 US$'000
Beginning of the year	**14,206**	13,742
Current service cost	**2,973**	1,948
Actual employee contributions	**1,001**	–
Interest cost	**2,456**	1,003
Actuarial loss on obligation	**747**	–
Acquisitions of subsidiaries	**116,179**	–
Reclassified to other account	**–**	(616)
Actual benefits paid	**(1,956)**	(2,697)
Exchange differences	**(2,868)**	826
End of the year	**132,738**	14,206

24. Provisions and other liabilities *(Cont'd)*

24.2 Retirement benefit obligations *(Cont'd)*

Changes in the fair value of the plan assets are as follows:

	2006	2005
	US$'000	US$'000
Beginning of the year	**–**	–
Expected return on plan assets	**1,777**	–
Actuarial gains on obligation	**6,428**	–
Actual company contributions	**1,321**	–
Actual employee contributions	**1,001**	–
Acquisitions of subsidiaries	**93,827**	–
Actual benefits paid	**(375)**	–
Exchange differences	**(1,576)**	–
End of the year	**102,403**	–

The amounts recognised in the consolidated profit and loss account are as follows:

	2006	2005
	US$'000	US$'000
Current service cost	**2,973**	1,948
Interest cost	**2,456**	1,003
Expected return on plan assets	**(1,777)**	–
Total expenses, included in staff costs	**3,652**	2,951

The actuarial losses recognised in the consolidated statement of recognised income and expense in current year was US$5,777,000 (2005: US$0).

The cumulative actuarial losses recognised in the consolidated statement of recognised income and expense amount to US$5,777,000 (2005: US$0).

24. Provisions and other liabilities *(Cont'd)*

24.2 Retirement benefit obligations *(Cont'd)*

Fair value of plan assets are analysed as follows:

	2006	2005
Equity instruments	**51.68%**	0%
Debt instruments	**33.81%**	0%
Other assets	**14.51%**	0%

The experience adjustments are as follows:

Present value of defined benefit obligations	**132,738**	14,206
Fair value of plan assets	**102,403**	–
Deficit	**(30,335)**	(14,206)
Experience adjustments on defined benefit obligations	**(747)**	–
Experience adjustments on plan assets	**6,428**	–

24.3 Finance lease liabilities

Properties, plant and equipment includes the following amounts where the Group is a lessee under a finance lease:

	2006 **US$'000**	2005 US$'000
Cost – capitalised finance leases	**17,008**	–
Accumulated depreciation	**(7,568)**	–
Net book amount	**9,440**	–

Lease liabilities are effectively secured as the rights to the leased asset revert to the lessor in the event of default.

The exposure of the Group's borrowings to interest-rate changes and the periods in which the borrowings reprice are as follows:

	2006	2005
Building capital lease	**11.69%**	0.00%
Laser equipment lease	**8.42%**	0.00%

24. Provisions and other liabilities *(Cont'd)*

24.3 Finance lease liabilities *(Cont'd)*

	2006 US$'000	2005 US$'000
Not later than 1 year	**1,279**	–
Later than 1 year and not later than 5 years	**6,558**	–
Later than 5 years	**8,604**	–
	16,441	–
Future finance charges on finance leases	**(7,780)**	–
Present value of finance lease liabilities	**8,661**	–

The present value of finance lease liabilities is as follows:

	2006 US$'000	2005 US$'000
Not later than 1 year	**293**	–
Later than 1 year and not later than 5 years	**2,277**	–
Later than 5 years	**6,091**	–
	8,661	–

25. Deferred income tax

The gross movement on the deferred income tax account is as follows:

	2006 US$'000	2005 (Restated) US$'000
At beginning of year, as previously reported	**7,421**	12,638
Adoption of HKAS-Int 21	**–**	(1,376)
	7,421	11,262
Exchange adjustments	**1,271**	(16)
Acquisitions of subsidiaries (note 42)	**(67,846)**	(6)
Transfer to profit and loss account (note 34)	**6,396**	(3,819)
Taxation charged to equity	**(2,649)**	–
At end of year	**(55,407)**	7,421

25. Deferred income tax *(Cont'd)*

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

	Provisions		Accelerated tax depreciation		Impairment of assets		Tax losses		Fair value gain		Others		Total	
	2006	2005	**2006**	2005	**2006**	2005	**2006**	2005	**2006**	2005	**2006**	2005	**2006**	2005
	US$'000	US$'000	**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,														
as previously reported	**(3,904)**	(2,562)	**(21,414)**	(19,017)	**2,630**	3,702	**29,946**	29,363	**(1,376)**	–	**1,539**	1,152	**7,421**	12,638
Adoption of HKAS-Int 21	**–**	–	**–**	–	**–**	–	**–**	–	**–**	(1,376)	**–**	–	**–**	(1,376)
Increase in deferred income tax assets / liabilities														
Exchange adjustments	**(64)**	(424)	**–**	–	**14**	–	**507**	430	**–**	–	**–**	–	**457**	6
Credited / (charged) to														
profit and loss account	**–**	(918)	**–**	(2,391)	**1,865**	–	**–**	153	**–**	–	**–**	409	**1,865**	(2,747)
Taxation charged to equity	**(1,058)**	–	**–**	–	**–**	–	**–**	–	**(1,591)**	–	**–**	–	**(2,649)**	–
Acquisitions of subsidiaries	**–**	–	**(8,421)**	(6)	**–**	–	**3,165**	–	**(64,939)**	–	**–**	–	**(70,195)**	(6)
	(1,122)	(1,342)	**(8,421)**	(2,397)	**1,879**	–	**3,672**	583	**(66,530)**	–	**–**	409	**(70,522)**	(2,747)
Decrease in deferred income tax assets / liabilities														
Exchange adjustments	**–**	–	**459**	–	**–**	–	**–**	–	**1,087**	–	**(732)**	(22)	**814**	(22)
Credited / (charged) to														
profit and loss account	**9,375**	–	**2,870**	–	**–**	(1,072)	**(4,624)**	–	**503**	–	**(3,593)**	–	**4,531**	(1,072)
Taxation charged to equity	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–
Acquisitions of subsidiaries	**3,109**	–	**–**	–	**(604)**	–	**–**	–	**–**	–	**(156)**	–	**2,349**	–
	12,484	–	**3,329**	–	**(604)**	(1,072)	**(4,624)**	–	**1,590**	–	**(4,481)**	(22)	**7,694**	(1,094)
At end of year	**7,458**	(3,904)	**(26,506)**	(21,414)	**3,905**	2,630	**28,994**	29,946	**(66,316)**	(1,376)	**(2,942)**	1,539	**(55,407)**	7,421
Analysed as:														
Deferred income tax assets	**9,058**	2,739	**(6,014)**	(6,543)	**3,905**	2,630	**26,041**	29,946	**–**	–	**(328)**	1,917	**32,662**	30,689
Deferred income tax liabilities	**(1,600)**	(6,643)	**(20,492)**	(14,871)	**–**	–	**2,953**	–	**(66,316)**	(1,376)	**(2,614)**	(378)	**(88,069)**	(23,268)
	7,458	(3,904)	**(26,506)**	(21,414)	**3,905**	2,630	**28,994**	29,946	**(66,316)**	(1,376)	**(2,942)**	1,539	**(55,407)**	7,421

25. Deferred income tax *(Cont'd)*

The deferred income tax charged to equity during the year is as follows:

	2006	2005
	US$'000	US$'000
Fair value reserves in shareholders' equity		
– hedging reserve	**(1,177)**	–
– other reserve	**(414)**	–
Actuarial gains of defined benefit plan upon the adoption of HKAS 19 (Amendment)	**(1,058)**	–
	(2,649)	–

Deferred income 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$12,718,000 (2005: US$7,834,000) to carry forward against future taxable income. Out of the unrecognised tax losses, US$896,000 (2005: US$1,665,000) will expire from March 2010 to March 2011.

26. Share capital

	Number of shares (thousands)	Ordinary shares US$'000	Share premium US$'000	Treasury shares US$'000	Total US$'000
As at 1st April 2004 and 2005	3,673,789	5,925	77,855	–	83,780
Treasury shares purchased	(2,480)	–	–	(2,368)	(2,368)
As at 31st March 2006	**3,671,309**	**5,925**	**77,855**	**(2,368)**	**81,412**

The total authorised number of ordinary shares is 7,040,000,000 shares (2005: 7,040,000,000) with a par value of HK$0.0125 per share (2005: HK$0.0125 per share). All issued shares are fully paid.

The Company acquired 2,480,000 of its own shares through purchases on the Stock Exchange in the year 2005/06. The total amount paid to acquire the shares was US$2,368,000 and has been deducted from shareholders' equity. The shares are held as "treasury shares".

26. Share capital *(Cont'd)*

Share Option

Share options granted to employee as at 31st March 2006 under a share option scheme approved at an Annual General Meeting of the Group held on 29th July 2002 are as follows:

Held at 01/04/2005	Granted during the year	Forfeited during the year	Held at 31/03/2006	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
650,000	–	(100,000)	550,000	8.02	17/09/2002	01/08/2004	16/09/2012
650,000	–	(100,000)	550,000	8.02	17/09/2002	01/08/2005	16/09/2012
150,000	–	(100,000)	50,000	9.40	10/07/2003	01/07/2005	09/07/2013
150,000	–	(100,000)	50,000	9.40	10/07/2003	01/07/2006	09/07/2013
837,500	–	(362,500)	475,000	9.65	31/07/2003	01/07/2005	30/07/2013
837,500	–	(362,500)	475,000	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	05/10/2013
100,000	–	–	100,000	11.95	06/10/2003	01/10/2006	05/10/2013
50,000	–	–	50,000	8.77	07/05/2004	01/05/2006	06/05/2014
50,000	–	–	50,000	8.77	07/05/2004	01/05/2007	06/05/2014
100,000	–	–	100,000	7.40	28/12/2004	01/01/2007	27/12/2014
100,000	–	–	100,000	7.40	28/12/2004	01/01/2008	27/12/2014
–	50,000	(50,000)	–	7.10	05/05/2005	01/05/2007	04/05/2015
–	50,000	(50,000)	–	7.10	05/05/2005	01/05/2008	04/05/2015
4,175,000	100,000	(1,625,000)	2,650,000				

No share option was exercised during the year (2005: Nil).

The fair value of options granted or forfeited, net, during the year ended 31st March 2006 determined using the Binomial valuation model and credited to the profit and loss account was US$210,000 (charge for year ended 31st March 2005: US$544,000). The significant inputs into the model were dividend yield of 1.5%, sub optimal early exercise factor of 1.5, withdrawal rate of 5% post the vesting period, volatility of 40% and the risk-free rate is varied depending on the grant date.

The aggregate fair value of US$681,000 of the above options granted are recognised, together with a corresponding increase in equity, over their vesting period for the relevant directors and senior executives in accordance with the Group's revised accounting policy pursuant to HKFRS 2 "Share-based Payments". Details of the change in the Group's accounting policy in respect of share options granted and the financial impacts are set out in note 44.

27. Reserves

Group

	Contributed surplus US$'000	Investment property revaluation reserve US$'000	Capital reserve US$'000	Goodwill on con-solidation US$'000	Exchange reserve US$'000	Share option reserve US$'000	Hedging reserve US$'000	Other reserve US$'000	Retained earnings US$'000	Total US$'000
At 1st April 2004, as previously reported as equity	15,499	8,223	38,917	(233,885)	998	–	–	–	820,585	650,337
Increase in expenses in respect of leasehold land	–	–	–	–	–	–	–	–	(340)	(340)
Increase in deferred tax liability	–	(1,439)	–	–	–	–	–	–	–	(1,439)
Increase in employee expenses	–	–	–	–	–	347	–	–	(347)	–
At 1st April 2004, as restated	15,499	6,784	38,917	(233,885)	998	347	–	–	819,898	648,558
Exchange adjustments	–	–	–	–	8,030	–	–	–	–	8,030
Revaluation surplus	–	462	–	–	–	–	–	–	–	462
Revaluation surplus realised upon disposal	–	(822)	–	–	–	–	–	–	–	(822)
Decrease in deferred tax liability	–	63	–	–	–	–	–	–	–	63
Net income / (expense) recognised directly in equity	–	(297)	–	–	8,030	–	–	–	–	7,733
Profit for the year as restated	–	–	–	–	–	–	–	–	141,229	141,229
Total recognised income for the year	–	(297)	–	–	8,030	–	–	–	141,229	148,962
2003/04 Final dividend paid	–	–	–	–	–	–	–	–	(42,390)	(42,390)
2004/05 Interim dividend paid	–	–	–	–	–	–	–	–	(21,195)	(21,195)
Employee share option scheme: – value of employee services	–	–	–	–	–	544	–	–	–	544
	–	(297)	–	–	8,030	544	–	–	77,644	85,921
At 31st March 2005, as restated	15,499	6,487	38,917	(233,885)	9,028	891	–	–	897,542	734,479
Final dividend proposed	–	–	–	–	–	–	–	–	51,810	51,810
Other	15,499	6,487	38,917	(233,885)	9,028	891	–	–	845,732	682,669
At 31st March 2005	15,499	6,487	38,917	(233,885)	9,028	891	–	–	897,542	734,479
Company and subsidiaries	15,499	6,487	38,917	(233,885)	9,028	891	–	–	890,943	727,880
Jointly controlled entities	–	–	–	–	–	–	–	–	5,971	5,971
Associated companies	–	–	–	–	–	–	–	–	628	628
At 31st March 2005	15,499	6,487	38,917	(233,885)	9,028	891	–	–	897,542	734,479

27. Reserves *(Cont'd)*

Group

	Contributed surplus US$'000	Investment property revaluation reserve US$'000	Capital reserve US$'000	Goodwill on con-solidation US$'000	Exchange reserve US$'000	Share option reserve US$'000	Hedging reserve US$'000	Other reserve US$'000	Retained earnings US$'000	Total US$'000
At 1st April 2005, as restated	15,499	6,487	38,917	(233,885)	9,028	891	–	–	897,542	734,479
Exchange adjustments	–	–	32	–	(7,391)	–	–	–	–	(7,359)
Opening adjustment for the adoption of HKAS 39	–	–	–	–	–	–	–	925	1,851	2,776
Opening adjustment for the adoption of HKAS 40	–	(6,487)	–	–	–	–	–	–	6,487	–
Opening adjustment for the adoption of HKFRS 3	–	–	–	–	–	–	–	–	1,864	1,864
Fair value losses on available-for-sale financial assets	–	–	–	–	–	–	–	(627)	–	(627)
Actuarial gains of defined benefit plan upon the adoption of HKAS 19 (Amendment)	–	–	–	–	–	–	–	–	5,777	5,777
Deferred tax effect on actuarial gains of defined benefit plan upon the adoption of HKAS 19 (Amendment)	–	–	–	–	–	–	–	–	(1,058)	(1,058)
Fair value gains:										
– hedging instrument	–	–	–	–	–	–	6,724	–	–	6,724
– deferred tax on fair value gains	–	–	–	–	–	–	(1,177)	–	–	(1,177)
Revaluation surplus:										
– on transfer from properties, plant and equipment and leasehold land to investment properties	–	–	–	–	–	–	–	2,368	–	2,368
– deferred tax on revaluation surplus	–	–	–	–	–	–	–	(414)	–	(414)
Net income / (expense) recognised directly in equity	–	(6,487)	32	–	(7,391)	–	5,547	2,252	14,921	8,874
Profit for the year	–	–	–	–	–	–	–	–	93,990	93,990
Total recognised income for the year	**–**	**(6,487)**	**32**	**–**	**(7,391)**	**–**	**5,547**	**2,252**	**108,911**	**102,864**
2004/05 Final dividend paid	–	–	–	–	–	–	–	–	(51,810)	(51,810)
2005/06 Interim dividend paid	–	–	–	–	–	–	–	–	(21,195)	(21,195)
Employee share option scheme:										
– value of employee services	–	–	–	–	–	(210)	–	–	–	(210)
	–	(6,487)	32	–	(7,391)	(210)	5,547	2,252	35,906	29,649
At 31st March 2006	**15,499**	**–**	**38,949**	**(233,885)**	**1,637**	**681**	**5,547**	**2,252**	**933,448**	**764,128**
Final dividend proposed	–	–	–	–	–	–	–	–	40,035	40,035
Other	15,499	–	38,949	(233,885)	1,637	681	5,547	2,252	893,413	724,093
At 31st March 2006	**15,499**	**–**	**38,949**	**(233,885)**	**1,637**	**681**	**5,547**	**2,252**	**933,448**	**764,128**
Company and subsidiaries	15,499	–	38,949	(233,885)	1,637	681	5,547	2,252	924,451	755,131
Jointly controlled entities	–	–	–	–	–	–	–	–	7,544	7,544
Associated companies	–	–	–	–	–	–	–	–	1,453	1,453
At 31st March 2006	**15,499**	**–**	**38,949**	**(233,885)**	**1,637**	**681**	**5,547**	**2,252**	**933,448**	**764,128**

27. Reserves *(Cont'd)*

Company	Contributed surplus US$'000	Other reserve US$'000	Retained earnings US$'000	Total US$'000
At 31st March 2004, as previously reported	95,273	–	366,948	462,221
Increase in employee expenses	–	347	–	347
Profit for the year	–	–	65,844	65,844
Dividend	–	–	(63,585)	(63,585)
At 31st March 2004, as restated	95,273	347	369,207	464,827
Increase in employee expenses	–	544	–	544
At 31st March 2005, as restated	95,273	891	369,207	465,371
Opening adjustment for the adoption of HKAS 39	–	925	–	925
Decrease in employee expenses	–	(210)	–	(210)
Fair value losses on available-for-sale financial assets	–	(627)	–	(627)
Profit for the year	–	–	25,352	25,352
Dividend	–	–	(73,005)	(73,005)
At 31st March 2006	**95,273**	**979**	**321,554**	**417,806**

Distributable reserves of the Company at 31st March 2006 amounted to US$416,827,000 (2005 as restated: US$464,480,000).

28. Other gains, net

	2006 **US$'000**	2005 US$'000
Interest income	**6,025**	2,825
Gross earnings from investments in finance leases	**7**	22
Gross rental income from investment properties	**1,344**	1,384
Royalty income	**108**	89
Fair value gains on investment properties	**5,671**	–
	13,155	4,320

29. Selling and administrative expenses

	2006 **US$'000**	2005 (Restated) US$'000
Selling expenses	**97,582**	65,916
Administrative expenses	**153,947**	122,667
	251,529	188,583

30. Restructuring costs / provisions

The Group announced closure of certain plants in Europe and US. The costs incurred during the year mainly represent asset write-offs, severance payments and provisions for other shutdown costs.

	2006 **US$'000**	2005 US$'000
Asset write-offs (including provision for impairment)	**3,154**	–
Other costs	**14,094**	9,992
Total provision	**17,248**	9,992

31. Expenses by nature

Operating profit is stated after crediting and charging the following:

	2006	2005
	US$'000	US$'000
Depreciation		
Depreciation on properties, plant and equipment	**55,650**	44,367
Less: amounts capitalised on assets under construction	**(1,256)**	(1,012)
	54,394	43,355
Staff costs	**229,221**	159,569
Less: amounts capitalised on assets under construction	**(1,640)**	(2,029)
	227,581	157,540
Cost of goods sold	**1,149,235**	795,625
Auditors' remuneration	**1,879**	769
Amortisation on leasehold land and land use rights (note 8)	**318**	718
Amortisation of intangibles (note 9)	**7,828**	3,313
Impairment of assets (note 6)	**4,404**	–
Loss on disposal of properties, plant and equipment	**2,667**	3,003
Net exchange loss (note 35)	**1,151**	1,028
Provision for bad debt	**455**	–
Reversal of provision for bad debt	**–**	(880)

32. Employee benefit expense

	2006	2005
	US$'000	US$'000
Wages and salaries	**206,946**	150,725
Social security costs	**15,078**	3,370
Pension costs – defined contribution plans	**3,178**	2,523
Pension costs – defined benefit plans	**4,019**	2,951
	229,221	159,569

32. Employee benefit expense *(Cont'd)*

32.1 Pensions – Defined Contribution Plans

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 are 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.

Forfeited contributions totaling US$1,100,000 (2005: US$0) were used to offset the contribution during the year leaving US$371,000 (2005: US$1,278,000) available at the year-end to reduce future contributions.

32.2 Pensions – Defined Benefit Plans

The Group's major plans were valued by qualified actuaries as at 31st March 2006 and 31st March 2005 using the projected unit credit method to account for the Group's pension accounting costs.

32.3 Directors' Emoluments

The remuneration of every Director for the year ended 31st March 2006 is set out below:

Name of Director	Fees US$'000	Salary US$'000	Other benefits* US$'000	Employer's contribution to pension scheme US$'000	Total US$'000
Yik-Chun Koo Wang	–	67	–	5	72
Patrick Shui-Chung Wang	–	600	–	48	648
Winnie Wing-Yee Wang	–	377	123	30	530
Richard Li-Chung Wang	–	500	–	40	540
Peter Stuart Allenby Edwards	38	–	–	–	38
Patrick Blackwell Paul	50	–	–	–	50
Arkadi Kuhlmann	42	–	–	–	42
Oscar De Paula Bernardes Neto	34	–	–	–	34
Peter Kin-Chung Wang	30	–	–	–	30
Michael John Enright	41	–	–	–	41
Laura May-Lung Cha	41	–	–	–	41
	276	1,544	123	123	2,066

32. Employee benefit expense *(Cont'd)*

32.3 Directors' Emoluments *(Cont'd)*

The remuneration of every Director for the year ended 31st March 2005 is set out below:

Name of Director	Fees US$'000	Salary US$'000	Other benefits* US$'000	Employer's contribution to pension scheme US$'000	Total US$'000
Yik-Chun Koo Wang	–	67	–	3	70
Patrick Shui-Chung Wang	–	600	–	30	630
Winnie Wing-Yee Wang	–	377	123	19	519
Richard Li-Chung Wang	–	500	–	25	525
Peter Stuart Allenby Edwards	30	–	–	–	30
Patrick Blackwell Paul	43	–	–	–	43
Arkadi Kuhlmann	25	–	–	–	25
Oscar De Paula Bernardes Neto	30	–	–	–	30
Peter Kin-Chung Wang	25	–	–	–	25
Michael John Enright	31	–	–	–	31
Laura May-Lung Cha	18	–	–	–	18
Peter John Wrangham	5	–	–	–	5
	207	1,544	123	77	1,951

Note: Other benefits include housing allowance benefits.

32.4 Senior Management Compensation

The five individuals whose emoluments were the highest in the Group for the year include 3 directors (2005: 3) whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining 2 individuals (2005: 2) during the year are as follows:

	2006 US$'000	2005 US$'000
Salaries, allowances and other benefits	**1,219**	980
Retirement scheme contributions	**146**	34
Retirement gratuity	**915**	–
Bonuses	**160**	34
	2,440	1,048

32. Employee benefit expense *(Cont'd)*

32.4 Senior Management Compensation *(Cont'd)*

Emoluments band	**Number of individuals**	
	2006	2005
US$384,001 – US$448,000 (HK$3,000,001 – HK$3,500,000)	–	1
US$640,001 – US$704,000 (HK$5,000,001 – HK$5,500,000)	–	1
US$832,001 – US$896,000 (HK$6,500,001 – HK$7,000,000)	**1**	–
US$1,536,001 – US$1,600,000 (HK$12,000,001 – HK$12,500,000)	**1**	–

33. Finance costs

	2006	2005
	US$'000	US$'000
Interest on bank loans and overdrafts	**7,618**	264
Interest on other loans, not wholly repayable within five years	–	44
	7,618	308

34. Income tax expenses

Hong Kong profits tax has been provided at the rate of 17.5% (2005: 17.5%) on the estimated assessable profit for the year. Overseas tax has been provided at the applicable rates on the estimated assessable profit in respective countries of operations for the year.

	2006	2005
		(restated)
	US$'000	US$'000
Current taxation		
Hong Kong profits tax	**(6,070)**	(8,599)
Overseas taxation	**(19,554)**	(3,789)
(Under) / over provisions in prior years	**(2,656)**	1,014
	(28,280)	(11,374)
Deferred income tax (note 25)	**6,396**	(3,819)
	(21,884)	(15,193)

34. Income tax expenses *(Cont'd)*

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

	2006	2005
		(Restated)
	%	%
Tax rate of Hong Kong	**17.5**	17.5
Effect of different taxation rates in other countries	**0.7**	1.7
Income net of expenses not subject to taxation	**(4.3)**	(9.6)
Under / (over) provisions in prior years	**2.2**	(0.6)
Unrecognised tax losses	**2.7**	0.7
Effective tax rate	**18.8**	9.7

35. Net foreign exchange losses

The exchange differences recognised in the profit and loss account are included as follows:

	2006	2005
	US$'000	US$'000
Administrative expenses	**(1,151)**	(1,028)

36. Profit attributable to equity holders

The Group's consolidated profit attributable to equity holders is US$93,990,000 (2005 as restated: US$141,229,000) of which US$25,352,000 (2005: US$65,844,000) is dealt with in the accounts of the Company.

Details are shown in note 27.

37. Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year, excluding ordinary shares purchased by the Group and held as treasury shares (note 26).

	2006	2005
Profit attributable to equity holders of the Company (thousands US dollar)	**93,990**	141,229
Weighted average number of ordinary shares in issue (thousands)	**3,672,599**	3,673,789
Basic earnings per share (US cents per share)	**2.56**	3.84

Diluted earnings per share equals basic earnings per share because there were no potential dilutive ordinary shares outstanding during the year ended 31st March 2006.

38. Dividends

	2006 US$'000	2005 US$'000
Interim, paid, of 0.58 US cents per share (2005: 0.58 US cents)	**21,195**	21,195
Final, proposed, of 1.09 US cents per share (2005: 1.41 US cents)	**40,035**	51,810
	61,230	73,005

At a meeting held on 5th June 2006 the directors declared a final dividend of 1.09 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 2007.

39. Contingent liabilities

39.1	**Group**		**Company**	
	2006 US$'000	2005 US$'000	**2006 US$'000**	2005 US$'000
Guarantee for credit facilities granted to subsidiaries	**–**	–	**120,834**	37,063
Guarantee for credit facilities	**594**	–	**–**	–
Guarantee for credit facilities granted to companies controlled / held by certain directors of a newly acquired subsidiary	**–**	8,911	**–**	–
	594	8,911	**120,834**	37,063

39. Contingent liabilities *(Cont'd)*

39.2 The Company has given guarantees for a subsidiary in respect of future payment of operating lease rentals amounting to US$1,292,000 (2005: US$1,633,000).

39.3 In August 2001, a claim for damages was made in the Lowndes County Circuit Court in Mississippi against a subsidiary of the Group and over ten other third party defendants for personal injury and property damage in a lawsuit pertaining to environmental contamination involving an automotive parts manufacturing facility in Columbus, Mississippi, USA which was purchased in 1999 and closed down in November 2001. No amount of damages was specified in the complaint.

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 raise 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 2004, seven 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 complaints name the same subsidiary as in the above-described lawsuits and also name Johnson Electric Holdings, Limited ("JEHL"), who has contested personal jurisdiction in these actions.

In August 2004, counsel for plaintiffs in all of the actions informed the Special Master assigned to handle pre-trial proceedings of their intention to dismiss plaintiffs' personal injury claims and to proceed with property damage and punitive damages claims on behalf of a subset of plaintiffs who, to date, remain unidentified. In December 2005, approximately 1,105 plaintiffs were dismissed from the litigation leaving approximately 275 plaintiffs in the litigation.

In January 2005, these actions were re-assigned to a new judge who initially set a trial date of March 2006. The original trial date has been reset and trial is now set to begin in August 2006. Currently, the claims of the four plaintiffs in the first case filed in August 2001 are set to be tried then. It is possible that a few other plaintiffs' claims will be consolidated with these claims for trial.

Although the plaintiffs initially opposed JEHL's motion to dismiss for lack of personal jurisdiction, they ultimately agreed to entry of an order in each case to voluntarily dismiss JEHL without prejudice. These orders were signed by the judge on 23rd December 2005, and were filed on 5th January 2006.

The Group is vigorously defending all actions on behalf of the subsidiary of the Group. In addition, the Group has asserted claims for indemnity against prior owners. Because pre-trial proceedings are still ongoing, the Group is unable at this time to predict with certainty the ultimate outcome of this litigation.

40. Commitments

40.1 Capital Commitments

Group	**2006 US$'000**	2005 US$'000
Capital commitment for properties, plant and equipment		
Authorised but not contracted for	**2,415**	3,632
Contracted but not provided for	**12,375**	10,313
	14,790	13,945
Investment in:		
Subsidiary, contracted but not provided for	**4,045**	–
Jointly controlled entity, contracted but not provided for	**4,859**	–
Associated company, contracted but not provided for	**–**	5,000
	8,904	5,000

40.2 Operating Lease Commitments

(i) At 31st March 2006, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	2006		2005	
	Land and buildings US$'000	**Others US$'000**	Land and buildings US$'000	Others US$'000
Not later than one year	**5,107**	**1,525**	2,582	146
Later than one year and not later than five years	**12,047**	**1,353**	7,130	136
Later than five years	**4,954**	**–**	5,461	–
	22,108	**2,878**	15,173	282

(ii) At 31st March 2006, the Group had future aggregate minimum lease rental receivable under non-cancellable operating leases on land and buildings as follows:

	2006 US$'000	2005 US$'000
Not later than one year	**1,777**	579
Later than one year and not later than five years	**3,105**	306
	4,882	885

41. Cash generated from operations

	2006	2005
		(Restated)
	US$'000	US$'000
Profit before income tax	**116,251**	156,446
Share of profits less losses of jointly controlled entities / associated companies	**(2,398)**	(2,851)
Depreciation charges for properties, plant and equipment	**54,394**	43,355
Amortisation charges for leasehold land and land use rights	**318**	718
Amortisation of intangible assets	**7,828**	3,313
Loss on disposal of leasehold land, properties, plant and equipment	**2,667**	3,003
Provision for assets impairment	**4,404**	–
Fair value losses on derivative financial instruments	**1,779**	–
Net realised and unrealised loss / (gain) on disposal of other financial assets at fair value through profit or loss	**504**	(4)
Share based compensation	**(210)**	544
Fair value gains on investment properties	**(5,671)**	–
Net interest expense / (income)	**1,593**	(2,517)
Gross earnings from investments in finance leases	**(7)**	(22)
Net realised gain on available-for-sale financial assets	**(1,821)**	(2,003)
Exchange translation differences	**8,127**	5,430
Decrease / (increase) in stocks and work in progress	**9,626**	(30,127)
Decrease / (increase) in trade and other receivables	**3,696**	(24,016)
Decrease in trade and other payables and other provisions	**(15,995)**	(13,935)
Cash generated from operations	**185,085**	137,334

In the cash flow statement, proceeds from sale of leasehold land, properties, plant and equipment comprises:

	2006	2005
	US$'000	US$'000
Net book amount	**12,444**	9,444
Loss on sale of leasehold land, properties, plant and equipment	**(2,667)**	(3,003)
Proceeds from sale of leasehold land, properties, plant and equipment	**9,777**	6,441

42. Business combinations

On 8th November 2005, the Group acquired 100% of the share capital of Parlex Corporation (Parlex), a world leader in the design and manufacture of flexible, interconnect products operating in the United States. The acquired business contributed revenues of US$47,237,000 and net loss of US$2,123,000 (after restructuring provisions of US$1,105,000) to the Group for the period from the date of acquisition to 31st March 2006.

On 17th November 2005, the Group acquired 100% of the share capital of Saia-Burgess Electronics Holding AG, a leader supplier of stepper motors, switches, actuators and electronic controllers to customers within the automotive, industrial and infrastructure automation industry operating in Swiss and most western European countries. The acquired business contributed revenues of US$226,610,000 and net loss of US$994,000 (after restructuring provisions of US$7,842,000) to the Group for the period from the date of acquisition to 31st March 2006.

During the year, the Group further acquired 34.1% of the share capital of China Autoparts, Inc., a manufacturer of engine blocks, to a total of 54.1% shares held. The acquired business contributed revenues of US$11,184,000 and net profit of US$1,149,000 to the Group for the period from the date of acquisition to 31st March 2006.

It is impracticable to disclose the aggregate revenue and results of the acquired companies as though they had been acquired on 1st April 2005. The business and other conditions that might have prevailed throughout the financial year, and their possible impact on integration and other activities, are not known and cannot be estimated.

Details of net assets acquired and goodwill are as follows:

	2006 **US$'000**	2005 US$'000
Purchase consideration:	**611,056**	34,024
Fair value of net assets acquired – shown as below	**(279,366)**	(7,651)
Goodwill (note 9)	**331,690**	26,373

42. Business combinations *(Cont'd)*

The assets and liabilities arising from the acquisition are as follows:

	Fair Value US$'000	Acquiree's carrying amount US$'000
Properties, plant and equipment	**143,124**	**168,317**
Leasehold land and land use rights	**301**	**301**
Intangibles	**272,330**	**491**
Investment in associated companies	**1,610**	**1,610**
Deferred income tax assets	**7,643**	**7,643**
Stocks and work in progress	**82,234**	**80,653**
Trade and other receivables	**143,853**	**143,853**
Available-for-sale financial assets	**612**	**612**
Bank balances and cash	**48,097**	**48,097**
Bank loans and overdraft	**(159,251)**	**(159,251)**
Trade and other payables	**(134,556)**	**(134,849)**
Tax liabilities	**(9,546)**	**(9,546)**
Deferred income tax liabilities	**(75,489)**	**(10,550)**
Minority interests	**(602)**	**(602)**
Provisions and other liabilities	**(32,819)**	**(21,398)**
Net assets	**287,541**	**115,381**
Minority interests	**(8,175)**	
Net assets acquired	**279,366**	
Purchase consideration		**611,056**
Interest in associated company previously accounted for		**(3,799)**
Purchase consideration settled in cash		**607,257**
Cash and cash equivalents in subsidiary acquired		**(48,097)**
Cash outflow on acquisition		**559,160**

43. Related-party transactions

Details of substantial equity holders are shown in Disclosure of Interests in the Report of the Directors on page 38. The Group had no other material related party transactions during the year except the senior management compensation as disclosed in note 32.

44. Effect of adopting new HKFRS

In 2005/06, the Group adopted the new / revised standards and interpretations of HKFRS below, which are relevant to its operations. The comparatives have been amended as required, in accordance with the relevant requirements.

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after Balance Sheet Date
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 19 (Amendment)	Actuarial gains and losses
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 28	Investments in Associates
HKAS 31	Investments in Joint Ventures
HKAS 32	Financial Instruments: Disclosures and Presentation
HKAS 33	Earnings per Share
HKAS 36	Impairment of Assets
HKAS 38	Intangible Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 40	Investment Property
HKAS-Int 12	Scope of HKAS – Int 12 Consolidation – Special Purpose Entities
HKAS-Int 15	Operating Leases – Incentives
HKAS-Int 21	Income Taxes – Recovery of Revalued Non-Depreciable Assets
HKFRS 2	Share-based Payments
HKFRS 3	Business Combinations

The adoption of new / revised HKASs 1, 2, 7, 8, 10, 16, 21, 23, 24, 27, 28, 31, 33 and HKAS-Ints 12 & 15 did not result in substantial changes to the Group's accounting policies. In summary:

- HKAS 1 has affected the presentation of minority interest, investment properties, share of net after-tax results of associates and jointly controlled entities and other disclosures.

- HKASs 2, 7, 8, 10, 16, 23, 27, 28, 31, 33 and HKAS-Ints 12 and 15 had no material effect on the Group's policies.

- HKAS 21 had no material effect on the Group's policy. The functional currency of each of the consolidated entities has been re-evaluated based on the guidance to the revised standard.

- HKAS 24 has affected the identification of related parties and some other related-party disclosures.

44. Effect of adopting new HKFRS *(Cont'd)*

The adoption of revised HKAS 17 has resulted in a change in the accounting policy relating to the reclassification of leasehold land and land use rights from properties, plant and equipment to operating leases. The up-front prepayments made for the leasehold land and land use rights are expensed in the profit and loss account on a straight-line basis over the period of the lease or where there is impairment, the impairment is expensed in the profit and loss account. In prior years, the leasehold land and land use rights was accounted for at cost less accumulated depreciation and accumulated impairment.

The adoption of HKASs 32 and 39 has resulted in a change in the accounting policy relating to the classification of other financial assets at fair value through profit or loss and available-for-sale financial assets.

The adoption of revised HKAS 40 has resulted in a change in the accounting policy of which the changes in fair values are recorded in the profit and loss account as part of other gains, net. In prior years, the increases in fair value were credited to the investment properties revaluation reserve. Decreases in fair value were first set off against increases on earlier valuations on a portfolio basis and thereafter expensed in the profit and loss account.

The adoption of revised HKAS-Int 21 has resulted in a change in the accounting policy relating to the measurement of deferred tax liabilities arising from the revaluation of investment properties. Such deferred tax liabilities are measured on the basis of tax consequences that would follow from recovery of the carrying amount of that asset through use. In prior years, the carrying amount of that asset was expected to be recovered through sale.

The adoption of HKFRS 2 has resulted in a change in the accounting policy for share-based payments. Until 31st March 2005, the provision of share options to employees did not result in an expense in the profit and loss account. Effective from 1st April 2005, the Group expenses the cost of share options in the profit and loss account. As a transitional provision, the cost of share options granted after 7th November 2002 which had not yet vested on 1st April 2005 was expensed retrospectively in the profit and loss account of the respective periods.

The early adoption of amendment to HKAS 19 provides an option of recognising actuarial gains and losses in full in the year in which they occur, outside profit and loss account, in reserves. The Group has elected to take the option to recognise all actuarial gains and losses, including those actuarial gains and losses previously included as part of the transitional unrecognised liabilities on initial adoption of SSAP 34, Employee benefits. In prior years, cumulative unrecognised net actuarial gains and losses, to the extent of the amount in excess of 10% of the greater of the present value of the plan obligations and the fair value of plan assets, were recognised in the profit and loss account over the average remaining service lives of employees. This change in accounting policy has been applied restrospectively.

The adoption of HKFRS 3, HKAS 36 and HKAS 38 results in a change in the accounting policy for goodwill. Until 31st March 2005, goodwill was:

– Amortised on a straight line basis over a period ranging from 5 to 20 years; and

– Assessed for an indication of impairment at each balance sheet date.

44. Effect of adopting new HKFRS *(Cont'd)*

In accordance with the provisions of HKFRS 3:

- The Group ceased amortisation of goodwill from 1st April 2005;
- Accumulated amortisation as at 31st March 2005 has been eliminated with a corresponding decrease in the cost of goodwill;
- From the year ending 31st March 2006 onwards, goodwill will be tested annually for impairment, as well as when there is indication of impairment.

The Group has reassessed the useful lives of its intangible assets in accordance with the provisions of HKAS 38. No adjustment resulted from this reassessment.

All changes in the accounting policies have been made in accordance with the transition provisions in the respective standards. All standards adopted by the Group require retrospective application other than:

- HKAS 16 – the initial measurement of an item of properties, plant and equipment acquired in an exchange of assets transaction is accounted at fair value prospectively only to future transactions;
- HKAS 21 – prospective accounting for goodwill and fair value adjustments as part of foreign operations;
- HKAS 39 – does not permit to recognise, not recognise and measure financial assets and liabilities in accordance with this standard on a retrospective basis. The Group applied the previous SSAP 24 "Accounting for investments in securities" to investments securities and other investments and also to hedge relationships for the 2004/05 comparative information. The adjustments required for the accounting differences between SSAP 24 and HKAS 39 are determined and recognised at 1st April 2005;
- HKAS 40 – since the Group has adopted the fair value model, there is no requirement for the Group to restate the comparative information, any adjustment should be made to the retained earnings as at 1st April 2005, including the reclassification of any amount held in revaluation surplus for investment property;
- HKAS-Int 15 – does not require the recognition of incentives for leases beginning before 1st April 2005;
- HKFRS 2 – only retrospective application for all equity instruments granted after 7th November 2002 and not vested at 1st April 2005; and
- HKFRS 3 – prospectively after the adoption date.

44. Effect of adopting new HKFRS *(Cont'd)*

Effect of adopting HKAS 17, 19 (Amendment), 32, 39, 40 and HKFRS 2 on the Group's condensed consolidated profit and loss account are as follows:

	Year ended 31st March 2006						Year ended 31st March 2005			
	HKAS 1	HKAS 17	Amendment to HKAS 19	HKAS 32 & 39	HKAS 40	HKFRS 2	HKAS 1	HKAS 17	HKFRS 2	HKAS-Int 21
Decrease in cost of sales	–	–	–	239	–	–	–	–	–	–
Increase in other gains, net	–	–	–	–	5,671	–	–	–	–	–
(Increase) / decrease in selling and administrative expenses	–	48	–	24	–	210	–	125	(544)	–

Effect of adopting HKAS 1, 17, 19 (Amendment), 32, 36, 38, 39, 40, HKFRS 2, 3 and HKAS-Int 21 on the Group's condensed consolidated balance sheet are as follows:

	31st March 2006						1st April 2005	31st March 2005			
	HKAS 1	HKAS 17	Amendment to HKAS 19	HKAS 32 & 39	HKAS 40	HKFRS 2	HKFRS 3, HKAS 36 & 38	HKAS 1	HKAS 17	HKFRS 2	HKAS-Int 21
Increase in intangibles	–	–	–	–	–	–	1,864	–	–	–	–
Decrease in employee benefit obligation	–	–	(5,777)	–	–	–	–	–	–	–	–
Decrease in properties, plant and equipment	(17,202)	(25,522)	–	–	–	–	–	(8,356)	(28,092)	–	–
Increase in investment properties	17,202	–	–	–	–	–	–	8,356	–	–	–
Increase in leasehold land	–	25,355	–	–	–	–	–	–	27,877	–	–
Increase in available-for-sale financial assets	–	–	–	5,294	–	–	–	–	–	–	–
Increase in trade and other receivables	–	–	–	225	–	–	–	–	–	–	–
Increase in other financial assets through profit or loss	–	–	–	2,707	–	–	–	–	–	–	–
Increase in bank loans and overdrafts	–	–	–	225	–	–	–	–	–	–	–
Increase in derivative financial instruments											
– Assets	–	–	–	7,989	–	–	–	–	–	–	–
– Liabilities	–	–	–	579	–	–	–	–	–	–	–
Increase in hedging reserve	–	–	–	5,547	–	–	–	–	–	–	–
Increase in deferred tax liability	–	–	1,058	1,177	–	–	–	–	–	–	1,376
Increase in other reserve	–	–	–	298	–	–	–	–	–	–	–
Increase in share option reserve	–	–	–	–	–	681	–	–	–	891	–
Decrease in investment properties revaluation reserve	–	–	–	–	(6,487)	–	–	–	–	–	(1,376)
Increase / (decrease) in retained earnings	–	(167)	4,719	1,851	6,487	(681)	1,864	–	(215)	(891)	–

44. Effect of adopting new HKFRS *(Cont'd)*

Standards, interpretations and amendments to published standards that are not yet effective

Certain new standards, interpretations and amendments to existing standards have been published that are mandatory for the Group's accounting periods beginning on or after 1st January 2006 or later periods but which the Group has not early adopted, as follows:

HKAS 39 (Amendment)	Cash flow hedge accounting of forecast intragroup transactions
HKAS 39 (Amendment)	The fair value option (effective from 1st January 2006)
HKAS 39 and HKFRS 4 (Amendment)	Financial guarantee contracts (effective from 1st January 2006)
HKFRS 1 (Amendment)	First-time adoption of Hong Kong Financial Reporting Standards
HKFRS 7	Financial Instruments: Disclosure, and a complementary amendment to HKAS 1, Presentation of financial statements – Capital disclosures
HKFRS-Int 4	Determining whether an arrangement contains a lease
HKFRS-Int 5	Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds
HK(IFRIC)-Int 6	Liabilities arising from participating in a specific market – Waste electrical and electronic equipment

45. Subsequent event

On 3rd April 2006, the Group paid US$4.9 million to purchase additional 10% shareholding in Shanghai Ri Yong-JEA Gate Electric Co Ltd., previously a jointly controlled entity of the Group. The effective holding increased from 50% to 60%.

46. Approval of accounts

The accounts were approved by the Directors on 5th June 2006.

47. 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					
Best Port International Limited	Investment holding	British Virgin Islands	1 share of US$1 each	–	100%
Bloor Company Limited	Property holding	British Virgin Islands	50,000 shares of US$1 each	–	100%
China Autoparts, Inc.	Investment holding	United States of America	12,121,213 shares of US$0.0001 each	–	54.12%
Chengdu Tonglin Casting Industrial Co., Ltd	Manufacturing	China	RMB67,560,000	–	54.12%
Crown Trend Limited	Property holding	British Virgin Islands	1 share of US$1 each	–	100%
Delta Success Electric Company Limited	Manufacturing	Malaysia	1 share of US$1 each	–	100%
De Chang Metal Industries Limited	Sales and marketing	Hong Kong	20,000 shares of HK$100 each	–	100%
De Chang Fulfilment Limited	Trading	Hong Kong	1 share of HK$1 each	–	100%
Deyang Lianzhou Electric Ltd.	Manufacturing	China	US$480,000 with US$680,000 paid up	–	100%
Easy Fortune (H.K.) Ltd.	Property holding	British Virgin Islands	50,000 shares of US$1 each	–	100%
Easy Reach Electric Motor Limited	Sales and marketing	Hong Kong	100,000 shares of HK$1 each	–	90.2%
Gate do Brasil Ltda	Manufacturing	Brazil	BRL383,166.66	–	100%
Gate Deutschland GmbH	Manufacturing	Germany	EUR60,000	–	100%
Gate España Automoción, S.L.	Manufacturing	Spain	EUR150,250	–	100%
Gate France SAS	Manufacturing	France	EUR382,000	–	99.98%
Gate S.r.l.	Manufacturing	Italy	2,600,000 shares of EUR1 each	–	100%

47. 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					
Gate UK Limited	Manufacturing	United Kingdom	GBP50,000	–	100%
Gatebrook Limited	Investment holding	Cyprus	CYP11,000	–	100%
Gether Success Ltd.	Investment holding and trading	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 Limited	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	EUR32,968,000	–	100%
JEA Limited	Investment holding	British Virgin Islands	2 shares of US$1 each	100%	–
JE Castings Investments Limited	Investment holding	British Virgin Islands	1 share of US$1 each	–	100%
JE Electric Systems Investments Ltd.	Investment holding	British Virgin Islands	1 share of US$1 each	–	100%
JE Fulfilment (Shenzhen) Limited	Sales and marketing	China	HK$4,800,000 with HK$6,850,000 paid up	–	100%
JE Fulfilment Limited	Sales and marketing	Hong Kong	20,000 shares of HK$1 each	–	100%
Johnson China Advice (Shenzhen) Co. Ltd.	Consultant	China	HK$1,000,000	–	100%
Johnson China Advice Company Limited	Consultant	Hong Kong	1 share of HK$1 each	–	100%
Johnson Electric Automotive de Mexico S.A. de C.V.	Manufacturing	Mexico	39,296,590 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%	–

47. 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 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 (Hong Kong) Ltd	Sales and marketing	Hong Kong	1 share of HK$1 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 and marketing	Italy	EUR10,000	–	100%
Johnson Electric (Korea) Limited	Sales and marketing	South Korea	10,000 shares of KRW5,000 each	–	100%
Johnson Electric Moncalieri S.r.l.	Manufacturing	Italy	EUR20,000,000	–	100%
Johnson Electric (Nanjing) Co., Ltd.	Manufacturing	China	US$4,000,000 with US$5,500,000 paid up	–	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 and manufacturing	Switzerland	500 shares of SFR1,000 each	–	100%
Johnson Electric (Shanghai) Co., Ltd.	Sales and marketing	China	US$200,000 with US$280,000 paid up	–	100%
Johnson Electric (Shenzhen) Co. Ltd.	Manufacturing	China	HK$30,000,000 with HK$56,000,000 paid up	–	100%
Johnson Electric (Suzhou) Co., Ltd.	Manufacturing	China	US$8,100,000 with US$19,000,000 paid up	–	100%
Johnson Electric Trading Limited	Sales and marketing	Hong Kong	100,000 shares of HK$1 each	–	100%
Johnson Electric World Trade Limited	Marketing, sales agent and distributor	Hong Kong	100,000 shares of HK$1 each	100%	–
Johnson Properties Limited	Investment holding	British Virgin Islands	50,000 shares of US$1 each	100%	–
Kwong Lee (Asia) Metal Company Limited	Sales and marketing	Hong Kong	2,000,000 shares of HK$1 each	–	100%
Main Country Limited	Property holding	British Virgin Islands	1 share of US$1 each	–	100%

47. 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					
M.M.A. (Manufactura de Motores Argentinos) S.r.l.	Manufacturing	Argentina	3,880,000 Peso	–	100%
Nanomotion Ltd.	Manufacturing	Israel	NIS186,699.85	–	51%
Nihon Mini Motor Co. Ltd.	Sales and marketing	Japan	JPY330,000,000	–	100%
Outperform Group Limited	Investment holding	British Virgin Islands	100 shares of US$1 each	–	100%
Poly-Flex Circuits Limited	Manufacturing	United Kingdom	2,000,000 shares of GBP1 each	–	100%
Parlex (Europe) Limited	Trading	United Kingdom	1 share of GBP 1 each	–	100%
Parlex USA Inc.	Manufacturing, R&D, sales and marketing	United States of America	100 shares issued with no par value	–	100%
Parlex Dynaflex Corporation	Manufacturing	United States of America	1,000 shares issued with no par value	–	100%
Parlex Polymer Flexible Circuits, Inc.	Manufacturing	United States of America	1,000 shares of US$1 each	–	100%
Parlex Asia Holdings Limited	Investment holding	British Virgin Islands	2,000 shares of US$1 each	–	90.1%
Parlex Asia Pacific Limited	Trading	Hong Kong	14,698 shares of HK$1 each	–	100%
Parlex (China) Investment Limited	Investment holding	British Virgin Islands	1,000 shares of US$1 each	–	100%
Parlex (Shanghai) Interconnect Technologies Co. Ltd.	Manufacturing	China	US$5,000,000 with US$10,000,000 paid up	–	100%
Parlex (Shanghai) Interconnect Products Co. Ltd.	Manufacturing	China	US$15,000,000 with US$28,000,000 paid up	–	100%
Parlex (Shanghai) Circuit Co. Ltd.	Manufacturing	China	US$5,000,000 with US$10,000,000 paid up	–	90.1%
Saia-Burgess Electronics Holding AG	Investment holding	Switzerland	643,200 shares of CHF 50 each	–	100%
Saia-Burgess Murten AG	R&D, manufacturing, sales and marketing	Switzerland	5,000 shares of CHF 1,000 each	–	100%
Saia-Burgess Controls AG	R&D, manufacturing, sales and marketing	Switzerland	100 shares of CHF 1,000 each	–	100%
Saia-Burgess Cetronic AG	Sales	Switzerland	700 shares of CHF 1,000 each	–	100%

47. 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					
Saia-Burgess Gateshead Limited	Manufacturing, R&D, sales and marketing	United Kingdom	7,000,100 shares of GBP 1 each	–	100%
Saia-Burgess Oldenburg GmbH & Co. KG	Manufacturing, R&D, sales and marketing	Germany	EUR 15,338,800	–	100%
Saia-Burgess Dresden GmbH	Manufacturing and R&D	Germany	1 share of EUR 25,600 each	–	100%
Saia-Burgess Halver GmbH & Co. KG	Manufacturing, R&D, sales and marketing	Germany	1 share of EUR 1,022,600 each	–	100%
Saia-Burgess Deutschland GmbH	Sales and marketing	Germany	1 share of EUR 511,300 each	–	100%
Saia-Burgess Industry PL Sp.zo.o.	Manufacturing	Poland	417 shares of PLN 873.25 each	–	100%
Saia-Burgess Poland Sp.zo.o.	Manufacturing	Poland	100 shares of PLN 500 each	–	100%
Saia-Burgess Paris Sarl	Sales and marketing	France	125,000 shares of EUR 16 each	–	100%
Saia-Burgess Milano S.r.l.	Sales and marketing	Italy	EUR 3,700,000	–	100%
Saia-Burgess Österreich GmbH	Sales and marketing	Austria	EUR 40,000	–	100%
Saia-Burgess Benelux B.V.	Sales and marketing	Netherlands	EUR 135,000	–	100%
Saia-Burgess Controls Kft.	Sales and marketing	Hungary	HUF 5,000,000	–	100%
Saia-Burgess Hatvan Kft.	Manufacturing	Hungary	HUF 30,000,000	–	100%
Saia-Burgess Ózd Kft	Manufacturing	Hungary	HUF 16,470,000	–	100%
Saia-Burgess Monastir C.S.	Manufacturing	Tunisia	1,000 shares of TND 20 each	–	100%
Saia-Burgess USA Inc.	Sales and marketing	United States of America	10,000 shares of USD 60 each	–	100%
Saia-Burgess Inc.	Manufacturing, R&D, sales and marketing	United States of America	10,000 shares of USD 1,260 each	–	100%
Saia-Burgess Automotive Inc.	R&D, manufacturing, sales and marketing	United States of America	2,000 shares of USD 500 each	–	100%

47. 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					
Saia-Burgess Automotive Actuators Inc (formerly CEI Ltd)	R&D, manufacturing, sales and marketing	United States of America	USD 8,000,000 with USD 13,095,240 paid in capital	–	100%
Saia-Burgess Canada Co. Inc.	Sales and marketing	Canada	80,000 shares of CAND$1 each	–	100%
Saia-Burgess Guangzhou Ltd.	Manufacturing	China	US$2,350,000	–	100%
Saia-Burgess (HK) Limited	Sales and marketing	Hong Kong	2 shares of HK$10 each	–	100%
Teknik Development Inc.	Licensing	British Virgin Islands	15,000 shares of US$1 each	100%	–
Trade Triumph Group Limited	Investment holding	British Virgin Islands	100 shares of US$1 each	–	100%
Triowell Ltd.	Property holding	British Virgin Islands	50,000 shares of US$1 each	–	100%
V Motor (China) Limited	Manufacturing and sales	China	US$6,000,000 with US$8,000,000 paid up	–	100%
V Motor Limited	Trading and research and development	Hong Kong	1 share of HK$1 each	–	100%
JOINTLY CONTROLLED ENTITIES					
CJ Electric Systems Co. Ltd	Manufacturing	China	US$2,200,000 with US$4,000,000 paid up	–	50%
Shanghai Ri Yong-JEA Gate Electric Co., Ltd.	Manufacturing	China	US$17,000,000	–	50%
ASSOCIATED COMPANIES					
FG Microdesign S.r.l.	Manufacturing	Italy	100,000 shares of EUR0.52 each	–	40%
Burgess Defond Limited	Manufacturing	Hong Kong	100,000 shares of HK$1 each	–	25%
Shenzhen SMART Micromotor Co. Ltd.	Manufacturing	China	RMB17,388,000	–	49%
MiCS MicroChemical Systems SA	R&D, sales and marketing	Switzerland	CHF 5,670,182	–	34.9%
IP Trading GesmbH	Sales and marketing	Austria	EUR 35,000	–	49%