FINANCIAL REVIEW

OVERVIEW

Total sales for the year were US$2,087 million, an increase of 37% over last year. This increase is primarily due to the inclusion of a full twelve months' sales of Saia-Burgess and Parlex which were acquired in November 2005, together with the consolidation of Shanghai Ri Yong in which the Group increased its shareholding in April 2006 to convert this former joint venture into a majority held subsidiary.

The Group reported profit attributable to equity holders of US$109.7 million, or 2.99 US cents per share for the year ended 31st March 2007, compared to profit attributable to equity holders of US$94.0 million or 2.56 US cents per share for last year. This represents an increase of 16.7%.

Analysis of Consolidated Profit and Loss Statement

	2007					2006				
	Automotive & Industry US$M	Other Manu-facturing US$M	Trading US$M	Total US$M	%	Automotive & Industry US$M	Other Manu-facturing US$M	Trading US$M	Total US$M	%
Sales	1,772.7	217.2	96.7	2,086.6	100.0	1,377.1	83.4	65.8	1,526.3	100.0
Cost of goods sold	(1,326.4)	(159.8)	(88.2)	(1,574.4)	(75.5)	(1,024.9)	(61.6)	(62.7)	(1,149.2)	(75.3)
Gross profit	446.3	57.4	8.5	512.2	24.5	352.2	21.8	3.1	377.1	24.7
Other income and gains	11.3	0.6	0.2	12.1	0.6	13.1	–	–	13.1	0.9
Selling and administrative	(292.0)	(49.7)	(6.3)	(348.0)	(16.7)	(226.1)	(20.8)	(4.6)	(251.5)	(16.5)
EBIT before restructuring	165.6	8.3	2.4	176.3	8.4	139.2	1.0	(1.5)	138.7	9.1
Restructuring	(8.3)	(3.9)	–	(12.2)	(0.6)	(16.1)	(1.1)	–	(17.2)	(1.1)
EBIT	157.3	4.4	2.4	164.1	7.8	123.1	(0.1)	(1.5)	121.5	8.0
Financing				(27.9)	(1.3)				(7.6)	(0.5)
Profit / (loss) from JV/Associates				(0.3)	–				2.4	0.1
Profit before income tax				135.9	6.5				116.3	7.6
Income tax expenses				(22.9)	(1.1)				(21.9)	(1.4)
Profit for the year				113.0	5.4				94.4	6.2
Minority interest				(3.3)	(0.1)				(0.4)	–
Profit attributable to equity holders				109.7	5.3				94.0	6.2

Note: "Other manufacturing" is comprised of Parlex, Saia-Burgess Controls, Johnson Electric Capital and China Autoparts, Inc.

Group Sales

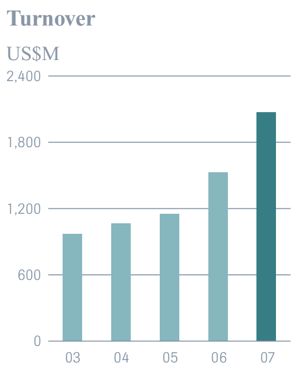
SALES ANALYSIS	2007		2006		Increase / (decrease)	
	US$M	%	US$M	%	US$M	%
AUTOMOTIVE PRODUCTS GROUP ("APG")	**1,051**	**50**	**777**	**51**	**274**	**35**
– MOTORS	718	34	643	42	75	12
Body Climate	*99*	*5*	*86*	*6*	*13*	*16*
Body Instruments	*159*	*7*	*152*	*10*	*7*	*5*
Powertrain Cooling	*351*	*17*	*294*	*19*	*57*	*19*
Powertrain Management	*71*	*3*	*63*	*4*	*8*	*12*
Chassis Braking	*38*	*2*	*48*	*3*	*(10)*	*(22)*
– ACTUATION SYSTEMS	333	16	134	9	199	149
INDUSTRY PRODUCTS GROUP ("IPG")	**722**	**35**	**600**	**39**	**122**	**20**
– MOTORS	540	26	532	35	8	2
Home Appliances	*193*	*9*	*190*	*12*	*3*	*2*
Power Tools	*160*	*8*	*164*	*11*	*(4)*	*(2)*
Business Equipment/Personal Products	*120*	*6*	*100*	*7*	*20*	*20*
Audio-Visual	*67*	*3*	*78*	*5*	*(11)*	*(15)*
– ACTUATION SYSTEMS	182	9	68	4	114	168
Johnson Electric Capital	**217**	**10**	**83**	**6**	**134**	**161**
Johnson Electric Trading	**97**	**5**	**66**	**4**	**31**	**47**
TOTAL TURNOVER	**2,087**	**100**	**1,526**	**100**	**561**	**37**

Note: Certain comparative figures have been reclassified to conform with the current year's presentation.

- Johnson Electric Capital consists of three operations: Parlex, Saia-Burgess Controls and China Autoparts, Inc.

Excluding the effect of adding those acquisitions and other recently consolidated businesses, including Ri Yong, the underlying sales growth in the year was 5.1%.

A discussion on the sales performance is provided in the Group and Business Unit Sales Review section on page 10 to 17 of this report.



Cost of Sales and Gross Profit

The Group's gross profit was US$512.2 million, which at 24.5% of sales overall is in line with last year.

The profitability of the Group continued to be affected by relatively high and volatile raw material prices. The significant increase in copper prices throughout the year was only partially offset by decreased steel prices. Margins have also been reduced by increases in PRC labour rates and the strengthening of the Renminbi against the US dollar.

The adverse margin impacts noted above were largely offset by a strong Euro, relative to the US dollar, which benefited principally our European automotive business. We also saw some margin enhancement following operational initiatives such as in-sourcing the production of selected components and the moving of some production to our lower cost manufacturing centres in China and Eastern Europe.

Selling and Administrative Expenses ("SG&A")

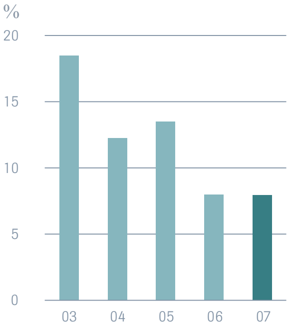
SG&A expenses increased 38.4% to US$348.0 million, which at 16.7% of overall sales is in line with last year. The SG&A included the full year consolidation for Saia-Burgess, Parlex and Shanghai Ri Yong. We have a number of initiatives underway to streamline processes and structures, especially in Europe, in order to progressively reduce the cost of SG&A.

Restructuring Costs

The Group recorded restructuring costs in the year which totaled US$12.2 million compared to US$17.2 million last year. These costs related to the shutdown of plants in Dalian and Guangzhou (PRC), Cranston (USA) and to the reorganisation of certain manufacturing operations in Europe. The payback for these investments will contribute to improving margins next year, and beyond.

EBIT / Sales

(As a percentage of sales)



Earnings Before Interest and Tax ("EBIT")

EBIT was US$164.1 million, an increase of US$42.6 million or 35.1% over last year. Excluding restructuring costs, EBIT was US$176.3 million, an increase of US$37.6 million or 27.1%. The Group EBIT (before restructuring costs) decreased from 9.1% as a percentage of sales last year to 8.4% this year, which reflects lower margins on acquired business, continuing pressures in material and labour costs, soft conditions in some of our markets and challenges with increasing prices.

Finance Costs

Interest expense for the year amounted to US$27.9 million compared to US$7.6 million last year. The increase is mainly due to the full year finance costs incurred on the bank loans to fund the acquisition of Saia-Burgess, Parlex and the Group's operational requirements.

Income Tax Expenses

Taxes on profits increased 4.6% to US$22.9 million, compared to US$21.9 million last year. The effective tax rate ("ETR") for the year was 16.9%, compared to 18.8% last year. Last year included a one off charge of $2.6 million which had increased the effective tax rate by 2.2%, without which the rate would have been 16.6%. This year a release of tax provisions in Europe of US$4.9 million reduced the effective tax rate by 3.6%. Without this the rate would have been 20.5%. Excluding these two items, this represents an increase of 3.9% on last year. This is broadly in line with the Group's expectation of the effect of including a full year's tax charge for the Saia-Burgess businesses, which operate in countries with higher tax rates relative to the rest of the Group.

The increase in the underlying ETR from 16.6% to 20.5% results mainly from a change in the proportion of taxable profit which was earned in higher tax jurisdictions, with a greater share of profits now being earned in Europe.

Profit After Tax

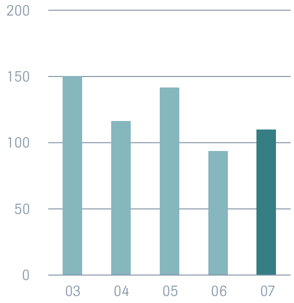
Profit after taxation increased 19.7% to US$113.0 million.

Profit Attributable to Equity Holders

Profit attributable to equity holders increased 16.7%, from US$94.0 million to US$109.7 million. Earnings per share increased at the same rate from US$0.0256 to US$0.0299.

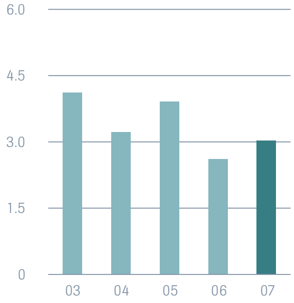
Profit Attributable to Equity Holders

US$M



Earnings per Share

US cents



FINANCIAL CONDITION

Fixed and Intangible Assets, and Investments

(Non-current Assets)

Total non current assets were US$1,148.7 million, up 3.5% from last year.

Property, plant and equipment increased by US$11.5 million, mainly due to the currency effect on the translation of European held assets. Property, plant and equipment expenditure exceeded depreciation by US$5.0 million but this increase in the asset base was partially offset by the write off of redundant and impaired fixed assets arising from restructuring activities.

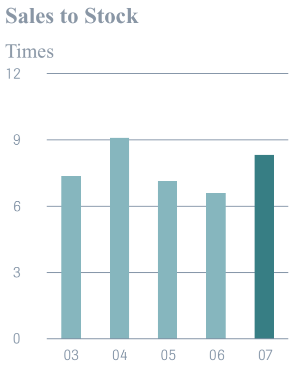
Intangible assets at year end amounted to US$667.2 million, an increase of US$35.6 million from last year. The revaluation of Swiss Franc denominated goodwill and other intangible assets accounted for an increase of US$41.1 million and, in addition, goodwill adjustments arising from the acquisition of Saia-Burgess and Parlex amounted to an increase of US$9.1 million. Intangible assets were reduced by US$17.2 million in the year as a result of amortisation.

Shanghai Ri Yong, previously a jointly controlled entity, became a subsidiary during the year, and we disposed of our interest in CJ Electric Systems, also previously a jointly controlled entity.

Operating Working Capital

(including Stocks and Work in Progress, Trade and Other Receivables, and Trade and Other Payables)

Operating Working Capital increased by US$35.5 million (9.4%) to US$412.0 million. Of that, US$14.8 million was due to the changes in exchange rates used in translation and an increase of US$7.1 million was due to the acquisition of Shanghai Ri Yong. An amount of US$6.6 million was recognised as a goodwill adjustment for the fair values of the operating working capital relating to businesses acquired in prior financial year. After adjusting for the impacts noted above, the underlying working capital increased by US$20.2 million, in line with the underlying rate of sales growth in the year (5.1%).



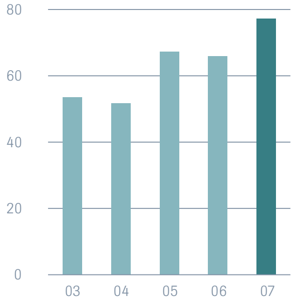
Stocks and work in progress increased by US$17.8 million (7.6%) to US$251.2 million. An increase of US$7.3 million was due to exchange rate changes and adjustments to goodwill, and the inclusion at the year-end of the stock and work in progress of Shanghai Ri Yong added US$8.1 million. Net of these changes and adjustments stocks and work in progress increased by US$2.4 million (1.0%) during the year. The sales-to-stock ratio increased to 8.3 turns from 8.2 last year when the full year effect of the acquired businesses is taken into account. Efforts to optimise stock holdings continued during the year, with the supply chain management organisation working closely with suppliers.

Trade and other receivables increased by US$40.7 million (9.7%) to US$458.9 million, of which US$18.7 million was due to exchange rate changes and adjustments to goodwill. The acquisition of Shanghai Ri Yong added US$8.2 million. Net of these changes and adjustments trade and other receivables increased by US$13.8 million (3.3%), which is at a lower rate of increase than the underlying growth rate in sales. In light of the difficult market conditions in the automotive sector the Group has reviewed its credit and collections policies and controls. At the year end, 80.0% of trade receivables were aged less than 60 days from date of invoice as compared to 75.7% last year and there were provisions of US$9.5 million against receivables compared to US$8.6 million a year ago.

Trade and other payables increased by US$23.0 million (8.4%) to US$298.1 million, including an increase of US$17.8 million to account for exchange rate changes and adjustments to goodwill. The acquisition of Shanghai Ri Yong added US$9.2 million. Net of these changes and adjustments the trade and other payables decreased by US$4.0 million (1.5%). This was mainly as a result of introducing tighter controls to ensure that suppliers were paid in line with agreed terms.

Capital Expenditures

US$M



Financial Instruments, Derivatives and Taxes

(including Derivative Financial Instruments Receivable & Payable, Income Tax Recoverable, Current Income Tax Liabilities, Current Other Financial Assets at Fair Value through Profit or Loss)

Net liabilities were US$21.9 million, an increase of US$17.4 million on prior year. This is due to marked to market valuation on a cross currency interest rate swap entered for hedging our investment in foreign subsidiaries, forward currency contracts and commodity options at fair value.

Provisions and Other Liabilities

(including Current and Long Term Provisions and Deferred Income Taxes)

The total provisions and other liabilities were US$151.2 million, a decrease of US$5.0 million. This is mainly due to a decrease in restructuring, other pension and retirement benefits provisions offset by an increase of warranty provision (warranty costs continue to be less than 1% of sales).

Cash, Overdrafts and Borrowings (Current and Non Current)

(including Net Borrowings, Bank Balances and Cash)

Cash, cash equivalents, overdrafts and total borrowings were a net liability of US$424.2 million, an overall reduction of US$45.4 million during the year.

Total borrowings have been reduced by US$134.6 million. Current borrowings have been lowered by US$164.3 million while long term borrowing has increased by US$29.7 million, of which US$7.7 million was due to exchange rate changes.

Bank balances and cash have been lowered by US$89.2 million, of which US$2.7 was due to exchange rate gains.

Total Equity

(including Share Capital, Retained Earnings and Reserves, Dividends Payable and Minority Interest)

Total Equity at 31st March 2007 was US$963.4 million, an increase of US$107.6 million on last year.

Share capital increased by US$0.7 million to US$82.1 million due to treasury shares vesting during the year.

Reserves increased by US$94.5 million to US$858.6 million at year end. This was the result of adding profits attributable to equity holders of US$109.7 million, an increase of US$40.8 million in reserves arising on exchange gains from the Euro and Swiss Franc, and a net revaluation surplus on investment properties of US$3.8 million. These increases were partially offset by dividends paid which amounted to US$61.2 million.

Minority interest was US$22.7 million, an increase of US$12.5 million, due mainly to the increase in shareholdings of Shanghai Ri Yong and China Autoparts, Inc.

FINANCIAL MANAGEMENT AND TREASURY POLICY

The management of financial risk in the Group is the responsibility of the Group's treasury function at the corporate centre based in Hong Kong. Policies are established by senior management.

Foreign Currency

The Group operates globally and is thus exposed to foreign exchange risk.

For the Automotive Products Group (APG) and the Industry Products Group (IPG) business units the major revenue generating currencies continue to be the US dollar, the Euro and the Japanese Yen. For the year to 31st March 2007, of the sales from these business units, 44% were in US dollars, 36% in Euro, 4% in Japanese Yen and 16% in other currencies. The major currencies used for purchases of materials and services are the US dollar, the Euro, the Hong Kong dollar and the Japanese Yen. Aside from the US dollar and Hong Kong dollar which are pegged in their relative value, material open foreign exchange exposures are hedged with currency contracts, including forward and options contracts, with a view to reducing the net exposure to currency fluctuations. In the year, these contracts normally had a duration lasting less than four months.

Cash and Borrowings

As at 31st March 2007, bank balances and cash were US$149.3 million, down US$89.2 million in the year as we used available cash to reduce our overall borrowing position.

As at 31st March 2007, cash balances held in US dollars were down by $103.6 million at US$68.3 million, having used dollar balances to reduce short term borrowings. Other currencies increased by US$14.4 million to US$81.0 million. Of this, US$37.3 million is held in Euro and US$22.2 million in Renminbi. The spread of currencies in the Group is now more aligned to the Company's location of operations than last year. Of the total cash balances 45.7% is in US dollars (compared to 72.1% last year), 25.0% is in Euro (compared to 14.4% last year), and 14.8% is being held in Renminbi (compared to 8.6% last year).

At the balance sheet date, total borrowings amounted to US$573.5 million, a decrease of US$134.6 million from US$708.1 million last year. The Group has a five year loan of US$525.0 million which was originally drawn down in November 2005 for the acquisition of Saia-Burgess. This is repayable in full on the final maturity date of 31st March 2011, although earlier repayment is allowed without penalty. Details of borrowings which remain outstanding are included in Note 21 to the accounts.

Capital Structure and Liquidity

The Group's financial resources and liquidity remained healthy throughout the year. Net borrowings (total borrowings net of cash) at 31st March 2007 were US$424.2 million, down US$45.4 million as compared to US$469.6 million last year.

It is the intention of the Group to maintain an appropriate mix of equity and debt to ensure an efficient capital structure over time. The Group gearing ratio (calculated on the total borrowings net of cash to the equity holders) was 45.1% as compared to 55.5% last year. The Group expects to lower its gearing ratio further in the coming year.

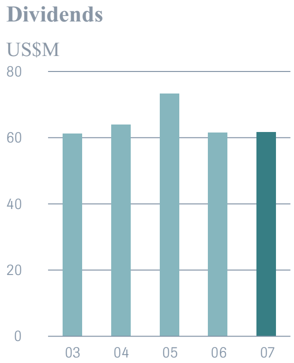
The Group's interest coverage ratio (profit before tax and interest expense divided by interest expense) is 6. Interest expense of US$27.9 million was incurred on the loans for the acquisition of Saia-Burgess and on borrowings to fund the Group's operational requirements.

For day-to-day liquidity management, and to maintain flexibility in funding, the Group also has access to significant unutilised short-term borrowing facilities provided by its relationship banks which amount to US$250 million.

Funding requirements for capital expenditures are expected to be met by internal cash flows and there are currently no plans to make any significant change in the rate of capital expenditures compared with recent years.

Dividend Policy

It is the intention of the Group that the dividend paid should, over the long term, provide shareholders with dividend income broadly consistent with the underlying trend of earnings growth.



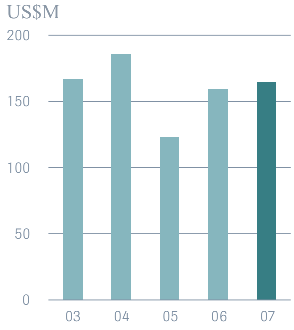
At its June 2007 meeting, the Board of Directors recommended a final dividend of 8.5 HK cents which, together with the interim dividend of 4.5 HK cents, represents a total dividend of 13.0 HK cents per share. In US dollar this is equivalent to a final dividend of 1.09 US cents, an interim dividend of 0.58 US cents, and a total of 1.67 US cents per share.

In 2006/07, the dividend payout ratio (including the proposed dividend for the year) was approximately 56% of the profit attributable to equity holders, compared to 65% last year.

CASH FLOWS

Cash generated from operations was US$221.9 million, an increase of US$37.5 million over last year. This resulted mainly from having larger earnings (operating profit at US$164.1 million was up US$42.6 million from last year) partly offset by year on year changes in the movement on working capital of US$14.6 million.

Operating Cashflow



There was an increase in working capital of US$20.2 million, 5.3% more than last year, which is in line with the underlying rate of sales growth in the year. Trade receivables increased by US$13.8 million, up only 3.3%, due to closer management and control of customer accounts and more rigorous cash collection. Trade payables decreased by US$4.0 million, largely due to stricter enforcement of the policy to pay suppliers in accordance with agreed terms (estimated effect US$6.0 million cash outflow). Stocks increased by US$2.4 million, up 1%, which reflects improved materials management in the Group.

Interest paid was US$27.9 million, US$20.3 million more than last year because we had a full year's interest on the loan to fund the acquisitions of Saia-Burgess and Parlex, compared to having only 5 months' interest last year.

Income tax payments amounted to US$30.1 million, an increase of US$11.9 million from last year. This reflects taxes payable in Europe as a result of the recently acquired operations there.

As a result of these factors, net cash generated from operating activities was US$163.9 million, an increase of 3.3% on last year (US$158.6 million).

Investing Activities

Net cash used in investing activities was US$52.3 million, a reduction of US$498.4 million compared to last year. Last year's relatively high level of net cash used in investing activities was impacted by the US$559.2 million outflow for the major acquisitions of Saia-Burgess and Parlex and an inflow of US$72.3 million from the sale of other investments (financial assets at fair value).