Johnson Electric Holdings Limited

(Stock Code: 179)

JOHNSON ELECTRIC

innovating motion

Annual Report 2010

JOHNSON ELECTRIC'S VISION

To be the world's definitive provider of innovative and reliable motion systems

OUR BRAND PROMISE

Johnson Electric is "The Safe Choice" for our customers

Johnson Electric is the safe choice for global brand companies that demand high reliability, performance leadership and assurance of supply. The Group has the scale and global footprint to support customers everywhere. We deliver products and services to the most exacting standards of quality and reliability, no matter what the industry segment. Whether it's the precision demanded by the medical industry, the reliability of the automotive industry, the durability of the industrial segment or the flexible logistics to support consumer products, Johnson Electric is organized to execute flawlessly. From product inquiry through product creation to delivery, Johnson Electric meets our commitments on project timeliness, assurance of supply, and budget performance.

Johnson Electric delivers competitive advantage to our customers

Technology leadership and application know-how make Johnson Electric a leader in motion products, switches, flexible interconnects and control systems. We create product differentiation by collaborating with our customers' designers and engineers. The quality function of our systems and components is precisely aligned with the "job to be done" by our customers' products. Our custom "Productizing Process" and the unique "Johnson Electric Production System" combine to deliver differentiation and supply chain performance.

CORPORATE PROFILE

Johnson Electric is the safe choice for global brand companies that demand high reliability, performance leadership and assurance of supply. Technology leadership and application know-how make Johnson Electric a leader in motion products, switches, flexible interconnects and control systems. We serve a broad range of industries including automotive, domestic equipment, office products, industrial equipment, consumer products, medical devices and infrastructure automation. Our custom "Productizing Process" and unique "Johnson Electric Production System" combine to deliver product differentiation and supply chain performance to our customers.

Johnson Electric's goal is to build shareholder and customer value through the creation of innovative product solutions. The Company's product offering consists of motion subsystems, motors, solenoids, micro-switches, flexible printed circuits, infrastructure automation and machine control systems.

The Group's business strategy is to be the complete "product life cycle partner" for its existing customers and to acquire new customers through differentiated and compelling new products. The customer product life cycle starts with highly innovative new products and extends to mature high volume custom products.

Established over 50 years ago, Johnson Electric now ships its products to more than 30 countries for use in hundreds of different product applications. The Company's global operations can manufacture over one billion units and create hundreds of custom designs annually.

Johnson Electric's principal financial objective is to maximize long term cash flow by investing in product development for market segments that offer superior growth opportunities. Market segment selection is aligned with the Group's ability to leverage its substantial resources, competences and application specific expertise.

Johnson Electric is a global organization with about 39,000 employees and subcontract workers in over 20 countries. Innovation and product design centers are located in Hong Kong, China, Switzerland, Germany, Italy, Israel, Japan, UK and the USA.

The Company has been listed on the Stock Exchange of Hong Kong since 1984, and has a sponsored American Depositary Receipt (ADR) program in the USA through JPMorgan Chase Bank.

CONTENTS

CORPORATE AND SHAREHOLDER INFORMATION

Johnson Electric Holdings Limited

(Incorporated in Bermuda with limited liability)

CORPORATE INFORMATION

Board of Directors

Executive Directors

Patrick Shui-Chung Wang *JP*
Chairman and Chief Executive
Winnie Wing-Yee Wang
Vice-Chairman
Austin Jesse Wang

Non-Executive Directors

Yik-Chun Koo Wang
Honorary Chairman
Peter Kin-Chung Wang
Peter Stuart Allenby Edwards*
Patrick Blackwell Paul*
Oscar de Paula Bernardes Neto*
Michael John Enright*

* *Independent Non-Executive Director*

Company Secretary

Susan Chee-Lan Yip

Registered Office

Canon's Court
22 Victoria Street
Hamilton HM 12
Bermuda

Hong Kong Head Office

12 Science Park East Avenue, 6/F
Hong Kong Science Park
Shatin, New Territories
Hong Kong
Tel : (852) 2663 6688
Fax : (852) 2897 2054
Website : www.johnsonelectric.com

Auditor

PricewaterhouseCoopers

Registrar and Transfer Offices

Principal:
HSBC Bank Bermuda Limited
Bank of Bermuda Building
6 Front Street, Hamilton HM 11
Bermuda

Hong Kong Branch:
Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East, Wan Chai
Hong Kong

American Depositary Receipt (ADR)

Ratio : 1 ADR : 10 Ordinary Shares
Exchange : OTC
Symbol : JELCY
CUSIP : 479087207

Depositary

JPMorgan Chase Bank
JPMorgan Service Center
P.O. Box 43013
Providence, RI 02940-3013
U.S.A.
Tel : Domestic Toll Free:
+1 (800) 990-1135
International:
+1 (781) 575-4328
Fax : +1 (781) 575-4088
Email : adr@jpmorgan.com

Principal Bankers

The Hongkong and Shanghai Banking Corporation Limited
Citibank, N.A.
Standard Chartered Bank

LISTING INFORMATION

Share Listing

The Company's shares are listed on The Stock Exchange of Hong Kong Limited and are traded over the counter in the United States in the form of American Depositary Receipt.

Stock Code

The Stock Exchange of Hong Kong Limited	179
Bloomberg	179 : HK
Reuters	0179.HK

SHAREHOLDERS' CALENDAR

Register of Shareholders

Close of Register (both days inclusive)
23rd – 28th July 2010

Annual General Meeting

28th July 2010

Dividend (per Share)

Final Dividend : 5 HK cents
Payable on : 3rd August 2010

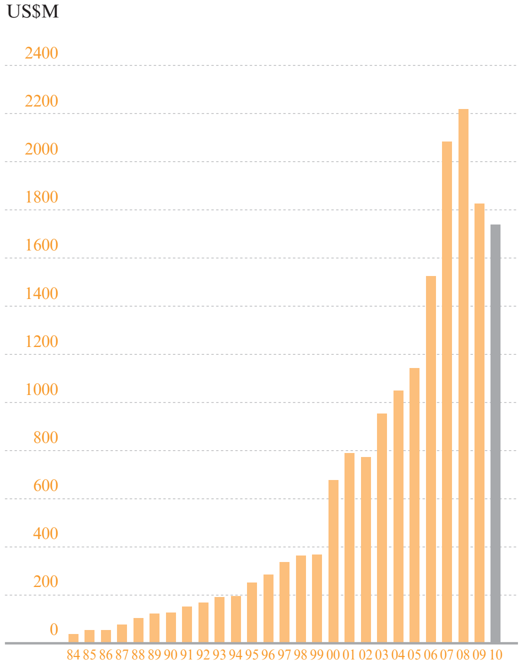
FINANCIAL HIGHLIGHTS

For the year ended 31st March 2010

	2010 US$M	2009 US$M	Percent increase/ (decrease)
Turnover	**1,741**	1,828	(5%)
EBITDA	**198**	136	45%
Profit for the year from continuing operations	**86**	38	127%
Loss from discontinued operations	**–**	(31)	(100%)
Profit attributable to equity holders	**76**	3	2814%
Capital expenditure	**38**	63	(39%)
Total equity	**1,167**	998	17%
Earnings per share (US cents) – From continuing operations	**2.06**	0.92	124%

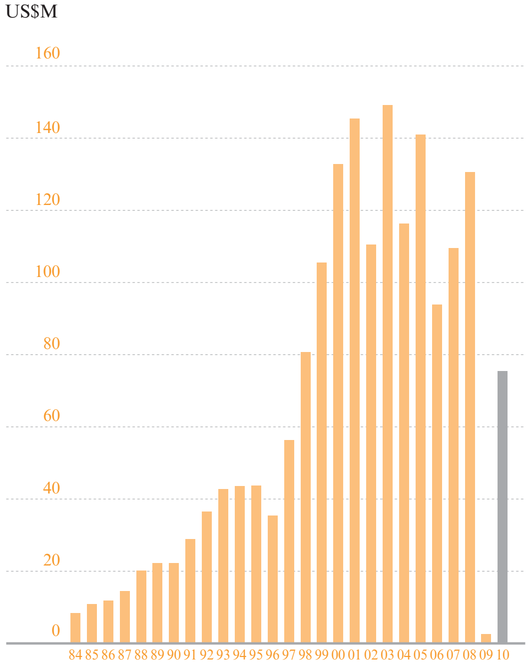
TURNOVER

A compound annual growth rate of 15.3 percent



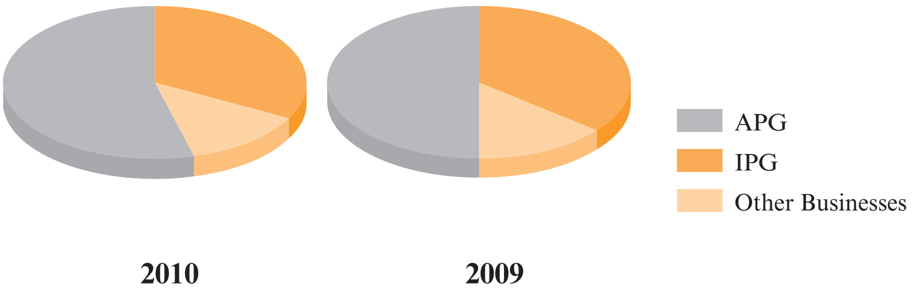
PROFIT ATTRIBUTABLE TO SHAREHOLDERS

A compound annual growth rate of 8.5 percent



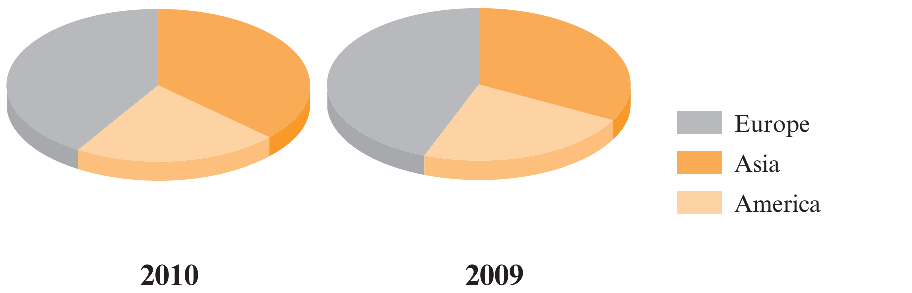
SALES BY PRODUCT APPLICATION

	2010 US$M	%	2009 US$M	%
Automotive Products Group ("APG")	934	54	905	50
Industry Products Group ("IPG")	579	33	654	36
Other Businesses	228	13	269	14
Total	1,741	100	1,828	100



SALES BY GEOGRAPHIC DESTINATION

	2010 US$M	%	2009 US$M	%
Europe	717	41	805	44
Asia	649	37	597	33
America	375	22	426	23
Total	1,741	100	1,828	100



A MESSAGE FROM PATRICK WANG

TO OUR SHAREHOLDERS,

I am pleased to report that Johnson Electric is emerging from the global financial and economic crisis in good shape with a more focused business strategy, streamlined operations, and a healthy balance sheet.

The recovery in demand across most of our end markets has been unexpectedly strong in recent months – so strong in fact that it has been a challenge to ramp-up production from the sharply reduced levels of a year ago. On the other hand, the global macro-economic outlook for the medium term remains uncertain and many input costs are on the rise. As a consequence, the Group is continuing to prioritize its capital investments strictly according to need and is keeping its growth initiatives targeted at technology and innovations that can deliver tangible and rapid payback for our customers.

SUMMARY OF 2009/10 RESULTS

- For the financial year ended 31st March 2010, total sales amounted to US$1,741 million – a decrease of 5% compared to the 2009 financial year

- Gross profit margins increased from 23.3% to 27.7% of sales

- Excluding restructuring costs and asset impairment, operating profits were US$136 million – more than double the prior year figure of US$66 million

- Net earnings attributable to equity holders increased from US$2.6 million to US$75.5 million or 2.06 US cents per share

- During the year bank loans of US$525 million were repaid and a new three-year term loan of US$400 million was put in place. At year end, net debt as a percentage of net capital was 3% compared to 19% a year earlier and the Group's cash and cash equivalents amounted to US$363 million

DIVIDENDS

In view of the improved operating environment and financial condition of the Company, the Board has determined that a resumption in dividend distributions would be appropriate. Accordingly, the Board has recommended a final dividend payment of US$23.7 million or 0.64 US cents per share.

SALES AND DEMAND TRENDS

Although total sales declined by 5% to US$1.74 billion the underlying demand trend was clearly positive as the global economy began its recovery. Group sales (excluding those from trading segment) for the second half of the 2009/10 financial year were up 35% compared to the second half of the prior year when the global economic downturn was at its most severe.

The Automotive Products Group (APG), the largest operating division, achieved sales of US$934 million – an increase of 3% compared to a year earlier. This commendable performance was partly due to the fact the global automotive industry had been among the first sectors to collapse at the onset of the global crisis but has since experienced one of the fastest and steepest rates of recovery with the help of government-sponsored incentive schemes. More important, however, has been the exceptionally strong and sustained growth in passenger vehicle sales in many emerging markets, notably China. Johnson Electric has capitalized on these growth trends by aggressively marketing its range of innovative motors and motion system products at the same time as customers in these developing markets are starting to demand – and pay for – higher levels of technology and performance. As a consequence, the Group today derives more than a quarter of its total automotive application sales from Asia compared to only six percent five years ago.

The Industry Products Group (IPG) recorded sales of US$579 million – a decrease of 12% compared to the prior year. The major end markets of IPG include home appliances, power tools, and business and industrial equipment which all continued to experience depressed demand due to the prolonged weakness of housing and construction markets in developed economies, high rates of unemployment, and consequently lower levels of consumer expenditure. Recently, however, there has been a marked uplift in demand for many of the division's motor, actuator and switch products as industrial customers appear to be replenishing inventories and preparing to launch new products. As in the case of automotive, IPG is also achieving higher sales and market share gains in developing markets such as India and Brazil.

Other manufacturing businesses within the Group contributed a combined US$208 million to total sales – essentially flat year on year. This reflected the combination of lower sales by Parlex Corporation due to continued weakness in the global electronic component sector; higher sales by Tonglin Precision Parts due to its merger with a precision machining business during the period and to the overall strength of demand from China's automotive sector; and a modest reduction in sales by Saia-Burgess Controls which made strong gains in infrastructure automation in Europe, partly offset by weakness in the industrial machines sector.

IMPROVED PROFITABILITY

Overall gross profit margins for the full year increased from 23.3% to 27.7% due to the combination of lower raw material costs (such as copper and steel), reduced fixed costs as the impact of various restructuring actions began to take effect, and the beginnings of a recovery in sales volume. The restructuring and cost reduction initiatives that spanned both the 2009/10 financial year and the second half of the prior year included a major realignment of our operations in Europe and North America where we have sought to consolidate manufacturing in selected locations and refocus activities in other sites towards design and precision engineering.

The economic crisis also indirectly functioned to provide added impetus to ongoing efforts to improve underperforming business units. For example, Parlex Corporation, a flexible printed circuit board manufacturer acquired by the Company in late 2005, is now well on the way to completing a successful turnaround. The business was loss-making at the time of acquisition but under Johnson Electric's ownership has returned to profitability and strong positive cash flow through an extensive restructuring program that involved the closure of five factories (including three in China) and various management actions to improve yield, optimize pricing, and exit unprofitable accounts. Similar actions have been undertaken to enhance the performance of other smaller business units in the Group and this contributed to the overall improvement in profitability.

Group Sales and Administrative expenses were also reduced through tight cost controls though this was partly offset by a number of non-recurring charges and costs including the settlement of a long-standing patent dispute in North America. As a consequence, Group operating profits before restructuring costs and assets impairment charges totaled US$136 million, an increase of US$71 million.

SHIFTING THE FOCUS FROM RESTRUCTURING TO INNOVATION AND GROWTH

The past two years have necessarily been focused on ensuring that the Company navigated safely through some of the most challenging market conditions in its fifty year history. Now that the worst of the recession appears to be behind us, management is shifting gear and directing its attention increasingly to the penetration of new markets, technological innovation, and further strengthening our internal processes and capabilities.

During the year we opened the Group's first Indian manufacturing facility in Chennai to serve that nation's rapidly growing automotive industry. We have also begun manufacturing and assembly operations in Beihai, Guangxi Province, representing the Group's first step in building a presence in south-west China for our core motor business. This location, which is benefiting from China's "Go West" policy, offers lower operating and labour costs and serves to reduce our degree of operational dependence on our major facility in Shajing, Guangdong Province.

While maintaining a competitive cost base is a constant imperative in our industry, we believe that the "twin pillars" of Johnson Electric's long term success will be ***technology leadership*** and our ***safe choice*** commitment to our customers.

Our design and engineering efforts are targeted at collaborating closely with customers to provide motor and motion solutions that help them win in the marketplace with their flagship products. Recent technology innovations include the development of new motor products that require significantly less electricity, utilize less raw material (and hence are lighter), and yet offer more power and performance. These benefits can apply equally to more mature consumer product applications such as hair dryers and to more complex and sophisticated automotive applications such as engine management systems and window lift regulators.

The ultimate objective is to build and sustain market leading positions by differentiating ourselves from our competitors through the delivery of tangible end-product performance advantages for our customers. Such technological value-add is underpinned by investments in deepening our already extensive application know-how, strengthening our quality and reliability functions, and maintaining our traditionally high levels of responsiveness and flexibility. Taken together, we believe these capabilities offer customers a compelling "safe choice" rationale for selecting Johnson Electric to meet their needs.

THE OUTLOOK

Looking to the immediate future, we anticipate the generally buoyant demand conditions of the past few months to continue through the first half of the 2010/11 financial year with a correspondingly positive impact on sales and operating profits.

The prospects for the second half of the year, however, are much less certain. European economies are entering an expected era of fiscal austerity that necessitates reduced government spending and investment – and which may lead to lower consumer expenditure and economic growth. In addition, financial markets are currently concerned over the commitment and ability of some governments to implement the requisite budget reductions and this has led to a sharp relative depreciation of the Euro currency. Given that Europe represents a significant share of Johnson Electric's overall business, a weaker regional economy and depreciating Euro will tend to reduce the Group's sales and earnings potential as measured in US Dollars.

Partly offsetting slower growth in Europe has been and continues to be the exceptionally robust demand from the Asian automotive sector, especially in China. With our strong product offering based on best-in-class technology and a superior cost base, we expect to make further market share gains in the region. Yet there is also the potential risk of a cooling down in China's economy, including the possible removal of government-sponsored incentive schemes, which could affect demand for automotive vehicles. Meanwhile in the USA, although industrial output has been recovering quite well in recent months it remains to be seen whether this can translate into new job creation, increased consumer confidence, and a sustained recovery in house prices. Without these preconditions it is difficult to be especially optimistic about the outlook for US domestic consumption in the medium term.

On the cost side, there are also reasons to be cautious. Commodity prices have moved to levels well above the averages of the past year. While these input prices will remain highly sensitive to the global macro-economic picture, if they do remain at current levels or move higher this will place downward pressure on our gross margins. Similarly, labour costs in China have continued to rise sharply. Even if China's economic growth were to moderate, we see no sign of an abatement of the trend of a tight supply of labour and rising wages for the foreseeable future.

In summary, I am confident that the competitive position of Johnson Electric is very sound and, supported by the success of recent restructuring activities, the financial performance of the Group is set for further improvements in the year ahead. Nonetheless, a realistic assessment of the external environment suggests that we should also be prepared for potentially significant headwinds to affect sales and operating costs as the year progresses.

On behalf of the Board, I would like to sincerely thank all of our customers, shareholders, suppliers, and employees for their continued support.

Patrick Shui-Chung Wang
Chairman and Chief Executive

Hong Kong, 31st May 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

OVERVIEW – FINANCIAL HIGHLIGHTS

US$ millions	FY2010	FY2009
Sales	1,741.0	1,828.2
Gross Profit	481.5	425.7
Gross Margin %	*28%*	*23%*
Operating Profit/(Loss)	110.6	46.9
Operating Margin %	*6%*	*3%*
Profit Attributable to Shareholders	75.5	2.6
Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA)	197.9	136.2
Free Cash Flow from Operations*	215.1	168.5
Cash	367.1	302.0
Debt (Total Borrowings)	(408.7)	(528.9)
Net Debt	(41.6)	(226.9)
Total Equity	1,166.6	998.1
Debt to Capital (Total Equity + Debt)	26%	35%
Debt to EBITDA	2.1	3.9
Free Cash Flow from Operations to Debt	53%	32%
Interest Coverage (EBIT**/Interest Expense)	12.4	3.0

* *Net cash generated from operating activities plus interest received, less CAPEX net of proceeds from sale of assets*

** *Earnings Before Interest and Tax (EBIT) is defined as Operating Profit (per accounts) plus share of (losses)/profit of associated companies*

- Global markets have begun to recover during the financial year from the economic downturn in the second half of FY2009.
- The Group continues to grow sales revenues in China in both Automotive and Industry businesses through innovation and new product development.
- Gross margins have improved due to lower raw material costs and significant efficiency improvements and restructuring.
- Claims and compensation significantly increased due to a litigation settlement for US$17.6 million and provisions for warranty claims in the year.

- Effective control of working capital, particularly inventories and receivables, has resulted in strong cash flow in the year.
- The Group has a strong balance sheet with low net debt. The Group significantly improved the creditworthiness ratios of Debt to EBITDA and Free Cash Flow from Operations to Debt. Hence we are well placed to take advantage of growth opportunities as markets continue to recover and strengthen.

SALES ANALYSIS

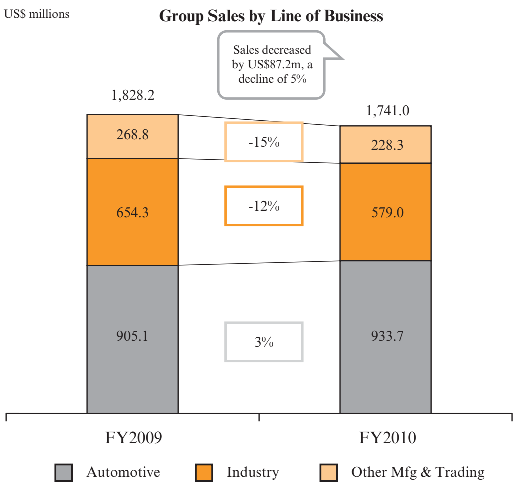
Operations in Johnson Electric (JE) share many common features in technology, manufacturing processes, supply chain management, brand and channel management and the business model as a whole. This creates opportunities for synergy; for revenue growth by leveraging the strength of the Group's technology and for cost reduction through the sharing of resources.

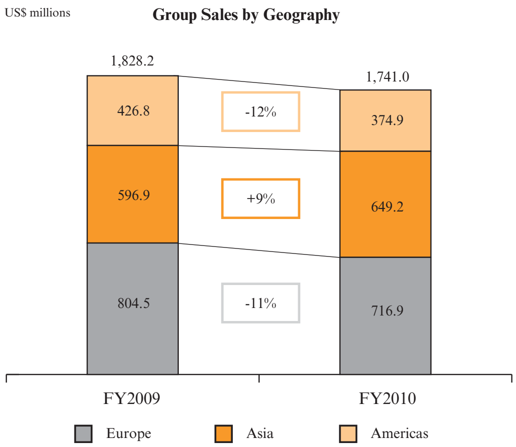
The Group has two operating segments, Manufacturing and Trading. Manufacturing is divided into three divisions (Automotive Products Group, Industry Products Group and Other Manufacturing Businesses) that focus on specific customer needs, applications, and technologies in defined markets. Sales for these divisions and business units for the year are analyzed as below:

GROUP SALES ANALYSIS	FY2010		FY2009		Increase/(decrease)		Sales Growth at Constant Exchange Rates
US$ millions	Sales	%	Sales	%		%	
Motors	666.9	38%	629.9	34%	37.0	6%	7%
Motion Systems	266.8	15%	275.2	15%	(8.4)	(3%)	(2%)
Automotive Products Group (APG)	**933.7**	**54%**	**905.1**	**50%**	**28.6**	**3%**	**4%**
Motors	434.9	25%	469.5	26%	(34.6)	(7%)	(8%)
Motion Systems	144.1	8%	184.8	10%	(40.7)	(22%)	(21%)
Industry Products Group (IPG)	**579.0**	**33%**	**654.3**	**36%**	**(75.3)**	**(12%)**	**(12%)**
Other Manufacturing Businesses	**208.2**	**12%**	**206.4**	**11%**	**1.8**	**1%**	**2%**
MANUFACTURING SEGMENT	**1,720.9**	**99%**	**1,765.8**	**97%**	**(44.9)**	**(3%)**	**(2%)**
TRADING SEGMENT	**20.1**	**1%**	**62.4**	**3%**	**(42.3)**	**(68%)**	**(68%)**
TOTAL SALES	**1,741.0**	**100%**	**1,828.2**	**100%**	**(87.2)**	**(5%)**	**(4%)**

SALES REVIEW

During FY2010[1] JE has started to see a recovery from the sales downturn we faced in the second half of FY2009. Sales revenue for the Group in the year declined by 5%, from US$1.83 billion in FY2009 to US$1.74 billion in FY2010. The decline of 5% was the result of the decline in sales in the second half of FY2009, largely offset by the sales recovery that has taken place in FY2010.



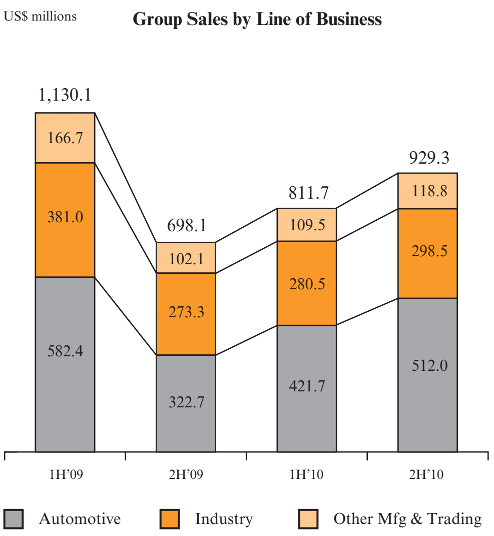


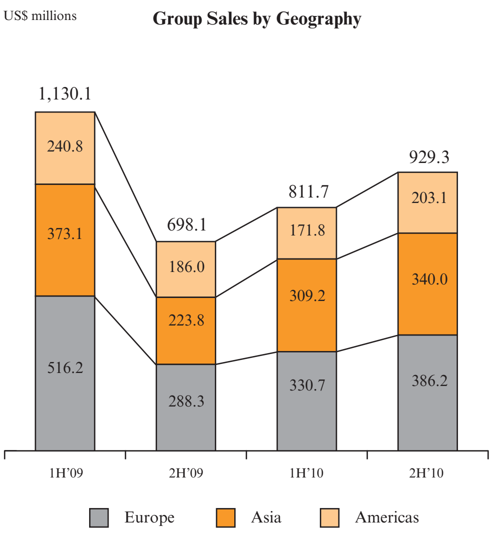
Excluding currency effects sales growth/(decline) for FY2010 vs FY2009: Overall (4%), Europe (9%), Asia 8%, Americas (12%).

- Automotive markets declined before IPG markets and have recovered faster, with the IPG market recovery being slower and less pronounced.
- The sharp fall in vehicle demand in the second half of FY2009 led to original equipment manufacturer (OEM) factory shutdowns and supply chain rationalization. In FY2010, government incentive programs and fiscal stimuli led to recovery of demand across global markets.
- Government incentives have particularly helped to generate demand for smaller vehicles, which are increasingly starting to use applications that utilize our products, particularly in comfort, climate and convenience applications. These applications traditionally were only on higher end vehicles, but increasingly these options are being installed on all vehicles. Increasing automation of window-lift, power seat adjustments, lumbar support, climate controls and mirror applications is contributing to growth.
- Growth in environmentally friendly products is being driven by government legislation, incentive schemes and consumer demand. This leads to increased demand for fuel efficient vehicles with low emissions. Our innovative products for engine air management and engine fuel management applications are enabling higher performance from smaller engine sizes. In addition to engine performance, our products also enhance fuel efficiency through improvements in transmission technology. Our newly developed braking products for anti-lock braking systems, electronic stability control and electric parking brakes are helping to meet the growing market requirement for increased safety.
- Economic growth in China has led to increased demand for automotive vehicles. JE has successfully leveraged its global capability to establish a solid base with emerging OEMs in China. Technology developed for European markets together with a manufacturing and sales capability in China is leading to growth in this key market.

[1] *In this discussion we use the convention FY20XX where 20XX represents the year ending 31st March 20XX. Thus the six months ending 30th September 2009 is the first half of FY2010, and the six months ending 31st March 2010 is the second half of FY2010.*

- Similarly in European automotive markets JE is combining technical excellence with cost efficiency, based on a flexible global manufacturing footprint combined with local product development. With this we are increasingly winning new business in developed markets.
- In the Americas we supply products for vehicle platforms that were hit particularly hard by the downturn. Recently we have won new business on major new platforms by leveraging our global relationship with European Tier 1 suppliers. This, together with increased consumer demand, has contributed to a recovery in sales.
- IPG markets saw a decline in demand in the second half of FY2009 and the first half of FY2010 due to reductions in inventories across the supply chain. Market recovery due to gradual re-stocking has started in FY2010, particularly in air conditioning, floor cleaning and food and beverage market segments, and is expected to continue into FY2011.
- Demand has declined due to fewer new homes being built and depressed consumer demand, particularly in Europe and the Americas. This has in turn impacted our customers in Asia who are strongly reliant on export markets in these regions.





- In IPG markets we are developing new solutions for metering, office automation and gaming applications which are driving sales recovery, particularly in the Americas. Emerging "smart grid" applications for energy management are providing exciting opportunities for new metering applications.
- Sales in China for office automation applications such as printers and scanners, provided growth that offset the decline in exports in this market.
- End markets continue to be soft for many IPG products due to weak end user demand; we expect to see growth as customers re-stock the supply chain and demand gradually recovers. This will be supplemented by growth in key markets. We have won business in China with circuit breakers and food and beverage applications and are looking to expand into South America and India, particularly in the domestic equipment segment.
- Sales for Parlex, a printed circuit board and interconnect solutions provider, have reduced in line with reduced global demand.
- Sales for our Controls business, whose primary activity is in Europe, has declined slightly despite gaining market share in infrastructure automation, as demand for IPG machine applications has declined in line with the market.
- China Autoparts, a supplier of iron cast engine blocks to the Chinese automotive market, merged with Tian Xi Auto Parts Group in the year to form a new business, Tonglin Precision Parts. This new business is 52% owned by the Group and contributed sales growth on top of the underlying growth in the original engine block business.

- Overall the Group has seen a significant downturn in sales across all lines of business and regions following the financial crisis that impacted in the second half of FY2009. The economic downturn was exacerbated by inventory reduction programs by our customers.
- The recovery in global demand, together with the impact of government incentive programs, new product development and the growth in key markets such as China, have resulted in a robust and steady recovery which is expected to continue into FY2011. Due to the Group's global manufacturing capability and our ability to respond to rapid changes in demand to meet our customers' needs, JE will continue to generate growth based on technological innovation and as the safe choice for our customers.
- Sales in our Trading Segment have declined as we continue to reduce our business in metals and commodity trading in line with volatile markets conditions.

FINANCIAL REPORT

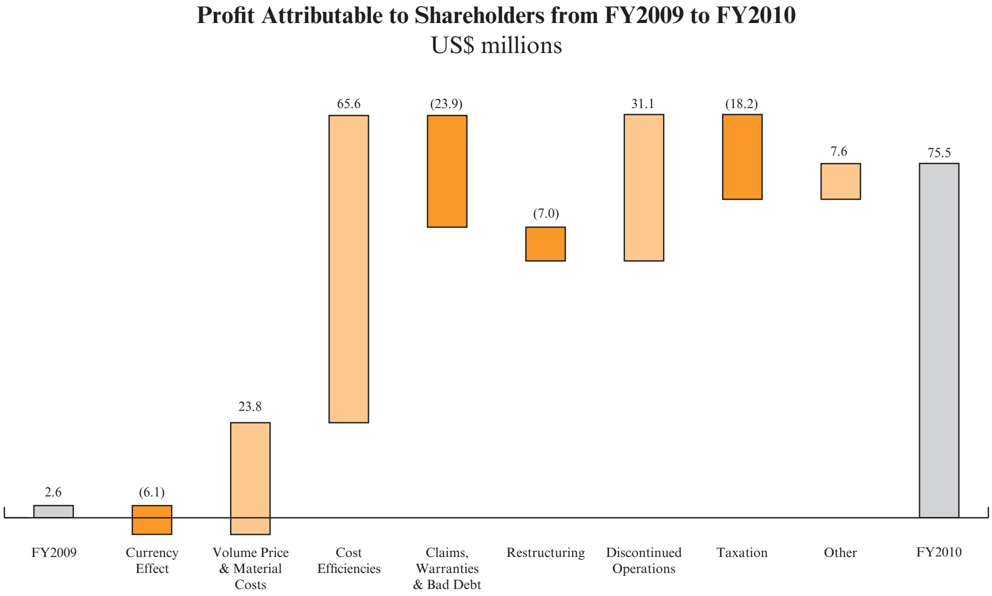
ANALYSIS OF PROFIT & LOSS FY2010 VS FY2009

US$ millions	FY2010	FY2009	Increase/(Decrease)
Sales	1,741.0	1,828.2	(87.2)
Gross Profit	481.5	425.7	55.8
Gross Margin %	*27.7%*	*23.3%*	*4.4%*
Other Income & Gains/(Losses)	5.7	(6.6)	12.3
Selling and Administrative Expenses ("S&A")	(350.8)	(353.4)	2.6
S&A %	*20.2%*	*19.3%*	*0.9%*
Operating Profit/(Loss) before Restructuring	136.4	65.7	70.7
Restructuring Costs & Assets Impairment	(25.8)	(18.8)	(7.0)
Operating Profit/(Loss)	110.6	46.9	63.7
Operating Margin %	*6.4%*	*2.6%*	*3.8%*
Finance Costs, Net	(6.8)	(9.6)	2.8
Share of (Loss)/Profit of Associated Companies	(0.1)	0.1	(0.2)
Profit/(Loss) before Income Tax	103.7	37.4	66.3
Income Tax	(17.8)	0.4	(18.2)
Profit/(Loss) from Continuing Operations	85.9	37.8	48.1
Discontinued Operations*	–	(31.1)	31.1
Profit/(Loss) for the Year	85.9	6.7	79.2
Minority Interests	(10.4)	(4.1)	(6.3)
Profit/(Loss) Attributable to Shareholders	75.5	2.6	72.9

* *Green Vision Group*

PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The profit attributable to shareholders increased by US$72.9 million, from US$2.6 million in FY2009 to US$75.5 million in FY2010:



Profitability was impacted by the following:

- Currency Effect – translation of costs and revenues in foreign currency reduced operating profit by US$6.1 million mainly due to the decline of the value of the Euro against the US dollar.
- Volume Price and Material Costs – increased profits by US$23.8 million primarily as a result of lower commodity prices for copper, steel and other raw materials.
- Cost Efficiencies – costs reduced by US$65.6 million with reductions of US$40 million in staff costs following restructuring and cost improvement initiatives.
- Claims, Warranties and Bad Debts – increased by US$23.9 million primarily due to a litigation settlement for US$17.6 million and an increase in warranty costs.
- Restructuring – costs increased by US$7.0 million as a result of continuing programs in Europe and Japan to rightsize operations.
- Discontinued Operations – costs reduced by US$31.1 million as there were no charges for discontinued operations in FY2010 following the closure of Green Vision Group in FY2009.
- Taxation – increased by US$18.2 million in the year as the Group returned to profitability. The effective tax rate was 17.2% in the year.
- Other – costs increased by US$7.6 million primarily due to changes in derivative contracts, investment properties, payroll liabilities and minority interests.

COMPARISON BETWEEN PROFITABILITY OF 2H FY2010 AND 2H FY2009

The Group witnessed sharp declines in demand across its markets in the second half of FY2009 due to the global economic downturn. The rate at which revenues eroded exceeded the speed with which adequate countermeasures could be put in place. Consequently in FY2009, the Group moved from profits in the first half into a loss position in the second half.

JE responded as rapidly as possible to the global downturn by conserving cash as well as taking a series of determined restructuring actions to resize and reshape the business. These measures started to bear fruit in the first half of FY2010 and continued into the second half of FY2010. As a result of these cost reduction efforts, together with some recovery in sales and reduced raw material costs, the financial performance of the second half of FY2010 was significantly stronger than in the second half of FY2009.

Change in Profit & Loss Account – 2nd Half FY2010 vs 2nd Half FY2009

US$ millions	2H FY2010	2H FY2009	Increase/(Decrease)
Sales	929.3	698.1	231.2
Gross Profit	265.6	132.8	132.8
Gross Margin %	*28.6%*	*19.0%*	*9.6%*
Other Income & Gains/(Losses)	7.0	(15.0)	22.0
Selling and Administrative Expenses ("S&A")	(183.1)	(150.0)	(33.1)
S&A %	*19.7%*	*21.5%*	*(1.8%)*
Operating Profit/(Loss) before Restructuring	89.5	(32.2)	121.7
Restructuring Costs & Assets Impairment	(11.8)	(16.7)	4.9
Operating Profit/(Loss)	77.7	(48.9)	126.6
Operating Margin %	*8.4%*	*(7.0%)*	*15.4%*
Finance Costs, Net	(3.7)	(3.2)	(0.5)
Share of Profit/(Loss) of Associated Companies	0.1	–	0.1
Profit/(Loss) before Income Tax	74.1	(52.1)	126.2
Income Tax	(7.4)	14.7	(22.1)
Profit/(Loss) from Continuing Operations	66.7	(37.4)	104.1
Discontinued Operations*	–	(3.6)	3.6
Profit/(Loss) for the Year	66.7	(41.0)	107.7
Minority Interests	(5.7)	(2.0)	(3.7)
Profit/(Loss) Attributable to Shareholders	61.0	(43.0)	104.0

* *Green Vision Group*

FINANCIAL POSITION AND LIQUIDITY

Analysis of Cash Flows

Simplified Cash Flow

US$ millions	FY2010		FY2009	Change
Operating Profit	110.6		47.0	63.6
Depreciation, Amortization and Associates	87.3		89.2	(1.9)
EBITDA	***197.9***		***136.2***	***61.7***
Other Non Cash Items in Profit before Tax	13.9		16.9	(3.0)
Working Capital Change	63.9	(a)	106.9	(43.0)
Cash Generated from Operations	***275.7***		***260.0***	***15.7***
Interest Paid	(8.3)		(14.6)	6.3
Tax	(18.9)		(28.3)	9.4
Net Cash Generated from Operating Activities	***248.5***		***217.1***	***31.4***
Interest Received	2.2		6.1	(3.9)
Capital Expenditure	(38.0)		(62.8)	24.8
Proceeds from Sale of Assets	2.4		8.1	(5.7)
Free Cash Flow from Operations	***215.1***		***168.5***	***46.6***
Cost of Acquisition of Subsidiaries and Minority Interests	(28.9)		(2.6)	(26.3)
Proceeds from Sale of Investments	0.4		0.8	(0.4)
Other Investments	(2.4)		(31.5)	29.1
Dividend Paid	–		(46.2)	46.2
Cash Generated from Continuing Operations	***184.2***		***89.0***	***95.2***
Discontinued Operations (exclude financing activities)	–		(13.0)	13.0
Exchange Gains/(Loss) on Cash and Borrowings	1.1		(6.5)	7.6
Net Movement in Cash, Overdrafts and Borrowings (Net Debt)	***185.3***	(b)	***69.5***	***115.8***

Net Debt Analysis	31st March 2010	31st March 2009	Decrease/ (Increase)	
Cash	367.1	302.0	65.1	
Short Term Borrowings	(7.0)	(1.1)	(5.9)	
Long Term Borrowings	(401.7)	(527.8)	126.1	
Net Debt Outstanding	***(41.6)***	***(226.9)***	***185.3***	(b)

WORKING CAPITAL CHANGE

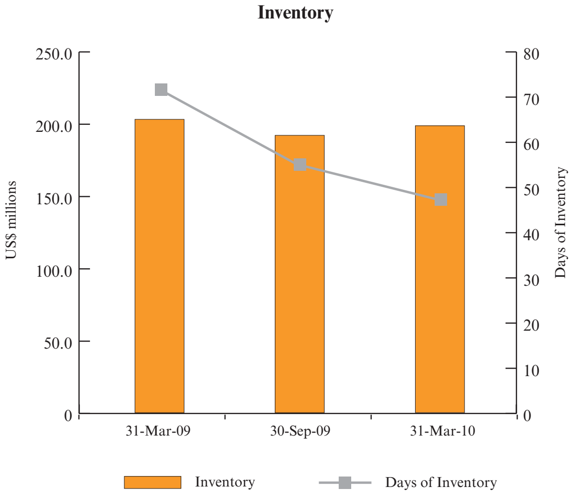
US$ millions	31st Mar 2009	Currency translation	Acquisitions	Pension, Hedging & Interest Payable	Increase/ (Decrease) in operating working capital net of exchange	31st Mar 2010
Stocks and other work in progress	202.8	3.7	3.6	–	(13.8)	196.3
Trade and other receivables	267.6	5.8	11.4	–	75.5	360.3
Deposits – non current	4.8	–	–	–	(1.6)	3.2
Trade and other payables	(226.0)	(5.1)	(15.8)	0.4	(94.6)	(341.1)
Provisions and other liabilities*	(64.7)	(1.0)	(1.3)	7.6	(15.1)	(74.5)
Other financial liabilities, net	(32.0)	(13.5)	–	26.0	(14.3)	(33.8)
Total Working Capital per Balance Sheet	152.5	(10.1)	(2.1)	34.0	(63.9) (a)	110.4

* *Current and non current*

Stocks and Work in Progress

Stocks excluding acquired businesses were as follows:

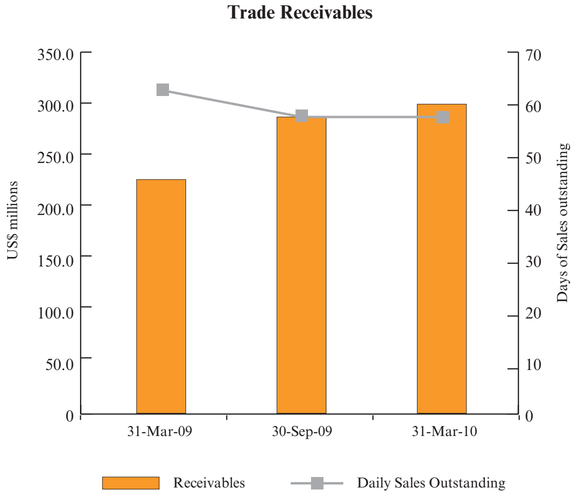
- Stocks reduced by US$6.5 million in FY2010 from US$202.8 million as of 31st March 2009 to US$196.3 million as of 31st March 2010. Excluding currency effects and acquisitions, stocks reduced by US$13.8 million.
- Days of inventory, reduced from 74 to 47 in FY2010 as controls were tightened and demand has improved.



Trade and Other Receivables

Trade and other receivables, excluding acquisitions, were as follows:

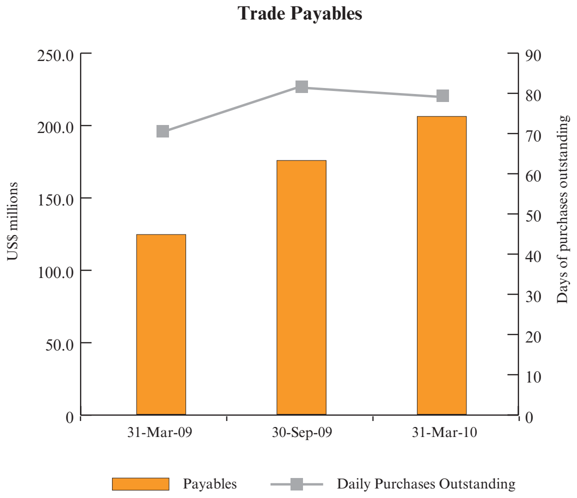
- Trade and other receivables increased by US$92.7 million in FY2010 from US$267.6 million to US$360.3 million. Excluding currency effects and acquisitions, receivables increased by US$75.5 million.
- Daily sales outstanding reduced from 62 days to 58 days, partially reflecting our tightened credit policy and receivables collection efforts.
- Despite the challenging economic conditions and their effect on our customers, 97.7% of our receivables are now current or less than 30 days past due, an improvement over 96.2% as of 31st March 2009.



Trade and Other Payables

Trade and other payables, excluding acquisitions, were as follows:

- Trade and other payables increased by US$115.1 million in FY2010 from US$226.0 million to US$341.1 million. Excluding currency effects and acquisitions, payables increased by US$94.6 million.
- Daily purchases outstanding increased from 70 to 81 days, partially due to improved terms negotiated with our suppliers.



Provisions

Long term and short term provisions increased by US$9.8 million from US$64.7 million to US$74.5 million, mainly due to restructuring and warranty provisions net of actuarial gains on pension funds that are recognized in equity (no impact on profit).

Other Financial Liabilities

For risk management purposes, the Group enters into forward contracts to mitigate its exposure to volatile currency exchange rates, interest rates and commodity prices. These mainly take the form of forward contracts and swap agreements.

Other financial liabilities, net, were US$33.8 million as of 31st March 2010, an increase of US$1.8 million from US$32.0 million as of 31st March 2009. The changes can be analyzed as follows:

	31st March 2010			31st March 2009			
US$ millions	Asset	Liability	Net	Asset	Liability	Net	Increase/ (Decrease)
Currency Forward Contracts	0.4	(0.7)	(0.3)	3.2	–	3.2	(3.5)
Interest and Cross Currency Swaps	–	(38.2)	(38.2)	–	(23.4)	(23.4)	(14.8)
Commodity Forward Contracts	4.7	(0.2)	4.5	2.7	(15.0)	(12.3)	16.8
All Others	0.2	–	0.2	0.5	–	0.5	(0.3)
Total (Current and Non Current)	5.3	(39.1)	(33.8)	6.4	(38.4)	(32.0)	(1.8)

Forward contracts and other derivatives are marked to market at the end of each reporting period.

- Foreign currency forward contracts at 31st March 2010 are a net liability of US$0.3 million compared to a net asset of US$3.2 million as of 31st March 2009.
- Net liabilities from interest and cross currency swaps increased by US$14.8 million from US$23.4 million as of 31st March 2009 to US$38.2 million as of 31st March 2010, due to the unfavourable movement of the Swiss franc against the US dollar in the year.
- A net liability of US$12.3 million at 31st March 2009, arising from commodity hedging contracts for copper, has been replaced by a net asset of US$4.5 million at 31st March 2010. This represents the mark to market of forward contracts in place until June 2011.

Interest Paid

Interest paid reduced by US$6.3 million from US$14.6 million to US$8.3 million. The average interest rate was lower in FY2010 than in FY2009 and debt levels were reduced.

Tax Paid

Tax paid in the year reduced by US$9.4 million from US$28.3 million to US$18.9 million reflecting the natural lag in tax payments from declared profits and reduced profitability in FY2009 compared to FY2008.

Interest Received

Interest received declined in the year by US$3.9 million from US$6.1 million to US$2.2 million. This was due to declining interest rates on cash deposits.

Capital Expenditure (and proceeds from sale of assets)

Capital expenditure, net of proceeds from sale of assets, reduced by US$19.1 million from US$54.7 million in FY2009 to US$35.6 million in FY2010. Capital expenditure was reduced to ensure effective use of our existing capacity, while maintaining a high service level. JE continued to invest in machinery and equipment which enables innovation, new product manufacture, improved process flow, and efficiency.

Free Cash Flow From Operations

Free cash flow from operations increased by US$46.6 million, from US$168.5 million in FY2009 to US$215.1 million in FY2010. Free cash flow from operations as a percentage of gross debt increased to 52.6% in FY2010 from 31.9% in FY2009, which is a significant improvement.

Acquisitions and Mergers

The cash outlay for acquisitions in the year, including the acquisition of net debt in the acquired companies, increased by US$26.3 million from US$2.6 million to US$28.9 million. This was as a result of the merger of China Autoparts, Inc. with Tian Xi, and the acquisition of an increased stake in Nanomotion.

Dividend Payments

No dividends were paid in FY2010 in line with the board's policy of retaining cash within the business in the near term during the poor economic conditions. This compares with a final dividend payment of US$46.2 million for FY2008 which was paid in FY2009. Final dividend of US$23.7 million has been recommended for FY2010 which will be paid in FY2011.

Other Cash Movements

Cash outflows from other investments reduced by US$29.1 million from US$31.5 million to US$2.4 million. In FY2009 cash outflow was incurred mainly for a pledged deposit of US$17.1 million for a litigation and US$13.2 million for unwinding a portion of the US dollar Swiss franc cross currency swap. The pledged deposit was used in FY2010 to partially settle litigation damages awarded by the court. These cash outflows in the prior year did not repeat in the year.

Cash Generated from Continuing Operations

Net cash flow from continuing operations increased by US$95.2 million from US$89.0 million in FY2009 to US$184.2 million in FY2010.

Discontinued Operations

There was no cash flow from discontinued operations in FY2010, as compared to a cash outflow of US$13.0 million in FY2009 arising from the discontinuation of the Green Vision Group business.

Exchange Gains/(losses) on Cash and Borrowings

Exchange differences on cash and borrowings moved US$7.6 million from US$6.5 million loss in FY2009 to a US$1.1 million profit in FY2010.

Net Movement in Cash, Overdrafts and Borrowings (Net Debt)

Net debt reduced by US$185.3 million in the year. This compares with a net debt reduction of US$69.5 million in FY2009.

Net Movement in Cash and Borrowings

The Group's debt to capital ratio was 26% at 31st March 2010, significantly improved from 35% at 31st March 2009.

- Net borrowings (total long and short term borrowings, net of cash) fell by US$185.3 million from US$226.9 million at 31st March 2009 to US$41.6 million at 31st March 2010.
- This overall reduction in net borrowings resulted from an increase in cash and cash equivalents of US$65.1 million, an increase in short term bank overdrafts of US$5.9 million and a reduction in long term borrowings of US$126.1 million.

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.

Liquidity

During the year the Group refinanced its debt. Bank loans of US$525 million were repaid and a new loan of US$400 million was put in place in February 2010, repayable at 26th February 2013. The upfront fee of US$4.6 million was capitalized and will be amortized over the period of the loan. This term loan is subject to the usual terms and conditions by a bank group to an industrial credit. As of 31st March 2010, the Group was in compliance with all covenants and expects to be compliant going forward.

Other loans of US$13.3 million are held with maturity dates ranging from April 2010 to May 2018.

As of 31st March 2010 the Group had cash on hand of US$367.1 million. The Group has approximately US$400 million of uncommitted short term borrowing facilities provided by its relationship banks. We believe that the combination of our ongoing free cashflow from operations, cash balances and available credit facilities will be sufficient to satisfy our cash needs for our current level of operations and our planned operations for the foreseeable future.

Foreign Currency

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

- The major sales generating currencies continue to be the US dollar, the Euro and the Chinese renminbi.
- In the Group's businesses, for FY2010, 49% of the sales (47% in the previous period) were in US dollars, 33% in Euros (37% in the previous period), 12% in Chinese renminbi (7% in the previous period) and the rest in other currencies including Japanese yen.
- The major currencies used for purchases of materials and services are the US dollar, the Euro, the Hong Kong dollar and the Chinese renminbi.
- The Group mitigates foreign exchange risk through forward contracts for foreign currency exchange rates based on forecasts of foreign currency cash flows from operations.

RISK MANAGEMENT

The Group ("We") are developing an improved framework for the management and control of risk in the Group. Risks are in the process of being more formally identified and recorded in the Risk Register for key operations, and we are evaluating the inherent risks and residual risks after mitigating controls are considered. The Risk Register will be updated regularly and used to plan the Group's audit and risk strategy. Specific risks that we proactively manage are detailed below:

STRATEGIC RISK

- We differentiate our products primarily through technology and innovation, and by being the safe choice for our customers.
- We continuously evaluate the suitability of our operational footprint to unlock synergy between the different parts of our global operations and enhance our flexibility to respond quickly to market changes.
- We actively focus on innovation in technology and product design. This leads to competitive advantage in markets which are characterized by constant developments in technology, changes in industry standards and continuing demand for product and service enhancements.
- We have effective processes to ensure strong joint venture partnerships, business partnership and supplier relationships.
- We mitigate the risk of customer concentration by maintaining an extensive global client base across a wide range of markets and product applications.
- We ensure that shareholders' funds are appropriately invested in acquisitions or other strategic initiatives through careful review and due diligence procedures by senior managers.
- We manage the risk of adverse consequences from political development in countries in which we operate by frequent discussions with trusted local advisors and management.
- We actively safeguard our intellectual property to protect our brand image, product differentiation and pricing capability.

OPERATIONAL RISK

- We continue to develop high quality engineering and manufacturing processes across our operations which enable us to minimize the risk of warranty claims.
- We actively seek to attract and retain high calibre management and key personnel by building effective networks of key employees and partners to safeguard our ongoing business success.
- We maintain a cost effective information technology infrastructure by developing hardware, communications, networking and business applications to meet the strategic and operational needs of the business.
- We secure our computer network from physical damage and security breaches such as computer viruses, worms, physical and electronic break-ins, sabotage, and similar disruptions from unauthorized tampering with our systems.
- We continuously review and enhance controls to prevent fraudulent activities against the Group through independent internal audit and risk reviews, the enforcement of formal policies and procedures, and a comprehensive "anti-fraud" program.
- We protect the value of our brands through active management of customer satisfaction and work hard to minimize potential litigation activities which would impair our reputation in the marketplace.

FINANCIAL RISK

- We control working capital and the risk of bad debts by carefully evaluating credit risk with our customers and a low tolerance for delinquent payment. We continue to monitor our receivables carefully as the economic recovery continues.
- We manage the risk of loss from currency exchange rate fluctuations through the use of appropriate currency hedging strategies based on estimates of future currency flows.
- We will continue to monitor interest rate risk by maintaining a mix of fixed and floating interest rate borrowings in the functional currencies in which we operate.
- We manage the risk of loss from volatile commodity prices, particularly copper and steel, through appropriate hedging strategies based on forecast levels of consumption.
- We manage continuity of supply of key raw materials through a range of commercial partnerships with steel suppliers.
- We manage liquidity through long term debt and by maintaining adequate cash balances (US$367.1 million at 31st March 2010) to meet foreseeable operational needs; in addition we have approximately US$400 million of uncommitted credit facilities with our relationship banks.

COMPLIANCE RISK

- We manage compliance with taxation regulations world-wide through our Corporate Tax department which also ensures that our legal and tax structure optimizes tax liabilities within the constraints set by tax regulations and laws.
- We ensure compliance with the Foreign Corrupt Practices Act in line with our obligations (due to our stock being traded over-the-counter on the US stock exchange), through maintenance of a comprehensive system of internal controls and review.
- We ensure compliance with local and international standards and regulations regarding energy consumption, environmental costs, product technology and employee safety through our Environmental Health and Safety function.

INVESTING IN PEOPLE

FY2010 was a dynamic year for JE, with both operational and financial events impacting the people of the Group. The challenges that arose from these events have been largely met, and the strengths of our employee base were enhanced during the course of the year.

- Programs were put in place in the second half of FY2009 to restrain people costs and these continued into FY2010. These regrettable but necessary actions were taken in response to the market downturn that affected virtually all industries world-wide. Management and Human Resources restructured operations, and employees maintained high levels of commitment and quality in the ongoing operations.
- In the United States, the organization was scaled back to basic operating levels, and the Cary, North Carolina facility was closed and consolidated into our Automotive Products Group site in Springfield, Tennessee. The Industry Products Group facility in Vandalia, Ohio is a very mature work site with valued, long term employees. This location was forced to downsize in the second half of calendar 2009. Throughout the downsizing process and after, we were able to maintain the support of all employees via good work and good policies.

- In Europe, manufacturing and sales operations were affected by the severe decline in the market. A planned move to a "Principal Business Structure" was confirmed, where the activities in some of the locations in Europe were consolidated into several major sites, or hubs. Murten, Switzerland, was confirmed as the management and operating centre for the European region. Shared service centres have been established in several locations, including Murten, Switzerland and Hatvan, Hungary. These initiatives, coming at a time when there was also severe stress in our markets, resulted in a total of seven social plans being put in place. Workers were affected by redundancy in Germany, Switzerland, France, the United Kingdom, Italy and Israel.
- Employees who remained in employment were called on to meet the challenges of shortened lead times by our customers, and the restructuring of our manufacturing footprint. Staff at all levels responded to these challenges in such a fashion that allowed the business to reduce overheads without losing efficiency and to respond to improving market conditions effectively. Our European operations are poised for ongoing growth, and the capability of our people, confirmed over the past year, is a source of significant competitive advantage. We are very proud of the entire European team.
- In Asia, the market downturn was felt strongly at our large manufacturing and development site in Shajing, China, beginning in the second half of FY2009 and continuing into the first half of FY2010. Staff and direct labour levels were reduced in both China and Hong Kong. Towards the latter part of the first half of FY2010, however, customer demand, particularly for the Automotive Products Group, began to rise dramatically, but on a selective, customer by customer basis. The fluctuation in headcount was significant, notably in Shajing, where headcount declined to a low of approximately 20,000 in FY2009, and rose to approximately 30,000 by the end of FY2010. Throughout this period, the *Gemba Kaizen* principles that are so deeply engrained throughout the Group, but particularly in China manufacturing, allowed the workforce to respond with great flexibility and with few adverse consequences associated with quality or delivery schedules.
- As of 31st March 2010, total employment for JE was about 39,000 employees and subcontract workers across 23 countries.

HUMAN RESOURCES MANAGEMENT

The people-centred programs which make JE a strong, global manufacturer of a broad range of motion-centred, electrical components, in use by many of the best, and best-known, companies in the world, are not unique. These programs are:

- equitable and competitive compensation structures
- fair employment practices that treat all employees with respect and which allow their voices to be heard at all times and on all issues
- incentive systems that reward the attainment of both business plan goals and technical superiority
- a system-based approach to Environmental Health and Safety affairs
- a growing emphasis on Training and Development which emphasizes *Gemba Kaizen* methods, core competencies and the development of all employees by providing new job accountabilities on an ongoing basis.

If the people management and people-centred programs at JE have uniqueness, it is in our insistence that our people-centred programs be characterized by excellence in the execution of these programs. Moreover, we believe our unquestioned commitment to the continuous improvement of our people is a significant differentiator for this business, and one which will sustain the record of prosperous growth that has been achieved by the Group over 51 years.

CORPORATE GOVERNANCE REPORT

Johnson Electric is committed to achieving high standards of corporate governance that properly protects and promotes the interests of its shareholders and devotes considerable effort to identifying and formalising best practices of corporate governance.

BOARD OF DIRECTORS

As at 31st March 2010, Johnson Electric's Board consisted of three executive directors and six non-executive directors (of whom four are independent).

The independent non-executive directors are all experienced individuals from a range of industries and geographies. Their mix of professional skills and experience is an important element in the proper functioning of the Board and in ensuring a high standard of objective debate and overall input to the decision-making process. The Board has received from each independent non-executive director a written confirmation of their independence and has satisfied itself of such independence up to the approval date of this report in accordance with the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The biographical details of the directors are provided on pages 46 to 48 of this report.

THE BOARD AT WORK

The Board of directors is accountable to shareholders for the activities and performance of the Group. It meets in person on a quarterly basis and on other occasions when a board-level decision on a particular matter is required. The Board has reserved for its decision or consideration matters covering corporate strategy, annual and interim results, directors' appointment, succession planning, risk management, major acquisitions, disposals and capital transactions, and other significant operational and financial matters.

The majority of board meetings are scheduled to last one full day, with directors receiving details of agenda items for decision and minutes of committee meetings in advance of each board meeting.

Although the capacity of any board to involve itself in the details of a large international business is limited, Johnson Electric aims to provide its independent non-executive directors with extensive exposure and access to its operations and management. Over the past years, the number and duration of board meetings have increased and the board agenda is structured to address the broad spectrum of key governance issues on a regular and systematic basis. Forming part of the continuous professional development programme for directors, visits to the Company's principal operating facilities have been arranged and professional guest speakers are invited to address the Board from time to time.

Major corporate matters that are specifically delegated by the Board to management include the preparation of annual and interim accounts for board approval before public reporting, execution of business strategies and initiatives adopted by the Board, implementation of adequate systems of internal controls and risk management procedures, and compliance with relevant statutory requirements and rules and regulations.

The Group's Executive Vice President and Chief Financial Officer also attend all board meetings to advise on corporate governance, risk management, statutory compliance, mergers and acquisitions, and accounting and financial matters.

Under the Company's Bye-Law 109(A), one-third of the directors except the executive chairman, who have served longest on the Board, must retire, thus becoming eligible for re-election at each annual general meeting. As such, except the executive chairman, no director has a term of appointment longer than three years.

The Company has arranged for appropriate liability insurance to indemnify its directors for their liabilities arising out of corporate activities. The insurance coverage is reviewed on an annual basis.

COMMITTEES

The monitoring and assessment of certain governance matters are allocated to four committees which operate under defined terms of reference and are required to report to the full Board on a regular basis. The composition of the committees during 2009/10 and up to the date of this report is set out in the table below.

Directors	Audit Committee	Remuneration Committee	Nomination And Corporate Governance Committee	Board Committee
Executive Directors				
Patrick Shui-Chung Wang			M	M
Winnie Wing-Yee Wang		M		M
Non-Executive Director				
Peter Kin-Chung Wang	M			
Independent Non-Executive Directors				
Peter Stuart Allenby Edwards			C	
Patrick Blackwell Paul	C		M	
Oscar de Paula Bernardes Neto		M		
Michael John Enright	M	C		

C – Chairman
M – Member

AUDIT COMMITTEE

The majority of the members of the Audit Committee are independent non-executive directors of the Company. The Committee is currently comprised of two independent non-executive directors (including the Committee Chairman) and one non-executive director who together have substantial experience in the fields of accounting, business, corporate governance and regulatory affairs.

The Committee is responsible for monitoring the reporting, accounting, financial and control aspects of the executive management's activities. It has full access to the Group's Internal Audit Director to hear directly any concerns of the internal audit department that may have arisen during the course of the department's work. The Committee also monitors the appointment and function of the Group's external auditor. The Committee's authority and duties are set out in written terms of reference and are posted on the Company's website.

Five Audit Committee meetings were held in 2009/10 to discuss and review the following matters together with the Chief Financial Officer, Internal Audit Director and the external auditor:

1. the FY2009 annual results and interim results for FY2010, to ensure that the related disclosures in the financial statements were complete, accurate and fair, and complied with accounting standards, stock exchange and legal requirements, and to submit the same to the Board for approval;
2. the principal accounting policies adopted by the Group;
3. the work done by the internal and external auditors, the relevant fees and terms, results of audits performed by the external auditor and appropriate actions required on any significant control weaknesses;
4. the external auditor's independence, including consideration of their provision of non-audit services;
5. the Group's report on compliance with laws and regulations in the countries in which it operates;
6. the Internal Audit Department's audit plan and ongoing progress reports;
7. the overall adequacy and effectiveness of the internal control and risk management systems; and
8. the status and adequacy of the Group's insurance cover.

REMUNERATION COMMITTEE

The Remuneration Committee is comprised of two independent non-executive directors (including the Committee Chairman) and one executive director.

The Committee determines the compensation structure and rewards for the Chief Executive and other executive directors and monitors the policies being applied in remunerating other senior executives in the Group.

In addition, it has responsibility for reviewing and making appropriate recommendations to the Board on management development and succession plans for executive directors and senior management. The Committee's authority and duties are set out in written terms of reference and are available on the Company's website.

The fundamental policy underlying Johnson Electric's remuneration and incentive schemes is to link total compensation for senior management with the achievement of annual and long term performance goals. By providing total compensation at competitive industry levels for delivering on-target performance, the Company seeks to attract, motivate and retain the key executives essential to its long term success. To this end, the Committee stays abreast of remuneration practices among comparator companies around the world. Senior management incentive schemes include an equity component that is designed to align the long term interest of management with those of shareholders.

All global staff positions, including senior management, are sized based on a job evaluation methodology which takes into account management/technical know-how, problem solving and accountability. Individual senior management remuneration acknowledges scope of responsibilities, contribution and performance. The base salary takes into account factors such as job value, retention and market. The annual incentive plan, when payable, is in addition to the basic salary, is entirely performance-based and includes Corporate and Group financial objectives as well as non-financial objectives. The Long-Term Incentive Share Scheme provides for the grant of Johnson Electric Restricted Stock Units, (RSUs), to senior management, subject to vesting requirements based upon Group service. Performance Shares Units, (PSUs), are also provided for executives. Awards are subject to the attainment of annual and/or long term financial goals. RSUs and PSUs are used to retain and motivate senior staff and are designed to maximize long term shareholder value.

In determining the level of remuneration and fees paid to members of the Board of Directors, a review of current practices in leading Hong Kong public companies and comparator companies elsewhere in the world is conducted with the aid of an independent consultant. Board remuneration consists of an annual retainer with additional fees payable for attendance at committee meetings. A biannual grant of fully-vested shares comprise a component of compensation to the Independent Non-Executive Directors. Executive directors are not eligible for remuneration or fees for Board activities.

On an ongoing basis, the Committee reviews the overall remuneration program over the short, medium and long term time horizon while addressing the goals of management development and retention, while enhancing shareholder value.

No individual director or senior manager approves his or her own remuneration.

Five committee meetings were held in 2009/10. During the financial year, the Committee addressed the following:

1. Review of Terms of Reference of the Remuneration Committee;
2. Remuneration for executive directors and senior executives;
3. The Remuneration Philosophy Statement;
4. Annual Incentive Plan (AIP) payments for senior executives;
5. Non-Executive Director remuneration;
6. Succession and development plans for executives and managers;
7. Confirmation of consultant on compensation;
8. Review of retirement plan structures and obligations;
9. Review of global salary structure project; and
10. Review and consideration of changes to Long-Term Incentive Share Scheme, including the introduction of performance-tied share grants, (PSUs).

NOMINATION AND CORPORATE GOVERNANCE COMMITTEE

The Nomination And Corporate Governance Committee is comprised of two independent non-executive directors (including the Committee Chairman) and one executive director.

The Committee is responsible for the identification and evaluation of candidates for appointment or re-appointment as a director, as well as the development and maintenance of the Group's overall corporate governance policies and practices. The Committee's authority and duties are set out in written terms of reference and are posted on the Company's website.

The Company follows a formal, fair and transparent procedure for the appointment of new directors to the Board. The Committee will first consider necessary changes in respect of the structure, size and composition of the Board, identify suitably qualified candidates by considering their professional knowledge and industry experience, personal ethics, integrity and personal skills and time commitments, and makes recommendation to the Board for decision. In accordance with the Bye-Laws of the Company, every newly appointed director is subject to re-election at the following annual general meeting.

One new director was nominated in 2009/10.

During the financial year, the Committee met on two occasions. The following is a summary of work performed by the Committee during the financial year:

1. consideration and recommendation of the retiring directors for re-election at the Annual General Meeting;
2. the review of the structure and composition of the Board;
3. the nomination of a new director for approval by the Board;
4. consideration of the independence of all the independent non-executive directors;
5. the review and amendment to the Code of Conduct for Securities Transactions; and
6. the review and approval of the corporate governance report and information for the Annual Report and the Interim Report.

BOARD COMMITTEE

The Board Committee is comprised of two executive directors. Its primary function is to undertake and supervise the day to day management and operating affairs of the Group. It exercises leadership and develops and keeps under review strategy and business development initiatives of the Group and supervises their implementation.

BOARD AND COMMITTEE ATTENDANCE

The Board held four full board meetings in 2009/10 and the average attendance rate was 97%. Details of the attendance of individual directors at board meetings and committee meetings during the 2009/10 financial year are set out in the table below:

	No. of meetings attended/held			
Directors	**Full Board Meeting**	**Audit Committee**	**Remuneration Committee**	**Nomination And Corporate Governance Committee**
Executive Directors				
Patrick Shui-Chung Wang *(Chairman and Chief Executive)*	4/4	–	–	2/2
Winnie Wing-Yee Wang *(Vice-Chairman)*	4/4	–	5/5	–
Austin Jesse Wang *(Executive Director)*	4/4	–	–	–
Richard Li-Chung Wang* *(Executive Director)*	1/1	–	–	–
Non-Executive Directors				
Yik-Chun Koo Wang *(Honorary Chairman)*	3/4	–	–	–
Peter Kin-Chung Wang	4/4	4/5	–	–
Independent Non-Executive Directors				
Peter Stuart Allenby Edwards	4/4	–	–	2/2
Patrick Blackwell Paul	4/4	5/5	–	2/2
Oscar de Paula Bernardes Neto	4/4	–	4/5	–
Michael John Enright	4/4	5/5	5/5	–
Laura May-Lung Cha*	1/1	–	–	–
Average attendance rate	97%	93%	93%	100%
Date of meetings	05/06/2009 11/09/2009 04/12/2009 05/03/2010	07/05/2009 19/05/2009 10/09/2009 18/11/2009 16/03/2010	04/06/2009 10/09/2009 27/11/2009 03/12/2009 05/03/2010	05/06/2009 04/12/2009

* *retired on 24th August 2009*

INTERNAL CONTROL AND RISK MANAGEMENT

The Board is responsible for ensuring that a sound and effective system of internal control and risk management is maintained within the Group, and for reviewing its design and operational adequacy and effectiveness through the Audit Committee.

The internal control and risk management system, which includes a defined management structure with specified limits of authority and control responsibilities, is designed to (a) help the achievement of business objectives, and safeguard the Group's assets; (b) ensure proper maintenance of accounting records and reliability of financial reporting, (c) ensure compliance with relevant legislation and regulations; and (d) identify, manage and mitigate key risks to the Group.

Policies and procedures are established to ensure reasonable, but not absolute, assurance against material misstatement or loss and to manage, but not to eliminate, risks of failure in achieving the Group's objectives.

Pursuant to a risk-based approach, the Group's Internal Audit Department independently reviews the risks associated with and controls over various operations and activities, and evaluates their adequacy, effectiveness and compliance. Audit findings and recommendations are reported to the Audit Committee, Executive Committee, and the external auditor. In addition, progress on audit recommendations implementation is followed up on a monthly basis. The results are discussed with the Audit Committee on a periodic basis.

During its annual review, the Audit Committee also considers the adequacy of resources, qualifications and experience of staff of the Group's accounting and financial reporting function, and their training programmes and budgets.

To supplement the above, under the Integrity and Ethics Policy, employees can report any misconduct, impropriety or fraud cases within the Group to the Group's Internal Audit Department through an integrity hotline or in writing in confidence without the fear of recrimination.

Based on the results of evaluations and representations made by the management, the Group's Internal Audit Department and external auditor in 2009/10, the Audit Committee is satisfied that:

- there is an ongoing process for identifying, evaluating and managing the significant risks faced by the Group that threaten the achievement of its business objectives; and
- an appropriate system of internal control and risk management has been in place in FY2010, and up to the date of approval of the Annual Report.

EXTERNAL AUDITOR

Johnson Electric's independent external auditor is PricewaterhouseCoopers. The Audit Committee is responsible for considering the appointment of the external auditor and also reviews any non-audit functions performed by the external auditor for the Group. In particular, the Committee will consider, in advance of them being contracted for and performed, whether such non-audit functions could lead to any potential material conflict of interest.

During the 2009/10 financial year, the services (and associated remuneration) provided to the Group by PricewaterhouseCoopers were as follows:

	2009/10	2008/09
	US$M	US$M
Audit	**1.95**	2.09
Taxation and other advisory services	**0.52**	0.27

DIRECTORS' AND AUDITOR'S RESPONSIBILITIES FOR ACCOUNTS

The Directors' responsibilities for the accounts are set out on page 45, and the responsibilities of the external auditor to the shareholders are set out on page 53.

CODE ON CORPORATE GOVERNANCE PRACTICES

During the year ended 31st March 2010, the Company had complied with the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules, except for the following deviations:

Code Provision A.2.1

Code A.2.1 provides, inter alia, that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

Neither the Company's Bye-Laws nor The Johnson Electric Holdings Limited Company Act, 1988 (a private act of Bermuda) contains any requirement as to the separation of these roles.

Dr. Patrick Shui-Chung Wang is the Chairman and Chief Executive of the Company. The Board is of the opinion that it is appropriate and in the best interests of the Company at its present stage of development that Dr. Wang should hold both these offices. The Board believes that it is able effectively to monitor and assess management in a manner that properly protects and promotes the interests of shareholders.

Code Provision A.4.1 and A.4.2

Code A.4.1 provides, inter alia, that non-executive directors should be appointed for a specific term, subject to re-election.

Code A.4.2 also provides that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

The independent non-executive directors were appointed for a specific term while the non-executive directors do not have a specific term of appointment. However, under Section 3(e) of The Johnson Electric Holdings Limited Company Act, 1988 and the Company's Bye-Law 109(A), one-third of the directors who have served longest on the Board must retire thus becoming eligible for re-election at each Annual General Meeting. Accordingly, no director has a term of appointment longer than three years. Bye-Law 109(A) states that the executive chairman is not subject to retirement by rotation and shall not be counted in determining the number of directors to retire.

In the opinion of the Board, it is important for the stability and beneficial to the growth of the Company that there is, and is seen to be, continuity of leadership in the role of the Chairman of the Company and, in consequence, the Board is of the view that the Chairman should not be subject to retirement by rotation or hold office for a limited term at the present time.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Group has adopted procedures governing directors' securities transactions in compliance with the Model Code as set out in Appendix 10 of the Listing Rules. Specific confirmation has been obtained from all directors to confirm compliance with the Model Code throughout the year ended 31st March 2010. No incident of non-compliance was noted by the Company in 2009/10.

Employees who are likely to be in possession of unpublished price-sensitive information of the Group are also subject to compliance with guidelines on no less exacting terms than the Model Code.

COMMUNICATIONS WITH SHAREHOLDERS

Johnson Electric uses a number of formal communications channels to account to shareholders for the performance of the Company. These include the annual report and accounts, the interim report, periodic company announcements made through the Stock Exchange, as well as through the annual general meeting. Copies of relevant corporate and financial information are also made available through the Company's website: *www.johnsonelectric.com*.

The Company aims to provide its shareholders and potential investors with high standards of disclosure and financial transparency. In order to provide effective disclosure to investors and potential investors and to ensure they all receive equal access to the same information at the same time, information considered to be of a price sensitive nature is released by way of formal public announcements as required by the Listing Rules. The Company supplements and follows up such announcements through periodic presentations, investor road shows and conference calls with the international investment community. The Company also welcomes comments and questions from shareholders at its annual general meeting.

VOTING BY POLL

The Company regularly informs shareholders of the procedures for voting by poll and ensures compliance with the requirements about voting by poll contained in the Listing Rules and the Bye-Laws of the Company.

Procedures for and the rights of shareholders to demand a poll are disclosed in the Company's circular to shareholders dated 24th June 2010.

Since 2003 the Chairman has demanded a poll on each of the resolutions submitted for determination at annual general meetings. The Chairman will continue to demand a poll on each of the resolutions submitted for determination at the forthcoming Annual General Meeting. The results of the poll will be published on the Company's and the Stock Exchange's websites.

SOCIAL RESPONSIBILITIES

Johnson Electric is a global organization which is dedicated to act in a socially responsible way in its interactions with all stakeholders, shareholders, customers, employees, suppliers, business partners and local communities, worldwide.

The Company's commitment to social accountability includes policies on a variety of issues such as human rights, non-discrimination and environmental management.

The Company's commitment to business excellence is demonstrated on a continuing basis by a focus on innovation, quality, results and service. These goals can only be achieved in a work environment where respect for the highest standard of business ethics is present. Management and the Board of Directors are committed to operating in compliance with all applicable national, state and local laws.

Environmental Health & Safety (EHS)

In the last year, an Environmental Health & Safety Management System ("EHS System") was developed and is being implemented globally.

The objectives of the EHS System are to provide standard protocols for all of the locations of the Company which, when fully implemented, will ensure a comprehensive approach to EHS matters. Best practices, compliance and audit standards are central to this system.

There are 17 protocols that form the EHS System. These include guidelines and requirements for training, hazardous conditions and materials, waste stream management and record keeping.

We are confident that the protocols contained in the EHS System will, when fully in place, lead to appropriate actions and responses, full reporting, and clear accountability. Our goal is the attainment of best practice status for the Company in the area of environmental affairs, safety and health. The most important element associated with the success of a program such as this is the level of support from the Board of Directors, the CEO and all of the members of senior management. This support is overwhelmingly present at Johnson Electric.

Responsible Corporate Citizen

Johnson Electric and its subsidiary companies provide financial support to a variety of charitable, community, cultural and environmental groups in the various locations around the world in which we do business. One of the most noteworthy programs is Johnson Electric Technical College (JETC). This program, first established in 2002, at our Shajing site provides, at no cost, 3 years of formal, technical, and vocational education for Chinese youths who come from disadvantaged families. During the 3 years a student is enrolled in the program, the Company provides dormitory, accommodation, education, and living expenses for the individual in the program. Upon graduation, it is anticipated that the individual will commence a technical career with Johnson Electric. The program has grown in size since 2002, and an intake of more than 230 students is expected in the fall of 2010. Another program known as the Johnson Electric Supervisory Course, annually selects up to 30 young women, either from the ranks of employees in Shajing or from disadvantaged families in China and provides training in supervisory skills and methods applicable in our large, *Gemba Kaizen*-driven manufacturing locations.

Our Communities

We are dedicated to being an active participant in all of our communities around the world. We pursue responsible community practices, responsible employment practices and responsible social practices that are sustainable over time in all our business activities. We also encourage these practices by our suppliers and business partners.

In particular, we try to extend our charitable giving to cover projects for education, child and youth development, environmental protection and community building.

Good corporate social policies are not only desirable but make good business sense. Investments that are made today for our people and communities are for the benefit of our world tomorrow.

REPORT OF THE DIRECTORS

The Directors have pleasure in submitting their report together with the audited accounts for the year ended 31st March 2010.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are shown in note 40 to the accounts.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31st March 2010 are set out in the consolidated income statement on page 57 of the accounts.

No interim dividend was paid or declared for the six months ended 30th September 2009.

The Directors recommend the payment of a final dividend of 0.64 US cents (5 HK cents) per share, totalling US$23.7 million, payable on 3rd August 2010.

RESERVES

Movements in the reserves of the Group and the Company during the year are set out in note 22 to the accounts.

DISTRIBUTABLE RESERVES

As at 31st March 2010, the distributable reserves of the Company available for distribution as dividends amounted to US$615.4 million, comprising retained earnings of US$520.1 million and contributed surplus of US$95.3 million arising from the reorganisation of Johnson Electric Group in 1988 less a bonus issue in 1991.

Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus shall not be distributed to the shareholders if there are reasonable grounds for believing that:

(i) the Company is, or would after the payment be, unable to pay its liabilities as they become due; or
(ii) the realisable value of the Company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium account.

DONATIONS

During the year, the Group made donations of US$0.1 million (2009: US$0.4 million).

FIXED ASSETS

Details of the movements in property, plant and equipment are shown in note 5 to the accounts.

SHARE CAPITAL

Details of the share capital are shown in note 21 to the accounts.

DIRECTORS

The Directors during the year and up to the date of this report were:

Yik-Chun Koo Wang	
Patrick Shui-Chung Wang *JP*	
Winnie Wing-Yee Wang	
Austin Jesse Wang	(appointed on 5th June 2009)
Peter Kin-Chung Wang	
Peter Stuart Allenby Edwards	
Patrick Blackwell Paul	
Oscar de Paula Bernardes Neto	
Michael John Enright	
Richard Li-Chung Wang	(retired on 24th August 2009)
Laura May-Lung Cha *SBS, JP*	(retired on 24th August 2009)

In accordance with Bye-Law 109(A) of the Company's Bye-Laws, Mr. Peter Kin-Chung Wang, Mr. Peter Stuart Allenby Edwards, Mr. Patrick Blackwell Paul and Prof. Michael John Enright retire from office by rotation and being eligible, offer themselves for re-election.

None of the directors proposed for re-election at the forthcoming Annual General Meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

No contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interests, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

The Company is controlled through the Board of Directors which comprises nine Directors. At 31st March 2010, three of the Directors are executive and six of the Directors are non-executive, of whom four are independent. Their details are set out in the Biographical Details of Directors and Senior Management section on pages 46 to 48.

DISCLOSURE OF INTERESTS

DIRECTORS

As at 31st March 2010, the interests of each Director and Chief Executive of the Company in the shares of the Company or any of the Company's associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept under Section 352 of the SFO were as follows:

	Shares of HK$0.0125 each of the Company		
Name	Personal Interests	Other Interest	
Yik-Chun Koo Wang	–	2,170,710,880	*(Notes 1 & 2)*
Peter Kin-Chung Wang	–	577,000	*(Note 3)*
Peter Stuart Allenby Edwards	–	100,000	*(Note 4)*
Patrick Blackwell Paul	70,000	–	

NOTES

1. *These shares were held, directly or indirectly, by the trustees of various trusts associated with the Wang family.*
2. *Duplications of shareholdings occurred among and between the parties shown below under Substantial Shareholders.*
3. *These shares were held beneficially by Peter Kin-Chung Wang's spouse.*
4. *These shares were held under a trust of which Peter Stuart Allenby Edwards was one of the beneficiaries.*

Save as disclosed herein, as at 31st March 2010, the register maintained by the Company pursuant to Section 352 of the SFO recorded no other interests or short positions of the Directors and Chief Executive in any shares of the Company or its associated corporations (within the meaning of Part XV of the SFO).

At no time during the year, the Directors and Chief Executive (including their spouses and children under 18 years of age) had any interest in, or had been granted, or exercised, any rights to subscribe for shares of the Company or its associated corporations required to be disclosed pursuant to the SFO.

SUBSTANTIAL SHAREHOLDERS

As at 31st March 2010, the register of substantial shareholders maintained under Section 336 of the SFO shows that the Company had been notified of the following substantial shareholders' interests, being 5% or more of the Company's issued share capital:

Name of shareholder	Capacity	Number of Shares held	Approximate % of shareholding
Yik-Chun Koo Wang	Beneficiary of family trusts	2,170,710,880 *(Notes 1 & 2)*	59.09
Ansbacher (Bahamas) Limited	Trustee	887,040,000 *(Note 1)*	24.15
HSBC International Trustee Limited	Trustee	725,990,228 *(Note 1)*	19.76
Great Sound Global Limited	Interest of controlled corporation	718,755,360 *(Note 3)*	19.56
Winibest Company Limited	Beneficial owner	718,755,360 *(Note 4)*	19.56
Federal Trust Company Limited	Trustee	337,901,440 *(Note 1)*	9.20
HSBC Trustee (Guernsey) Limited	Trustee	223,014,080 *(Note 1)*	6.07
Ceress International Investment (PTC) Corporation	Trustee	223,014,080 *(Note 5)*	6.07
Merriland Overseas Limited	Trustee	211,943,040 *(Note 6)*	5.77
Capital Research and Management Company	Investment Manager	185,051,000	5.04

NOTES

1. *The shares in which Ansbacher (Bahamas) Limited, HSBC Trustee (Guernsey) Limited and Federal Trust Company Limited were interested and 722,755,360 of the shares in which HSBC International Trustee Limited was interested were held, directly or indirectly, by them as the trustees of various trusts associated with the Wang family and were included in the shares in which Ms. Yik-Chun Koo Wang was interested as referred to above under Directors' Interests of Disclosure of Interests.*
2. *The shares in which Ms. Yik-Chun Koo Wang was interested as referred to above formed part of the shares referred to in Note 1.*
3. *The interests of Great Sound Global Limited in the Company were duplicated by the interests in the Company held by HSBC International Trustee Limited.*
4. *The interests of Winibest Company Limited in the Company were duplicated by the interests in the Company held by Great Sound Global Limited.*
5. *The interests of Ceress International Investment (PTC) Corporation in the Company were duplicated by the interests in the Company held by HSBC Trustee (Guernsey) Limited.*
6. *The interests of Merriland Overseas Limited in the Company were duplicated by the interests in the Company held by Federal Trust Company Limited.*

Save as disclosed herein, as at 31st March 2010, the register maintained by the Company pursuant to Section 336 of the SFO recorded no other interests or short positions in the shares of the Company.

SHARE SCHEME

SHARE OPTION SCHEME

The Company had on 29th July 2002 adopted a share option scheme (herein referred to as the "Scheme").

The major terms of the Scheme, in conjunction with the requirements of Chapter 17 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), are as follows:

(a) Purpose

The purpose of the Scheme is to provide incentive or rewards to participants.

(b) Participants

The participants of the Scheme are

(i) any director (including a non-executive director and an independent non-executive director), employee or consultant of the Group or a company in which the Group holds an equity interest or a subsidiary of such company ("Affiliate"); or
(ii) any discretionary trust whose discretionary objects include any director, employee or consultant of the Group or an Affiliate; or
(iii) a company beneficially owned by any director, employee or consultant of the Group or an Affiliate.

(c) Maximum number of shares

The maximum number of shares which may be issued upon exercise of all options to be granted under the Scheme and any other share option scheme(s) of the Company shall not exceed 2 per cent. of the share capital of the Company in issue from time to time.

The maximum number of shares (issued and to be issued) in respect of which options may be granted under the Scheme to any one grantee in any 12-month period shall not exceed 0.1 per cent. of the share capital of the Company in issue on the last date of such 12-month period unless approval of the shareholders of the Company has been obtained with such grantee and his associates abstaining from voting in accordance with the Listing Rules and a circular is issued.

(d) Time of acceptance and exercise of an Option

There is no specific requirement under the Scheme that an Option must be held for any minimum period before it can be exercised, but the terms of the Scheme provide that the Board has the discretion to impose a minimum period at the time of grant of any particular option. The date of grant of any particular Option is the date when the duplicate offer document constituting acceptance of the Option duly signed by the grantee, together with a remittance in favour of the Company of HK$1.00 by way of consideration is received by the Company, such date must be on or before the 28th day after the Option is offered to the relevant grantee. The period during which an Option may be exercised will be determined by the Board at its absolute discretion, save that no Option may be exercised more than 10 years after it has been granted.

(e) Subscription price for shares

The subscription price for shares shall be a price determined by the Directors, but shall not be less than the higher of

(i) the closing price of shares as stated in the Stock Exchange's daily quotations sheet on the date of the offer of grant, which must be a trading day; and
(ii) the average closing price of shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of the offer of grant.

(f) Period of the Scheme

The Scheme will remain in force for a period of 10 years from the date of adoption of such Scheme.

Details of the share options granted under the Scheme up to the date of this report were as follows:

Type of Grantees	Options held at 01/04/2009	Options forfeited during the year	Options held at 31/03/2010	Subscription price per share (HK$)	Date of grant	Exercisable from	Exercisable Until
Employees	350,000	–	350,000	8.02	17/09/2002	01/08/2004	16/09/2012
	350,000	–	350,000	8.02	17/09/2002	01/08/2005	16/09/2012
	275,000	(12,500)	262,500	9.65	31/07/2003	01/07/2005	30/07/2013
	275,000	(12,500)	262,500	9.65	31/07/2003	01/07/2006	30/07/2013
	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
	1,550,000	(125,000)	1,425,000				

LONG-TERM INCENTIVE SHARE SCHEME

Under the terms of the Long-Term Incentive Share Scheme (“Incentive Share Scheme”) which was approved by the shareholders on 24th August 2009, the Directors may grant to such eligible employees and Directors as the Directors may select in its absolute discretion Shares under the Incentive Share Scheme.

Details of the shares vested in the eligible employees under the Incentive Share Scheme as at the date of this report were as follows:

Number of shares purchased	Average purchase price (HK$)	Total shares granted in FY2005-FY2011	Total shares vested in FY2006-FY2010	Shares to be vested					
				FY2011	FY2012	FY2013	FY2014	FY2015	FY2016
8,860,517	4.69	16,298,000	3,674,000	2,634,000	2,474,000	1,246,000	5,390,000	380,000	500,000

Apart from the Scheme and the Incentive Share Scheme mentioned above, there were no other arrangements to which the Company or its subsidiaries was a party to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

JOHNSON ELECTRIC GROUP TEN-YEAR SUMMARY

A summary of the results and of the assets and liabilities of the Group for last ten financial years are set out on pages 132 to 133.

PRE-EMPTIVE RIGHTS

No pre-emptive rights exist under Bermudian law in relation to issues of new shares by the Company.

MAJOR SUPPLIERS AND CUSTOMERS

During the year, the Group purchased less than 30% of its goods and services from its 5 largest suppliers and sold less than 30% of its goods and services to its 5 largest customers.

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company has not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year except in connection with the share purchase for the Long-Term Incentive Share Scheme for eligible employees and Directors.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors of the Company, as at the date of this report, there is sufficient public float of more than 25% of the Company's issued shares as required under the Listing Rules.

SENIOR MANAGEMENT

The biographical details of the senior management as at the date of this report are set out in the Biographical Details of Directors and Senior Management section on pages 49 to 51.

CORPORATE GOVERNANCE

Principal corporate governance practices as adopted by the Company are set out in the Corporate Governance Report on pages 26 to 36.

DIRECTORS' RESPONSIBILITIES FOR THE ACCOUNTS

The Directors are responsible for the preparation of accounts for each financial period which give a true and fair view of the state of affairs of the Group and of the results and cash flows for that period. In preparing these accounts for the year ended 31st March 2010, the Directors have selected suitable accounting policies and applied them consistently; made judgments and estimates that are prudent and reasonable; and have prepared the accounts on the going concern basis. The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group.

AUDITOR

The accounts have been audited by PricewaterhouseCoopers, who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board

Patrick Shui-Chung Wang
Chairman and Chief Executive

Hong Kong, 31st May 2010

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Yik-Chun Koo Wang

Non-Executive Director

Honorary Chairman

Yik-Chun Koo Wang, age 93, is Honorary Chairman of the Company and co-founder of the Johnson Electric Group. She was Vice-Chairman of the Group in 1984 and was actively involved in the development of the Group in its early stages. Madam Wang is the Honorary Chairlady of Tristate Holdings Limited.

Patrick Shui-Chung Wang *JP*

Chairman and Chief Executive

Member of Nomination And Corporate Governance Committee

Patrick Shui-Chung Wang, age 59, obtained his BSc and MSc degrees in Electrical Engineering and received an Honorary Doctorate of Engineering from Purdue University in Indiana, U.S.A. He joined the Johnson Electric Group in 1972 and became a director in 1976 and Managing Director in 1984. In 1996 he was elected Chairman and Chief Executive of the Company. Appointed by the Government of the Hong Kong Special Administrative Region, Dr. Wang is a member of the Steering Committee on the Promotion of Electric Vehicles and a member of the Greater Pearl River Delta Business Council. He is also the Chairman and a director of the Hong Kong Applied Science and Technology Research Institute Company Limited, a non-executive director and a member of the Audit Committee of The Hongkong and Shanghai Banking Corporation Limited, a non-executive director of Tristate Holdings Limited and VTech Holdings Limited. He was appointed by the Government of the Hong Kong Special Administrative Region as a member of the Task Force on Economic Challenges between October 2008 and June 2009. He is a son of the Honorary Chairman, Ms. Yik-Chun Koo Wang.

Winnie Wing-Yee Wang

Vice-Chairman

Member of Remuneration Committee

Winnie Wing-Yee Wang, age 63, obtained her BSc degree from Ohio University in U.S.A. She joined the Johnson Electric Group in 1969. She became a director in 1971 and Executive Director in 1984 and was elected Vice-Chairman in 1996. Ms. Wang is a non-executive director of Tristate Holdings Limited. She is a sister of the Chairman and Chief Executive, Dr. Patrick Wang.

Austin Jesse Wang

Executive Director

Austin Jesse Wang, age 29, graduated from Massachusetts Institute of Technology with M.Eng and B.S. degrees in Computer Science and Electrical Engineering. He joined the Johnson Electric Group in 2006 and became a director in 2009. He is presently the General Manager of Saia-Burgess Controls Greater China, and prior to that was Senior Manager Operations of Saia-Burgess China Industry Products Group and Technical Product Manager of Saia-Burgess Controls AG. Mr. Wang is a committee member of Shenzhen Committee of The Chinese People's Political Consultative Conference. He has previously worked as a consulting engineer in the computing industry. Mr. Wang is the son of the Chairman and Chief Executive, Dr. Patrick Wang.

Peter Kin-Chung Wang

Non-Executive Director

Member of Audit Committee

Peter Kin-Chung Wang, age 56, has been a Non-Executive Director of the Company since 1982. He obtained a BSc degree in Industrial Engineering from Purdue University and an MBA degree from Boston University. He is the Chairman and Chief Executive Officer of Tristate Holdings Limited and the Chairman and Managing Director of Hua Thai Manufacturing Public Company Limited (formerly listed on The Stock Exchange of Thailand). Mr. Wang won the Young Industrialist Awards of Hong Kong in 1998. In 2005, he received the Outstanding Industrial Engineer Award from the School of Industrial Engineering of Purdue University. He is the Honorary Chairman of the Hong Kong Garment Manufacturers Association, a general committee member of the Textile Council of Hong Kong Limited, a director of The Federation of Hong Kong Garment Manufacturers, and a member of the Textiles and Garment Subsector of the Election Committee for electing the Chief Executive of the Hong Kong Special Administrative Region in 2007. He is a brother of the Chairman and Chief Executive, Dr. Patrick Wang.

Peter Stuart Allenby Edwards

Independent Non-Executive Director

Chairman of Nomination And Corporate Governance Committee

Peter Stuart Allenby Edwards, age 62, has been an Independent Non-Executive Director of the Company since 1995. He is a solicitor and was Senior Partner of Johnson, Stokes & Master until he retired on 30th September 1996. Mr. Edwards was Chairman of the Hong Kong Branch of the International Fiscal Association, Chairman of the Revenue Law Committee of the Hong Kong Law Society and a member of the Joint Liaison Committee on Taxation which advises the Government of the Hong Kong Special Administrative Region. He is also a member of the International Academy of Estate and Trust Law, an honorary lecturer in law at the University of Hong Kong and a director of a number of investment and holding companies. He is a director of Martin Currie Pacific Trust plc.

Patrick Blackwell Paul

Independent Non-Executive Director

Chairman of Audit Committee and

Member of Nomination And Corporate Governance Committee

Patrick Blackwell Paul, age 62, has been an Independent Non-Executive Director of the Company since 2002. He had been Chairman and Senior Partner of PricewaterhouseCoopers in Hong Kong from 1994 to 2001. He is an independent non-executive director of The Hongkong and Shanghai Hotels, Ltd. and Pacific Basin Shipping Limited. His civic commitments include chairing the Supervisory Board of the British Chamber of Commerce in Hong Kong.

Oscar de Paula Bernardes Neto

Independent Non-Executive Director

Member of Remuneration Committee

Oscar de Paula Bernardes Neto, age 63, has been an Independent Non-Executive Director of the Company since 2003. He obtained a degree in Chemical Engineering from the Federal University of Rio de Janeiro-Brazil. He was a Senior Partner of Booz Allen & Hamilton and Chief Executive Officer of Bunge International. Mr. Bernardes is currently a partner of Integra Associados and a director of Metalúrgica Gerdau S.A., Gerdau S.A., Companhia Suzano de Papel e Celulose, Localiza and São Paulo Alpargatas S.A. He is also a member of the Advisory Boards of Bunge Brasil and Alcoa Brasil.

Michael John Enright

Independent Non-Executive Director

Chairman of Remuneration Committee and

Member of Audit Committee

Michael John Enright, age 51, has been an Independent Non-Executive Director of the Company since 2004. He obtained his A.B. (in Chemistry), MBA, and Ph.D. (in Business Economics) degrees all from Harvard University. He was formerly a professor at the Harvard Business School. Prof. Enright is currently a professor at the University of Hong Kong School of Business and a director in Enright, Scott & Associates, a Hong Kong-based consulting firm.

SENIOR MANAGEMENT

Tung-Sing Choi

Senior Vice President, Strategic Manufacturing

Tung-Sing Choi, age 60, is responsible for the global manufacturing management of the Group. He joined the Johnson Electric Group in 1968 and has more than 40 years of experience in motor component manufacturing, motor assembly processes, and the utilization of machines and fixtures.

James Randolph Dick

Senior Vice President, Strategic Marketing & Sales

James Randolph Dick, age 56, holds a BSc in Electrical and Electronic Engineering from the University of Paisley in Scotland. He is responsible for developing responses to macro market issues and leading the Company's selling process. He joined the Johnson Electric Group in 1999. He has 30 years of experience in high technology management throughout the world. Prior to joining the Group, he held executive positions with Xerox in the U.S.A., IBM in Europe, and with Astec (BSR) Plc, an Emerson Electric company, based in Hong Kong.

Robert Allen Gillette

Senior Vice President, Supply Chain Services

Robert Allen Gillette, age 44, holds a BS degree in Electrical Engineering from Washington University and an MBA concentrating in Operations and Finance from Vanderbilt University. He is responsible for providing leadership and strategic direction in supply chain management for all business units of Johnson Electric. Prior to joining the Group in 2007, he worked for Emerson Electric where he held various operations, marketing and supply chain positions in North America and Asia.

Joseph Alan Guisinger

Senior Vice President, Industry Products Group – Europe and the Americas

Joseph Alan Guisinger, age 43, holds a BSBA degree in Transportation and Logistics from Ohio State University and a Master's Degree from the Thunderbird School of Global Management. He joined Johnson Electric in 2004 and is currently responsible for the strategic, commercial and operational direction of the Industry Products Group in Europe and the Americas. Prior to joining Johnson Electric, he worked for Emerson and held senior positions in Supply Chain Management in Asia and North America.

Christopher John Hasson

Executive Vice President

Christopher John Hasson, age 47, educated at Manchester University and London Business School (Corporate Finance and Accounting). He is responsible for corporate business development, mergers and acquisitions, corporate strategic planning, and for supervision of the legal and company secretarial functions. In addition, he is responsible for business units and investments under Johnson Electric Capital, including Parlex Corporation, Saia-Burgess Controls, and Tonglin Precision Parts Limited. Prior to joining Johnson Electric in 2002, he was a partner of The Boston Consulting Group.

Kam-Chin Ko

Senior Vice President, Automotive Products Group – Asia

Kam-Chin Ko, age 44, holds a MSc degree in Manufacturing System Engineering from the University of Warwick, U.K. He is responsible for the strategic, commercial and operational direction of the Automotive Products Group in Asia. He joined Johnson Electric in 1988 and in previous positions led the Components and Services Group and the Corporate Engineering function. He is a member of The Institute of Engineering and Technology, and a member of the Institute of Industrial Engineers.

Yiu-Cheung Kwong

Senior Vice President, Industry Products Group – Asia

Yiu-Cheung Kwong, age 44, holds a BEng (Hon) degree in Mechanical Engineering from Sunderland Polytechnics, U.K., and a MBA degree from City University of Hong Kong. He is responsible for the strategic, commercial and operational direction of the Industry Products Group in Asia. He joined Johnson Electric in 1999, and had been a General Manager for Home Appliance Business Unit for 5 years. Prior to joining the Group, he had more than 10 years working experience in some multinational companies, such as TDK, NHK and Philips, where he had held positions in the functions of product engineering, product procurement, and sales & marketing.

Peter Henry Langdon

Senior Vice President, Human Resources

Peter Henry Langdon, age 61, holds Bachelor's (Hons.) and Master's degrees in Politics and Economics. He joined Johnson Electric in December 2007 and is responsible for human resources, environmental health & safety. Prior to joining Johnson Electric, he was responsible for human resources and was the Assistant Corporate Secretary for a major international energy service company.

Yue Li

Senior Vice President, Corporate Engineering

Yue Li, age 50, obtained a Bachelor of Science degree from Tsinghua University and also a Ph.D from University of Wisconsin-Madison. He is responsible for overall corporate technology, engineering operations and Value Innovation Programs. Prior to joining Johnson Electric in 2004, he worked for Emerson Electric in St. Louis as director of new products, also for Carrier Corporation in Syracuse as director of power electronics and motor technologies, and for Emergency One Inc. in Florida as vice president of product management.

Marc-Olivier Lorenz

Senior Vice President, Automotive Products Group – Europe and the Americas

Marc-Olivier Lorenz, age 48, obtained a Bachelor of Business Administration degree from HEC Lausanne University, Switzerland. He is responsible for the strategic, commercial and operational direction of the Automotive Products Group in Europe and the Americas. In 1999 he joined the Swiss based Saia-Burgess company and became Director of the Automotive division. Prior to joining Saia-Burgess, which was acquired by Johnson Electric in 2005, he held various executive positions with Dana Corporation from operational to sales and marketing functions.

Jeffrey L. Obermayer

Senior Vice President and Chief Financial Officer

Jeffrey L. Obermayer, age 54, has a BS degree in Business Administration and an MS degree in Accounting from Illinois State University. He holds a MBA degree from Northwestern University. He is a Certified Public Accountant and a Certified Management Accountant. He is a member of the Institute of Internal Auditors. He was a senior auditor with the firm of Arthur Andersen & Co. in Chicago. He has 28 years experience with BorgWarner in the U.S.A. and Germany, where he held a variety of executive positions in finance, business development, treasury & risk management and accounting. His responsibilities included roles with joint ventures in Japan, Korea and China, while also serving on the company's executive committees for strategy, investment and employee benefits. Prior to joining the Group, he was Vice President & Controller and Principal Accounting Officer with BorgWarner Inc.

Contents of

STATEMENT OF ACCOUNTS

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF JOHNSON ELECTRIC HOLDINGS LIMITED

(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Johnson Electric Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 54 to 131, which comprise the consolidated and company balance sheets as at 31st March 2010, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31st March 2010 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 31st May 2010

CONSOLIDATED BALANCE SHEET

As of 31st March 2010

	Note	**2010**	2009
		US$'000	US$'000
ASSETS			
Non-current assets			
Property, plant and equipment	5	**368,609**	368,143
Investment properties	6	**45,392**	37,025
Leasehold land and land use rights	7	**26,641**	23,170
Intangibles	8	**699,871**	662,094
Associated companies	10	**1,527**	1,672
Deferred income tax assets	20	**39,833**	36,463
Available-for-sale financial assets	11	**2,386**	3,525
Other financial assets at fair value through profit or loss	15	**9,270**	9,039
Deposits		**3,205**	4,814
		1,196,734	1,145,945
Current assets			
Stocks and work in progress	13	**196,345**	202,772
Trade and other receivables	14	**360,252**	267,562
Other financial assets	12	**5,291**	6,385
Income tax recoverable		**5,101**	8,159
Pledged deposits		**–**	17,122
Bank balances and cash	16	**367,060**	302,002
		934,049	804,002
Current liabilities			
Trade and other payables	17	**341,144**	225,952
Current income tax liabilities		**17,029**	12,937
Other financial liabilities	12	**39,056**	15,986
Borrowings	18	**6,962**	1,082
Provisions and other liabilities	19	**32,975**	20,167
		437,166	276,124
NET CURRENT ASSETS		**496,883**	527,878
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,693,617**	1,673,823

CONSOLIDATED BALANCE SHEET

	Note	**2010** US$'000	2009 US$'000
Non-current liabilities			
Borrowings	18	**401,727**	527,827
Other financial liabilities	12	–	22,426
Deferred income tax liabilities	20	**83,777**	80,863
Provisions and other liabilities	19	**41,509**	44,559
		527,013	675,675
NET ASSETS		**1,166,604**	998,148
EQUITY			
Share capital and share premium	21	**79,493**	78,441
Reserves	22	**1,011,984**	885,965
Proposed dividends	22	**23,659**	–
		1,115,136	964,406
Minority interests		**51,468**	33,742
TOTAL EQUITY		**1,166,604**	998,148

The notes on pages 63 to 131 are an integral part of these financial statements.

Patrick Shui-Chung Wang
Director

Winnie Wing-Yee Wang
Director

COMPANY BALANCE SHEET

As of 31st March 2010

	Note	2010 US$'000	2009 US$'000
ASSETS			
Non-current assets			
Interest in subsidiaries	9	**1,048,005**	1,071,885
Available-for-sale financial assets	11	**2,042**	2,098
		1,050,047	1,073,983
Current assets			
Amounts due from subsidiaries	9	**341,809**	529,448
Other financial assets	12	**48**	396
Bank balances and cash	16	**80**	509
		341,937	530,353
Current liabilities			
Other payables	17	**531**	464
Other financial liabilities	12	**38,220**	1,028
Amounts due to subsidiaries	9	**260,810**	561,611
		299,561	563,103
NET CURRENT ASSETS/(LIABILITIES)		**42,376**	(32,750)
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,092,423**	1,041,233
Non-current liabilities			
Borrowings	18	**395,382**	524,152
Other financial liabilities	12	**–**	22,426
		395,382	546,578
NET ASSETS		**697,041**	494,655
EQUITY			
Share capital and share premium	21	**79,493**	78,441
Reserves	22	**593,889**	416,214
Proposed dividends	22	**23,659**	–
TOTAL EQUITY		**697,041**	494,655

The notes on pages 63 to 131 are an integral part of these financial statements.

Patrick Shui-Chung Wang
Director

Winnie Wing-Yee Wang
Director

CONSOLIDATED INCOME STATEMENT

For the year ended 31st March 2010

	Note	**2010**	2009
		US$'000	US$'000
CONTINUING OPERATIONS			
Sales	4	**1,740,976**	1,828,165
Cost of goods sold		**(1,259,489)**	(1,402,468)
Gross profit		**481,487**	425,697
Other income and gains/(losses)	23	**5,737**	(6,600)
Selling and administrative expenses	24	**(350,840)**	(353,439)
Restructuring provision and assets impairment	25	**(25,813)**	(18,789)
Operating profit		**110,571**	46,869
Finance costs, net	28	**(6,757)**	(9,603)
Share of (losses)/profits of associated companies		**(50)**	128
Profit before income tax		**103,764**	37,394
Tax (expenses)/income	29	**(17,839)**	443
Profit for the year from continuing operations		**85,925**	37,837
DISCONTINUED OPERATIONS			
Loss from discontinued operations	30	**–**	(31,137)
Profit for the year		**85,925**	6,700
Attributable to:			
Equity holders of the Company	31	**75,512**	2,591
Minority interests		**10,413**	4,109
		85,925	6,700
Basic and diluted earnings per share for profit attributable to the equity holders of the Company during the year (expressed in US cents per share)			
From continuing operations	33	**2.06**	0.92
From discontinued operations	33	**–**	(0.85)
		2.06	0.07

The notes on pages 63 to 131 are an integral part of these financial statements. Details of recommended final dividends of 0.64 US cents per share (2009: nil) equivalent to US$23.7 million (2009: nil) are set out in note 32 to the accounts.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st March 2010

	Notes	2010 US$'000	2009 US$'000
Profit for the year		**85,925**	6,700
Other comprehensive income/(expenses):			
Adjustment arising on translation of foreign subsidiaries and associated companies		**44,241**	(79,649)
Hedging instruments	22		
- fair value gains/(losses)		**12,837**	(20,263)
- transferred to income statement		**13,204**	9,213
Deferred income tax expenses on fair value change on hedging instruments	20	**(1,752)**	(638)
Actuarial gains/(losses) of defined benefit plans	19	**7,595**	(5,872)
Deferred income tax effect on actuarial gains/(losses) of defined benefit plans	20	**(1,649)**	781
Available-for-sale financial assets			
- fair value gains/(losses)	11	**319**	(938)
- release of reserves upon impairment	11	**–**	608
- release of reserves upon disposal	22	**(247)**	173
Gain on revaluation of property, plant and equipment transferred to investment properties	6	**–**	3,338
Deferred income tax expense on revaluation of property, plant and equipment transferred to investment properties	20	**–**	(387)
Other comprehensive income/(expenses) for the year, net of tax		**74,548**	(93,634)
Total comprehensive income/(expenses) for the year, net of tax		**160,473**	(86,934)
Total comprehensive income/(expense) attributable to :			
Equity holders of the Company		**149,902**	(91,753)
Minority interests			
Share of profit for the year		**10,413**	4,109
Adjustment arising on translation of foreign subsidiaries		**158**	710
		160,473	(86,934)

The notes on pages 63 to 131 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31st March 2010

	Attributable to equity holders of the Company					
	Share capital and share premium US$'000	Other reserves US$'000	Retained earnings US$'000	Total US$'000	Minority interests US$'000	Total equity US$'000
At 1st April 2009	78,441	(114,047)	1,000,012	964,406	33,742	998,148
Profit for the year	–	–	75,512	75,512	10,413	85,925
Other comprehensive income:						
Available-for-sale financial assets						
– fair value gains	–	319	–	319	–	319
– release of reserves upon disposal	–	(247)	–	(247)	–	(247)
Hedging instruments						
– fair value gains	–	12,837	–	12,837	–	12,837
– transferred to income statement	–	13,204	–	13,204	–	13,204
Deferred income tax effect on fair value gains in hedging instruments	–	(1,752)	–	(1,752)	–	(1,752)
Actuarial gains of defined benefit plans	–	–	7,595	7,595	–	7,595
Deferred income tax effect on actuarial gains of defined benefit plans	–	–	(1,649)	(1,649)	–	(1,649)
Appropriation of retained earnings to statutory reserve	–	974	(974)	–	–	–
Adjustment arising on translation of foreign subsidiaries and associated companies	–	44,083	–	44,083	158	44,241
Total comprehensive income for the year ended 31st March 2010	–	69,418	80,484	149,902	10,571	160,473
Transactions with owners						
Employees share option scheme						
– value of employee services	–	828	–	828	–	828
Acquisitions of minority interests	–	–	–	–	7,155	7,155
Treasury shares vested	1,052	(1,052)	–	–	–	–
Total transactions with owners	1,052	(224)	–	828	7,155	7,983
At 31st March 2010	**79,493**	**(44,853)**	**1,080,496**	**1,115,136**	**51,468**	**1,166,604**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the Company					
	Share capital and share premium US$'000	Other reserves US$'000	Retained earnings US$'000	Total US$'000	Minority interests US$'000	Total equity US$'000
At 1st April 2008	77,704	(24,432)	1,048,670	1,101,942	30,988	1,132,930
Profit for the year	–	–	2,591	2,591	4,109	6,700
Other comprehensive income:						
Gain on revaluation of property, plant and equipment and leasehold land on transfer to investment properties	–	3,338	–	3,338	–	3,338
Deferred income tax effect on gain on revaluation of property, plant and equipment and leasehold land on transfer to investment properties	–	(387)	–	(387)	–	(387)
Available-for-sale financial assets						
– fair value losses	–	(938)	–	(938)	–	(938)
– release of reserves upon impairment	–	608	–	608	–	608
– release of reserves upon disposal	–	173	–	173	–	173
Hedging instruments						
– fair value losses	–	(20,263)	–	(20,263)	–	(20,263)
– transferred to income statement	–	9,213	–	9,213	–	9,213
Deferred income tax effect on fair value losses in hedging instruments	–	(638)	–	(638)	–	(638)
Actuarial losses of defined benefit plans	–	–	(5,872)	(5,872)	–	(5,872)
Deferred income tax effect on actuarial losses of defined benefit plans	–	–	781	781	–	781
Adjustment arising on translation of foreign subsidiaries and associated companies	–	(80,359)	–	(80,359)	710	(79,649)
Total comprehensive income for the year ended 31st March 2009	–	(89,253)	(2,500)	(91,753)	4,819	(86,934)
Transactions with owners						
Employees share option scheme						
– value of employee services	–	520	–	520	–	520
Dividends paid	–	–	–	–	(1,637)	(1,637)
Acquisitions of minority interests	–	–	–	–	(428)	(428)
Purchase of treasury shares	(145)	–	–	(145)	–	(145)
Treasury shares vested	882	(882)	–	–	–	–
Dividends relating to 2008 paid in July 2008	–	–	(46,158)	(46,158)	–	(46,158)
Total transactions with owners	737	(362)	(46,158)	(45,783)	(2,065)	(47,848)
At 31st March 2009	78,441	(114,047)	1,000,012	964,406	33,742	998,148

The notes on pages 63 to 131 are an integral part of these financial information.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31st March 2010

	Note	2010	2009
		US$'000	US$'000
CONTINUING OPERATIONS			
Cash Flows From Operating Activities	35	275,774	260,011
Other operating cash flows			
Tax paid		(18,895)	(28,322)
Interest paid		(8,328)	(14,613)
		(27,223)	(42,935)
Net Cash Generated from Operating Activities		**248,551**	217,076
Investing and Financing Activities			
Investing activities			
Interest received		2,165	6,105
Purchase of property, plant and equipment and leasehold land and land use rights		(38,007)	(62,847)
Proceeds from sale of fixed assets	35	2,359	8,141
		(33,483)	(48,601)
Acquisition of subsidiaries, net of cash acquired	36	(7,773)	(2,468)
Acquisition of minority interests		(6,894)	(428)
Purchase of intangible assets		(2,445)	–
Purchase of other financial assets at fair value through profit and loss		(1,000)	(9)
Proceeds from sale of available-for-sale financial assets and other financial assets at fair value through profit and loss		1,391	1,828
Increase in pledged deposits		–	(17,122)
(Increase)/decrease in time deposit		(3,927)	1,281
Dividends paid to minority interests		–	(1,637)
Net cash used in investing activities		(54,131)	(67,156)
Financing activities			
Purchase of treasury shares		–	(145)
Proceeds from borrowings		399,808	48,664
Repayments of borrowings		(535,328)	(70,524)
Dividends paid		–	(46,158)
Unwind currency swap		–	(13,230)
Net cash used in financing activities		(135,520)	(81,393)
Net Cash Used in Investing and Financing Activities		**(189,651)**	(148,549)

CONSOLIDATED CASH FLOW STATEMENT

	2010 US$'000	2009 US$'000
NET INCREASE IN CASH AND CASH EQUIVALENTS FROM CONTINUING OPERATIONS	**58,900**	68,527
DISCONTINUED OPERATIONS — NET CASH AND CASH EQUIVALENTS (CONSUMED)		
Operating and investing activities	–	(12,997)
Financing activities	–	(13,673)
	–	(26,670)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**302,002**	266,750
EXCHANGE GAINS/(LOSSES) ON CASH AND BANK OVERDRAFTS	**2,231**	(6,605)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**363,133**	302,002

ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS

Deposits and Bank Balances	**367,060**	302,002
Less: Time Deposit	**(3,927)**	–
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**363,133**	302,002

The notes on pages 63 to 131 are an integral part of these financial statements.

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, motion systems and sub-systems, and materials. The Group has engineering, manufacturing and sales operations throughout the world.

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 US dollars, unless otherwise stated. These consolidated financial statements were approved for issue by the Board of Directors on 31st May 2010.

2. Principal accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

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 except that available-for-sale financial assets, financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss, and investment properties are carried at fair value.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise 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 3.

In 2009/10, the Group adopted the new/revised standards and interpretations of HKFRS. The effect of adopting the new HKFRS is disclosed in note 39.

2.1 Consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiaries made up to 31st March 2010.

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 interests. 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 income statement.

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 for by the Company on the basis of dividends received and receivable.

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals of minority interests result in gains and losses for the Group that are recorded in the consolidated income statement. Purchases from minority interest result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary.

2.3 Associated companies

Associated companies are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associated companies are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investment in associated companies includes goodwill identified on acquisition, net of any accumulated impairment loss.

The Group's share of its associated companies' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in equity. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other long term unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

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

2.3 Associated companies *(Cont'd)*

Unrealised gains on transactions between the Group and its associated companies are eliminated to the extent of the Group's interest in the associated companies. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associated companies have been changed where necessary to ensure consistency with the policies adopted by the Group.

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

2.4 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Group's Executive Committee that makes strategic decisions.

2.5 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 the Group's 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 or valuation where items are re-measured. 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 income statement, except when deferred in equity as qualifying cash flow hedges or qualifying net investment hedges.

All foreign exchange gains and losses are presented in the income statement within "selling and administrative expenses".

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.

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

2.5 Foreign currency translation *(Cont'd)*

(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 income statement 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 rate on the dates of the transactions); and

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

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 partially disposed of or sold, such exchange differences (that were recorded in equity) are recognised in the income statement 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.

2.6 Property, plant and equipment

Property, plant and equipment other than investment properties (note 2.7) are stated at cost less accumulated depreciation and accumulated impairment losses. Freehold land is not amortised. No depreciation is provided for assets under construction.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, 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. Replacement parts, repairs and maintenance are charged in the income statement during the financial period in which they are incurred.

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

2.6 Property, plant and equipment *(Cont'd)*

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate their cost or revalued amount over their estimated useful lives, as follows:

Buildings on leasehold land	The unexpired term of lease
Buildings on freehold land	15 to 50 years
Plant and machinery and moulds and tools	3 to 19 years
Computers, furniture and fixtures, motor vehicles and aircraft	3 to 25 years

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 property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amounts of those assets and are recognised within other income in the income statement.

An asset's carrying amount is written down immediately to its estimated recoverable amount if this is lower.

2.7 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.

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.

The basis of the valuation of investment properties is fair value being the amounts for which the properties could be exchanged between willing parties in an arm's length transaction, based on current prices in an active market for similar properties in the same location and condition and subject to similar leases.

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

2.7 Investment properties *(Cont'd)*

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 income statement during the financial period in which they are incurred.

Changes in fair values are recognised in the income statement as part of a valuation gain or loss in other income.

If an item of property, 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 property, plant and equipment under HKAS 16. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in the income statement.

2.8 Leasehold land and land use rights

The up-front prepayments made for leasehold land and land use rights are accounted for as operating leases. They are expensed in the income statement on a straight-line basis over the periods of the lease, or when there is impairment, the impairment is expensed in the income statement.

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 at the date of acquisition.

Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reverse. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose according to operating segment.

(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.

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

2.9 Intangibles *(Cont'd)*

(b) Intangible assets (other than goodwill) *(Cont'd)*

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 purposes is:

Technology	15 to 20 years
Patents	4 to 9 years
Research and development cost	5 years
Brands	25 years
Client relationships	5 to 25 years

2.10 Impairment of investments in subsidiaries, associated companies and non-financial assets

Assets that have an indefinite useful life, for example goodwill are not subject to amortisation, and are tested annually for impairment. Assets 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. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

Impairment testing of the investments in subsidiaries or associated companies is required if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.11 Financial assets

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

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

2.11 Financial assets *(Cont'd)*

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

Other financial assets at fair value through profit or loss are held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling. Assets in this category are classified as non-current assets.

(b) Loans and receivables

Receivables are financial assets with fixed or determinable payments that are not quoted in an active market and they are included in current assets. Receivables are included in trade and other receivables in the balance sheet (note 2.14).

(c) 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 the investment matures or management intends to dispose it within twelve months of the end of the reporting period.

Regular purchases and sales of financial assets are recognised on the 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. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the income statement. Financial assets 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. If the fair value of the available-for-sale financial assets cannot be measured reliably, the carrying amount is a reasonable approximation of fair value.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the income statement within other income and gains/(losses), in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the income statement as part of other income when the Group's right to receive payments is established.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences on monetary securities are recognised in profit or loss; translation differences on non-monetary securities are recognised in other comprehensive income. Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognised in other comprehensive income.

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

2.11 Financial assets *(Cont'd)*

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement as gains and losses from investment securities.

Interest on available-for-sale securities calculated using the effective interest method is recognised in the income statement as part of other income. Dividends on available-for-sale equity instruments are recognised in the income statement as part of other income when the Group's right to receive payments is established.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group adopted the fair value determined by the financial institutions.

The Group assesses at the end of each reporting period 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 also evidence that the assets 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 profit or loss – is removed from equity and recognised in the consolidated income statement. Impairment losses recognised in the consolidated income statement on equity instruments are not reversed through the consolidated income statement.

2.12 Other financial assets and liabilities

Other financial assets and liabilities are related to financial instruments and hedging activities.

The financial instruments are initially recognised at fair value on the date a contract is entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss depends on whether the financial instrument is designed as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain financial instruments as either:

(a) hedges of a particular risk associated with a recognised liability or a highly probable forecast transaction (cash flow hedge); or

(b) hedges of a net investment in a foreign operation (net investment hedge).

The Group documents, at the inception of the transaction, the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the financial instruments that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

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

2.12 Other financial assets and liabilities *(Cont'd)*

The fair values of various financial instruments used for hedging purposes are disclosed in note 12. Movements on the hedging reserve in shareholders' equity are shown in note 22. The full fair value of a hedging financial instrument is classified as a non-current asset or liability when the remaining maturity of the hedge item is more than 12 months. Trading financial instruments are classified as a current asset or liability.

(a) Cash flow hedge

The effective portion of changes in the fair value of financial instruments that are designated and qualify as cash flow hedges are recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the income statement within other income and gains/(losses).

Amounts accumulated in equity are reclassified in the income statement in the periods when the hedged item affects profit or loss (for example, when the forecast sale that is hedged takes place). The gain or loss relating to the effective copper hedging is recognised in the income statement within cost of goods sold. The gain or loss relating to the effective portion of forward foreign exchange contracts hedging sales and purchase transactions denominated in Euro is recognised in the income statement within administrative expenses.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement within other income and gains/(losses).

(b) Net investment hedge

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss of the hedging instrument relating to the effective portion of the hedge is recognised in comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the income statement within other income and gains/(losses).

Gains and losses accumulated in equity are included in the income statement when the foreign operation is partially disposed of or sold.

(c) Financial instruments that do not qualify for hedge accounting

Certain financial instruments do not qualify for hedge accounting and are accounted for at fair value through profit or loss. Changes in the fair value of these financial instruments that do not qualify for hedge accounting are recognised immediately in the income statement within other income and gains/(losses).

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

2.13 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 the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.14 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. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. 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 income statement within selling and administrative expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against selling and administrative expenses in the income statement.

2.15 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits with banks 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.

2.16 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 granted, vested, cancelled or reissued. 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.

2.17 Trade payables

Trade payables are recognised at initially at fair value and subsequently measured at amortised cost using the effective interest method.

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

2.18 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

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.

2.19 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in comprehensive income or equity. In this case, the tax is also recognised in comprehensive income or equity.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss at the time of such a transaction.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associated companies, except where the timing of the reversal of the temporary difference can be controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

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

2.20 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 and/or the employees pay 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, together with adjustments for past service costs. 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.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in the comprehensive income in the period in which they arise.

Past-service costs are recognised immediately in the income statement, 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. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

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

2.20 Employee benefits *(Cont'd)*

(b) Share-based compensation

The Group operates a number of equity-settled, share-based compensation plans, under which the entity receives services from employees as consideration for equity instruments of the Group. The fair value of the employee services received in exchange for the grant of the shares/options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the shares/options granted.

Under the long term incentive scheme, shares granted to eligible employees for their services are charged as an expense based on the share price at the grant date.

Under the share option scheme, the fair value of the options granted to the employees for their services rendered is recognised as an expense.

Non-market vesting conditions are included in assumptions about the number of shares that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting period, the entity revises its estimates of the number of shares/options that are expected to vest. It recognised the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

(c) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual 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.

2.21 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.

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

2.22 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) Rental income

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

2.23 Leases

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.

(a) Finance leases as the lessee

The Group leases certain property, plant and equipment. Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other short term and other long term payables. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

(b) Operating leases as the lessee

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

2.24 Dividend distribution

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

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

2.25 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. Accounting estimates and judgements

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

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 may have a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Assessment of goodwill impairment

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 2.9. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates (note 8).

(b) Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the worldwide provision for income taxes. There are many transaction and calculations for which the ultimate tax determination is uncertain. The Group recognised liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

(c) Warranty and legal claims

The Group generally offers warranties for its motors and other products. Consequently, management uses historical warranty claims experience as well as recent trends to determine the need for warranty provision. On legal claims brought against the Group by customers, provision will be made based on the consideration of the merits of a warranty claim against the Group, the existence of any obligation under the warranty commitment and legal opinion if appropriate.

3. Accounting estimates and judgements *(Cont'd)*

(d) Useful lives and impairment of property, plant and equipment and other intangible assets

The Group's management determine the estimated useful lives, residual values and related depreciation and amortisation charges for the property, plant and equipment and other intangible assets with reference to the estimated periods that the Group intends to derive future economic benefits from the use of these assets. Management will revise the depreciation and amortisation charges where useful lives are different to previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives; actual residual values may differ from estimated residual values. Periodic review could result in a change in depreciable lives and residual values and therefore depreciation and amortisation expense in the future periods.

The Group reviews tangibles and intangible assets for impairment whenever events or changes in circumstances indicate that the related carrying amounts may not be recovered. Assessing the impairment loss requires a determination of fair value which is based on the best estimates and information available.

(e) Fair value of other financial assets/liabilities

The Group relies on bank valuations to determine the fair value of financial assets/liabilities which in turn are determined using various estimates and valuation techniques.

4. Segment information

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker (as defined in HKFRS). The chief operating decision maker has been identified as the Group's Executive Committee.

The Group's business is managed in two operating segments – Manufacturing and Trading.

The manufacturing operating segment derives its revenue primarily from the manufacturing and sale of motors, electromechanical components, motion systems and sub-systems.

The trading operating segment is principally engaged in trading of goods and materials not manufactured by the Group.

4. Segment information *(Cont'd)*

The segment information presented to management for the reportable segment for the year ended 31st March 2010 are as follows:

	2010 Manufacturing US$'000	2010 Trading US$'000	2010 Group US$'000
External sales	1,720,905	20,071	1,740,976
Gross profit	479,919	1,568	481,487
Other operating income	3,366	1	3,367
Selling and administrative expenses	(349,733)	(3,451)	(353,184)
Operating profit/(loss) before restructuring	133,552	(1,882)	131,670
Restructuring costs	(25,813)	–	(25,813)
Operating profit/(loss) after restructuring	107,739	(1,882)	105,857
Non-operating income/(expenses)	7,310	(431)	6,879
Finance costs	(8,904)	(18)	(8,922)
Share of losses of associated companies	(50)	–	(50)
Profit/(loss) before income tax	106,095	(2,331)	103,764
Taxation			**(17,839)**
Profit for the year			**85,925**
Other information			
Depreciation and amortisation	87,258	111	87,369
Interest income	2,080	85	2,165
As of 31st March 2010			
Total assets	2,126,895	3,888	2,130,783
Total assets include:			
Investment in associated companies	1,527	–	1,527
Additions to non-current assets (other than financial assets and deferred tax assets)	39,975	–	39,975
Total liabilities	961,249	2,930	964,179

4. Segment information *(Cont'd)*

The segment information presented to management for the reportable segment for the year ended 31st March 2009 are as follows:

	2009 Manufacturing US$'000	2009 Trading US$'000	2009 Group US$'000
External sales	1,765,805	62,360	1,828,165
Gross profit	416,034	(3,523)	412,511
Other operating income	3,842	43	3,885
Selling and administrative expenses	(338,573)	(10,608)	(349,181)
Operating profit/(loss) before restructuring	81,303	(14,088)	67,215
Restructuring costs	(13,967)	(4,822)	(18,789)
Operating profit/(loss) after restructuring	67,336	(18,910)	48,426
Non-operating income	3,206	1,342	4,548
Finance costs	(15,266)	(442)	(15,708)
Share of profits of associated companies	128	–	128
Profit/(loss) before income tax	55,404	(18,010)	37,394
Taxation			443
Discontinued operations			(31,137)
Profit for the year			6,700
Other information			
Depreciation and amortisation	89,258	190	89,448
Interest income	6,004	101	6,105
As of 31st March 2009			
Total assets	1,926,075	23,872	1,949,947
Total assets include:			
Investment in associated companies	1,672	–	1,672
Additions to non-current assets (other than financial assets and deferred tax assets)	68,214	764	68,978
Total liabilities	946,465	5,334	951,799

4. Segment information *(Cont'd)*

The Group's management assesses the performance of the operating segments based on the measure of operating profit. The measure excludes items which are not directly related to the segment performance including non-operating income/(expenses) such as interest income, rental income, fair value gain/(loss) on revaluation of investment property, profit/(loss) on disposal of fixed assets, profit/(loss) on disposal of investments.

As discontinued operations included in the operating results for the year ended 31st March 2009 is non-recurring and it is not included in the measure of operating profit/(loss).

A reconciliation of the operating profit presented to management to the consolidated income statement is as follows:

	2010 US$'000	2009 US$'000
Operating profit after restructuring	105,857	48,426
Rental income	4,392	4,410
(Loss)/profit on sale of investments	(2,410)	949
(Loss)/profit on disposal of fixed assets	(113)	18
Fair value gains/(losses) on investment properties	8,314	(5,435)
Fair value losses on interest rate swap	(4,446)	–
Miscellaneous expenses	(1,023)	(1,499)
Operating profit per consolidated income statement	110,571	46,869
Interest expense	(8,922)	(15,708)
Interest income	2,165	6,105
Finance costs, net	(6,757)	(9,603)
Share of (losses)/profits of associated companies	(50)	128
Profit before income tax	103,764	37,394

The amounts provided to the Group's management with respect to total assets and liabilities are measured in a manner consistent with that presented in the financial statements. These assets and liabilities are allocated based on the operations of the segment.

4. Segment information *(Cont'd)*

Revenue from external customers are analysed by product applications. Breakdown of the revenue is as follows:

	2010 US$'000	2009 US$'000
Automotive Products Group (APG)	933,746	905,136
Industry Products Group (IPG)	578,969	654,311
Other Businesses	228,261	268,718
	1,740,976	1,828,165

Geographical information disclosure in accordance with HKFRS 8

The Company is incorporated in Bermuda. Revenue from external customers by country for the year ended 31st March 2010 was as follows:

	2010 US$'000	2009 US$'000
Hong Kong/People's Republic of China ("HK/PRC")	468,350	436,232
United States of America ("USA")	323,798	386,440
Germany	271,160	299,179
France	115,382	128,463
Others	562,286	577,851
	1,740,976	1,828,165

No single external customer contributed more than 10% of the total Group revenue.

As of 31st March 2010, the total of non-current assets other than deferred tax assets, available for sale financial assets and other financial assets at fair value through profit and loss located in HK/PRC was US$991.8 million (at 31st March 2009: US$922.4 million), and the total of these non-current assets located in other countries was US$153.5 million (at 31st March 2009: US$174.6 million).

5. Property, plant and equipment

Group

	Freehold land and buildings US$'000	Plant and machinery US$'000	Assets under construction US$'000	Moulds and tools US$'000	Other assets* US$'000	Total US$'000
At 1st April 2008						
Cost	190,129	591,176	18,932	248,625	153,414	1,202,276
Accumulated depreciation and impairment	(68,239)	(443,050)	–	(182,555)	(98,568)	(792,412)
Net book amount	121,890	148,126	18,932	66,070	54,846	409,864
Year ended 31st March 2009						
Opening net book amount	121,890	148,126	18,932	66,070	54,846	409,864
Exchange differences	(8,943)	(4,598)	(139)	(954)	(2,261)	(16,895)
Acquisition of subsidiaries	87	36	–	3	3	129
Additions	9,440	16,376	15,431	11,961	7,613	60,821
Additions – discontinued operations	–	894	–	–	233	1,127
Transfer	7,748	7,455	(24,079)	8,081	795	–
Transfer to investment properties	(225)	–	–	–	–	(225)
Disposals	(2,220)	(3,846)	(570)	(734)	(750)	(8,120)
Provision for impairment (note 26)	(2,056)	(2,512)	–	(1,150)	(179)	(5,897)
Provision for impairment – discontinued operations	–	(1,903)	–	–	(280)	(2,183)
Depreciation	(8,654)	(30,201)	–	(19,436)	(12,067)	(70,358)
Depreciation – discontinued operations	–	(100)	–	–	(20)	(120)
Closing net book amount	117,067	129,727	9,575	63,841	47,933	368,143
At 1st April 2009						
Cost	184,377	568,007	9,575	246,550	146,667	1,155,176
Accumulated depreciation and impairment	(67,310)	(438,280)	–	(182,709)	(98,734)	(787,033)
Net book amount	117,067	129,727	9,575	63,841	47,933	368,143
Year ended 31st March 2010						
Opening net book amount	117,067	129,727	9,575	63,841	47,933	368,143
Exchange differences	3,537	2,976	115	888	788	8,304
Acquisitions of subsidiaries (note 36)	7,588	17,820	1,268	61	136	26,873
Additions	1,117	8,252	17,069	7,215	3,543	37,196
Transfer	1,583	3,979	(13,436)	6,410	1,464	–
Disposals	(74)	(200)	(605)	(151)	(964)	(1,994)
Provision for impairment (note 26)	(3,372)	161	–	(442)	1,496	(2,157)
Depreciation	(6,653)	(29,153)	–	(18,186)	(13,764)	(67,756)
Closing net book amount	120,793	133,562	13,986	59,636	40,632	**368,609**
At 31st March 2010						
Cost	197,179	596,511	13,986	251,005	146,831	1,205,512
Accumulated depreciation and impairment	(76,386)	(462,949)	–	(191,369)	(106,199)	(836,903)
Net book amount	120,793	133,562	13,986	59,636	40,632	**368,609**

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

* Other assets comprise computers, furniture and fixtures, motor vehicles and aircraft.

6. Investment properties

Group

	2010 US$'000	2009 US$'000
At beginning of the year	37,025	38,978
Exchange differences	53	(843)
Fair value gains/(losses) (note 23)	8,314	(5,435)
Transfer from property, plant and equipment and leasehold land		
– Costs	–	987
– Revaluation surplus (note 22)	–	3,338
At end of the year	**45,392**	37,025

The investment properties were revalued on an open market value basis as of 31st March 2010 by independent, professionally qualified valuers, DTZ Debenham Tie Leung Limited and Ellwanger & Geiger Limited, both Registered Professional Surveyors.

At 31st March 2010, the Group's investment properties have tenancies expiring from Apr 2010 to July 2011.

The Group's interests in investment properties are analysed as follows:

	2010 US$'000	2009 US$'000
In Hong Kong:		
On medium-term lease (between 10 to 50 years)	42,686	33,841
Outside Hong Kong:		
On medium-term lease (between 10 to 50 years)	2,706	3,184
	45,392	37,025

7. Leasehold land and land use rights

Group

	2010 US$'000	2009 US$'000
At beginning of the year	23,170	22,462
Exchange differences	525	90
Additions	1,037	2,277
Acquisition of subsidiaries (note 36)	3,211	–
Transfer to investment properties	–	(762)
Amortisation of prepaid operating lease payments (note 26)	(824)	(687)
Provision for impairment (note 26)	–	(207)
Disposals	(478)	(3)
At end of the year	**26,641**	23,170

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

	2010 US$'000	2009 US$'000
In Hong Kong:		
On medium-term lease (between 10 to 50 years)	14,605	15,480
Outside Hong Kong:		
On medium-term lease (between 10 to 50 years)	12,036	7,690
	26,641	23,170

8. Intangibles

Group

	Goodwill US$'000	Technology, patents and development costs US$'000	Brands US$'000	Client relationships US$'000	Total intangibles US$'000
At 1st April 2008					
Cost	475,071	174,568	68,004	114,337	831,980
Accumulated amortisation and impairment	–	(35,109)	(6,405)	(15,304)	(56,818)
Net book amount	475,071	139,459	61,599	99,033	775,162
Year ended 31st March 2009					
Opening net book amount	475,071	139,459	61,599	99,033	775,162
Exchange differences	(54,074)	(15,794)	(7,761)	(12,249)	(89,878)
Acquisition of subsidiaries	1,943	–	–	–	1,943
Amortisation (note 26)	–	(10,317)	(2,424)	(5,662)	(18,403)
Amortisation					
– discontinued operations	–	(526)	–	–	(526)
Provision for impairment (note 26)	(4,822)	(30)	–	(497)	(5,349)
Provision for impairment					
– discontinued operations	(20)	(835)	–	–	(855)
Closing net book amount	418,098	111,957	51,414	80,625	662,094
At 31st March 2009					
Cost	422,920	152,675	59,280	99,867	734,742
Accumulated amortisation and impairment	(4,822)	(40,718)	(7,866)	(19,242)	(72,648)
Net book amount	418,098	111,957	51,414	80,625	662,094
Year ended 31st March 2010					
Opening net book amount	418,098	111,957	51,414	80,625	662,094
Exchange differences	29,163	7,981	4,051	6,296	47,491
Acquisition of subsidiaries (note 36)	–	42	–	1,160	1,202
Acquisition of minority interests	6,894	–	–	–	6,894
Additions	–	2,445	–	–	2,445
Amortisation (note 26)	–	(10,560)	(2,468)	(5,761)	(18,789)
Provision for impairment (note 26)	–	(1,466)	–	–	(1,466)
Closing net book amount	454,155	110,399	52,997	82,320	**699,871**
At 31st March 2010					
Cost	454,155	166,022	64,002	108,797	792,976
Accumulated amortisation and impairment	–	(55,623)	(11,005)	(26,477)	(93,105)
Net book amount	454,155	110,399	52,997	82,320	**699,871**

8. Intangibles *(Cont'd)*

Impairment test for goodwill

Goodwill is allocated to the manufacturing segment which is also a cash-generating unit ("CGU"). In accordance with HKAS 36 "Impairment of Assets", an impairment test for goodwill is carried out by comparing the recoverable amount of an asset belonging to a CGU to the carrying amount of that asset as of the balance sheet date. The recoverable amount is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on the FY 2011 financial budget approved by management.

Forecast profitability is based on past performance and expected future changes in costs and sales prices. Cashflow from FY 2012 onwards is projected based on financial forecasts using the estimated sales growth rates for the manufacturing CGU of 13% for the years from 2012 to 2013 and a conservative growth rate of 3% to 5% from 2014 onwards (2009: 1% to 2%). Future cashflow is discounted at 17% (2009: 7%). The discount rate used is pre-tax and reflects specific risks relating to the manufacturing CGU.

There was no evidence of impairment arising from tests of reasonable variations of the assumptions used for the manufacturing CGU.

9. Subsidiaries

Company

	2010	*2009*
	US$'000	*US$'000*
Unlisted shares, at cost	*1,001,956*	*1,001,969*
Amounts due from subsidiaries		
– non-current portion (note (a))	*46,049*	*69,916*
	1,048,005	*1,071,885*
Amounts due from subsidiaries		
– current portion (note (b))	***341,809***	*529,448*
Amounts due to subsidiaries		
– current portion (note (b))	***(260,810)***	*(561,611)*
	80,999	*(32,163)*
	1,129,004	*1,039,722*

Note:

(a) The amounts are unsecured, interest bearing at 3% to 4% per annum (2009: 3% to 4% per annum) and are not repayable in the foreseeable future.

(b) The amounts are unsecured, interest-free and repayable on demand.

Details of principal subsidiaries are shown in note 40.

10. Associated companies

Group

	2010 US$'000	2009 US$'000
At beginning of the year	1,672	1,920
Exchange differences	131	(229)
Share of associated companies' results		
– (loss)/profit before income tax	(50)	137
– tax expense	–	(9)
Dividend received	(226)	(147)
At end of the year	**1,527**	1,672

Details of principal associated companies are shown in note 40.

11. Available-for-sale financial assets

	Group		*Company*	
	2010 US$'000	2009 US$'000	*2010 US$'000*	*2009 US$'000*
At beginning of the year	3,525	5,833	*2,098*	*3,850*
Exchange differences	71	(556)	–	–
Additions	–	9	–	*9*
Disposal	(375)	(215)	*(375)*	*(215)*
Provision for impairment	(1,154)	(608)	–	*(608)*
Fair value gains/(losses) transfer to equity (note 22)	319	(938)	*319*	*(938)*
At end of the year	**2,386**	3,525	***2,042***	*2,098*

Impairment provisions of US$1.2 million on available-for-sale financial assets was booked in the income statement in 2010 (2009: US$0.6 million booked in reserve).

Available-for-sale financial assets include the following:

	Group		*Company*	
	2010 US$'000	2009 US$'000	*2010 US$'000*	*2009 US$'000*
Unlisted securities				
– Unlisted equity investments	**2,386**	3,525	***2,042***	*2,098*

11. Available-for-sale financial assets *(Cont'd)*

The carrying amounts of Group's available-for-sale financial assets are denominated in the following currencies:

	Group		*Company*	
	2010	2009	*2010*	*2009*
	US$'000	US$'000	*US$'000*	*US$'000*
US dollars	2,042	2,098	*2,042*	*2,098*
Pounds sterling	344	1,427	–	–
Total	**2,386**	3,525	***2,042***	*2,098*

12. Other financial assets and liabilities

Group

	Assets		Liabilities	
	2010	2009	2010	2009
	US$'000	US$'000	US$'000	US$'000
Cross currency interest rate swaps				
– net investment hedge (note (a))	48	396	35,113	21,654
Interest rate swaps (note (b))	–	–	3,107	1,800
Commodity contracts (note (c))				
– copper hedging contracts				
(cash flow hedge)	4,588	785	–	13,521
– held for trading	135	1,930	159	1,437
Forward foreign exchange contracts				
(note (d))				
– cash flow hedge	–	2,026	–	–
– held for trading	365	748	677	–
Others – held for trading (note (e))	155	500	–	–
Total (note (f))	5,291	6,385	39,056	38,412
Current portion	**5,291**	6,385	**39,056**	15,986
Non-current portion	–	–	**–**	22,426
Total	5,291	6,385	39,056	38,412

Note:

(a) Cross currency interest rate swaps
Under a cross currency interest rate swap, entered in March 2006, the Company swapped US$258.9 million into CHF339.0 million. The cumulative loss on the swap agreement of US$48.3 million is included in equity under exchange reserve, comprising US$13.2 million loss on unwinding CHF139.0 million in February 2009 and the mark to market loss of US$35.1 million (liability shown above) relating to the outstanding currency swap as of 31st March 2010. The outstanding currency swap as of 31st March 2010 represents US$152.6 million swapped into CHF200.0 million with maturity date on 31st March 2011. The cumulative loss of the swap will remain in equity as long as the underlying net investment remains held. No deferred tax asset has been recognised for these losses.

12. Other financial assets and liabilities *(Cont'd)*

Note:

(b) Interest rate swaps
The Group entered into an interest rate swap (principal US$372.0 million) in February 2009 to fix the interest rate of the majority of the Group's borrowings. The interest rate swap will mature in March 2011.

At 31st March 2010, the fixed interest rate under interest rate swaps was at a weighted average cost of 1.3 % (2009: 1.3%). The fair value loss on the interest rate swap contract of US$3.1 million (liability shown above) was recognised to the income statement during the year.

(c) Copper hedging contracts
Gains and losses recognised in the hedging reserve in equity (note 22) on copper hedging contracts including copper forward contracts as of 31st March 2010 are recognised in the income statement in the period or periods during which the hedged transaction affects the income statement. As of 31st March 2010, there are outstanding copper hedging contracts of US$41.2 million (2009: US$36.8 million) with maturity ranging from 1 month to 15 months from the balance sheet date, which had a favorable fair value of US$4.6 million (asset shown above).

For other material contracts designated as held for trading, fair value gains and losses of the hedging contracts are recognised in the income statement. This is generally within 7 months from the balance sheet date.

(d) Forward foreign currency exchange contracts
For Euro contracts designated as hedging, the gains and losses recognised in the hedging reserve in equity (note 22) on forward foreign exchange contracts as of 31st March 2010 are recognised in the income statement in the period or the periods during which the hedged transaction affects the income statement. There are no outstanding contracts (2009: US$17.9 million) as of the balance sheet date.

For other currency contracts (mainly RMB and EUR) designated as held for trading, fair value gains and losses of the forward contracts are recognised in the income statement. This is generally within 24 months from the balance sheet date. As of 31st March 2010, there are outstanding RMB forward purchase contracts of RMB 634.2 million (2009: RMB 236.2 million) and EUR forward sell contracts of EUR 8.0 million (2009: nil) with maturity ranging from 1 month to 23 months.

(e) Others – held for trading
This represents the mark to market value for credit default swap maturing on 20th March 2011 on a notional amount of US$25.0 million of sovereign debt of China (note maturity of 2013) bought by the Group.

(f) The maximum exposure to credit risk at the reporting date is the fair value of other financial assets in the balance sheet.

Company

	Assets		***Liabilities***	
	2010	*2009*	*2010*	*2009*
	US$'000	*US$'000*	*US$'000*	*US$'000*
Interest rate swaps	–	–	*3,107*	*1,800*
Cross currency interest rate swaps	*48*	*396*	*35,113*	*21,654*
Total	*48*	*396*	*38,220*	*23,454*
Current portion	***48***	*396*	***38,220***	*1,028*
Non-current portion	–	–	–	*22,426*
Total	*48*	*396*	*38,220*	*23,454*

13. Stocks and work in progress

Group

	2010 US$'000	2009 US$'000
Raw materials	107,282	110,400
Work in progress	7,250	9,569
Finished goods	81,813	82,803
	196,345	202,772

14. Trade and other receivables

Group

	2010 US$'000	2009 US$'000
Trade receivables – gross	309,734	236,381
Less: provision for impairment of receivables	(5,596)	(13,010)
Trade receivables – net	304,138	223,371
Prepayments and other receivables	56,114	44,191
	360,252	267,562

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

Ageing analysis of gross trade receivables

The Group normally grants credit terms ranging from 30 to 90 days to its trade customers. The ageing analysis of gross trade receivables based on overdue date was as follows:

Group

	2010 US$'000	2009 US$'000
Current	275,240	203,305
0-60 days	25,741	17,392
61-90 days	1,901	3,521
Over 90 days	6,852	12,163
Total	309,734	236,381

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

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

The carrying amounts of the Group's trade receivables are denominated in the following currencies:

Group

	2010 US$'000	2009 US$'000
US dollars	126,055	100,056
Euro	107,316	89,320
RMB	60,482	28,489
Others	15,881	18,516
Total	309,734	236,381

Ageing analysis of overdue trade receivables but not impaired

The Group has credit policies in place to review the credit worthiness of all existing and potential customers. Credit terms range between 30 and 90 days. As of 31st March 2010, trade receivables of US$29.0 million (2009: US$21.6 million) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these overdue trade receivables but not impaired is as follows:

Group

	2010 US$'000	2009 US$'000
0-60 days	25,606	16,904
61-90 days	1,808	3,185
Over 90 days	1,617	1,504
Total	29,031	21,593

Provision for impairment of trade receivables

Movements on the provision for impairment of trade receivables are as follows:

Group

	2010 US$'000	2009 US$'000
At beginning of the year	13,010	7,101
Exchange adjustment	(76)	(612)
Receivables written off during the year as uncollectible	(4,056)	(1,215)
Provision for receivable impairment (note 26)	883	8,906
Unused amounts reversed (note 26)	(4,165)	(1,170)
At end of the year	5,596	13,010

The creation and release of provision for impaired receivables have been included in 'provision for impairment of trade receivables' in the income statement (note 26).

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above.

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

Group

	2010 US$'000	2009 US$'000
Unlisted debt securities	9,270	9,039

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

	2010 US$'000	2009 US$'000
Designated as fair value through profit or loss on initial recognition	9,270	9,039
Current portion	–	–
Non-current portion	**9,270**	9,039
	9,270	9,039

The fair values of unlisted debt securities are based on the fair value determined by the financial institutions.

The maximum exposure to credit risk at the reporting date is the fair value of other financial assets at fair value through profit or loss in the balance sheet.

16. Bank balances and cash

	Group		***Company***	
	2010 US$'000	2009 US$'000	*2010 US$'000*	*2009 US$'000*
Cash at bank and in hand	229,207	163,110	*80*	*509*
Short term bank deposits	133,926	138,892	–	–
Cash and cash equivalents	363,133	302,002	*80*	*509*
Other short term bank deposits	3,927	–	–	–
	367,060	302,002	***80***	*509*

The effective interest rate on bank balances and deposits was 0.5% (2009: 0.4%); these deposits have an average maturity of 87 days (2009: 50 days).

The carrying amounts of the Group's bank balances and cash are denominated in the following currencies:

Group

	2010 US$'000	2009 US$'000
US dollars	70,315	159,055
Euro	24,003	41,628
RMB	135,128	78,464
CHF	125,052	3,509
Others	12,562	19,346
Total	367,060	302,002

17. Trade and other payables

	Group		*Company*	
	2010	2009	*2010*	*2009*
	US$'000	US$'000	*US$'000*	*US$'000*
Trade payables	206,565	119,971	–	–
Accrued expenses and sundry payables	134,579	105,981	*531*	*464*
	341,144	225,952	***531***	*464*

The fair value of the Group's trade and other payables approximate to the carrying value. The ageing analysis of trade payables based on invoice date was as follows:

	2010	2009
	US$'000	US$'000
0-60 days	151,903	86,414
61-90 days	34,423	15,753
Over 90 days	20,239	17,804
Total	206,565	119,971

The carrying amounts of the Group's trade payables are denominated in the following currencies:

Group

	2010	2009
	US$'000	US$'000
US dollars	84,930	35,247
Euro	42,238	41,206
RMB	36,640	17,396
HK dollars	32,118	18,749
Others	10,639	7,373
Total	206,565	119,971

18. Borrowings

	Group		*Company*	
	2010	2009	*2010*	*2009*
	US$'000	US$'000	*US$'000*	*US$'000*
Bank borrowings	404,940	524,671	*395,382*	*524,152*
Other loans	3,749	4,238	–	–
Total	408,689	528,909	*395,382*	*524,152*
Current				
Bank borrowings	6,617	519	–	–
Other loans	345	563	–	–
	6,962	1,082	–	–
Non-current				
Bank borrowings	398,323	524,152	*395,382*	*524,152*
Other loans	3,404	3,675	–	–
	401,727	527,827	***395,382***	*524,152*
Total	408,689	528,909	*395,382*	*524,152*

The maturity of borrowings is as follows:

	Group				*Company*	
	Bank borrowings		Other loans		*Bank borrowings*	
	2010	2009	2010	2009	*2010*	*2009*
	US$'000	US$'000	US$'000	US$'000	*US$'000*	*US$'000*
Within one year	6,617	519	345	563	–	–
In the second year	2,941	524,152	677	748	–	*524,152*
In the third to fifth year	395,382	–	1,356	1,127	*395,382*	–
After the fifth year	–	–	1,371	1,800	–	–
	404,940	524,671	3,749	4,238	*395,382*	*524,152*

The interest rate at the balance sheet date charged on the outstanding balances at ranges from 2.2% to 8.2% per annum (2009: 0.8% to 3.9% per annum).

The weighted average effective interest rate of our borrowings as of 31st March 2010, adjusted for the interest rate swaps, is about 3.3% (2009: 1.4%).

The carrying amounts of the above loans approximate their fair value as of 31st March 2010.

During the year, the Company repaid borrowings of US$525.0 million and drew down a new term loan of US$400.0 million, which matures on 26th February 2013. The loan of US$400.0 million is recorded net of upfront fees of US$4.6 million (reflected above at US$395.4 million in the third to fifth year category). The Group's borrowing of US$400.0 million is subject to interest rate changes with contractual repricing dates within 6 months. This term loan is subject to the usual terms and conditions by a bank group to an industrial credit. As of 31st March 2010, the Company was in compliance with all covenants.

As of 31st March 2010, bank borrowings of US$9.6 million (2009: nil) are secured by property, plant and equipment and leasehold land and land use rights with a carrying amount of US$13.3 million (2009: nil).

18. Borrowings *(Cont'd)*

The carrying amounts of the borrowings (bank loans and other loans) are denominated in the following currencies:

	Group		*Company*	
	2010	2009	*2010*	*2009*
	US$'000	US$'000	*US$'000*	*US$'000*
US dollar	395,382	524,626	*395,382*	*524,152*
Euro	3,749	4,283	–	–
RMB	9,558	–	–	–
	408,689	528,909	*395,382*	*524,152*

19. Provisions and other liabilities

Group	Other pension costs US$'000	Restructuring US$'000	Retirement benefit obligations US$'000	Finance lease liabilities US$'000	Legal and warranty US$'000	Sundries US$'000	Total US$'000
At 1st April 2008	1,325	11,317	33,487	8,021	17,898	1,171	73,219
Exchange differences	(32)	(1,509)	(5,864)	(45)	(1,638)	(104)	(9,192)
Provisions	(70)	12,230	4,716	23	8,490	510	25,899
Release of provisions	–	(2,076)	–	–	(7,316)	–	(9,392)
Utilised	(287)	(7,972)	(5,947)	(375)	(7,019)	(80)	(21,680)
Actuarial losses recognised in equity	–	–	5,872	–	–	–	5,872
At 31st March 2009	936	11,990	32,264	7,624	10,415	1,497	64,726
Current portion	35	8,768	–	451	10,415	498	20,167
Non-current portion	901	3,222	32,264	7,173	–	999	44,559
At 31st March 2009	936	11,990	32,264	7,624	10,415	1,497	64,726
At 1st April 2009	936	11,990	32,264	7,624	10,415	1,497	64,726
Exchange differences	2	(595)	1,397	42	144	13	1,003
Acquisition of subsidiaries	–	–	–	1,250	–	–	1,250
Provisions	166	24,630	3,846	975	41,266*	191	71,074
Release of provisions	–	–	–	–	(1,865)	–	(1,865)
Utilised	(46)	(15,915)	(7,444)	(2,046)	(28,163)	(495)	(54,109)
Actuarial gains recognised in equity	–	–	(7,595)	–	–	–	(7,595)
At 31st March 2010	1,058	20,110	22,468	7,845	21,797	1,206	74,484
Current portion	–	10,612	–	562	21,797	4	**32,975**
Non-current portion	1,058	9,498	22,468	7,283	–	1,202	**41,509**
At 31st March 2010	1,058	20,110	22,468	7,845	21,797	1,206	74,484

* Included the settlement of US$17.6 million for the Joyal claim (details refer to note 34 of 2009 annual report). Remaining amount of US$23.6 millions represents claims from customers for various products.

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

19.1 Retirement benefit plans and obligations

Defined benefit pension plans

The Group's defined benefit plans provide employees coverage related to old age pension, early retirement pension, disability pension, and widow pension. Defined benefit plans in Europe are valued by independent external actuaries.

The Group's defined benefit plans provide pensions to employees after meeting certain age/service conditions. Pensions are based on specific pension rates applied to the employees' years of service and pensionable earnings.

The assets of the funded plans are held independently of the Group assets in separate trustee administered funds. The Group's major plans were valued by qualified actuaries using the project unit credit method to account for the Group's pension accounting costs.

19.1.1 The amounts recognised as a net liability in the balance sheet are determined as follows:

	2010 US$'000	2009 US$'000
Present value of funded obligations	(135,303)	(114,112)
Less: Fair value of plan assets (note b)	131,220	103,907
	(4,083)	(10,205)
Present value of unfunded obligations	(18,385)	(22,059)
Retirement benefit obligations (net liability)	(22,468)	(32,264)

(a) Present value of defined benefit obligations

The movement in the present value of defined benefit obligations recognised in the balance sheet is as follows:

	2010 US$'000	2009 US$'000
At beginning of the year	136,171	166,402
Current service cost (note 19.1.2)	2,796	4,734
Interest cost (note 19.1.2)	4,610	5,627
Contributions by plan participants	3,050	3,180
Actuarial losses/(gains) (note 19.1.3)	4,169	(10,187)
Exchange differences	9,422	(28,291)
Benefits paid	(11,239)	(5,177)
Settlement	4,709	(117)
At end of the year (note 19.1.1)	153,688	136,171
Represented by:		
Present value of funded obligations	135,303	114,112
Present value of unfunded obligations	18,385	22,059
	153,688	136,171

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

19.1 Retirement benefit plans and obligations *(Cont'd)*

Defined benefit pension plans *(Cont'd)*

19.1.1 The amounts recognised as a net liability in the balance sheet are determined as follows: *(Cont'd)*

(b) Fair value of plan assets

	2010 US$'000	2009 US$'000
The movement in the fair value of plan assets of the year is as follows:		
At beginning of the year	103,907	132,915
Expected return on plan assets (note 19.1.2)	3,560	5,645
Actuarial gains/(losses) (note 19.1.3)	11,764	(16,059)
Exchange differences	8,026	(22,427)
Employer contributions	9,564	4,575
Employee contributions	3,050	3,180
Benefits paid	(8,651)	(3,922)
At end of the year (note 19.1.1)	131,220	103,907

The actual gains on plan assets was US$15.3 million (2009 actual losses: US$ 10.4 million).

19.1.2 The amounts recognised in the income statement are as follows:

	2010 US$'000	2009 US$'000
Current service cost (note 19.1.1.a)	2,796	4,734
Interest cost (note 19.1.1.a)	4,610	5,627
Expected return on plan assets (note 19.1.1.b)	(3,560)	(5,645)
Past service cost	(6)	–
Expensed in income statement for pensions benefits included in staff costs (note 27)	3,840	4,716

19.1.3 The amounts recognised through equity are as follows:

	2010 US$'000	2009 US$'000
Actuarial (losses)/gains on obligation (note 19.1.1.a)	(4,169)	10,187
Actuarial gains/(losses) on plan assets (note 19.1.1.b)	11,764	(16,059)
Net actuarial gains/(losses) (note 22)	7,595	(5,872)
Less: deferred taxation on actuarial (gains)/losses (note 22)	(1,649)	781
Total gains/(losses), included in equity	5,946	(5,091)

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

19.1 Retirement benefit plans and obligations *(Cont'd)*

Plan Assets

The plan asset mix is established through consideration of many factors, including assumptions of tolerance for fluctuations in market values, portfolio diversification and the targeted long term rate of return for the assets. Foreign exchange risk is inherent in the asset mix policy and foreign currency fluctuations may significantly affect the return on the assets held by the trustees of the funds.

Over the past 4 years, the weighted average rate of return for defined benefits pension plans was 2.4% per annum.

Plan assets comprised the following:

	2010		2009	
	US$'000	Percentage	US$'000	Percentage
Equity	47,331	36%	29,623	28%
Bonds	57,836	44%	49,540	48%
Others (mainly property investment)	26,053	20%	24,744	24%
	131,220	100%	103,907	100%

Experience adjustments are as follows:

	2010 US$'000	2009 US$'000	2008 US$'000	2007 US$'000
Experience adjustments on plan liabilities	2,073	926	(286)	397
Experience adjustments on plan assets	(2)	41	99	–

The expected return on plan assets was determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as of the balance sheet date. Expected returns on equity and property investments reflect long term real rates of return experienced in the respective markets.

Expected contributions to post-employment benefit plans for the year ending 31st March 2011 are US$2.1 million.

The principal actuarial assumptions used were as follows:

	2010 Percentage	2009 Percentage
Discount rate	3% – 6%	3% – 6%
Expected return on plan assets	0% – 6%	0% – 6%
Future salary increases	0% – 3%	0% – 3%
Future pension increases	0% – 4%	0% – 4%

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

19.1 Retirement benefit plans and obligations *(Cont'd)*

Mortality rates

Assumptions regarding future mortality experience are set based on advice, published statistics and experience in each territory.

The life expectancy in years of a pensioner retiring at age 65 on the balance sheet date is as follows:

	2010	2009
Male	18.7	18.7
Female	22.0	22.0

19.2 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 made by the employer 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, Europe and PRC.

Contributions are charged to income statement as incurred and may be reduced by contributions forfeited from those employees who leave the ORSO scheme prior to vesting fully in the contributions. At 31st March 2010, the balance of the forfeited contributions was US$0.7 million (2009: US$0.7 million). The forfeited contribution (2009: nil) during the year will be available to offset future contributions to the retirement scheme.

19.3 Finance lease liabilities

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

	2010 US$'000	2009 US$'000
Cost – capitalised finance leases	20,326	12,449
Accumulated depreciation and impairment	(5,692)	(7,339)
Net book amount	14,634	5,110

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

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

19.3 Finance lease liabilities *(Cont'd)*

Gross finance lease obligation – minimum lease payments:

	2010 US$'000	2009 US$'000
Not later than 1 year	1,711	1,318
Later than 1 year and not later than 5 years	5,679	5,372
Later than 5 years	4,462	5,862
	11,852	12,552
Future finance charges on finance leases	(4,007)	(4,928)
Present value of finance lease liabilities	7,845	7,624

The present value of finance lease liabilities is as follows:

	2010 US$'000	2009 US$'000
Not later than 1 year	562	451
Later than 1 year and not later than 5 years	3,549	2,555
Later than 5 years	3,734	4,618
	7,845	7,624

20. Deferred income tax

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

	2010 US$'000	2009 US$'000
At beginning of the year	(44,400)	(67,608)
Exchange differences	(4,634)	8,437
Acquisition of subsidiaries	141	–
Transfer to income statement (note 29)	10,922	15,015
Deferred income tax assets written off	(2,572)	–
Tax charged to equity	(3,401)	(244)
At end of the year	(43,944)	(44,400)
Shown as:		
Deferred income tax assets	**39,833**	36,463
Deferred income tax liabilities	**(83,777)**	(80,863)
At end of the year	(43,944)	(44,400)

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

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

	Provisions		Accelerated tax depreciation		Tax losses		Fair value gain/(loss)		Others		Total	
	2010	2009	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009
	US$'000	US$'000	**US$'000**	US$'000	**US$'000**	US$'000	**US$'000**	US$'000	**US$'000**	US$'000	**US$'000**	US$'000
Deferred tax assets/(liabilities)												
At beginning of the year	**16,863**	7,798	**(22,714)**	(23,006)	**12,671**	21,037	**(62,644)**	(76,241)	**11,424**	2,804	**(44,400)**	(67,608)
Exchange differences	**230**	(655)	**(480)**	1,233	**124**	(792)	**(4,781)**	9,358	**273**	(707)	**(4,634)**	8,437
Acquisitions of subsidiaries	**83**	–	**–**	–	**58**	–	**–**	–	**–**	–	**141**	–
Credited/(charged) to income statement	**(6,180)**	9,745	**5,903**	(941)	**9,342**	(7,574)	**4,180**	5,263	**(2,323)**	8,522	**10,922**	15,015
Deferred income tax assets written off	**(4,119)**	–	**1,278**	–	**(80)**	–	**–**	–	**349**	–	**(2,572)**	–
Taxation charged to equity	**4**	(25)	**–**	–	**–**	–	**(1,752)**	(1,024)	**(1,653)**	805	**(3,401)**	(244)
At end of year	**6,881**	16,863	**(16,013)**	(22,714)	**22,115**	12,671	**(64,997)**	(62,644)	**8,070**	11,424	**(43,944)**	(44,400)
Shown as:												
Deferred income tax assets	**8,854**	19,464	**(2,883)**	(6,305)	**22,115**	12,602	**–**	171	**11,747**	10,531	**39,833**	36,463
Deferred income tax liabilities	**(1,973)**	(2,601)	**(13,130)**	(16,409)	**–**	69	**(64,997)**	(62,815)	**(3,677)**	893	**(83,777)**	(80,863)
	6,881	16,863	**(16,013)**	(22,714)	**22,115**	12,671	**(64,997)**	(62,644)	**8,070**	11,424	**(43,944)**	(44,400)
Additional information – Gross analysis												
Deferred income tax assets	**8,881**	19,464	**599**	133	**22,115**	12,671	**857**	1,331	**12,713**	17,513	**45,165**	51,112
Deferred income tax liabilities	**(2,000)**	(2,601)	**(16,612)**	(22,847)	**–**	–	**(65,854)**	(63,975)	**(4,643)**	(6,089)	**(89,109)**	(95,512)
	6,881	16,863	**(16,013)**	(22,714)	**22,115**	12,671	**(64,997)**	(62,644)	**8,070**	11,424	**(43,944)**	(44,400)

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

	2010	2009
	US$'000	US$'000
Fair value reserves in shareholders' equity (note 22)		
– hedging reserve	(1,752)	(638)
– other reserve	–	(387)
Actuarial losses of defined benefit plan	(1,649)	781
	(3,401)	(244)

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 did not recognise deferred income tax assets in respect of tax losses amounting to US$152.3 million (2009: US$131.6 million) that can be carried forward against future taxable income.

Deferred income tax assets have not been recognised with respect to other deductible temporary differences amounting to US$7.5 million (2009: nil), in which no taxable profit will be available to set off the deductible temporary difference.

The table above describes component parts of the deferred income tax assets and liabilities which are shown on the Balance Sheet.

Provisions:

Certain tax authorities do not allow accounting provisions as charges against taxable profit, which gives rise to a different basis for calculating accounting and taxable profit.

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

Accelerated tax depreciation:
This represents the difference between the rate of depreciation which is charged against accounting profit and the accelerated rate of depreciation which is charged against taxable profit.

Impairment of assets:
The extent to which a change in value resulting from the reassessment of an asset's economic worth is not allowable as a current year charge against taxable profit.

Tax losses:
The value of current losses which can be offset against future profits to reduce future taxation charges.

Fair value gain:
The extent to which a change in value resulting from the reassessment of an asset's economic worth is not treated as a current year taxable income.

Others:
These represent all other differences between the bases of valuation of assets and liabilities for accounting and taxation purposes which give rise to a difference in accounting and taxable profit.

21. Share capital and share premium

	Number of issued shares (thousands)	Ordinary shares US$'000	Share premium US$'000	Treasury shares US$'000	Total US$'000
As of 1st April 2008	3,662,799	5,925	77,855	(6,076)	77,704
Treasury shares purchased for the Long-term Incentive Share Scheme	(184)	–	–	(145)	(145)
Treasury shares vested	984	–	–	882	882
As of 1st April 2009	3,663,599	5,925	77,855	(5,339)	78,441
Treasury shares vested	1,329	–	4	1,048	1,052
As of 31st March 2010	3,664,928	5,925	77,859	(4,291)	**79,493**

The total authorised number of ordinary shares is 7,040,000,000 shares (2009: 7,040,000,000) with a par value of HK$0.0125 per share (2009: HK$0.0125 per share). All issued shares are fully paid.

Long-Term Incentive Share Scheme

Under the terms of the Long-Term Incentive Share Scheme ("Incentive Share Scheme") which was approved by the shareholders on 26th July 1999, the Directors may at their discretion invite full time employees of the Company and its subsidiaries, including Directors, to participate in the Incentive Share Scheme, and grant shares to such eligible employees.

Details of the shares vested in the eligible employees under the Incentive Share Scheme as of 31st March 2010 are as follows:

Number of shares purchased	Average purchase price (HK$)	Total shares granted in FY 2005 – FY 2010	Total shares vested in FY 2006 – FY 2010	Shares to be vested				
				FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
8,860,517	4.69	11,188,000	3,674,000	2,654,000	2,494,000	1,266,000	710,000	390,000

Under the Long-Term Incentive Share Scheme, the Company has granted 5,144,000 shares (2009: 2,814,000) during the year.

21. Share capital and share premium *(Cont'd)*

Share Options

Pursuant to the Share Option Scheme (the "Scheme") adopted by the Company on 29 July 2002, the board of Directors may, at its discretion, grant options to any qualifying participants (including but not limited to any employee, whether full time or part time employees including any executive or non-executive Directors, of the Company or any affiliate as defined in the Scheme).

Share options granted to employees as of 31st March 2010 under a share option scheme approved at an Annual General Meeting of the Group held on 29th July 2002 are as follows:

Held at 31/03/2009	Forfeited during the year	Held at 31/03/2010	Subscription price per share (HK$)	Date of grant	Exercisable from	Exercisable until
350,000	–	350,000	8.02	17/09/2002	01/08/2004	16/09/2012
350,000	–	350,000	8.02	17/09/2002	01/08/2005	16/09/2012
275,000	(12,500)	262,500	9.65	31/07/2003	01/07/2005	30/07/2013
275,000	(12,500)	262,500	9.65	31/07/2003	01/07/2006	30/07/2013
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
1,550,000	(125,000)	1,425,000				

No share options were granted or exercised during the year (2009: nil).

The fair value of options granted or forfeited, net, during the year ended 31st March 2010 was determined using the Binomial valuation model, and the credit to the income statement was US$42,000 (31st March 2009: nil). 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 varies depending on the grant date.

The aggregate fair value of US$0.3 million (2009: US$0.4 million) of the above options granted are recognised, together with a corresponding decrease in equity, over their vesting period for the employees in accordance with the Group's accounting policy pursuant to HKFRS 2 "Share-based Payments".

NOTES TO THE ACCOUNTS

22. Reserves

Group

	Contributed surplus US$'000	Capital reserve US$'000	Goodwill on consolidation US$'000	Exchange reserve US$'000	Share option reserve US$'000	Share-based employee benefit reserve US$'000	Hedging reserve US$'000	Other reserves* US$'000	Retained earnings US$'000	Total US$'000
At 1st April 2009	15,499	38,904	(233,885)	69,947	384	2,068	(19,144)	12,180	1,000,012	885,965
Exchange gains on translation of foreign subsidiaries	–	–	–	44,083	–	–	–	–	–	44,083
Available-for-sale financial assets (note 11)										
– fair value gains	–	–	–	–	–	–	–	319	–	319
– release of reserves upon disposal	–	–	–	–	–	–	–	(247)	–	(247)
Actuarial gains of defined benefit plan (note 19.1.3)	–	–	–	–	–	–	–	–	7,595	7,595
Deferred income tax effect on actuarial gains of defined benefit plan (note 19.1.3)	–	–	–	–	–	–	–	–	(1,649)	(1,649)
Fair value gains										
– hedging instrument	–	–	–	–	–	–	12,837	–	–	12,837
– transferred to income statement	–	–	–	–	–	–	13,204	–	–	13,204
– deferred income tax on fair value gains (note 20)	–	–	–	–	–	–	(1,752)	–	–	(1,752)
Appropriation of retained earnings to statutory reserve	–	–	–	–	–	–	–	974	(974)	–
Net income recognised directly in equity	–	–	–	44,083	–	–	24,289	1,046	4,972	74,390
Profit for the year	–	–	–	–	–	–	–	–	75,512	75,512
Total comprehensive income for the year	–	–	–	44,083	–	–	24,289	1,046	80,484	149,902
Long term incentive share scheme										
– share vested	–	–	–	–	–	(1,052)	–	–	–	(1,052)
– value of employee services	–	–	–	–	–	870	–	–	–	870
Share option scheme										
– value of employee services	–	–	–	–	(42)	–	–	–	–	(42)
	–	–	–	44,083	(42)	(182)	24,289	1,046	80,484	149,678
At 31st March 2010	15,499	38,904	(233,885)	114,030	342	1,886	5,145	13,226	1,080,496	1,035,643
Final dividend proposed	–	–	–	–	–	–	–	–	23,659	**23,659**
Other	15,499	38,904	(233,885)	114,030	342	1,886	5,145	13,226	1,056,837	**1,011,984**
At 31st March 2010	15,499	38,904	(233,885)	114,030	342	1,886	5,145	13,226	1,080,496	1,035,643
Company and subsidiaries	15,499	38,904	(233,885)	114,030	342	1,886	5,145	13,226	1,079,002	1,034,149
Associated companies	–	–	–	–	–	–	–	–	1,494	1,494
At 31st March 2010	15,499	38,904	(233,885)	114,030	342	1,886	5,145	13,226	1,080,496	1,035,643

* *Note:* Other reserves mainly represent property revaluation reserve, investment revaluation reserve and appropriation of retained earnings to statutory reserve.

22. Reserves *(Cont'd)*

Group

	Contributed surplus US$'000	Capital reserve US$'000	Goodwill on consolidation US$'000	Exchange reserve US$'000	Share option reserve US$'000	Share-based employee benefit reserve US$'000	Hedging reserve US$'000	Other reserves* US$'000	Retained earnings US$'000	Total US$'000
At 1st April 2008	15,499	38,904	(233,885)	150,306	384	2,430	(7,456)	9,386	1,048,670	1,024,238
Exchange losses on translation of foreign subsidiaries	–	–	–	(80,359)	–	–	–	–	–	(80,359)
Available-for-sale financial assets (note 11)										
– fair value losses	–	–	–	–	–	–	–	(938)	–	(938)
– release of reserves upon impairment	–	–	–	–	–	–	–	608	–	608
– release of reserves upon disposal	–	–	–	–	–	–	–	173	–	173
Actuarial losses of defined benefit plan (note 19.1.3)	–	–	–	–	–	–	–	–	(5,872)	(5,872)
Deferred income tax effect on actuarial losses of defined benefit plan (note 19.1.3)	–	–	–	–	–	–	–	–	781	781
Fair value losses										
– hedging instrument	–	–	–	–	–	–	(20,263)	–	–	(20,263)
– transferred to income statement	–	–	–	–	–	–	9,213	–	–	9,213
– deferred income tax on fair value losses (note 20)	–	–	–	–	–	–	(638)	–	–	(638)
Revaluation surplus										
– on transfer from property, plant and equipment and leasehold land to investment properties (note 6)	–	–	–	–	–	–	–	3,338	–	3,338
– deferred income tax on revaluation surplus (note 20)	–	–	–	–	–	–	–	(387)	–	(387)
Net income/(expense) recognised directly in equity	–	–	–	(80,359)	–	–	(11,688)	2,794	(5,091)	(94,344)
Profit for the year	–	–	–	–	–	–	–	–	2,591	2,591
Total comprehensive income/(expenses) for the year	–	–	–	(80,359)	–	–	(11,688)	2,794	(2,500)	(91,753)
2007/08 Final dividend paid	–	–	–	–	–	–	–	–	(46,158)	(46,158)
Long term incentive share scheme										
– share vested	–	–	–	–	–	(882)	–	–	–	(882)
– value of employee services	–	–	–	–	–	520	–	–	–	520
	–	–	–	(80,359)	–	(362)	(11,688)	2,794	(48,658)	(138,273)
At 31st March 2009	15,499	38,904	(233,885)	69,947	384	2,068	(19,144)	12,180	1,000,012	885,965
Final dividend proposed	–	–	–	–	–	–	–	–	–	–
Other	15,499	38,904	(233,885)	69,947	384	2,068	(19,144)	12,180	1,000,012	885,965
At 31st March 2009	15,499	38,904	(233,885)	69,947	384	2,068	(19,144)	12,180	1,000,012	885,965
Company and subsidiaries	15,499	38,904	(233,885)	69,947	384	2,068	(19,144)	12,180	998,468	884,421
Associated companies	–	–	–	–	–	–	–	–	1,544	1,544
At 31st March 2009	15,499	38,904	(233,885)	69,947	384	2,068	(19,144)	12,180	1,000,012	885,965

* *Note:* Other reserves mainly represent property revaluation reserve and investment revaluation reserve.

22. Reserves *(Cont'd)*

Company

	Contributed surplus US$'000	Share option reserve US$'000	Share-based employee benefit reserve US$'000	Other reserve US$'000	Hedging reserve US$'000	Retained earnings US$'000	Total US$'000
At 1st April 2008	95,273	384	2,430	–	–	340,726	438,813
Long term incentive share scheme							
– share vested	–	–	(882)	–	–	–	(882)
– value of employee services	–	–	520	–	–	–	520
Available-for-sale financial assets							
– fair value losses	–	–	–	(938)	–	–	(938)
– release of reserves upon impairment	–	–	–	608	–	–	608
– release of reserves upon disposal	–	–	–	173	–	–	173
Fair value losses							
– hedging instrument	–	–	–	–	(1,701)	–	(1,701)
Profit for the year	–	–	–	–	–	25,779	25,779
Dividend	–	–	–	–	–	(46,158)	(46,158)
At 31st March 2009	95,273	384	2,068	(157)	(1,701)	320,347	416,214
Final dividend proposed	–	–	–	–	–	–	–
Other	95,273	384	2,068	(157)	(1,701)	320,347	416,214
At 31st March 2009	95,273	384	2,068	(157)	(1,701)	320,347	416,214
Long term incentive share scheme							
– share vested	–	–	(1,052)	–	–	–	(1,052)
– value of employee services	–	–	870	–	–	–	870
Share option scheme							
– value of employee services	–	(42)	–	–	–	–	(42)
Available-for-sale financial assets							
– fair value gains	–	–	–	319	–	–	319
– release of reserves upon disposal	–	–	–	(247)	–	–	(247)
Fair value gains							
– hedging instrument	–	–	–	–	1,701	–	1,701
Profit for the year	–	–	–	–	–	199,785	199,785
At 31st March 2010	95,273	342	1,886	(85)	–	520,132	617,548
Final dividend proposed	–	–	–	–	–	23,659	**23,659**
Other	95,273	342	1,886	(85)	–	496,473	**593,889**
At 31st March 2010	95,273	342	1,886	(85)	–	520,132	617,548

Distributable reserves of the Company at 31st March 2010 amounted to US$615.4 million (2009: US$415.6 million).

23. Other income and gains/(losses)

	2010 US$'000	2009 US$'000
Gross rental income from investment properties	4,392	4,410
(Losses)/gains on investments, net	(2,410)	949
(Losses)/gains on disposal of property, plant and equipment	(113)	18
Fair value gains/(losses) on investment properties (note 6)	8,314	(5,435)
Fair value gains on Euro contracts	–	6,644
Fair value loss on interest rate swap	(4,446)	–
Fair value losses on copper contracts	–	(13,186)
	5,737	(6,600)

24. Selling and administrative expenses

	2010 US$'000	2009 US$'000
Selling expenses	95,691	118,027
Administrative expenses	211,418	222,658
Claims and compensation	39,417	1,174
Hedging (gains)/losses	(723)	3,461
Net exchange losses on revaluation of monetary assets and liabilities	5,037	8,119
	350,840	353,439

25. Restructuring provision and assets impairment

	2010 US$'000	2009 US$'000
Restructuring provision (note (a))	24,630	10,154
Assets impairment relating to restructuring (note 26)	1,183	3,813
Impairment of intangible assets (note (b))	–	4,822
Total provisions	**25,813**	18,789

Note:

(a) Restructuring provision and assets impairment relate to activities in Europe, US and Asia. Provision is mainly consisted of provision for severance payment in relation to initiatives to simplify the European manufacturing, supply chain, and legal entity footprints.

(b) Impairment of goodwill for trading segment.

26. Expenses by nature

Operating profit is stated after crediting and charging the following:

	2010 US$'000	2009 US$'000
Depreciation		
Depreciation on property, plant and equipment	67,756	70,358
Less: amounts capitalised on assets under construction	(226)	(251)
	67,530	70,107
Employee benefit expense (note 27)	372,825	424,116
Less: amounts capitalised on assets under construction	(1,343)	(1,347)
	371,482	422,769
Impairment of property, plant and equipment (note 5)		
– Relating to restructuring (note 25)	1,183	3,813
– Included in selling and administrative expenses and cost of goods sold	974	2,084
Impairment of leasehold land (note 7)	–	207
Impairment of intangibles (note 8)	1,466	5,349
	3,623	11,453
Other items:		
Cost of goods sold*	1,259,489	1,402,468
Auditors' remuneration	1,950	2,091
Amortisation on leasehold land and land use rights (note 7)	824	687
Amortisation of intangibles (note 8)	18,789	18,403
Net foreign exchange losses	4,314	11,580
(Write back)/provision for impairment of trade receivables	(3,282)	7,736

**Note:* Cost of goods sold include materials, production overheads and direct labour costs.

27. Employee benefit expense

	2010 US$'000	2009 US$'000
Wages and salaries	335,938	381,157
Share-based payments	828	520
Social security costs	26,613	28,231
Pension costs – defined contribution plans	5,606	9,492
Pension costs – defined benefit plans (note 19.1.2)	3,840	4,716
	372,825	424,116

27.1 Pensions – Defined Benefit Plans

The Group's major plans were valued by qualified actuaries using the projected unit credit method to account for the Group's pension costs.

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

27.2 Directors' Emoluments

The remuneration of Directors for the year ended 31st March 2010 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	–	72	–	–	72
Patrick Shui-Chung Wang	–	600	–	48	648
Winnie Wing-Yee Wang	–	377	123	30	530
Austin Jesse Wang	–	83	23	3	109
Richard Li-Chung Wang	–	83	–	7	90
Peter Kin-Chung Wang	36	–	–	–	36
Peter Stuart Allenby Edwards	33	–	–	–	33
Patrick Blackwell Paul	45	–	–	–	45
Oscar de Paula Bernardes Neto	34	–	–	–	34
Michael John Enright	43	–	–	–	43
Laura May-Lung Cha	10	–	–	–	10
	201	1,215	146	88	1,650

Other benefits include housing allowance benefits

The remuneration of Directors for the year ended 31st March 2009 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	–	72	–	–	72
Patrick Shui-Chung Wang	–	600	–	48	648
Winnie Wing-Yee Wang	–	377	123	30	530
Richard Li-Chung Wang	–	500	–	40	540
Peter Kin-Chung Wang	36	–	–	–	36
Peter Stuart Allenby Edwards	33	–	–	–	33
Patrick Blackwell Paul	45	–	–	–	45
Oscar de Paula Bernardes Neto	34	–	–	–	34
Michael John Enright	43	–	–	–	43
Laura May-Lung Cha	25	–	–	–	25
	216	1,549	123	118	2,006

Other benefits include housing allowance benefits

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

27.3 Senior Management Compensation

The five individuals whose emoluments were the highest in the Group for the year include 1 director (2009 : nil) whose emoluments reflected in the analysis presented above. The emoluments payable to the remaining 4 individuals (2009: 5) during the year are as follows :

	2010 US$'000	2009 US$'000
Salaries, allowances and other benefits	2,110	2,359
Retirement scheme contributions	126	123
Retirement gratuity	1,300	–
Bonuses	373	1,289
	3,909	3,771

Emoluments band

	Number of individuals	
	2010	2009
US$512,001 – US$576,000 (HK$4,000,001 – HK$4,500,000)	2	–
US$576,001 – US$641,000 (HK$4,500,001 – HK$5,000,000)	1	–
US$641,001 – US$705,000 (HK$5,000,001 – HK$5,500,000)	–	2
US$705,001 – US$769,000 (HK$5,500,001 – HK$6,000,000)	–	2
US$897,001 – US$961,000 (HK$7,000,001 – HK$7,500,000)	–	1
US$2,115,001 – US$2,179,000 (HK$16,500,001 – HK$17,000,000) (note)	1	–

Note: Amount shown above included the retirement gratuity

27.4 Key management compensation

Other than the directors' emoluments and senior management compensation disclosed above, the emoluments paid to the senior management as disclosed in the biographical details on pages 49 to 51 of the annual report are as follows:

	2010 US$'000	2009 US$'000
Salaries and other short term employee benefits	3,124	3,040
Share-based payments	95	65
	3,219	3,105

28. Finance costs, net

	2010 US$'000	2009 US$'000
Interest on bank loans wholly repayable within five years and overdrafts	8,922	15,708
Interest income	(2,165)	(6,105)
Net interest on bank loans and overdrafts	**6,757**	9,603

29. Tax (expenses)/income

Hong Kong profits tax has been provided at the rate of 16.5% (2009: 16.5%) on the estimated assessable profit for the year. Overseas tax has been provided at the applicable rates on the estimated assessable profit in the respective countries of operations for the year. The overall global effective tax rate for the year ended 31st March 2010 was 17.2%.

	2010 US$'000	2009 US$'000
Current income tax		
Hong Kong profits tax	(11,024)	(4,896)
Overseas taxation	(19,533)	(14,846)
Over provisions in prior years	4,368	5,170
	(26,189)	(14,572)
Deferred income tax (note 20)	10,922	15,015
Deferred income tax assets write off (note 20)	(2,572)	–
	(17,839)	443

The effective tax rate of the Group of 17.2% differs from the tax rate of Hong Kong of 16.5% as follows:

	2010	2009	2010 US$'000	2009 US$'000
Profit before income tax			103,764	37,394
Tax charged at Hong Kong profits tax rate (2010 and 2009: 16.5%)	(16.5)%	(16.5)%	(17,121)	(6,170)
Effect of different tax rates in other countries				
– Countries with taxable profit	(3.2)%	(8.6)%	(3,362)	(3,216)
– Countries with loss	8.2%	6.9%	8,593	2,585
Income net of expenses not subject to tax	7.0%	10.4%	7,283	3,879
(Under)/over provisions for prior years (current & deferred income tax)	(0.5)%	13.8%	(536)	5,170
Tax losses and other timing differences not recognised as an asset	(7.4)%	(12.1)%	(7,686)	(4,518)
Other tax	(2.3)%	7.3%	(2,438)	2,713
Deferred income tax assets written off	(2.5)%	–	(2,572)	–
	(17.2)%	1.2%	(17,839)	443

30. Discontinued operations

Discontinued operations related to Green Vision Group, a separate operation within the Trading business which was discontinued before 31st March 2009.

31. Profit attributable to equity holders

The Group's consolidated profit attributable to equity holders of the Company is US$75.5 million (2009: US$2.6 million). Profit of the Company for the year is US$199.8 million (2009: US$25.8 million).

Details of movement in reserves are shown in note 22.

32. Dividends

	2010 US$'000	2009 US$'000
Interim	–	–
Final, proposed, of 0.64 US cents (5 HK cents) per share (2009 : nil)	23,659	–
	23,659	–

At a meeting held on 31st May 2010 the directors recommended a final dividend of 0.64 US cents (5 HK cents) per share. The recommended final dividend will be reflected as an appropriation of retained earnings for the year ending 31st March 2011.

33. 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.

	2010	2009
Profit from continuing operations attributable to equity holders of the Company (thousands US dollars)	75,512	33,728
Weighted average number of ordinary shares in issue (thousands)	3,664,826	3,663,473
Basic earnings per share from continuing operations (US cents per share)	**2.06**	0.92
Losses from discontinued operations attributable to equity holders of the Company (thousands US dollars)	–	(31,137)
Basic losses per share – discontinued operations (US cents per share)	–	(0.85)

33. Earnings per share *(Cont'd)*

The Company has share options that could dilute basic earnings/(losses) per share in the future. Diluted earnings/(losses) per share equals basic earnings per share because there were no potential dilutive ordinary shares outstanding during the year ended 31st March 2010.

34. Commitments

34.1 Capital Commitments

Group	2010 US$'000	2009 US$'000
Capital commitments for property, plant and equipment		
Authorised but not contracted for	7,068	1,171
Contracted for	6,944	4,337
	14,012	5,508

34.2 Operating Lease Commitments

(i) At 31st March 2010, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	2010		2009	
	Land and buildings US$'000	Others US$'000	Land and buildings US$'000	Others US$'000
Not later than one year	11,993	1,246	14,702	2,038
Later than one year and not later than five years	24,216	1,002	31,858	1,833
Later than five years	16,719	–	17,949	–
	52,928	2,248	64,509	3,871

(ii) At 31st March 2010, the Group had future aggregate minimum lease rental receivable under non-cancellable operating leases on land and buildings as follows:

	2010 US$'000	2009 US$'000
Not later than one year	2,370	3,594
Later than one year and not later than five years	258	1,101
	2,628	4,695

35. Cash generated from operations

	2010 US$'000	2009 US$'000
Profit before income tax	103,764	37,394
Add: Depreciation charges of property, plant and equipment and amortisation of leasehold land and land use rights	68,354	70,794
Amortisation of intangible assets	18,789	18,403
Net interest expense	6,757	9,603
Share of losses/(profits) of associated companies less dividend received	276	19
EBITDA*	197,940	136,213
Other non-cash items and adjustments		
Release of pledged deposits	17,122	–
Losses/(gains) on disposals of leasehold land, property, plant and equipment	113	(18)
Provision for impairment on property, plant and equipment	2,157	5,897
Provision for impairment on leasehold land	–	207
Provision for intangibles impairment	1,466	5,349
Negative goodwill from acquisitions	(131)	–
Net realised and unrealised gains on disposals of other financial assets at fair value through profit or loss	(247)	(1,228)
Share-based compensation	828	520
Fair value (gains)/losses on investment properties	(8,314)	5,435
Net realised losses on available-for-sale financial assets	908	781
	13,902	16,943
EBITDA* net of other non-cash items and adjustments	211,842	153,156
Change in working capital		
Decrease in stocks and work in progress	13,801	43,887
(Increase)/decrease in trade and other receivables	(73,612)	176,596
Increase/(decrease) in trade and other payables	109,423	(99,708)
Increase/(decrease) in net financial liabilities	14,320	(13,920)
	63,932	106,855
Cash generated from operations	275,774	260,011

* EBITDA : Earnings before interest, tax, depreciation and amortisation

35. Cash generated from operations *(Cont'd)*

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

	2010 US$'000	2009 US$'000
Net book amount	2,472	8,123
(Losses)/gains on disposal of leasehold land, property, plant and equipment	(113)	18
Proceeds from disposal of leasehold land, property, plant and equipment	2,359	8,141

36. Business combinations

36.1 On 18th June 2009, the Group acquired approximately 30.8% of equity interests in China Autoparts, Inc. (China Autoparts) from the minority shareholders at a consideration of US$12.3 million. Upon completions of the acquisition, the Group's equity interests in China Autoparts increased to approximate 87.6%.

On the same date, the Group entered into an agreement with third parties in relation to the merger and reorganisation of China Autoparts and Tian Xi Auto Parts Group Co. Ltd (Tian Xi). In consideration for the acquisition of a 52% equity interest in Tian Xi, the Group reduced its effective equity interest in China Autoparts by 35.6%. After the merger, the Group holds 52% of the shares in the enlarged group (Tonglin Precision Parts Limited) comprising China Autoparts and Tian Xi.

The acquired business contributed revenue of US$37.8 million and net gain of US$1.8 million to the Group for period from the date of acquisition to 31st March 2010. If the acquisitions had occurred on 1st April 2009, Group revenue would have been approximately US$51.3 million and net gain have been approximately US$2.4 million.

36. Business combinations *(Cont'd)*

36.1 Details of net assets acquired and goodwill are as follows:

Purchase consideration

	US$'000
Cash	13,534
Increase in minority interests in China Autoparts in exchange for shares in Tian Xi	2,053
	15,587
Fair value of net assets acquired, after minority interests – shown as below	(15,718)
Negative goodwill	(131)

	Acquiree's carrying amount US$'000	Fair Value US$'000
Properties, plant and equipments	29,110	26,873
Leasehold land and land use right	1,566	3,211
Intangibles	42	1,202
Deferred tax assets	141	141
Stock and work in progress	3,554	3,554
Trade and other receivables	11,447	11,447
Bank balances and cash	5,761	5,761
Trade and other payables	(15,959)	(15,959)
Provision and other liabilities	(1,250)	(1,250)
	34,412	34,980
Less :		
Borrowings	(14,160)	(14,160)
Net assets	20,252	20,820
Minority interests		(5,102)
		15,718
Purchase consideration settled in cash		
Cash		13,534
Cash and cash equivalents in subsidiary acquired		(5,761)
Cash outflow on acquisition		7,773

36. Business combinations *(Cont'd)*

36.2 In the prior year, the Group acquired 100% of a motor manufacturing and trading business, Fully Motor Co. Limited and Fu Wang Electric Manufacturing Co. Ltd. The acquired business contributed revenue of US$2.1 million and net loss of US$0.2 million to the Group for the period from the date of acquisition to 31st March 2009.

Details of net assets acquired and goodwill for year ended 31st March 2009 are as follows:

	2009 US$'000
Purchase consideration settled in cash	2,743
Fair value of net assets acquired	(800)
Goodwill	1,943

37. Related-party transactions

Details of substantial equity holders are shown in Disclosure of Interests in the Report of the Directors on page 39. The Group had no other material related party transactions during the year. Details of senior management and key management compensation are disclosed in note 27.3 and 27.4 in these financial statements.

38. Financial risk management

38.1 Financial risk factors

The Group's activities expose to a variety of financial risks: market risk (including foreign exchange risk, cash flow interest rate risk, fair value interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses financial instruments to hedge certain risk exposures.

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

(a) Market risk

(i) Foreign exchange risk

The Group operates globally and is thus exposed to foreign exchange risk primarily through sales and purchases transactions that are denominated in a currency other than the functional currency of the subsidiaries.

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

38.1 Financial risk factors *(Cont'd)*

(a) Market risk *(Cont'd)*

(i) Foreign exchange risk *(Cont'd)*

For the year to 31st March 2010, of the sales, 49% (2009: 47%) were in US dollars, 33% (2009: 37%) in Euro, 12% (2009: 7%) in RMB and the rest in other currencies such as Japanese Yen. The major currencies for purchase of materials and services are the US dollars, the Euro, the Hong Kong dollars and the Japanese Yen. Aside from the US dollars and the Hong Kong dollars (which is pegged to the US dollars), material open foreign exchange exposures are hedged with currency contracts, including forward foreign exchange contracts, with a view to reducing the net exposure to currency fluctuation. At the year end, these contracts related primarily to the forward purchase of RMB with a duration of approximately two years.

Currency exposure arising from overseas investments is mitigated by entering into a cross currency interest rate swap to hedge against the foreign currency exposure arising from overseas investments.

(ii) Interest rate risk

The Group's interest rate risk mainly arises from interest-bearing borrowings. The Group entered into an interest rate swap during the year to fix the interest rate of the majority of the Group's borrowings so as to benefit from the relatively low interest rate environment. The interest rate exposure is closely monitored by the Management.

The Group will continue to monitor interest rate risk by maintaining a mixture of both fixed and floating interest rate borrowings in the functional currencies where the Group operates.

The bank balances and deposits as of 31st March 2010 were US$367.1 million (2009: US$302.0 million) and were interest bearing at weighted average rate of approximately 0.5% (2009: 0.4%). Other than the bank deposits, the Group has no significant interest-bearing assets. The Group's income and operating cash flows are substantially independent of changes in market interest rates. Management does not anticipate significant impact resulted from the changes in interest rates on interest-bearing assets.

(iii) Commodity price risk

The Group is exposed to commodity price risk, mainly due to the fluctuations in copper and steel prices. The price risks due to steel are reduced through contracts with the Group's suppliers, and price risk due to copper is also reduced through hedging through the appropriate financial instruments. The Group manages copper prices through hedging and inserting appropriate language in new contracts with customers so as to have the flexibility to pass increases in raw material costs to its customers. The Group engages in hedging practices with respect to copper and manages its copper hedging program on a weekly basis. At the year end, the hedging contracts had a maturity ranging from 1 month to 15 months from the balance sheet date.

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

38.1 Financial risk factors *(Cont'd)*

(a) Market risk *(Cont'd)*

(iii) Commodity price risk *(Cont'd)*

A 10% increase/decrease change in the copper price would have affected the equity by US$4.7 million (2009: US$2.4 million), representing the change in fair value of copper hedging contract at the balance sheet date.

(b) Credit and customer collection risks

The credit and customer collection risks of the Group mainly arises from trade and other receivables. The Group has no significant concentrations of credit risks. During the year, the Group sold less than 30% of its goods and services to its 5 largest customers. The Group normally grants credit terms ranging from 30 to 90 days to trade customers. It has a policy in place to evaluate customers' credit risk by considering their current financial position and past repayment history. Management reviews the collectability of the overdue accounts receivable according to the Group's credit and provision of doubtful debt policies. The Group's customer credit management has been tightened and this resulted in improved working capital and a continuing low rate of bad debt. The Group's bank balances and cash are placed with major financial institutions.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The Group follows a policy of prudence in managing its cash balances and maintains a reasonable level of liquidity.

The Group also has access to significant uncommitted and unutilised short term borrowing facilities provided by its principal bankers which amount to US$400.0 million (2009: US$300.0 million).

The Group had cash and cash equivalents of US$363.1 million as of 31st March 2010 (2009: US$302.0 million), which constitute 17% of its total assets. Also, the Group had trade and other receivables of US$360.3 million as of 31st March 2010 which should all mature within one year and could fully cover the trade and other payables which amounted to US$341.1 million as of 31st March 2010. Therefore, management considers that the liquidity risk is low. The current ratio (current assets over current liabilities) of the Group as of 31st March 2010 is 2.1 (2009: 2.9).

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

38.1 Financial risk factors *(Cont'd)*

(c) Liquidity risk *(Cont'd)*

The table below analyses the Group's and the Company's financial liabilities and other financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	Less than 1 year US$'000	Between 1 and 2 years US$'000	Between 2 and 5 years US$'000	Over 5 years US$'000
Group				
As of 31st March 2010				
Bank borrowings	15,893	11,805	408,836	3,673
Other financial liabilities				
– Cross currency interest rate swaps				
– inflow	(153,299)	–	–	–
– outflow	188,364	–	–	–
– Commodity contracts	159	–	–	–
– Interest rate swap	3,107	–	–	–
Finance lease	1,711	1,514	4,165	4,462
Trade and other payables	341,144	–	–	–
Company				
As of 31st March 2010				
Bank borrowings	*8,515*	*8,515*	*408,515*	–
Other financial liabilities				
– Cross currency interest rate swaps				
– inflow	*(153,299)*	–	–	–
– outflow	*188,364*	–	–	–
– Interest rate swap	*3,107*	–	–	–
Trade and other payables	*531*	–	–	–

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

38.1 Financial risk factors *(Cont'd)*

(c) Liquidity risk *(Cont'd)*

	Less than 1 year US$'000	Between 1 and 2 years US$'000	Between 2 and 5 years US$'000	Over 5 years US$'000
Group				
As of 31st March 2009				
Bank borrowings	5,682	529,437	1,021	3,011
Other financial liabilities				
– Cross currency interest rate swaps				
– inflow	(6,612)	(159,226)	–	–
– outflow	5,838	180,358	–	
– Commodity contracts	14,958	–	–	–
– Interest rate swap	1,028	772	–	–
Finance lease	1,341	1,331	4,078	5,863
Trade and other payables	228,663	–	–	–
Company				
As of 31st March 2009				
Bank borrowings	*4,475*	*529,331*	–	–
Other financial liabilities				
– Cross currency interest rate swaps				
– inflow	*(6,612)*	*(159,226)*	–	–
– outflow	*5,838*	*180,358*	–	–
– Interest rate swap	*1,028*	*772*	–	–
Trade and other payables	*320*	–	–	–

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

38.2 Capital risk management

The Group has a strong balance sheet as shown below. The Group's debt to capital ratio was 26% as compared to 35% last year. The net debt to net capital ratio was 3% as compared to 19% last year.

The debt to capital ratio at 31st March 2010 and 31st March 2009 were as follows:

	31st March 2010	31st March 2009
	US$'000	US$'000
Short term borrowings	6,962	1,082
Long term borrowings	401,727	527,827
Total debt (note 18)	408,689	528,909
Total equity	1,166,604	998,148
Total capital (equity + debt)	1,575,293	1,527,057
Debt to capital ratio	26%	35%

The net debt to net capital ratio at 31st March 2010 and 31st March 2009 were as follows:

Bank balances and cash (note 16)	367,060	302,002
Net debt (total debt less bank balances and cash)	41,629	226,907
Net capital (equity + net debt)	1,208,233	1,225,055
Net debt to net capital ratio	3%	19%

Funding requirements for capital expenditures are expected to be met by internal cash flows.

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

38.3 Fair value estimation

The following table presents the Group's assets and liabilities that are measured at fair value at 31st March 2010:

	Level 1 US$'000	Level 2 US$'000	Level 3 US$'000	Total US$'000
Assets				
Other financial assets				
– Derivatives held for trading	–	655	–	655
– Derivatives used for hedging	–	4,636	–	4,636
Other financial assets at fair value through profit or loss				
– Unlisted debt securities	–	9,270	–	9,270
Available-for-sale financial assets				
– Unlisted securities	–	–	2,386	2,386
Total assets	–	14,561	2,386	16,947
Liabilities				
Other financial liabilities				
– Derivatives held for trading	–	836	–	836
– Derivatives used for hedging	–	38,220	–	38,220
Total liabilities	–	39,056	–	39,056

The fair value measurement hierarchy:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: Inputs, other than quoted prices in active markets, that are observable either directly or indirectly

Level 3: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs)

The following table presents the changes in level 3 instruments for the year ended 31st March 2010:

	Available-for-sale financial assets US$'000	Total US$'000
Opening balance	3,525	3,525
Exchange	71	71
Disposal	(375)	(375)
Fair value gains transfer to equity	319	319
Provision for impairment	(1,154)	(1,154)
Closing balance	2,386	2,386
Total gains or losses for the period including in profit or loss for assets held at the end of the reporting period	(1,154)	(1,154)

39. Effect of adopting new HKFRS

Interpretations and amendments to published standards effective in 2009/10 which are relevant to the Group

In 2009/10, the Group adopted the new/revised standards and interpretations of HKFRS below, which are relevant to its operations. The adoption of new/revised HKAS did not result in substantial changes to the Group's accounting policies.

HKFRS 7	Amendment to Financial Instruments – Disclosures
HKAS 1 (Revised)	Presentation of financial statements
HKFRS 2	Amendment to Share-based payment
HKFRS 8	Operating segments
HKAS 23	Borrowing costs
Annual Improvement Project	Improvement to HKFRSs

In summary:

HKFRS 7 'Financial Instruments – Disclosures' (amendment) – The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. As the change in accounting policy only results in additional disclosures, there is no impact on earnings per share.

HKAS 1 (revised), 'Presentation of financial statements' – The revised standard prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity in a statement of comprehensive income. As a result the Group presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income. Comparative information has been re-presented so that it also is in conformity with the revised standard. Since the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.

HKFRS 2 (amendment), 'Share-based payment' – The amendment deals with vesting conditions and cancellations. It clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. These features would need to be included in the grant date fair value for transactions with employees and others providing similar services; they would not impact the number of awards expected to vest or valuation there of subsequent to grant date. All cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The Group and Company has adopted HKFRS 2 (amendment). The amendment does not have a material impact on the Group's or Company's financial statements.

HKFRS 8, 'Operating segments' – HKFRS 8 replaces HKAS 14, 'Segment reporting', and aligns segment reporting with the requirements of the US standard SFAS 131, 'Disclosures about segments of an enterprise and related information'. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. The segments are reported in a manner that is more consistent with the internal reporting provided to the chief operating decision-maker. The reportable segment has not resulted in any change to the groups of cash-generating units on a segment level.

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

HKAS 23, 'Borrowing costs' – this change in accounting policy was due to the adoption of HKAS 23, 'Borrowing costs' (2007) requiring the Group to capitalise borrowing costs attributable to acquisition or production of qualifying asset as part of the cost of that asset. The Group previously recognised all borrowing costs as an expense immediately. The change in accounting policy had no material impact on earnings per share.

Standards, interpretations and amendments to published standards that are not effective in 2009/10 which are relevant to the Group's operations

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 April 2010 or later periods, which the Group has not early adopted, are as follows:

HK(IFRIC)-Int 17	'Distribution of non-cash assets to owners' [1]
HK(IFRIC)-Int 18	'Transfer of Assets from Customers' [2]
HKAS 27 (revised)	'Consolidated and separate financial statements' [2]
HKAS 7 (amendment)	'Statement of cash flows' [3]
HKAS 17 (amendment)	'Leases' [3]
HKFRS 3 (revised)	'Business combinations' [2]
HKAS 36 (amendment)	Impairment of assets' [3]
HKAS 38 (amendment)	'Intangible Assets' [2]
HKAS 39 (amendment)	'Financial instruments: recognition and measurement' [3]
HKFRS 1 (revised)	'First-time Adoption of Hong Kong Financial Reporting Standards' [3]
HKFRS 5 (amendment)	'Measurement of non-current assets' [3]
HKAS 1 (amendment)	'Presentation of financial statements' [3]
HKFRS 2 (amendments)	'Group cash-settled share-based payment transactions' [3]
HK(IFRIC)-Int 19 (amendment)	'Reassessment of embedded derivatives' [4]
HK(IFRIC)-Int 16 (amendment)	'Hedges of a net investment in a foreign operation' [4]
Annual Improvement Project	'Improvement to HKFRSs'

Note
(1) Effective on or after 1st July 2009
(2) Effective from 1st July 2009
(3) Effective from 1st January 2010
(4) Effective from 1st July 2010

The Group is in the process of making an assessment of the impact of these amendments, new standards and new interpretations in the period of initial application. So far it believes that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial positions. In addition to above, there are a number of minor amendments to HKAS/HKFRS under the annual improvement project of HKICPA. These amendments are not likely to have an impact on the Group's financial statements and thus not analysed in detail.

40. Principal subsidiaries and associated companies

The following list contains particulars of subsidiaries 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/ establishment and operation	Issued and paid up capital	Effective shareholding by Company	Effective shareholding by subsidiary
Subsidiaries					
Bloor Company Limited	Property holding	British Virgin Islands	50,000 shares of US$1 each	–	100%
Changchun Ri Yong JEA Gate Electric Co., Ltd. #	Manufacturing	China	RMB10,000,000	–	60%
Chengdu Tonglin Casting Industrial Co., Ltd #	Manufacturing	China	RMB67,560,000	–	52%
Chengdu Zheng Heng Automobile Parts Co., Ltd.	Manufacturing	China	RMB50,000,000	–	52%
China Autoparts, Inc.	Investment holding	United States of America	11,818,183 shares of US$0.0001 each	–	52%
Crown Trend Limited	Property holding	British Virgin Islands	1 share of US$1	–	100%
Easy Fortune (H.K.) Ltd.	Property holding	British Virgin Islands	50,000 shares of US$1 each	–	100%
Fu Wang Electric Manufacturing Company Limited	Manufacturing	Hong Kong	100,000 shares of HK$1 each	–	100%
Fully Motor Co. Limited	Trading	Hong Kong	10,000 shares of HK$1 each	–	100%
Gate do Brasil Ltda.	Manufacturing	Brazil	BRL27,568,588.40	–	100%
Gate France SAS	Manufacturing	France	EUR382,000	–	99.98%
Gate S.r.l.	Manufacturing	Italy	EUR2,600,000	–	100%
Harbour Sky (BVI) Ltd.	Property holding	British Virgin Islands	50,000 shares of US$1 each	–	100%
Johnson Electric Automotive, Inc.	Manufacturing and investment holding	United States of America	100 shares of US$0.01 each	–	100%
Johnson Electric Engineering Limited	Technical support	Hong Kong	100,000 shares of HK$1 each	100%	–
Johnson Electric (Guangdong) Co. Ltd. *	Manufacturing	China	US$4,250,000	–	100%

* Wholly owned foreign enterprises
\# Equity joint ventures

40. Principal subsidiaries and associated companies *(Cont'd)*

Name	Principal activities	Place of incorporation/ establishment and operation	Issued and paid up capital	Effective shareholding by Company	Effective shareholding by subsidiary
Subsidiaries					
Johnson Electric (Hong Kong) Limited	Sales and marketing	Hong Kong	1 share of HK$1	100%	–
Johnson Electric Industrial Manufactory, Limited	Trading	Hong Kong	308,000,000 shares of HK$0.5 each	100%	–
Johnson Electric (Italy) S.r.l.	Sales and marketing	Italy	EUR10,000	–	100%
Johnson Electric Intellectual Property Limited	Licensing	Bermuda	1,000,000 shares of HK$0.1 each	100%	–
Johnson Electric International AG	Investment holding	Switzerland	643,200 shares of CHF 50 each	–	100%
Johnson Electric International Limited	Sales and manufacturing	Hong Kong	80,000,000 shares of HK$1 each	–	100%
Johnson Electric International (UK) Limited	R&D, manufacturing, sales and marketing	United Kingdom	15,032,665 shares of GBP 1 each	–	100%
Johnson Electric (Korea) Limited	Sales and marketing	South Korea	10,000 shares of KRW5,000 each	–	100%
Johnson Electric Moncalieri S.r.l.	Trading	Italy	EUR2,519,540	–	100%
Johnson Electric (Nanjing) Industrial Co., Ltd. *	Manufacturing	China	US$6,100,000	–	100%
Johnson Electric North America, Inc.	Sales distributor	United States of America	12 shares without par value issued at US$120,000	–	100%
Johnson Electric S.A.	R&D and manufacturing	Switzerland	500 shares of CHF1,000 each	–	100%
Johnson Electric (Shanghai) Ltd. *	Sales and marketing	China	US$200,000	–	100%
Johnson Electric (Shenzhen) Co. Ltd. *	R&D and technical support	China	HK$30,000,000	–	100%
Johnson Electric World Trade Limited	Marketing, sales agent and distributor	Hong Kong	100,000 shares of HK$1 each	100%	–
Johnson Properties Ltd.	Investment holding	British Virgin Islands	50,000 shares of US$1 each	100%	–

* Wholly owned foreign enterprises
\# Equity joint ventures

40. Principal subsidiaries and associated companies *(Cont'd)*

Name	Principal activities	Place of incorporation/ establishment 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	388,000 shares of 10 Pesos each	–	100%
Main Country Limited	Property holding	British Virgin Islands	1 share of US$1	–	100%
Nanomotion Ltd.	Manufacturing	Israel	18,669,985 shares of NIS0.01 each	–	96.33%
Nihon Mini Motor Co. Ltd.	Sales and marketing	Japan	JPY330,000,000	–	100%
Parlex Dynaflex Corporation	Manufacturing	United States of America	1,000 shares issued without par value	–	100%
Parlex Pacific Limited	Sales and marketing	Hong Kong	1 share of HK$1	–	100%
Parlex (Shanghai) Circuit Co., Ltd. *	Manufacturing	China	US$5,000,000	–	100%
Parlex (Shanghai) Electronics Co. Ltd. *	R&D, manufacturing, sales and marketing	China	US$15,000,000	–	100%
Parlex USA Inc.	R&D, manufacturing, sales and marketing	United States of America	100 shares issued without par value	–	100%
Saia-Burgess Automotive Actuators Inc.	R&D, manufacturing, sales and marketing	United States of America	300,000 shares issued without par value	–	100%
Saia-Burgess Automotive Inc.	R&D, manufacturing, sales and marketing	United States of America	2,000 shares of US$500 each	–	100%
Saia-Burgess Benelux B.V.	Sales and marketing	Netherlands	3,000 shares of EUR 45 each	–	100%
Saia-Burgess (China) Limited *	Manufacturing	China	US$6,500,000	–	100%
Saia-Burgess Controls AG	R&D, manufacturing, sales and marketing	Switzerland	100 shares of CHF 1,000 each	–	100%
Saia-Burgess Controls Kft.	Sales and marketing	Hungary	HUF 5,000,000	–	100%
Saia-Burgess Deutschland GmbH	Sales and marketing	Germany	EUR 511,300	–	100%
Saia-Burgess Dresden GmbH	Sales and marketing	Germany	EUR 25,600	–	100%
Saia-Burgess Halver GmbH	R&D, manufacturing, sales and marketing	Germany	EUR 25,000	–	100%

* Wholly owned foreign enterprises
# Equity joint ventures

40. Principal subsidiaries and associated companies *(Cont'd)*

Name	Principal activities	Place of incorporation/ establishment and operation	Issued and paid up capital	Effective shareholding by Company	Effective shareholding by subsidiary
Subsidiaries					
Saia-Burgess (HK) Limited	Sales and marketing	Hong Kong	2 shares of HK$10 each	–	100%
Saia-Burgess Hatvan Kft.	Manufacturing	Hungary	HUF 30,000,000	–	100%
Saia-Burgess Inc.	R&D, manufacturing, sales and marketing	United States of America	36 common shares of US$0.01 each and 3,600 preferred shares of US$0.01 each	–	100%
Saia-Burgess Milano S.r.l.	Sales and marketing	Italy	EUR 3,700,000	–	100%
Saia-Burgess Murten AG	R&D, manufacturing, sales and marketing	Switzerland	5,000 shares of CHF 1,000 each	–	100%
Saia-Burgess Oldenburg GmbH & Co. KG	R&D, manufacturing, sales and marketing	Germany	EUR 15,338,800	–	100%
Saia-Burgess Österreich GmbH	Sales and marketing	Austria	EUR 40,000	–	100%
Saia-Burgess Ózd Kft	Manufacturing	Hungary	HUF 16,470,000	–	100%
Saia-Burgess Paris Sarl	Sales and marketing	France	125,000 shares of EUR 16 each	–	100%
Saia-Burgess Poland Sp.zo.o.	Manufacturing	Poland	24,000 shares of PLN 500 each	–	100%
Shanghai Ri Yong-JEA Gate Electric Co., Ltd. #	Manufacturing	China	US$17,000,000	–	60%
Teknik Development Inc.	Licensing	British Virgin Islands	15,000 shares of US$1 each	100%	–
Tian Xi Auto Parts Group (Chengdu) Co., Ltd.	Manufacturing	China	HK$50,000,000	–	52%
Triowell Ltd.	Property holding	British Virgin Islands	50,000 shares of US$1 each	–	100%
V Motor Limited	Trading	Hong Kong	1 share of HK$1	–	100%
Associated Companies					
Shenzhen SMART Micromotor Co., Ltd. #	Manufacturing	China	US$2,100,000	–	49%

* Wholly owned foreign enterprises
\# Equity joint ventures

JOHNSON ELECTRIC GROUP TEN-YEAR SUMMARY

US$ millions	**2010**	2009	2008
Consolidated Income Statement			
Sales	**1,741.0**	1,828.2	2,220.8
Earnings Before Interest and Tax (EBIT)[1]	**110.5**	47.0	188.9
Profit before Taxation	**103.7**	37.4	170.1
Taxation Income/(Expenses)	**(17.8)**	0.4	(31.9)
Discontinued Operations	**–**	(31.1)	–
Profit for The Year	**85.9**	6.7	138.2
Minority Interests	**(10.4)**	(4.1)	(7.4)
Profit Attributable to Shareholders	**75.5**	2.6	130.8
Consolidated Balance Sheet			
Fixed Assets	**440.6**	428.3	471.3
Goodwill and Intangible Assets	**699.9**	662.1	775.2
Other Current and Non-Current Assets	**990.3**	859.5	1,108.2
Total Assets	**2,130.8**	1,949.9	2,354.7
Shareholders' Funds	**1,115.1**	964.4	1,101.9
Minority Interests	**51.5**	33.7	31.0
Total Equity	**1,166.6**	998.1	1,132.9
Debt (Total Borrowings)	**408.7**	528.9	564.5
Capital Employed[2]	**1,575.3**	1,527.0	1,697.4
Other Current and Non-Current Liabilities	**555.5**	422.9	657.3
Total Equity and Liabilities	**2,130.8**	1,949.9	2,354.7
Per Share Data			
Basic Earnings per Share (US cents) – Continuing Operations	**2.1**	0.9	3.6
Dividend per Share (US cents)	**0.6**	–	1.8
Shareholders' Funds per Share (US cents)	**30.4**	26.3	30.0
Other Information			
Free Cash Flow from Operations[3]	**215.1**	168.5	186.7
Earnings Before Interest, Taxation, Depreciation and Amortisation	**197.9**	136.2	279.5
Ratios			
EBIT to Sales %	**6%**	3%	9%
Return on Equity %[4]	**7%**	1%	12%
Free Cash Flow from Operations to Debt %	**53%**	32%	33%
Debt to EBITDA (Times)	**2.1**	3.9	2.0
Debt to Capital %	**26%**	35%	33%
Interest Coverage (Times)	**12.4**	3.0	7.2

1 *Earnings before interest and tax (EBIT) is defined as operating profit (per accounts) plus share of profit/(losses) of associated companies*
2 *Capital Employed is defined as total equity plus total borrowings (long term debt plus short term debt)*
3 *Net cash generated from operating activities plus interest received, less capital expenditure net of proceeds from sale of assets*
4 *Return on Equity is calculated as profit for the year over total equity*

2007	2006	2005	2004	2003	2002	2001
2,086.6	1,526.3	1,143.8	1,050.7	955.3	773.7	790.2
157.5	117.8	153.9	132.6	172.7	123.3	132.8
135.9	116.3	156.4	134.5	174.2	125.9	136.2
(22.9)	(21.9)	(15.2)	(17.9)	(24.8)	(15.3)	9.4
–	–	–	–	–	–	–
113.0	94.4	141.2	116.6	149.4	110.6	145.6
(3.3)	(0.4)	–	–	–	–	–
109.7	94.0	141.2	116.6	149.4	110.6	145.6
439.0	421.1	280.3	257.0	248.5	235.0	234.3
667.2	631.6	43.3	20.1	22.4	22.6	–
914.1	961.3	738.2	676.0	607.0	489.4	442.9
2,020.3	2,014.0	1,061.8	953.1	877.9	747.0	677.2
940.7	845.5	818.3	734.1	665.6	553.7	499.3
22.7	10.3	1.1	–	–	–	–
963.4	855.8	819.4	734.1	665.6	553.7	499.3
573.5	708.1	16.0	3.1	7.5	7.2	6.5
1,536.9	1,563.9	835.4	737.2	673.1	560.9	505.8
483.4	450.1	226.4	215.9	204.8	186.1	171.4
2,020.3	2,014.0	1,061.8	953.1	877.9	747.0	677.2
3.0	2.6	3.8	3.2	4.1	3.0	4.0
1.7	1.7	2.0	1.7	1.7	1.3	1.3
25.6	23.0	22.3	20.0	18.1	15.1	13.6
106.8	110.3	76.5	144.9	133.9	127.0	94.0
246.0	178.0	203.5	172.2	212.8	165.2	170.8
8%	8%	13%	13%	18%	16%	17%
12%	11%	17%	16%	22%	20%	29%
19%	16%					
2.3	4.0	The Group was substantively debt-free before FY2006				
37%	45%					
5.5	15.5					

JOHNSON ELECTRIC HOLDINGS LIMITED
12 Science Park East Avenue, 6/F
Hong Kong Science Park
Shatin, New Territories
Hong Kong
Tel : (852) 2663 6688
Fax : (852) 2897 2054
Website : www.johnsonelectric.com