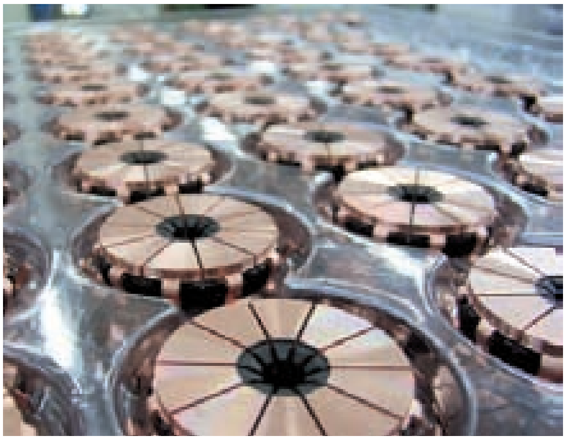
Johnson Electric Holdings Limited

Annual Report 2011

Automotive Products Group

Industry Products Group

Quality and Reliability



Components and Services

JOHNSON ELECTRIC
innovating motion

(Stock Code: **179**)

REPORT FOR THE YEAR ENDED 31ST MARCH 2011

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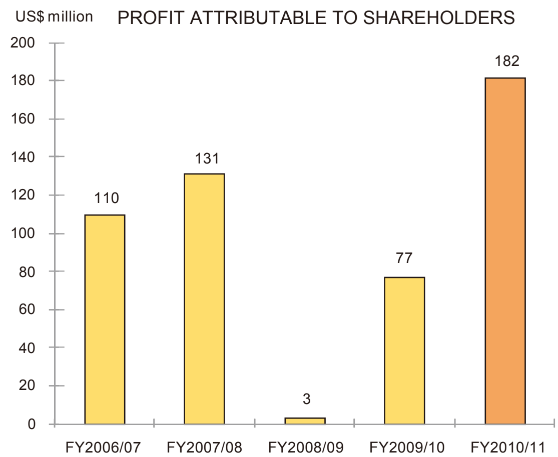
HIGHLIGHTS

- For the financial year ended 31st March 2011, total sales amounted to US$2,104 million – an increase of 21% compared to the prior financial year
- EBITDA increased 63% to US$323 million
- Operating profits were US$236 million – up 113%
- Profit attributable to shareholders increased by 136% to a record US$182 million (4.97 US Cents per share)
- Final dividend of 6 HK Cents per share (0.77 US Cents per share)
- The Group's gearing level remains modest with the debt to total capital ratio declining from 26% to 18%. At year end, the Group's cash reserves amounted to US$355 million



A MESSAGE FROM PATRICK WANG

Patrick Shui-Chung Wang ***JP***
Chairman and Chief Executive

TO OUR SHAREHOLDERS,

I am pleased to report that Johnson Electric achieved strong performance in the FY2010/11 as it benefited from a broad-based recovery across all of its major end markets.

The past two years have been marked by a quite extraordinary sense of uncertainty and instability in the macro-economic environment which continues to prevail. First, the speed and strength of the recovery from the depths of the Global Financial Crisis was as unexpected as it was welcome. Second, predictions that the rebound in customer demand would be short-lived as government incentives and restocking programs came to an end also proved largely inaccurate with sales demand continuing to remain generally buoyant. However, economic recovery has brought with it significant inflationary pressures on Johnson Electric's cost base – with labour rates in China rising steeply and global commodity prices resurging to levels seen before the financial crisis.

In the context of these fast-changing and unpredictable operating conditions, the Company has been undergoing a profound evolution. Our businesses are now more streamlined and, despite higher input costs, are succeeding in executing a more focused product development and marketing strategy that has helped underpin our positive financial results in the past year.

HIGHLIGHTS OF FY2010/11 RESULTS

- For the financial year ended 31st March 2011, total sales amounted to US$2,104 million – an increase of 21% compared to the prior financial year
- EBITDA increased 63% to US$323 million
- Operating profits were US$236 million – up 113%
- Profit attributable to shareholders increased by 136% to a record US$182 million (4.97 US Cents per share)
- The Group's gearing level remains modest with the debt to total capital ratio declining from 26% to 18%. At year end, the Group's cash reserves amounted to US$355 million

DIVIDENDS

The Board has recommended a final dividend of 0.77 US Cents per share (compared to 0.64 US Cents per share for prior financial year), which together with the interim dividend of 0.39 US Cents per share, represents a total dividend of 1.16 US Cents per share.

SALES PERFORMANCE

The 21% increase in total sales to US$2.1 billion reflected a sustained recovery in demand from European and North American customers and continued growth in emerging markets, particularly China. All of the Group's core business units achieved positive sales improvements.

The Automotive Products Group ("APG"), the largest operating division, achieved sales of US$1,150 million – an increase of 23% compared to a year earlier. The major growth driver was China's continued emergence as the world's largest automotive market where Johnson Electric has established a leading position in several motion subsystem and component categories. Sales to European customers benefited from the recovery in global demand for luxury vehicles, which typically utilise above average numbers of our Company's products, and this more than offset the effects of the ending of government-led stimulus programs. The North American automotive industry also enjoyed a positive rebound in demand though the rate of growth slowed somewhat in the second half of the year as overall sales volumes stabilised and to some extent began to be affected by rising gasoline prices.

The Industry Products Group ("IPG") recorded sales of US$727 million – an increase of 26% compared to the prior year. The division's sales benefited from successful new product launches and market share gains in domestic appliances, power equipment, and entertainment and gaming applications. In addition, the motor actuators, solenoids and switches business units all made significant advances as a result of the efforts to streamline and re-focus these businesses over the past two years. Overall, IPG's performance was especially encouraging in light of the fact that weak housing markets and high unemployment levels in several markets continue to dampen consumer confidence.

Other manufacturing businesses within the Group contributed a combined US$227 million to total sales – an increase of 9% over the prior year. Tonglin Precision Parts benefited from a full year of sales as an integrated castings and machining business though also experienced a softening in demand in the last quarter as China ended a number of government-led incentive programs for the domestic automotive sector. Saia-Burgess Controls made steady progress in developing its position as a successful niche player in Europe's infrastructure and building automation sector. And Parlex Corporation achieved a small sales increase as it continued to make advances in profitability and operational effectiveness.

A RETURN TO DOUBLE DIGIT OPERATING PROFIT MARGINS

The significant improvement in the Group's profit levels reflected a mix of business-specific factors and an external operating environment that changed rapidly over the course of the past twelve months.

Gross profit increased by 20% to US$580 million compared to the prior year due to the combination of higher sales volumes, better capacity utilisation, and product mix changes, which was offset in part by a steep rise in direct labour rates in China and increased raw materials expenses. Management is actively working to implement appropriate price increases targeted to address these inflationary cost pressures. Since there is typically a lag effect to amending the terms of sale in many sectors where Johnson Electric operates, these higher input costs (combined with a strengthening of the Chinese Renminbi and Swiss Franc relative to the US Dollar) caused gross margins to decline in the second half of the financial year.

At the operating profit level, the Group was no longer heavily burdened with the restructuring charges that had reduced profitability in the prior year. Continued tight control of Sales and Administrative expenses combined with generally positive year-on-year changes to a number of non-recurring or non-operational items, resulted in operating profit margins increasing from 6.4% to 11.2%.

INVESTING IN TECHNOLOGY, QUALITY AND ASSURANCE OF SUPPLY

Johnson Electric is engaged in a multi-year effort to adapt its business model to compete successfully in a global economy that itself has undergone a fundamental shift over the past decade.

From a product development and marketing perspective, we are committed to working intimately with our customers to understand *their* customers' needs and to design unique high-quality motion system solutions for their flagship products. The result is the emergence of an exciting pipeline of new products that offer a range of important customer benefits including lower energy consumption, lower weight, lower noise, and longer product life. We firmly believe that these types of product attributes based on innovative technology and designed-in quality will form the basis for sustaining advantage in our industry in the years ahead.

From a manufacturing and supply chain perspective, we also see a world requiring a more flexible global footprint that can provide assurance of supply in the face of sharp foreign exchange rate fluctuations or even unanticipated disruptions caused by natural disasters. Johnson Electric already produces in more than a dozen countries on four continents and we are continuing to explore new options to improve responsiveness, reduce cost, and diversify our operating risk profile. In this regard, we are expanding a new manufacturing operation in Beihai, Guangxi Province and are set to invest further to serve the increasingly important domestic markets of Brazil and India.

LOOKING AHEAD

The Group has made excellent progress over the past twelve months and I am confident that Johnson Electric's business overall is in a strong position to achieve further gains.

Nonetheless, the near-term operating environment presents a real challenge. Although customer demand is presently holding up relatively well in the context of high oil prices, political turmoil in the Middle East, and stubbornly high unemployment in several western economies, we cannot expect a repeat of the "recovery" effect on sales growth rates in the year ahead. The effect of high raw material costs is also requiring a significant effort to renegotiate prices and drive for further efficiency gains.

We are optimistic that, over time, our increasing emphasis on technological innovation, quality, and assurance of supply will generate an attractive and enduring return on the investments we are making.

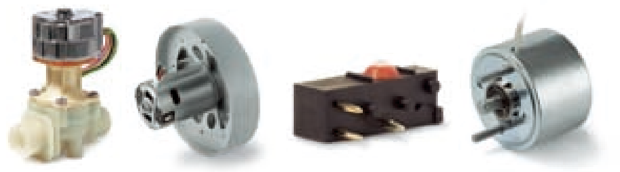
On behalf of the Board, I would like to sincerely thank all of our customers, employees, suppliers, and shareholders for their continued support.

Patrick Shui-Chung Wang
Chairman and Chief Executive

Hong Kong, 31st May 2011

ABOUT JOHNSON ELECTRIC

Motors, Actuators, Solenoids, Switches



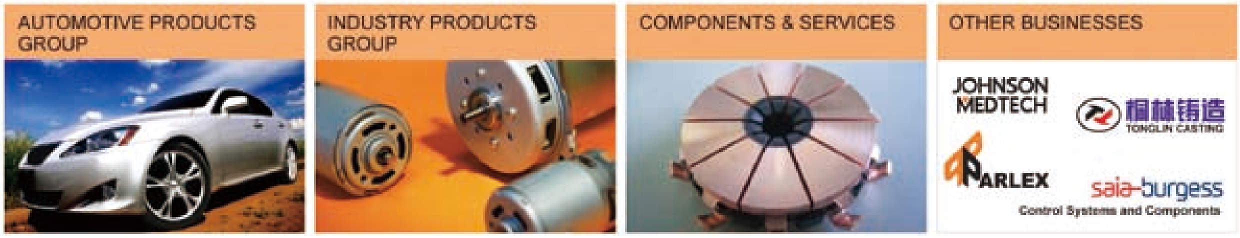
Johnson Electric is a global leader in motion products, control systems and flexible interconnects. We serve a broad range of industries including automotive, home technologies, domestic appliances, power tools, office products, industrial equipment, consumer goods, medical devices and infrastructure automation.

Established in 1959, Johnson Electric ships its products to more than 30 countries for use in hundreds of different product applications. Innovation and product design centers are located in Hong Kong, China, Switzerland, Germany, Italy, Israel, Japan, UK and USA. Total global headcount including contract employees now stands at over 44,000 people.

The Group's business strategy is based on the twin pillars of providing "technology leadership" and being the "safe choice" for our customers. We support our long term customers through their complete product life from new product introduction to mature high volume production. Our customers' new products and new growth segments are addressed by providing technically differentiated new products and superior service.

FY2011 Revenue: $2.1 Billion

ABOUT JOHNSON ELECTRIC



The Group has the following operating divisions aligned with the broad markets they serve:

- Automotive Products Group
- Industry Products Group
- Components and Services

3 million motors & actuators per day

The Group also includes the following subsidiary companies and business units, aligned with niche markets:

- Parlex Corporation, a provider of flexible printed circuits and interconnects
- Saia-Burgess Controls, a provider of programmable control systems
- Tonglin Precision Parts, a maker of automotive engine components
- Johnson Medtech, a provider of subsystems for medical devices

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.

Our Vision:

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

ABOUT JOHNSON ELECTRIC

Johnson Electric Provides

Technology Leadership

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 human value delivered by our customers' products. Our custom "Productising Process" and the unique "Johnson Electric Production System" combine to deliver differentiation and supply chain performance.

Within our Business Unit Innovation Centers, design teams are organised into engineering centers of competence (ECC) based on specific technology. Examples of technology focus within the Industry Products Group are microswitches, DC motors, electronically commutated motors, high voltage DC motors, AC motors, solenoids, stepper motors and piezo actuators. Within the Automotive Products Group, examples of technology focus include microswitches, engine cooling fan modules, and actuators for HVAC, seat adjust, engine management, transmission, brakes, adaptive lighting, window lift, door locks and mirrors.

ECC within corporate engineering include:

– Motor technology R&D
– Control Electronics
– Gear and Gearbox Technology
– Material Sciences
– CAE and Simulation
– Reliability and Test Laboratories
– Environmental Testing

The Innovation Centers deploy a flow engineering process to ensure efficient and on-time completion of custom design projects. The design teams utilise the Johnson Electric Productising Process to create differentiation in product platforms addressing application specific requirements. These platforms can then be customised to meet unique customer requirements. The Innovation Center teams work closely with application experts within the Automotive and Industry Products Groups to ensure that market specific knowledge is constantly being reflected in emerging product platforms.

ABOUT JOHNSON ELECTRIC

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 is 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 organised to execute flawlessly.

Our unique "Productising Process" and the "Johnson Electric Production System" combine to deliver product differentiation and supply chain performance to our customers. Johnson Electric is the safe choice for global brand companies that demand high reliability, performance leadership, and assurance of supply.

ABOUT JOHNSON ELECTRIC

Automotive Products Group

Application Focus

The Automotive Products Group (APG) provides custom motors, actuators, switches, and motion sub-system solutions for all critical automotive motion related functions. The APG product line comprises the following brands: Saia-Burgess for custom actuators and switches; GATE for engine cooling fan modules; and Johnson Motor for DC motors (Standard DC, Compact DC, and brushless DC product lines).

Below is an overview of the major automotive applications that we serve:


Engine Management


Transmission


Engine Cooling


Braking


HVAC


Window Lift and Sunroof Drives


Seat Adjust


Steering and Suspension


Door Locks


Power Closure Systems


Lighting


Mirrors

ABOUT JOHNSON ELECTRIC

Industry Products Group

Industries Served

The Industry Products Group (IPG) provides motion products and customised solutions for various commercial and industrial applications, including home appliances, power tools, business equipment, personal care products, building automation, security, audio-visual and other industrial products. The IPG product line comprises the following brands: Johnson Motor for DC motors (Standard DC, Compact DC, and brushless DC product lines), and AC motors; Saia Motor for stepper motors and synchronous motors; Ledex and Dormeyer for solenoids; and Saia, Bär, Burgess, th-contact for switches.

Below is an overview of the major industry applications that we serve:

Building Automation and Security

Business Machines

Camera and Optical

Entertainment and Gaming

Food and Beverage

Home Technologies

HVAC

Industrial Automation

Medical Devices

Personal Care

Power Equipment

Snow Blowers

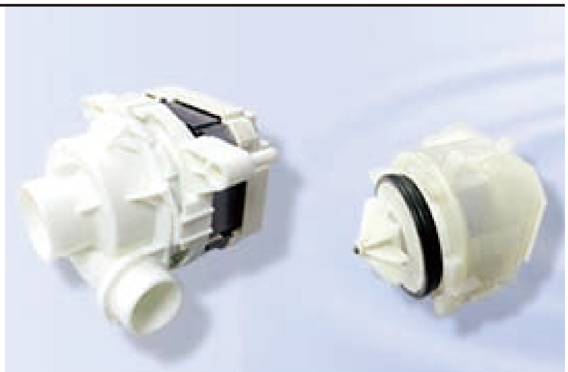
ABOUT JOHNSON ELECTRIC

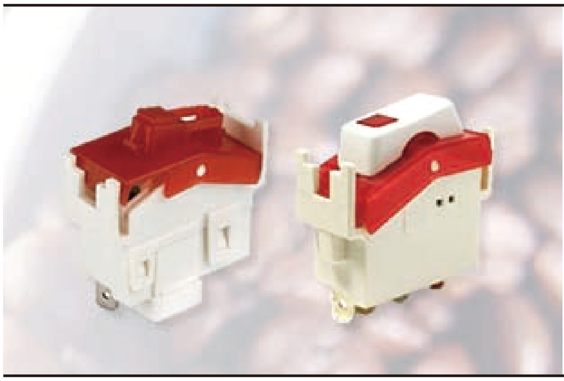
Energy saving & Eco motion solutions

Recent Product Launches

Energy saving motors for range hoods
- Automatic speed adjustment for constant air flow
- Powerful extraction and high efficiency at all speeds
- Low noise for all day residential ventilation

Low noise dishwasher pumps
- Cavitation noise eliminated
- Pump noise reduced by hydraulic design
- High efficiency reduces carbon footprint





Energy saving TIPPMATIC switches
- Compliant with EuP directive
- Designed for wide range of coffee machines
- Customisable for ease of integration

Compact DC motors
- Improve automotive fuel efficiency
- Industry's best power density
- Compact power by "curve" technology

MANAGEMENT'S DISCUSSION AND ANALYSIS

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MANAGEMENT'S DISCUSSION AND ANALYSIS

OVERVIEW – FINANCIAL HIGHLIGHTS

US$ million	FY2010/11	FY2009/10
Sales	2,104.0	1,741.0
Gross profit	579.7	481.5
Gross margin%	*27.6%*	*27.7%*
Operating profit	235.7	110.6
Operating margin%	*11.2%*	*6.4%*
Profit attributable to shareholders	181.7	77.0
Earnings per share (US Cents)	4.97	2.10
Earnings before interest, tax, depreciation and amortisation (EBITDA)	322.5	197.9
Free cash flow from operations*	169.6	215.1

US$ million	31st Mar 2011	31st Mar 2010
Cash	354.7	367.1
Debt (Total borrowings)	(313.7)	(408.7)
Net cash/(debt)	41.0	(41.6)
Total equity	1,422.3	1,173.1

Financial Ratios**	31st Mar 2011	31st Mar 2010
Free cash flow from operations to debt	54%	53%
Debt to EBITDA	1.0	2.1
Interest coverage (EBIT***/Interest expense)	18.2	12.4

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

** *Financial ratios relating to EBITDA, EBIT, interest expense and free cash flow from operations based on the last twelve months' figures*

*** *Earnings before interest and tax (EBIT) is defined as operating profit (per accounts) plus share of profits/(losses) of associate*

Continuing economic recovery positively impacted sales and operating margins for the year.

- Robust sales growth experienced across all regions, in both our Automotive and Industry businesses.
- Improved gross profit due to increased volumes, productivity improvements and a more favourable product mix.
- Operating margin benefited from gross profit improvements, leverage of S&A expenses and avoidance of restructuring charges incurred in the previous year.
- "Free cash flow from operations to debt" ratio was maintained as increased earning power was invested in working capital and fixed assets to support rising business levels. "Debt to EBITDA" ratio was improved, reflecting both increased earning power and reduced debt levels.

SALES AND PROFITABILITY

Operations in Johnson Electric (JE) share many common features including technology, manufacturing processes, supply chain management, brand and distribution channel management and the business model as a whole.

This creates opportunities for revenue growth by leveraging the strength of the Group's technology and for cost reduction through the sharing of resources.

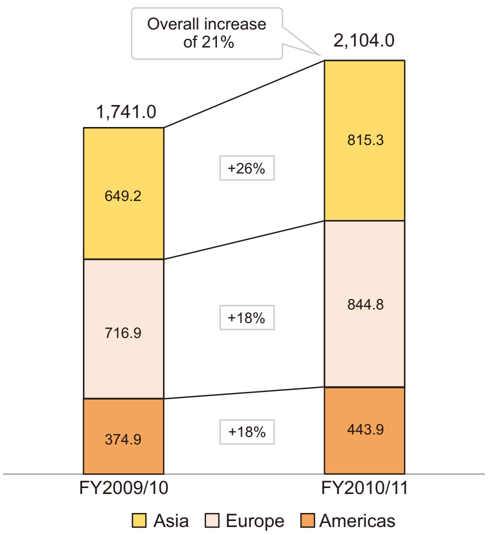
SALES REVIEW

US$ million	FY2010/11	%	FY2009/10	%	Increase/(decrease)	%	Sales growth at constant exchange rates %
MANUFACTURING SEGMENT							
Automotive Products Group (APG)	1,149.6	54.6%	933.7	53.6%	215.9	23%	26%
Industry Products Group (IPG)	726.8	34.5%	579.0	33.2%	147.8	26%	26%
Other Manufacturing Businesses	226.4	10.8%	208.2	12.0%	18.2	9%	9%
SUBTOTAL	**2,102.8**	**99.9%**	**1,720.9**	**98.8%**	**381.9**	**22%**	**24%**
TRADING SEGMENT	**1.2**	**0.1%**	**20.1**	**1.2%**	**(18.9)**	**(94%)**	**(94%)**
TOTAL SALES	**2,104.0**	**100.0%**	**1,741.0**	**100.0%**	**363.0**	**21%**	**23%**

As shown in the table above, the Group's sales arise primarily from its manufacturing segment. Manufacturing is divided into Automotive Products Group, Industry Products Group and Other Manufacturing Businesses.

Group sales were US$2,104.0 million, up 21% or US$363.0 million in FY2010/11 compared to US$1,741.0 million the previous year. Excluding currency effects, sales grew by 23% year-on-year. The Automotive and Industry businesses contributed to the sales growth across the three regions.

US$ million Group sales by geography

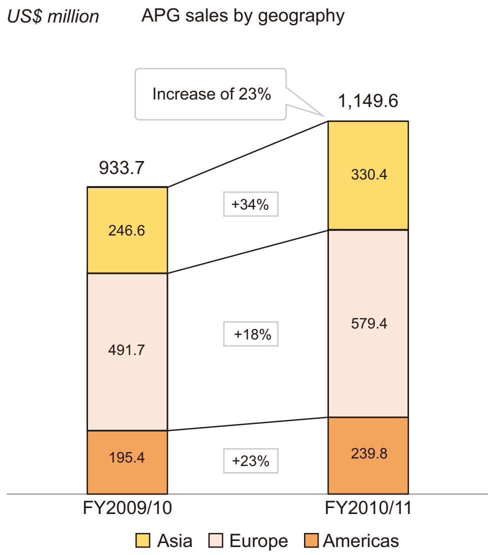


Excluding currency effects, sales growth from FY2009/10 to FY2010/11:
Overall 23%, Asia 24%, Europe 24%, Americas 18%

MANUFACTURING SEGMENT

Automotive Products Group

Sales in FY2010/11 were US$1,149.6 million, up 23% from US$933.7 million the previous year. Excluding currency effects, sales grew by 26% year-on-year. This was the result of expanded demand from Original Equipment Manufacturers (OEMs) in fast-growing emerging markets, particularly China, the market recovery in North America, increased global demand for German luxury vehicles and the successful launch of leading edge programs targeting improved engine efficiency and reduced emissions. These factors more than offset the adverse impact on revenue from the discontinuation of government stimulus measures.



Excluding currency effects, sales growth from FY2009/10 to FY2010/11:
Overall 26%, Asia 32%, Europe 24%, Americas 23%

- In China, market demand for comfort, convenience and green features expanded to mass vehicles segments. Our products for doorlocks, window-lifts, engine air and fuel management were particularly successful in this market.

- We increased our presence in other Asian countries as well. For example, we achieved higher sales to fast-growing Korean tier one suppliers and OEMs. We accomplished this by establishing focused engineering teams that helped improve our responsiveness to the needs of this market.

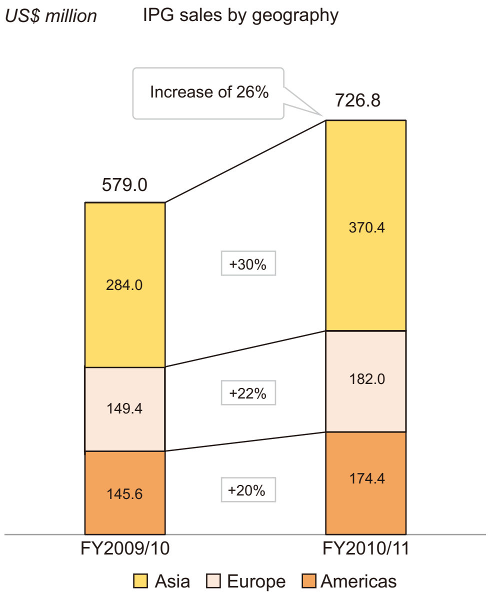
- European exports of luxury vehicles more than offset flat domestic sales. We capitalised on these growth opportunities with programs focused on fuel efficiency, lower emissions and electric vehicle development.

- Maintaining the trend from the previous year, we continued strong growth in North America with a resurgence in the truck and sport utility automotive segments. In addition, we launched a number of new projects for engine air and fuel management and transmission applications.

- In emerging markets, we continue to see opportunities for the increase of electric-powered features in vehicles (e.g. window-lift). By building local capacity in these key markets to meet the specific needs of customers, we ensure our continued competitive advantage.

Industry Products Group

Sales in FY2010/11 were US$726.8 million, up 26% from US$579.0 million the previous year. The net effect of currency changes did not significantly impact sales. This increase was a result of market recovery, as well as key business wins in the areas of entertainment and gaming, home technologies and electric metering.



Excluding currency effects, sales growth from FY2009/10 to FY2010/11:
Overall 26%, Asia 29%, Europe 26%, Americas 20%

- Improved product solutions offering longer life and higher power coupled with reductions in size and weight helped increase market share in the power equipment and home technology markets across all regions. This was despite the sluggishness of housing markets in developed economies. We achieved these improvements through the development of brushless technologies and the replacement of AC motors with higher efficiency, high voltage DC motors.

- In Asia, we achieved substantial growth in products for entertainment and gaming applications, as we enlarged our product range and partnered with customers to design and execute highly successful and innovative new products.

- In Europe, our switch business benefitted from the launch of green, energy-saving products. Our switch business also gained from one-time re-stocking by distributors.

- Our electric metering business in the Americas grew significantly; this market is going through considerable renewal and expansion driven by the implementation of a smart grid.

- Our focus continues to be on developing leading edge, energy-efficient products that fulfil consumer demand for products that offer reduced noise and weight with increased power. We have seen favourable market response to our recent developments in this area, including our quattro-pole motor, powerpod, brushless AC dishwasher pump and high-power-density DC motors.

Other Manufacturing Businesses

Other manufacturing business comprises Parlex, Saia-Burgess Controls and Tonglin Precision Parts. Sales in FY2010/11 were US$226.4 million, up 9% from US$208.2 million in the previous year.

- Sales of Parlex, a printed circuit board and interconnect solutions provider, were essentially flat at US$69.4 million of FY2010/11, compared to US$68.7 million in the previous year. Growth in sales of products for printer, point-of-sales terminals and electrosurgical segments were partially offset by reductions in product sales for medical biosensor and smartcard segments.

- Sales of Saia-Burgess Controls, a supplier of programmable logic controllers and components whose primary activity is in Europe, increased to US$78.6 million for FY2010/11, up 8% from US$72.7 million in the previous year. This growth came from increased market share in the infrastructure automation segment in Germany, as well as from the recovery of demand in the machine making industry in Switzerland and Italy.

- Tonglin Precision Parts, a supplier of iron cast and machined engine blocks to the domestic PRC automotive sector, had sales revenue of US$78.4 million for FY2010/11, up 17% from US$66.8 million in the previous year. This increase was due to the full year effect of the merger of China Autoparts, Inc. (a non-wholly owned subsidiary of Johnson Electric) with Tian Xi Auto Parts Group Co., Ltd. to form Tonglin Precision Parts, 52% owned by Johnson Electric.

TRADING SEGMENT

Sales in our Trading Segment reduced to US$1.2 million for FY2010/11, down US$18.9 million from US$20.1 million in the previous year. This decline was in line with our strategy of downsizing our metals and commodities trading business.

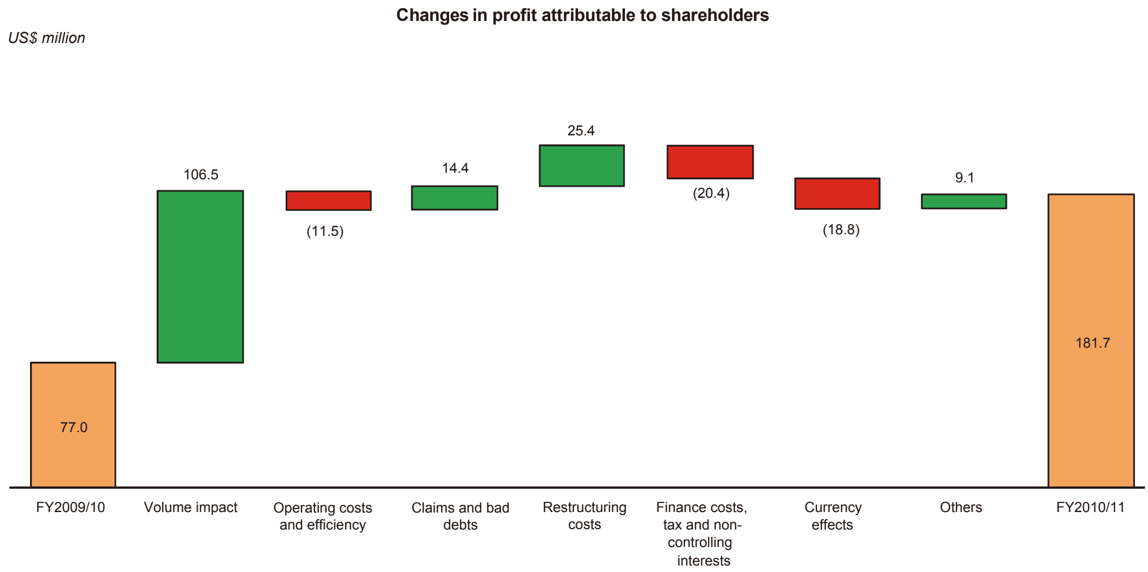
FINANCIAL REPORT

ANALYSIS OF PROFIT & LOSS

US$ million	FY2010/11	FY2009/10	Increase/ (decrease) in profit
Sales	2,104.0	1,741.0	363.0
Gross profit	579.7	481.5	98.2
Gross margin %	*27.6%*	*27.7%*	*(0.1)%*
Other income and gains/(losses)	14.8	5.7	9.1
Selling and administrative expenses ("S&A")	(358.4)	(350.8)	(7.6)
S&A %	*17.0%*	*20.1%*	*3.1%*
Operating profit before restructuring	236.1	136.4	99.7
Restructuring provision and assets impairment	(0.4)	(25.8)	25.4
Operating profit	235.7	110.6	125.1
Operating margin %	*11.2%*	*6.4%*	*4.8%*
Finance costs, net	(9.4)	(6.8)	(2.6)
Share of profits/(losses) of associate	0.1	(0.1)	0.2
Profit before income tax	226.4	103.7	122.7
Income tax expenses	(36.1)	(16.3)	(19.8)
Effective tax rate	*15.9%*	*15.8%*	*(0.1)%*
Profit for the year	190.3	87.4	102.9
Non-controlling interests	(8.6)	(10.4)	1.8
Profit attributable to shareholders	181.7	77.0	104.7

The Profit & Loss statement for FY2009/10 has been restated to reflect the amendment of Hong Kong Financial Reporting Standards relating to deferred income taxes on investment properties. The change reduced the deferred tax liability and therefore increased the net profit by US$1.5 million.

PROFIT ATTRIBUTABLE TO SHAREHOLDERS



Profit attributable to shareholders increased to US$181.7 million in FY2010/11, up US$104.7 million from the previous year. As shown in the chart above, profitability was impacted by the following factors:

- Volume impact: Increased sales volume improved profit by US$106.5 million.

- Operating costs and efficiency: Increases in commodity prices, labour and staff costs adversely affected our profitability. These cost increases were partially offset by efficiency gains including cost leverages, productivity improvements, tooling assistance recoveries and a favourable product mix.

- Claims and bad debts decreased by US$14.4 million year-on-year. This was primarily due to a nonrecurring litigation settlement of US$17.6 million made the previous year, partially offset by a marginal increase in claim provisions due to rising business levels this year.

- Restructuring costs amounted to US$0.4 million for FY2010/11, down US$25.4 million from the previous year.

- Finance costs, tax and non-controlling interests increased by a net amount of US$20.4 million, largely a result of increased taxation. Finance costs increased by US$2.6 million due to the write-off of unamortised up-front fees of the term loan caused by early repayment. The effective tax rate was 15.9% for FY2010/11 compared to 15.8% the previous year.

- Currency effects: The effect of movements in foreign currency on revenues and costs reduced operating profit by US$18.8 million. This was mainly caused by a lower average rate for the Euro against the US Dollar for FY2010/11 as compared to the previous year. Additionally, there was some impact on our Chinese and Swiss manufacturing sites from rising average exchange rates for the Chinese Renminbi and the Swiss Franc versus the US Dollar.

- Others: The profit on disposal of fixed assets and benefit of exiting the interest rate swap and other short term investments made in the previous year, resulted in a favourable net impact of US$9.1 million.

PROFIT PRESSURES IN THE SECOND HALF OF FY2010/11

US$ million	FY2010/11 2nd half	FY2010/11 1st half	2H vs 1H Increase/(decrease) in profit	%
Sales	1,073.4	1,030.6	42.8	4.2%
Cost of goods sold	(789.6)	(734.7)	(54.9)	(7.5)%
Gross profit	283.8	295.9	(12.1)	(4.1)%
Gross margin%	*26.4%*	*28.7%*		

- Whilst sales for the Group in the second half of FY2010/11 increased by US$42.8 million or 4.2% to US$1,073.4 million from US$1,030.6 million in the first half of FY2010/11, the gross profit in the corresponding periods declined by US$12.1 million or 4.1% to US$283.8 million from US$295.9 million.

- Gross profit in the second half of FY2010/11 was adversely impacted by ongoing pressures on a number of cost items including a significant increase in the cost of key materials such as copper, steel and plastic resins, as well as labour wages and benefits in the PRC.

- Also, the strengthening (relative to the US Dollar) of the Chinese Renminbi and the Swiss Franc, being the functional currency of certain manufacturing sites, contributed towards the reduction in gross margin in the second half of FY2010/11.

- Margins in the second half of FY2010/11 were also impacted by seasonality in capacity utilisation due to production slowdowns during the holiday periods of Christmas and Chinese New Year.

- These adverse impacts were offset to some extent by initiatives to improve production efficiency as well as other operational actions. The Group also partially mitigated its exposure to certain commodity prices and foreign currencies by entering into fixed-price agreements or forward contracts. Another action is to negotiate customer price increases for certain products, the benefits of which typically have a time lag.

ANALYSIS OF CASH FLOW

Simplified Cash Flow

US$ million	FY2010/11	FY2009/10	Change
Operating profit	235.7	110.6	125.1
Depreciation, amortisation and associate company	86.8	87.3	(0.5)
EBITDA	**322.5**	**197.9**	**124.6**
Other non cash items in profit before tax	(5.4)	13.9	(19.3)
Working capital change	(39.0)	63.9	(102.9)
Interest paid	(9.4)	(8.3)	(1.1)
Income tax paid	(27.6)	(18.9)	(8.7)
Net cash generated from operating activities	**241.1**	**248.5**	**(7.4)**
Capital expenditure net of proceeds from disposal of fixed assets	(75.0)	(35.6)	(39.4)
Interest received	3.5	2.2	1.3
Free cash flow from operations	**169.6**	**215.1**	**(45.5)**

Free cash flow from operations decreased to US$169.6 million in FY2010/11, down US$45.5 million from the previous year. This reduction in free cash flow was a result of the following:

- Operating profits increased by US$125.1 million to US$235.7 million for FY2010/11.
- Increased working capital and capital expenditures were required to meet rising business levels. Working capital and capital expenditures are further explained in the next section.

Working Capital Change

US$ million	31st Mar 2010	Currency translation	Currency swap unwound	Pension, hedging & interest payable	Increase/ (decrease) in working capital net of exchange	31st Mar 2011
Inventories	196.3	4.7	–	–	51.8	252.8
Trade and other receivables	360.3	13.4	–	–	48.0	421.7
Deposits - non-current	3.2	–	–	–	4.9	8.1
Trade and other payables	(341.1)	(9.6)	–	–	(63.8)	(414.5)
Provisions and other liabilities#	(74.5)	(3.6)	–	(5.0)	(2.3)	(85.4)
Other financial assets/(liabilities), net	(33.8)	0.1	35.1	7.3	0.4	9.1
Total working capital per balance sheet	110.4	5.0	35.1	2.3	39.0##	191.8

Current and non-current

Denotes the working capital change in the FY2010/11 as reflected in the cash flow on previous page

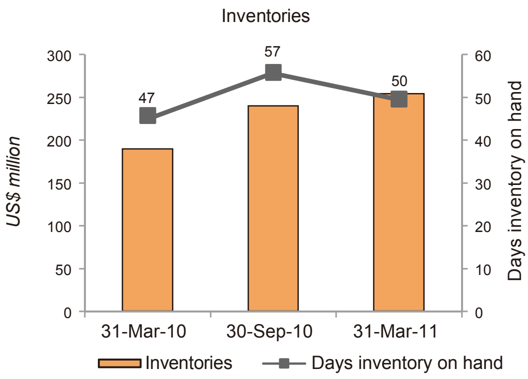
Working capital increased to US$191.8 million in FY2010/11, up US$81.4 million from last year. As shown above, total working capital when adjusted for non-operating issues and currency rose by US$39.0 million. Currency adjustments contributed US$5.0 million. The increased investment in working capital represented a 12% ratio to the increase in sales. The change in the currency swap is included within Other financing activities in the cash flow.

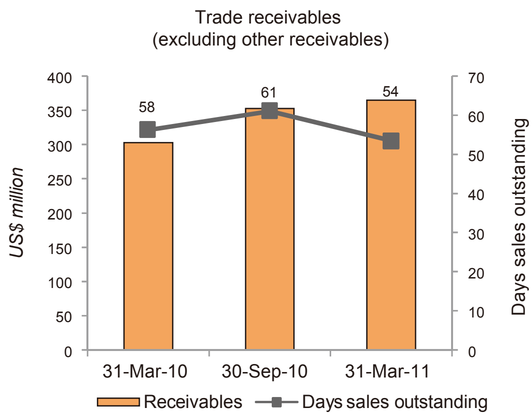
- **Inventories** increased to US$252.8 million as of 31st March 2011, up US$56.5 million from US$196.3 million as of 31st March 2010.

  Excluding currency effects, inventories increased by US$51.8 million.

- Days inventory on-hand increased moderately from 47 days as of 31st March 2010 to 50 days as of 31st March 2011. This increase is partially due to the opening of new facilities in China requiring safety stock for the changeover.

- **Trade and other receivables** increased to US$421.7 million as of 31st March 2011, up US$61.4 million from US$360.3 million as of 31st March 2010. Excluding currency effects, receivables increased by US$48.0 million.

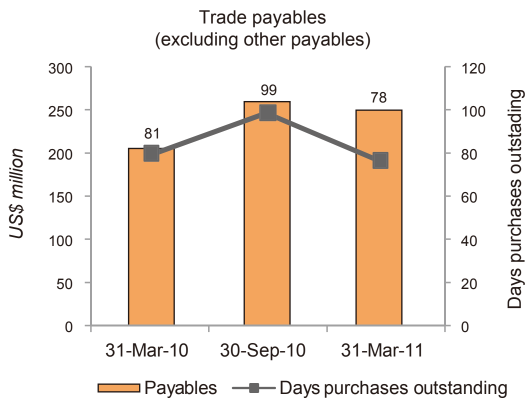




- Days sales outstanding decreased from 58 days as of 31st March 2010 to 54 days as of 31st March 2011 reflecting our collection efforts and our management of credit exposure.

- The Group considered its receivables to be of high quality; current receivables and overdues of less than 30 days remained at about 97% of net trade receivables.

- **Trade and other payables** increased to US$414.5 million as of 31st March 2011, up US$73.4 million from US$341.1 million as of 31st March 2010. Excluding currency effects, payables increased by US$63.8 million in line with business activity.



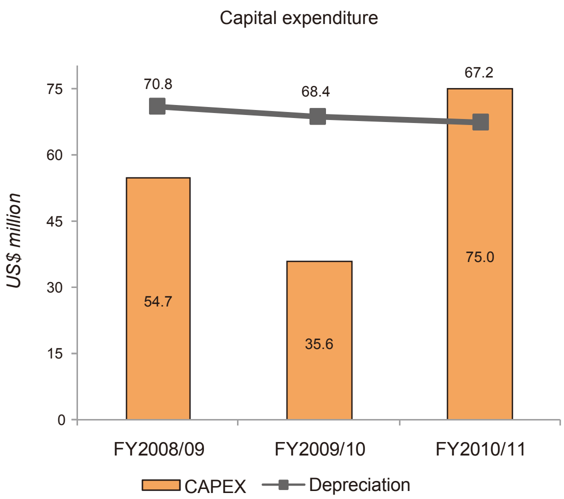
- Days purchases outstanding decreased slightly from 81 days as of 31st March 2010 to 78 days as of 31st March 2011.

- **Provisions and other liabilities** increased to US$85.4 million as of 31st March 2011, up US$10.9 million from US$74.5 million as of 31st March 2010. This was largely due to an increase in the provision for claims, estimated using historical trends. Management continues to focus on improving product quality and minimise warranty claims.

Interest paid increased by US$1.1 million from US$8.3 million in FY2009/10 to US$9.4 million in FY2010/11. This was caused by rising interest rates, partially mitigated by reduced debt levels in the second half of FY2010/11.

Income tax paid, net of refunds, increased by US$8.7 million from US$18.9 million for FY2009/10 to US$27.6 million for FY2010/11 due to increased profits.

Capital expenditure, net of proceeds from the disposal of fixed assets, increased substantially to US$75.0 million in FY2010/11, up US$39.4 million from US$35.6 million the previous year. This represents a return to our normal sustained levels of investment. For the first time in the past three years, the Group invested at a rate greater than its depreciation expense as economic conditions improved in all regions. Investment in fixed assets was lower during FY2009/10 in line with the difficult economic conditions prevailing at that time.



Interest received in FY2010/11 increased to US$3.5 million, up US$1.3 million from US$2.2 million the previous year. This was due to increased interest rates on cash deposits and a shift from cash held in Swiss Franc to Chinese Renminbi.

Other cash flows

US$ million	FY2010/11		FY2009/10		Change	
Free cash flow from operations	169.6		215.1		(45.5)	
Other investing activities	(2.6)		(30.9)	*	28.3	
Dividend paid	(37.9)		–		(37.9)	
Currency swap unwound	(35.1)		–		(35.1)	
Other financing activities	(12.8)		–		(12.8)	
Cash generated	81.2		184.2		(103.0)	
Exchange gains on cash and borrowings	1.4		1.1		0.3	
Net movement in cash and borrowings (Net debt)	**82.6**	(a)	**185.3**		**(102.7)**	

Net debt analysis	31st Mar 2011		31st Mar 2010		Decrease/ (increase)	
Cash	354.7	**	367.1	**	(12.4)	
Current borrowings	(134.2)		(7.0)		(127.2)	***
Non-current borrowings	(179.5)		(401.7)		222.2	***
Net cash/(debt)	**41.0**		**(41.6)**		**82.6**	(a)

* *Mainly comprises two acquisitions: (i) Tian Xi Auto Parts Group Co., Ltd. acquired for total consideration of US$21.9 million, consisting of US$7.8 million purchase cost, net of cash acquired, plus debt assumed of US$14.1 million; (ii) non-controlling interests in Nanomotion Ltd. acquired for a consideration of US$6.9 million*

** *Includes time deposit of US$1.9 million as of 31st March 2011 and US$3.9 million as of 31st March 2010*

*** *Repayment of current and non-current borrowings, US$99.0 million, net, in FY2010/11 offset by amortisation of upfront fee of US$3.5 million and exchange loss of US$0.5 million*

The Group generated US$81.2 million cash in FY2010/11, excluding exchange gains, down US$103.0 million from US$184.2 million in FY2009/10. Cash generation was impacted by the following:

- **Other investing activities** reduced by US$28.3 million, from US$30.9 million in the previous year.
  - In FY2010/11, we paid US$3.0 million for purchasing technology licenses for the manufacture of a critical component and US$0.4 million to acquire shares of non-controlling stakeholders in Nanomotion Ltd., offset by US$0.8 million proceeds from sales of available-for-sale financial assets.
  - In FY2009/10, we acquired Tian Xi Auto Parts Group Co., Ltd. for a total consideration of US$21.9 million and acquired non-controlling interests in Nanomotion Ltd. for consideration of US$6.9 million.
- A final **dividend** of US$23.7 million relating to FY2009/10 and an interim dividend of US$14.2 million for FY2010/11 were paid as we entered a period of sustained business improvement.
  - No dividend pertaining to FY2008/09 was paid in FY2009/10, in line with the Board's policy of retaining cash within the business during the poor economic conditions at that time.
  - The Board has recommended a final dividend of US$28.3 million for FY2010/11, to be paid in FY2011/12.
- The Group paid US$35.1 million to unwind **cross-currency swaps** of Swiss Franc 200.0 million to US$152.6 million. These cross-currency swaps were entered in March 2006 during the acquisition of the Saia-Burgess group based in Switzerland. For further information, please see Note 16(a) to the financial statement on cross-currency interest rate swaps. There were no such activities in the previous year.

- **Other financing activities** of US$12.8 million were primarily due to the purchase of 20.0 million treasury shares for US$10.7 million from the market and dividend payments to non-controlling shareholders.

- **Net debt**: Strong cash generation enabled the Group to repay debt of US$99.0 million, net (borrowed US$161.0 million, repaid US$260.0 million).

    - The majority of the US$161.0 million of new borrowings were raised at the subsidiary level in USA and Europe, reducing debt at the parent level as follows:

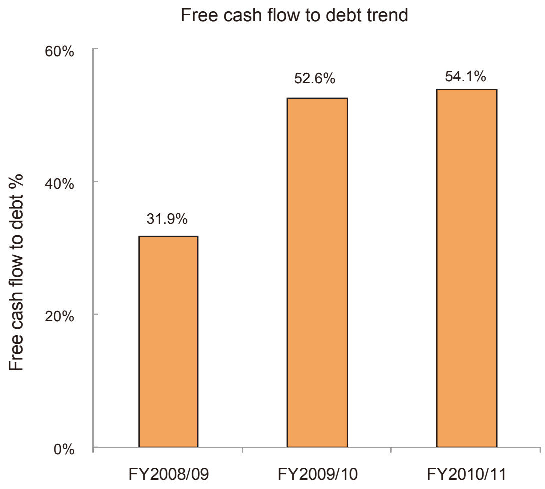
        - Unsecured borrowing in USA of US$55.0 million was with a loan covenant that receivables shall not be pledged to other parties.

        - Also in USA, we borrowed US$27.7 million on a long term basis (3-year committed line of credit of US$35.0 million).

        - Borrowings in Europe of US$63.6 million (EUR45.0 million) were secured by trade receivables.

- **Net movement in cash and borrowings (net debt)**: Cash net of debt, increased by US$82.6 million to US$41.0 million as of 31st March 2011, compared to net debt of US$41.6 million as of 31st March 2010.

    - In spite of investment in working capital and capital expenditure to support increased business levels, "**free cash flow from operations to debt**" improved slightly from 52.6% in FY2009/10 to 54.1% in FY2010/11.



FINANCIAL MANAGEMENT AND TREASURY POLICY

Financial risk within the Group is managed by the Group's treasury function, based at the corporate headquarters in Hong Kong. Policies are established by senior management.

Liquidity

The combination of cash on hand, credit lines available to our subsidiaries and expected future cash flows are believed to be sufficient to satisfy our cash needs for our current level of operations and our planned operations for the foreseeable future.

- The Group has approximately US$270.0 million of uncommitted and unutilised short term borrowing facilities provided by its principal bankers.

- The Group had cash on hand of US$354.7 million as of 31st March 2011, comprised by currency as follows:

	FY2010/11 US$'000	FY2009/10 US$'000
US Dollar	29,339	70,315
Euro	34,109	24,003
RMB	266,939	135,128
CHF	2,051	125,052
Others	22,277	12,562
Total	354,715	367,060

Foreign exchange risk

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

- The Group's sales are mainly denominated in the US Dollar, the Euro and the Chinese Renminbi.
- In FY2010/11, 49% of the Group's sales (49% in the previous year) were in US Dollars, 31% in Euros (33% in the previous year), 14% in Chinese Renminbi (12% in the previous year) with the rest being in other currencies including the Japanese Yen.
- The major currencies used for purchases of materials, labour and services are the US Dollar, the Euro, the Hong Kong Dollar, the Chinese Renminbi and the Swiss Franc.
- The Group mitigates some of its foreign exchange risk through forward contracts, based on specific cash flow forecasts from operations denominated in that foreign currency (e.g. Euro, Chinese Renminbi and Swiss Franc).

RISK MANAGEMENT

The Group identifies and manages its strategic, operational, financial and compliance risks through proactive management oversight and business processes. Specific areas of focus include:

- Ensuring the suitability of our operational footprint to respond quickly and cost-effectively to market changes.
- Continuously improving our engineering and manufacturing processes to be the safe choice for our customers.
- Seeking product differentiation through technology and innovation to be the definitive supplier of our customers' solutions.
- Attracting and retaining high-calibre management and other key personnel and building effective networks of our employees and partners to safeguard the business success.
- Managing customer credit risk and maintaining a low tolerance for delinquent payments.
- Applying appropriate hedging strategies to manage foreign exchange risks, commodity cost risks and interest rate risks.
- Meeting expectations on energy efficiency, environmental responsibility and employee safety.

INVESTING IN PEOPLE

Human Resources Management

Human Resources, Environmental Engineering, Health and Safety (EHS) and Training and Development are corporate-wide functions provided via a shared service structure. Key initiatives are equitable and competitive compensation, benefit and incentive structures, a system-based approach to EHS requirements, and a growing commitment to training and development activities. All of these contribute to differentiating Johnson Electric from its competitors for business and people.

Executive management has a noteworthy commitment to these key Human Resources initiatives. Such people-centred programs have characterised the history of Johnson Electric and the Group continues to encourage and invest in these programs across all of the Group's locations.

Total global headcount including contract employees now stands at over 44,000 individuals.

Regional Initiatives

FY2010/11 saw progress in all areas with time and effort invested in attracting, developing and retaining the people who are Johnson Electric. There was also increased emphasis on good environmental governance at our operating facilities.

This year, like the prior one, saw heavy recruiting in the direct and indirect labour group in Shajing, China. This group, which now numbers approximately 31,000 individuals, is demonstrating more stability and commitment to the workplace than has been the case in the past.

Salaried recruiting in Asia was active throughout the year and added many significantly new or newly expanded roles in the business. In particular, there has been and continues to be a significant focus on adding professionals in the technology areas of the business. Also during the year, a number of senior-level leaders were added to the business to enhance the Group's position as the safe choice to our customers.

Over the last year, the Group expanded its manufacturing location in Bei Hai, Guanxi Province, China. The local management team is in place and headcount at the site now stands at approximately 1,350. The headcount at the new site in Chennai, India site has now increased to 130.

In Europe, the year has been one of steady improvement in people-centred activities across all the major operating facilities.

In the Americas, changing health insurance laws in the United States have, so far, had little plan design or cost impact. The Group maintains a competitive benefit structure in the US resulting in few changes being necessary to meet current Health Care Reform Act requirements. In South America, management strength was increased via adding strong operations and sales leadership.

Corporate Initiatives

During the year, notable initiatives were taken in training both newly hired direct labour staff in China and programs for technical staff at the Group's large manufacturing and engineering campus in Shajing.

- A global leader for EHS joined the Group and is directing programs and systems to raise our in-house competency. Global implementation of an EHS management system continues as a major objective.

- The Compensation & Benefits group successfully installed and now operates global salary & incentive structures that enhance internal equity and external competitiveness for staff positions.

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 of 31st March 2011, Johnson Electric's Board consisted of three executive directors and seven non-executive directors (of whom five 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 profile of the directors are provided on pages 136 to 138 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 Board 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 program for directors, visits to the Group'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 FY2010/11 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 Global Head of Corporate Audit Services to hear directly any concerns of the Corporate Audit Services 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 Group's website.

Four Audit Committee meetings were held in FY2010/11 to discuss and review the following matters together with the Chief Financial Officer, Global Head of Corporate Audit Services and the external auditor:

1. the FY2010 annual results and interim results for FY2011, 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 Corporate Audit Services 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 Group'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 Group 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, 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 maximise 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 comprises a component of compensation for 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.

Three committee meetings were held in FY2010/11. During the financial year, the Committee addressed the following:

1. Retirement Plan Structures in Europe;

2. Expatriate Policy;

3. Senior Executive Compensation and Benefits;

4. Long Term Incentive Plan;

5. Succession and Development Plans for Executives and Managers; and

6. Medical and Retirement Benefits in China and Americas.

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 Group'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 FY2010/11.

During the financial year, the Committee met on one occasion. 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; and

5. 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. The Committee's authority and duties are set out in written terms of reference and are posted on the Group's website.

BOARD AND COMMITTEE ATTENDANCE

The Board held four full board meetings in FY2010/11 and the average attendance rate was 95%. Details of the attendance of individual directors at board meetings and committee meetings during FY2010/11 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	–	–	1/1
Winnie Wing-Yee Wang *(Vice-Chairman)*	4/4	–	3/3	–
Austin Jesse Wang *(Executive Director)*	3/4	–	–	–
Non-Executive Directors				
Yik-Chun Koo Wang *(Honorary Chairman)*	3/4	–	–	–
Peter Kin-Chung Wang	4/4	4/4	–	–
Independent Non-Executive Directors				
Peter Stuart Allenby Edwards	4/4	–	–	1/1
Patrick Blackwell Paul	4/4	4/4	–	1/1
Oscar de Paula Bernardes Neto	4/4	–	3/3	–
Michael John Enright	4/4	4/4	3/3	–
Joseph Chi-Kwong Yam*	2/2	–	–	–
Average attendence rate	95%	100%	100%	100%
Date of meetings	31/05/2010 06/09/2010 29/11/2010 04/03/2011	18/05/2010 06/09/2010 10/11/2010 14/02/2011	30/05/2010 28/11/2010 03/03/2011	31/05/2010

* *appointed on 30th September 2010*

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 Corporate Audit Services 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 programs 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 Corporate Audit Services 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 Corporate Audit Services Department and external auditor in FY2010/11, 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 FY2010/11, 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 FY2010/11, the services (and associated remuneration) provided to the Group by PricewaterhouseCoopers were as follows:

	FY2010/11 US$ million	FY2009/10 US$ million
Audit	2.08	1.95
Taxation and other advisory services	0.49	0.52

DIRECTORS' AND AUDITOR'S RESPONSIBILITIES FOR ACCOUNTS

The directors' responsibilities for the accounts are set out on page 44, and the responsibilities of the external auditor to the shareholders are set out on page 45.

CODE ON CORPORATE GOVERNANCE PRACTICES

During the year ended 31st March 2011, 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 Company 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 2011. No incident of non-compliance was noted by the Company in FY2010/11.

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 Group. These include the annual report and accounts, the interim report, periodic 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 Group'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 16th June 2011.

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 Group's and the Stock Exchange's websites.

SOCIAL RESPONSIBILITIES

Johnson Electric is a global organisation 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 Group's commitment to social accountability includes policies and practices on a variety of issues such as human rights, non-discrimination and environmental management.

The Group'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 ENGINEERING, HEALTH & SAFETY (EHS)

Progressive structures for the management of Environmental Engineering, as well as Health & Safety programs, are central to Johnson Electric's overall business objectives.

A major objective of Environmental Engineering, Health & Safety (EHS) is ongoing activity to develop and install an EHS Management System world-wide. This system, when fully operational, is a necessary first step to good management in any industrial enterprise and is also a pre-requisite to securing and maintaining contracts with major customers.

A major component of good EHS management is regulatory compliance. A system-based approach to compliance ensures auditable standards are maintained and risk minimised. All levels of management are committed to this.

Other EHS highlights include monitoring and approval of machine design and build to ensure operator safety is not compromised, and comprehensive fire safety and emergency response plans. Also critical is the training and development of Safety Officers, Safety Committee members, workers and managers. An important area of the EHS management system is emphasis on an energy policy for the Group. This initiative will have energy savings initiatives, "3R" programs, water conservation goals and carbon care targets. This element of the EHS management system in particular is good for the planet, good for our employees and customers alike and positive to the bottom line.

The significant critical success factor associated with this program 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

The Group is active in its support of worthy causes, however, support for education and the development of young people is central to Johnson Electric's efforts as a responsible corporate citizen.

Such support may be in the form of donations to education institutions at various locations in the world, or through the provision of financial and other encouragement to young students to increase their general academic qualifications and workplace skills in Group sponsored programs. Most noteworthy of these latter initiatives is the Johnson Electric Technical College (JETC), run out of our Shajing, China location. This program, first established in 2002 provides general education and attainment of technical qualifications for Chinese youths from disadvantaged families. This program is successful at producing skilled young workers, who, it is hoped, will remain with the Group for their careers. This program continues to expand in scope and represents a significant commitment by the Group, and by the staff and educators who administer it. In 2011 an intake of 250 students is anticipated.

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 2011.

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 2011 are set out in the consolidated income statement on page 49.

The directors declared an interim dividend of 0.39 US Cents (3 HK Cents) per share, totalling US$14.2 million which was paid on 6th January 2011.

The directors recommend the payment of a final dividend of 0.77 US Cents (6 HK Cents) per share, totalling US$28.3 million, payable on 21st July 2011.

RESERVES

Movements in the reserves of the Group and the Company during the year are set out in Note 23 to the accounts.

DISTRIBUTABLE RESERVES

As of 31st March 2011, the distributable reserves of the Company available for distribution as dividends amounted to US$779.7 million, comprising retained earnings of US$684.4 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 (FY2009/10: US$0.1 million).

FIXED ASSETS

Details of the movements in properties, plant and equipment are shown in Note 5 to the accounts.

SHARE CAPITAL

Details of the share capital are shown in Note 22 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
Peter Kin-Chung Wang
Peter Stuart Allenby Edwards
Patrick Blackwell Paul
Oscar de Paula Bernardes Neto
Michael John Enright
Joseph Chi-Kwong Yam *GBM, GBS, CBE, JP*
(appointed on 30th September 2010)

In accordance with Bye-law 109(A) of the Company's Bye-laws, Ms. Yik-Chun Koo Wang, Ms. Winnie Wing-Yee Wang and Mr. Oscar de Paula Bernardes Neto retire from office by rotation. Mr. Oscar de Paula Bernardes Neto has decided not to present himself for re-election at the forthcoming Annual General Meeting of the Company due to his other business commitments which require him to devote more time to them. All the other above-mentioned directors being eligible, offer themselves for re-election.

In accordance with Bye-law 100 of the Company's Bye-laws, Mr. Joseph Chi-Kwong Yam retires from office and being eligible, offers himself 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 ten directors. As of 31st March 2011, three of the directors are executive and seven of the directors are non-executive, of whom five are independent. Their details are set out in the Profile of Directors and Senior Management section on pages 136 to 138.

DISCLOSURE OF INTERESTS

DIRECTORS

As of 31st March 2011, 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 Interests	
Yik-Chun Koo Wang	–	2,180,860,880	*(Notes 1 & 2)*
Peter Kin-Chung Wang	–	577,000	*(Note 3)*
Peter Stuart Allenby Edwards	–	114,000	*(Note 4)*
Patrick Blackwell Paul	84,000	–	
Oscar de Paula Bernardes Neto	14,000	–	
Michael John Enright	14,000	–	

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 of 31st March 2011, 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 interests 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 of 31st March 2011, 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	2,180,860,880 *(Notes 1 & 2)*	59.36
Ansbacher (Bahamas) Limited	Trustee	887,040,000 *(Note 1)*	24.15
HSBC International Trustee Limited	Trustee	734,801,228 *(Note 1)*	20.00
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	560,915,520 *(Note 1)*	15.27
Ceress International Investment (PTC) Corporation	Trustee	223,014,080 *(Note 5)*	6.07
Merriland Overseas Limited	Beneficial owner	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 and Federal Trust Company Limited were interested and 732,905,360 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 formed part of 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 formed part of the interests in the Company held by Federal Trust Company Limited.*
6. *The interests of Merriland Overseas Limited in the Company formed part of the interests in the Company held by Federal Trust Company Limited.*

Save as disclosed herein, as of 31st March 2011, 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 (the "Option Scheme").

The major terms of the Option 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 Option Scheme is to provide incentive or rewards to participants.

(b) Participants

The participants of the Option 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 Option 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 Option 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 Option Scheme that an option must be held for any minimum period before it can be exercised, but the terms of the Option 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 Option Scheme

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

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

Type of grantees	Options held at 01/04/2010 and 31/03/2011	Subscription price per share (HK$)	Date of grant	Exercisable from	Exercisable until
Employees	350,000	8.02	17/09/2002	01/08/2004	16/09/2012
	350,000	8.02	17/09/2002	01/08/2005	16/09/2012
	262,500	9.65	31/07/2003	01/07/2005	30/07/2013
	262,500	9.65	31/07/2003	01/07/2006	30/07/2013
	100,000	7.40	28/12/2004	01/01/2007	27/12/2014
	100,000	7.40	28/12/2004	01/01/2008	27/12/2014
	1,425,000				

LONG-TERM INCENTIVE SHARE SCHEME

The Long-Term Incentive Share Scheme was initially approved by the shareholders on 26th July 1999 and expired on 31st July 2009. Such scheme was replaced by a new Long-Term Incentive Share Scheme (the "Incentive Share Scheme") approved by the shareholders on 24th August 2009. The directors may grant shares to such eligible employees and directors as the directors may select in its absolute discretion under the Incentive Share Scheme.

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

Number of shares purchased	Average purchase price (HK$)	Total shares granted in FY2004/05-FY2011/12	Total shares vested in FY2005/06-FY2011/12	Shares to be vested				
				FY2011/12	FY2012/13	FY2013/14	FY2014/15	FY2015/16
25,210,517	4.36	24,498,000	7,328,000	1,434,000	1,136,000	5,675,000	8,425,000	500,000

Apart from the Option 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 the last ten financial years are set out on pages 134 to 135.

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 five largest suppliers and sold less than 30% of its goods and services to its five largest customers.

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company purchased 20,000,000 shares of the Company at a cost of US$10.7 million during the year in connection with the Long-Term Incentive Share Scheme for eligible employees and directors. Other than this purchase, neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year. The Company has not redeemed any of its shares during the year.

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 of 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 profile of the senior management as of the date of this report is set out in the Profile of Directors and Senior Management section on pages 138 to 140.

CORPORATE GOVERNANCE

Principal corporate governance practices as adopted by the Company are set out in the Corporate Governance Report on pages 27 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 2011, 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 2011

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 46 to 133, which comprise the consolidated and company balance sheets as at 31st March 2011, 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 information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS
The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view 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, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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 about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view 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 consolidated 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 2011, 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 2011

CONSOLIDATED BALANCE SHEET

As of 31st March 2011

	Note	2011 US$'000	As restated 2010 US$'000	As restated 1st April 2009 US$'000
Assets				
Non-current assets				
Properties, plant and equipment	5	**403,985**	383,214	383,622
Investment properties	6	**44,142**	45,392	37,025
Land use rights	7	**9,346**	12,036	7,691
Intangibles	8	**774,688**	699,871	662,094
Investment in associate	10	**1,926**	1,527	1,672
Deferred income tax assets	21	**35,957**	39,833	36,463
Available-for-sale financial assets	11	**1,956**	2,386	3,525
Other financial assets at fair value through profit or loss	12	**4,499**	9,270	9,039
Deposits		**8,113**	3,205	4,814
		1,284,612	1,196,734	1,145,945
Current assets				
Inventories	13	**252,763**	196,345	202,772
Trade and other receivables	14	**421,735**	360,252	267,562
Non-current asset held for sale	15	**9,967**	–	–
Other financial assets	16	**9,534**	5,291	6,385
Income tax recoverable		**3,899**	5,101	8,159
Pledged deposits		**–**	–	17,122
Other financial assets at fair value through profit or loss	12	**5,148**	–	–
Cash and deposits	17	**354,715**	367,060	302,002
		1,057,761	934,049	804,002
Current liabilities				
Trade and other payables	18	**414,522**	341,144	225,952
Current income tax liabilities		**27,932**	17,029	12,937
Other financial liabilities	16	**393**	39,056	15,986
Borrowings	19	**134,248**	6,962	1,082
Provisions and other liabilities	20	**16,783**	32,975	20,167
		593,878	437,166	276,124
Net current assets		**463,883**	496,883	527,878
Total assets less current liabilities		**1,748,495**	1,693,617	1,673,823

CONSOLIDATED BALANCE SHEET

	Note	2011 US$'000	As restated 2010 US$'000	As restated 1st April 2009 US$'000
Non-current liabilities				
Other financial liabilities	16	**–**	–	22,426
Borrowings	19	**179,458**	401,727	527,827
Deferred income tax liabilities	21	**78,160**	77,245	75,792
Provisions and other liabilities	20	**68,585**	41,509	44,559
		326,203	520,481	670,604
NET ASSETS		**1,422,292**	1,173,136	1,003,219
Equity				
Share capital and share premium	22	**69,970**	79,493	78,441
Reserves	23	**1,263,947**	1,018,516	891,036
Proposed dividends	23	**28,285**	23,659	–
		1,362,202	1,121,668	969,477
Non-controlling interests		**60,090**	51,468	33,742
TOTAL EQUITY		**1,422,292**	1,173,136	1,003,219

The notes on pages 55 to 133 form an integral part of these financial statements.

Patrick Shui-Chung Wang
Director

Winnie Wing-Yee Wang
Director

COMPANY BALANCE SHEET

As of 31st March 2011

	Note	2011 US$'000	2010 US$'000
Assets			
Non-current assets			
Interest in subsidiaries	9	**1,019,678**	1,048,005
Available-for-sale financial assets	11	**1,956**	2,042
		1,021,634	1,050,047
Current assets			
Amounts due from subsidiaries	9	**370,505**	341,809
Other financial assets	16	**–**	48
Cash and deposits	17	**39**	80
		370,544	341,937
Current liabilities			
Amounts due to subsidiaries	9	**390,520**	260,810
Other financial liabilities	16	**147**	38,220
Other payables	18	**269**	531
		390,936	299,561
Net current (liabilities)/assets		**(20,392)**	42,376
Total assets less current liabilities		**1,001,242**	1,092,423
Non-current liabilities			
Borrowings	19	**148,911**	395,382
		148,911	395,382
NET ASSETS		**852,331**	697,041
Equity			
Share capital and share premium	22	**69,970**	79,493
Reserves	23	**754,076**	593,889
Proposed dividends	23	**28,285**	23,659
TOTAL EQUITY		**852,331**	697,041

The notes on pages 55 to 133 form 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 2011

	Note	2011 US$'000	As restated 2010 US$'000
Sales	4	**2,104,029**	1,740,976
Cost of goods sold		**(1,524,370)**	(1,259,489)
Gross profit		**579,659**	481,487
Other income and gains/(losses)	24	**14,817**	5,737
Selling and administrative expenses	25	**(358,392)**	(350,840)
Restructuring provision and assets impairment	26	**(411)**	(25,813)
Operating profit		**235,673**	110,571
Finance income	29	**3,566**	2,165
Finance costs	29	**(12,970)**	(8,922)
Share of profits/(losses) of associate		**138**	(50)
Profit before income tax		**226,407**	103,764
Income tax expenses	30	**(36,046)**	(16,378)
Profit for the year		**190,361**	87,386
Attributable to:			
Owners	31	**181,728**	76,973
Non-controlling interests		**8,633**	10,413
		190,361	87,386
Basic and diluted earnings per share for profit attributable to the owners during the year (expressed in US Cents per share)	33	**4.97**	2.10

The notes on pages 55 to 133 form an integral part of these financial statements. Details of recommended final dividends of 0.77 US Cents per share (FY2009/10: 0.64 US Cents) equivalent to US$28.3 million (FY2009/10: US$23.7 million) are set out in Note 32 to the accounts.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st March 2011

	Note	2011 US$'000	As restated 2010 US$'000
Profit for the year		**190,361**	87,386
Other comprehensive income/(expenses):			
Available-for-sale financial assets			
– fair value gains	11	**209**	319
– release of reserves upon disposal	23	**(101)**	(247)
Hedging instruments	23		
– fair value gains		**13,636**	12,837
– transferred to income statement		**(6,346)**	13,204
Deferred income tax effect on fair value gains in hedging instruments	21	**(686)**	(1,752)
Actuarial (losses)/gains of defined benefit plans	20	**(5,361)**	7,595
Deferred income tax effect on actuarial (losses)/gains of defined benefit plans	21	**2,411**	(1,649)
Actuarial gains of long service payment		**317**	–
Gains on revaluation of properties, plant and equipment transferred to investment properties		**758**	–
Adjustment arising on translation of foreign subsidiaries and associate		**102,704**	44,241
Other comprehensive income for the year, net of tax		**107,541**	74,548
Total comprehensive income for the year, net of tax		**297,902**	161,934
Total comprehensive income attributable to:			
Owners		**287,333**	151,363
Non-controlling interests			
Share of profits for the year		**8,633**	10,413
Adjustment arising on translation of foreign subsidiaries		**1,936**	158
		297,902	161,934

The notes on pages 55 to 133 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31st March 2011

	Attributable to owners					
	Share capital and share premium US$'000	Other reserves US$'000	Retained earnings US$'000	Total US$'000	Non–controlling interests US$'000	Total equity US$'000
As of 31st March 2010, as previously reported	79,493	(44,853)	1,080,496	1,115,136	51,468	1,166,604
Adoption of amendment to HKAS 12	–	2,377	4,155	6,532	–	6,532
As of 31st March 2010, as restated	79,493	(42,476)	1,084,651	1,121,668	51,468	1,173,136
Profit for the year	–	–	181,728	181,728	8,633	190,361
Other comprehensive income:						
Available-for-sale financial assets						
– fair value gains	–	209	–	209	–	209
– release of reserves upon disposal	–	(101)	–	(101)	–	(101)
Hedging instruments						
– fair value gains	–	13,636	–	13,636	–	13,636
– transferred to income statement	–	(6,346)	–	(6,346)	–	(6,346)
Deferred income tax effect on fair value gains in hedging instruments	–	(686)	–	(686)	–	(686)
Actuarial losses of defined benefit plans	–	–	(5,361)	(5,361)	–	(5,361)
Deferred income tax effect on actuarial losses of defined benefit plans	–	–	2,411	2,411	–	2,411
Actuarial gains of long service payment	–	–	317	317	–	317
Gains on revaluation of properties, plant and equipment transferred to investment properties	–	758	–	758	–	758
Adjustment arising on translation of foreign subsidiaries and associate	–	100,768	–	100,768	1,936	102,704
Total comprehensive income for the year ended 31st March 2011	–	108,238	179,095	287,333	10,569	297,902
Transactions with owners:						
Appropriation of retained earnings to statutory reserve	–	160	(160)	–	–	–
Employees share option scheme						
– value of employee services	–	1,724	–	1,724	–	1,724
Acquisitions of non-controlling interests	–	–	–	–	450	450
Dividends paid to non-controlling shareholders of a subsidiary	–	–	–	–	(2,397)	(2,397)
Purchase of treasury shares	(10,661)	–	–	(10,661)	–	(10,661)
Treasury shares vested	1,138	(1,138)	–	–	–	–
FY2009/10 final dividend paid	–	–	(23,659)	(23,659)	–	(23,659)
FY2010/11 interim dividend paid	–	–	(14,203)	(14,203)	–	(14,203)
Total transactions with owners	(9,523)	746	(38,022)	(46,799)	(1,947)	(48,746)
As of 31st March 2011	**69,970**	**66,508**	**1,225,724**	**1,362,202**	**60,090**	**1,422,292**

The notes on pages 55 to 133 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31st March 2010

	Attributable to owners					
	Share capital and share premium US$'000	Other reserves US$'000	Retained earnings US$'000	Total US$'000	Non–controlling interests US$'000	Total equity US$'000
As of 31st March 2009, as previously reported	78,441	(114,047)	1,000,012	964,406	33,742	998,148
Adoption of amendment to HKAS 12	–	2,377	2,694	5,071	–	5,071
As of 31st March 2009, as restated	78,441	(111,670)	1,002,706	969,477	33,742	1,003,219
Profit for the year	–	–	76,973	76,973	10,413	87,386
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)
Adjustment arising on translation of foreign subsidiaries and associate	–	44,083	–	44,083	158	44,241
Total comprehensive income for the year ended 31st March 2010	–	68,444	82,919	151,363	10,571	161,934
Transactions with owners:						
Appropriation of retained earnings to statutory reserve	–	974	(974)	–	–	–
Employees share option scheme						
– value of employee services	–	828	–	828	–	828
Acquisitions of non-controlling interests and subsidiaries	–	–	–	–	7,155	7,155
Treasury shares vested	1,052	(1,052)	–	–	–	–
Total transactions with owners	1,052	750	(974)	828	7,155	7,983
As of 31st March 2010	79,493	(42,476)	1,084,651	1,121,668	51,468	1,173,136

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31st March 2011

	Note	**2011 US$'000**	2010 US$'000
Cash flows from operating activities	35	**278,067**	275,774
Other operating cash flows			
Interest paid		(9,440)	(8,328)
Income tax paid		(27,577)	(18,895)
		(37,017)	(27,223)
Net cash generated from operating activities		**241,050**	248,551
Investing activities			
Purchase of land use rights and properties, plant and equipment		(85,560)	(38,007)
Proceeds from disposal of investment properties, land use rights and properties, plant and equipment	35	10,582	2,359
Interest received		3,566	2,165
		(71,412)	(33,483)
Acquisition of subsidiaries, net of cash acquired		–	(7,773)
Acquisition of non-controlling interests		(350)	(6,894)
Purchase of intangible assets		(3,000)	(2,445)
Purchase of other financial assets at fair value through profit and loss		–	(1,000)
Proceeds from sale of available-for-sale financial assets and other financial assets at fair value through profit and loss		712	1,391
Decrease/(increase) in time deposits		2,002	(3,927)
Net cash used in investing activities		**(72,048)**	(54,131)
Financing activities			
Purchase of treasury shares	22	(10,661)	–
Proceeds from borrowings		161,475	399,808
Repayments of borrowings		(260,502)	(535,328)
Dividends paid to owners		(37,862)	–
Capital injection from/dividends paid to non-controlling interests		(2,170)	–
Currency swap unwound	16(a)	(35,113)	–
Net cash used in financing activities		**(184,833)**	(135,520)

CONSOLIDATED CASH FLOW STATEMENT

	2011 US$'000	2010 US$'000
Net (decrease)/increase in cash and cash equivalents	**(15,831)**	58,900
Cash and cash equivalents at beginning of the year	**363,133**	302,002
Exchange gains on cash and cash equivalents	**5,488**	2,231
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**352,790**	363,133
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and deposits	**354,715**	367,060
Less: time deposit with maturities over three months	**(1,925)**	(3,927)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**352,790**	363,133

The notes on pages 55 to 133 form 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 primarily the manufacture and sale of motion systems. The Group has global reach, with manufacturing plants 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'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 Receipts.

These consolidated financial statements are presented in US Dollar, unless otherwise stated. These consolidated financial statements were approved for issue by the Board of Directors on 31st May 2011.

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 FY2010/11, 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 2011.

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. They are de-consolidated from the date that control ceases.

2. PRINCIPAL ACCOUNTING POLICIES *(Cont'd)*

2.2 Subsidiaries *(Cont'd)*

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

Investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill (Note 2.9). If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the statement of comprehensive income.

Inter-company transactions and balances between Group companies are eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

2. PRINCIPAL ACCOUNTING POLICIES *(Cont'd)*

2.3 Associate

Associates 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 associate are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investment in associate includes goodwill identified on acquisition, net of any accumulated impairment loss.

The Group's share of its associate's post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. 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.

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

In the Group's balance sheet the investments in associate are stated at cost less provision for impairment losses. The results of associate 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 Dollar, 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.

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

2. PRINCIPAL ACCOUNTING POLICIES *(Cont'd)*

2.5 Foreign currency translation *(Cont'd)*

(b) Transactions and balances *(Cont'd)*

Translation differences on non-monetary items, such as equity instruments held at fair value through profit or loss, are recognised in profit or loss 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 other comprehensive income.

(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 in other comprehensive income.

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 other comprehensive income. 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 Properties, plant and equipment

Properties, plant and equipment other than investment properties (Note 2.7) and leasehold land classified as finance lease 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.

Leasehold land classified as finance lease commences depreciation from the time when the land interest becomes available for its intended use.

2. PRINCIPAL ACCOUNTING POLICIES *(Cont'd)*

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

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

Leasehold land	Shorter of lease term or useful life
Buildings on leasehold land	Shorter of lease term or useful life
Buildings on freehold land	20 to 50 years
Plant and machinery and moulds and tools	3 to 20 years
Furniture and fixtures and computers	3 to 15 years
Motor vehicles	3 to 10 years
Aircraft	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 properties, 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 and gains/(losses) 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.

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, except for some properties as disclosed in Note 6.

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

2.8 Land use rights

The up-front prepayments made for 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 cannot be reversed. 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 and license rights, brands and client relationships that are acquired by the Group are stated in the balance sheet at fair value at the date of acquisition less accumulated amortisation and impairment losses.

Research and development costs are expensed as incurred and are only recognised as an intangible asset where the technical feasibility and intention of completing the product under development has been demonstrated and the resources are available to do so, costs are identifiable and there is an ability to sell or use the asset that will generate probable future economic benefits. Development costs that do not meet the above criteria are expensed as incurred.

2. PRINCIPAL ACCOUNTING POLICIES *(Cont'd)*

2.9 Intangibles *(Cont'd)*

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

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 and license rights	15 to 20 years
Patents	4 to 9 years
Brands	25 years
Client relationships	5 to 25 years

2.10 Impairment of investments in subsidiaries, associate 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 associate 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.

(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 current and non-current assets based on maturity date.

(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).

2. PRINCIPAL ACCOUNTING POLICIES *(Cont'd)*

2.11 Financial assets *(Cont'd)*

(c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either classified 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. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

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.

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.

2. PRINCIPAL ACCOUNTING POLICIES *(Cont'd)*

2.11 Financial assets *(Cont'd)*

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 previously 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.

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.

The fair values of various financial instruments used for hedging purposes are disclosed in Note 16. Movements on the hedging reserve in shareholders' equity are shown in Note 23. 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 transactions denominated in Euro and RMB and expense transactions denominated in RMB is recognised in the income statement within selling and administrative expenses.

2. PRINCIPAL ACCOUNTING POLICIES *(Cont'd)*

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

(a) Cash flow hedge *(Cont'd)*

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 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).

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).

2.13 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost, calculated on a First-in-first-out ("FIFO") basis, comprises materials, direct labour and an appropriate proportion of all production overhead expenditure. The value calculated approximates the weighted-average actual cost. 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 customer, probability that the customer 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. PRINCIPAL ACCOUNTING POLICIES *(Cont'd)*

2.15 Non-current asset held for sale

Non-current assets are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is to be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probably. Investment properties classified as held for sale are stated at fair value.

2.16 Cash and deposits

Cash and deposits 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.

2.17 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 owners until the shares are 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 owners.

2.18 Trade payables

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

2.19 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.

2.20 Current and deferred income tax

The tax expense for the period comprises current and deferred income 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.

2. PRINCIPAL ACCOUNTING POLICIES *(Cont'd)*

2.20 Current and deferred income tax *(Cont'd)*

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company's subsidiaries and associate operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

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 utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associate, 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.

2.21 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 contribution and defined benefit 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.

2. PRINCIPAL ACCOUNTING POLICIES *(Cont'd)*

2.21 Employee benefits *(Cont'd)*

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

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.

(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, are recognised in the income statement, with a corresponding adjustment to equity.

2. PRINCIPAL ACCOUNTING POLICIES *(Cont'd)*

2.21 Employee benefits *(Cont'd)*

(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.

2.22 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.

2.23 Revenue recognition

Revenue is shown net of valued-added tax, returns, rebates and discounts and after eliminating sales within the Group.

(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.

2.24 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 properties, plant and equipment. Leases of properties, 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.

2. PRINCIPAL ACCOUNTING POLICIES *(Cont'd)*

2.24 Leases *(Cont'd)*

(a) Finance leases as the lessee *(Cont'd)*

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 accounted for as operating leases. Payments made under operating leases net of any incentives from the leasing company are recognised in the income statement on a straight-line basis over the lease term.

2.25 Dividend distribution

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

2.26 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.

2.27 Financial guarantee contracts

A financial guarantee (a kind of insurance contract) is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified customer fails to make payments when due in accordance with the original or modified terms of a debt instrument. The Group does not recognise liabilities for financial guarantees at inception, but performs a liability adequacy test at each reporting date by comparing its carrying amount of the net liability regarding the financial guarantee with its present legal or constructive obligation amount. If the carrying amount of the net liability is less than its present legal or constructive obligation amount, the entire difference is recognised in the consolidated income statement immediately.

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 recognises provisions for anticipated tax audit issues when management assesses that it is probable such issues will impact the current and deferred income tax assets and liabilities.

(c) Warranty and 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 specific claims brought against the Group by customers, provision is 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 advice if appropriate.

(d) Useful lives and impairment of properties, 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 properties, plant and equipment and other intangible assets by 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 those 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 reviews 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 fair value of financial assets/liabilities is determined using various valuation techniques such as discounted cash flow analysis. Copper price and foreign currency exchange price are the key estimates in the valuation.

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 motion systems.

The trading operating segment is principally engaged in trading of goods and materials not manufactured by the Group and it is the strategy of the Group to downsize the trading business.

The segment information presented to management for the reportable segments for the year ended 31st March 2011 was as follows:

	2011 Manufacturing US$'000	2011 Trading US$'000	2011 Group US$'000
External sales	2,102,792	1,237	2,104,029
Gross profit	579,536	123	579,659
Other operating income	11,503	–	11,503
Selling and administrative (expenses)/income	(367,328)	400	(366,928)
Operating profit before restructuring	223,711	523	224,234
Restructuring provision and asset impairments	(411)	–	(411)
Operating profit after restructuring	223,300	523	223,823
Non-operating income	15,171	245	15,416
Finance costs	(12,970)	–	(12,970)
Share of profits of associate	138	–	138
Profit before income tax	225,639	768	**226,407**
Income tax expenses			**(36,046)**
Profit for the year			**190,361**
Other information			
Depreciation and amortisation	86,789	–	86,789
Interest income	3,566	–	3,566
As of 31st March 2011			
Total assets	2,342,015	358	2,342,373
Total assets include:			
Investment in associate	1,926	–	1,926
Additions to non-current assets (other than financial assets and deferred tax assets)	93,618	–	93,618
Total liabilities	918,801	1,280	920,081

4. SEGMENT INFORMATION *(Cont'd)*

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

	As restated 2010 Manufacturing US$'000	As restated 2010 Trading US$'000	As restated 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 provision and asset impairments	(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 associate	(50)	–	(50)
Profit/(loss) before income tax	106,095	(2,331)	103,764
Income tax expenses			(16,378)
Profit for the year			87,386
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 associate	1,527	–	1,527
Additions to non-current assets (other than financial assets and deferred tax assets)	39,975	–	39,975
Total liabilities	954,717	2,930	957,647

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 incomes and expenses, rental income, fair value gains/(losses) on investment property, gains/(losses) on disposal of investment properties, land use rights, properties, plant and equipment, gains/(losses) on disposal of investments.

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

	2011 US$'000	2010 US$'000
Operating profit after restructuring	223,823	105,857
Rental income	4,265	4,392
Gains/(losses) on sale of investments	832	(2,410)
Gains/(losses) on disposal of investment properties, land use rights, properties, plant and equipment	2,959	(113)
Fair value gains on investment properties	7,988	8,314
Fair value losses on currency contracts	(283)	–
Fair value losses on copper contracts	(36)	–
Fair value losses on interest rate swap	(908)	(4,446)
Miscellaneous expenses	(2,967)	(1,023)
Operating profit per consolidated income statement	235,673	110,571
Interest income	3,566	2,165
Interest expense	(12,970)	(8,922)
Finance costs, net	(9,404)	(6,757)
Share of profits/(losses) of associate	138	(50)
Profit before income tax	226,407	103,764

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 were analysed by product applications. Breakdown of the revenue was as follows:

	2011 US$'000	2010 US$'000
Automotive Products Group ("APG")	1,149,624	933,746
Industry Products Group ("IPG")	726,760	578,969
Other Manufacturing Businesses and Trading Segment	227,645	228,261
	2,104,029	1,740,976

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 2011 was as follows:

	2011 US$'000	2010 US$'000
Hong Kong/People's Republic of China ("HK/PRC")	636,044	468,350
United States of America ("USA")	392,638	323,798
Germany	343,811	271,160
France	122,987	115,382
Italy	90,001	84,260
Others	518,548	478,026
	2,104,029	1,740,976

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

As of 31st March 2011, excluding goodwill held centrally, 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$342.6 million (31st March 2010: US$330.5 million) and the total of these non-current assets located in other countries was US$387.1 million (31st March 2010: US$360.6 million).

5. PROPERTIES, PLANT AND EQUIPMENT

Group

	Freehold land, leasehold 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
As of 31st March 2009						
Cost, as previously reported	184,377	568,007	9,575	246,550	146,667	1,155,176
Adoption of amendment to HKAS 17	19,129	–	–	–	–	19,129
Cost, as restated	203,506	568,007	9,575	246,550	146,667	1,174,305
Accumulated depreciation, as previously reported	(67,310)	(438,280)	–	(182,709)	(98,734)	(787,033)
Adoption of amendment to HKAS 17	(3,650)	–	–	–	–	(3,650)
Accumulated depreciation, as restated	(70,960)	(438,280)	–	(182,709)	(98,734)	(790,683)
Net book amount, as restated	132,546	129,727	9,575	63,841	47,933	383,622
As of 31st March 2009, as previously reported	117,067	129,727	9,575	63,841	47,933	368,143
Adoption of amendment to HKAS 17	15,479	–	–	–	–	15,479
As of 31st March 2009, as restated	132,546	129,727	9,575	63,841	47,933	383,622
Currency translations	3,537	2,976	115	888	788	8,304
Acquisition of subsidiaries	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	(554)	(200)	(605)	(151)	(964)	(2,474)
Reversal/(provision) for impairment (Note 27)	(3,372)	161	–	(442)	1,496	(2,157)
Depreciation (Note 27)	(7,047)	(29,153)	–	(18,186)	(13,764)	(68,150)
Net book amount	135,398	133,562	13,986	59,636	40,632	383,214
As of 31st March 2010						
Cost, as previously reported	197,179	596,511	13,986	251,005	146,831	1,205,512
Adoption of amendment to HKAS 17	18,568	–	–	–	–	18,568
Cost, as restated	215,747	596,511	13,986	251,005	146,831	1,224,080
Accumulated depreciation, as previously reported	(76,386)	(462,949)	–	(191,369)	(106,199)	(836,903)
Adoption of amendment to HKAS 17	(3,963)	–	–	–	–	(3,963)
Accumulated depreciation and impairment, as restated	(80,349)	(462,949)	–	(191,369)	(106,199)	(840,866)
Net book amount, as restated	135,398	133,562	13,986	59,636	40,632	383,214

5. PROPERTIES, PLANT AND EQUIPMENT *(Cont'd)*

Group

	Freehold land, leasehold 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
Year ended 31st March 2011						
As of 31st March 2010, as previously reported	120,793	133,562	13,986	59,636	40,632	368,609
Adoption of amendment to HKAS 17	14,605	–	–	–	–	14,605
As of 31st March 2010, as restated	135,398	133,562	13,986	59,636	40,632	383,214
Currency translations	6,096	3,514	295	656	557	11,118
Additions	1,330	21,866	40,711	9,982	11,713	85,602
Transfer	942	10,439	(23,754)	9,878	2,495	–
Transfer to investment properties (Note 6)	(1,007)	–	–	–	–	(1,007)
Disposals	(1,342)	(1,208)	(376)	(258)	(408)	(3,592)
Provision for impairment (Note 27)	(1,802)	(692)	–	(1,792)	(51)	(4,337)
Depreciation (Note 27)	(9,906)	(30,094)	–	(18,125)	(8,888)	(67,013)
Closing net book amount	129,709	137,387	30,862	59,977	46,050	**403,985**
As of 31st March 2011						
Cost	238,111	612,422	30,862	263,211	155,954	1,300,560
Accumulated depreciation and impairment	(108,402)	(475,035)	–	(203,234)	(109,904)	(896,575)
Net book amount	129,709	137,387	30,862	59,977	46,050	**403,985**

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

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

The Group's interests in leasehold land were analysed as follows:

	2011 US$'000	As restated 2010 US$'000	As restated 1st April 2009 US$'000
In Hong Kong:			
On lease between 10 to 50 years	12,558	14,605	15,479
	12,558	14,605	15,479

6. INVESTMENT PROPERTIES

Group

	2011 US$'000	2010 US$'000
At beginning of the year	45,392	37,025
Currency translations	110	53
Fair value gains (Note 24)	7,988	8,314
Transfer from properties, plant and equipment		
– Net book value (Note 5)	1,007	–
– Revaluation surplus (Note 23)	758	–
Disposals	(1,146)	–
Transfer to non-current asset held for sale (Note 15)	(9,967)	–
At end of the year	**44,142**	45,392

Included within the total above were investment properties valued at US$38.9 million on an open market basis as of 31st March 2011. The appraisals were performed by independent, professionally qualified valuers, DTZ Debenham Tie Leung Limited and Ellwanger & Geiger Limited, both Registered Professional Surveyors. Separately, a Hong Kong property with a carrying amount of US$3.4 million was valued based on the market value of similar property valued by the valuer, DTZ Debenham Tie Leung Limited.

Properties transferred from properties, plant and equipment with a carrying amount of US$1.8 million (US$1.0 million and US$0.8 million above) are valued based on the open market value by management.

As of 31st March 2011, the Group's investment properties have tenancies expiring in the period from April 2011 to June 2012.

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

	2011 US$'000	2010 US$'000
In Hong Kong:		
On lease between 10 to 50 years	40,793	42,686
Outside Hong Kong:		
On lease between 10 to 50 years	3,349	2,706
	44,142	45,392

7. LAND USE RIGHTS

Group

	2011 US$'000	As restated 2010 US$'000
As of 31st March, as previously reported	26,641	23,170
Adoption of amendment to HKAS 17	(14,605)	(15,479)
As of 31st March, as restated	12,036	7,691
Currency translations	446	527
Additions	317	1,037
Acquisition of subsidiaries	–	3,211
Amortisation of prepaid operating lease payments (Note 27)	(568)	(430)
Disposals	(2,885)	–
At end of the year	**9,346**	12,036

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

	2011 US$'000	As restated 2010 US$'000	As restated 1st April 2009 US$'000
In PRC:			
On lease between 10 to 50 years	9,346	12,036	7,691
	9,346	12,036	7,691

8. INTANGIBLES

Group

	Goodwill US$'000	Technology, license rights, patents and development costs US$'000	Brands US$'000	Client relationships US$'000	Total intangibles US$'000
As of 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
Currency translations	29,163	7,981	4,051	6,296	47,491
Acquisition of subsidiaries	–	42	–	1,160	1,202
Acquisition of non-controlling interests	6,894	–	–	–	6,894
Additions	–	2,445	–	–	2,445
Amortisation (Note 27)	–	(10,560)	(2,468)	(5,761)	(18,789)
Provision for impairment (Note 27)	–	(1,466)	–	–	(1,466)
Closing net book amount	454,155	110,399	52,997	82,320	699,871
As of 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
Year ended 31st March 2011					
Opening net book amount	454,155	110,399	52,997	82,320	699,871
Currency translations	58,393	13,812	7,467	11,562	91,234
Additions	–	3,150	–	–	3,150
Amortisation (Note 27)	–	(10,912)	(2,601)	(6,054)	(19,567)
Closing net book amount	512,548	116,449	57,863	87,828	**774,688**
As of 31st March 2011					
Cost	512,548	190,592	73,400	124,019	900,559
Accumulated amortisation and impairment	–	(74,143)	(15,537)	(36,191)	(125,871)
Net book amount	512,548	116,449	57,863	87,828	**774,688**

The amortisation charge was included in the "Selling and administrative expenses" in the income statement.

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 FY2011/12 financial budget.

Forecast profitability is based on past performance and expected future changes in costs and sales prices. Cash flow is projected based on long-range financial forecasts using the estimated sales growth rate for the manufacturing CGU of 10% for the years from 2012 to 2013 and a conservative growth rate of 3% to 8% from 2014 onwards (FY2009/10: 3% to 5%). Future cash flow is discounted at 10% (FY2009/10: 17%). 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	*2011 US$'000*	*2010 US$'000*
Unlisted investments, at cost	*1,001,956*	*1,001,956*
Amounts due from subsidiaries		
– non-current portion (a)	*17,722*	*46,049*
	1,019,678	*1,048,005*
Amounts due from subsidiaries		
– current portion (b)	***370,505***	*341,809*
Amounts due to subsidiaries		
– current portion (b)	***(390,520)***	*(260,810)*
	(20,015)	*80,999*
	999,663	*1,129,004*

(a) US$14.5 million is unsecured, interest-free and is not repayable in the foreseeable future. The remaining is unsecured, interest bearing at 3% per annum (FY2009/10: 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. INVESTMENT IN ASSOCIATE

Group	2011 US$'000	2010 US$'000
At beginning of the year	1,527	1,672
Currency translations	264	131
Share of associate's results		
– profits/(losses) for the year	138	(50)
Dividend received	–	(226)
Disposal of an associate	(3)	–
At end of the year	**1,926**	1,527

Details of associate are shown in Note 40.

11. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group		*Company*	
	2011 US$'000	2010 US$'000	*2011 US$'000*	*2010 US$'000*
At beginning of the year	2,386	3,525	*2,042*	*2,098*
Currency translations	19	71	–	–
Disposal	(295)	(375)	*(295)*	*(375)*
Provision for impairment	(363)	(1,154)	–	–
Fair value gains transfer to equity (Note 23)	209	319	*209*	*319*
At end of the year	**1,956**	2,386	***1,956***	*2,042*

Impairment provisions of US$0.4 million on available-for-sale financial assets were booked in the income statement in FY2010/11 (FY2009/10: US$1.2 million).

Available-for-sale financial assets included the following:

	Group		*Company*	
	2011 US$'000	2010 US$'000	*2011 US$'000*	*2010 US$'000*
Unlisted securities				
– Unlisted equity investments	**1,956**	2,386	***1,956***	*2,042*

11. AVAILABLE-FOR-SALE FINANCIAL ASSETS *(Cont'd)*

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

	Group		*Company*	
	2011	2010	*2011*	*2010*
	US$'000	US$'000	*US$'000*	*US$'000*
US Dollar	1,956	2,042	*1,956*	*2,042*
Pounds sterling	–	344	*–*	*–*
Total	**1,956**	2,386	***1,956***	*2,042*

12. OTHER FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Group	2011	2010
	US$'000	US$'000
Unlisted debt securities	9,647	9,270

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

Designated as fair value through profit or loss on initial recognition	9,647	9,270
Current portion	**5,148**	–
Non-current portion	**4,499**	9,270
	9,647	9,270

The fair values of unlisted debt securities are based on the fair value using discounted cash flow.

The maximum exposure to credit risk at the reporting date is the fair value of these securities.

13. INVENTORIES

Group	2011	2010
	US$'000	US$'000
Raw materials	125,382	107,282
Work in progress	8,213	7,250
Finished goods	119,168	81,813
	252,763	196,345

14. TRADE AND OTHER RECEIVABLES

Group	2011 US$'000	2010 US$'000
Trade receivables – gross	362,856	309,734
Less: provision for impairment of receivables	(4,090)	(5,596)
Trade receivables – net	358,766	304,138
Prepayments and other receivables	62,969	56,114
	421,735	360,252

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

Aging of gross trade receivables

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

Group	2011 US$'000	2010 US$'000
Current	328,334	275,240
1-60 days	26,122	25,741
61-90 days	2,039	1,901
Over 90 days	6,361	6,852
Total	362,856	309,734

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

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

Group	2011 US$'000	2010 US$'000
US Dollar	149,993	126,055
Euro	122,988	107,316
RMB	75,354	60,482
Others	14,521	15,881
Total	362,856	309,734

14. TRADE AND OTHER RECEIVABLES *(Cont'd)*

Aging 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 2011, trade receivables of US$30.4 million (31st March 2010: US$29.0 million) were past due but not impaired. Management assessed the credit quality of this US$30.4 million by reference to the repayment history and current financial position of the customers. These receivables are related to a number of independent customers for whom there is no recent history of default and no significant change in credit quality. Management believes that no provision for impairment is necessary and these balances are expected to be fully recovered. The aging of these overdue trade receivables but not impaired is as follows:

Group	2011 US$'000	2010 US$'000
1-60 days	25,956	25,606
61-90 days	2,003	1,808
Over 90 days	2,476	1,617
Total	30,435	29,031

Provision for impairment of trade receivables

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

Group	2011 US$'000	2010 US$'000
At beginning of the year	5,596	13,010
Currency translations	237	(76)
Receivables written off during the year as uncollectible	(1,061)	(4,056)
Provision for receivable impairment (Note 27)	1,351	883
Unused amounts reversed (Note 27)	(2,033)	(4,165)
At end of the year	4,090	5,596

The creation and release of provision for impaired receivables have been included in "Net write back for impairment of trade receivables" in the income statement (Note 27).

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

15. NON-CURRENT ASSET HELD FOR SALE

Group	2011 US$'000	2010 US$'000
Asset held for sale	**9,967**	–

The Group entered into an agreement with a third party on 16th March 2011 to sell an investment property in Hong Kong. The completion date for the transaction is expected by August 2011.

The fair value model measurement in accordance with HKAS 40 is used to determine the fair value gain of an investment property classified as asset held for sale. A fair value gain amounting to US$2.8 million was credited to the income statement under other income and gains/(losses) in current year.

16. OTHER FINANCIAL ASSETS AND LIABILITIES

Group	Assets		Liabilities	
	2011 US$'000	2010 US$'000	2011 US$'000	2010 US$'000
Cross-currency interest rate swaps				
– net investment hedge (Note a)	–	48	–	35,113
Interest rate swaps (Note b)	–	–	–	3,107
Commodity contracts (Note c)				
– copper hedging contracts (cash flow hedge)	8,059	4,588	–	–
– held for trading	–	135	–	159
Forward foreign exchange contracts (Note d)				
– cash flow hedge	1,263	–	368	–
– held for trading	212	365	–	677
Others – held for trading (Note e)	–	155	25	–
Total (Note f)	9,534	5,291	393	39,056
Current portion	**9,534**	5,291	**393**	39,056
Non-current portion	–	–	–	–
Total	9,534	5,291	393	39,056

16. OTHER FINANCIAL ASSETS AND LIABILITIES *(Cont'd)*

Note:

(a) Cross-currency interest rate swaps

The Group entered into cross-currency interest rate swaps in March 2006 related to financing of the acquisition of Saia-Burgess group based in Switzerland, whereby the Group contracted to swap US$258.9 million into CHF339.0 million. In February 2009, a cross-currency swap of CHF139.0 million was unwound with a net cash outflow of US$13.2 million.

During the year ended 31st March 2011, the remaining portion of the swaps of CHF200.0 million was also unwound and a net cash outflow of US$35.1 million was incurred.

The cumulative loss of US$48.3 million (US$35.1 million and US$13.2 million) included in equity under exchange reserve will remain in equity as long as the underlying net investment is held. No deferred tax benefit (asset) has been recognised for these losses.

(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 became an ineffective hedge upon the repayment of the US$525.0 million term loan in February 2010. This interest rate swap has been settled in March 2011. As of 31st March 2010, the fixed interest rate under the interest rate swap was at a weighted average cost of 1.34% against the receipt of 30 day LIBOR (0.25% for a 30 day LIBOR). The interest rate swap generated losses in the income statement during the current year of US$0.9 million in other income and gains/(losses) as disclosed in Note 24 (FY2009/10: US$4.4 million in other income and gains/(losses) and US$2.6 million in finance cost).

The cash outflows related to this swap were US$4.0 million for the current year (FY2009/10: US$4.0 million).

(c) Copper hedging contracts

Gains and losses on copper hedging contracts including copper forward contracts recognised in the hedging reserve in equity as of 31st March 2011 are recognised in the income statement in the period or periods that the underlying copper volume is consumed. As of 31st March 2011, there were outstanding copper hedging contracts of US$65.0 million (31st March 2010: US$41.2 million) with maturities ranging from 1 month to 15 months from the balance sheet date, with a favourable fair value of US$8.1 million (asset shown above).

(d) Forward foreign exchange contracts

For RMB, JPY, Euro contracts designated as hedges, the gains and losses recognised in the hedging reserve in equity on forward foreign exchange contracts as of 31st March 2011 are recognised in the income statement in the period or periods that the underlying currency contract is consumed. As of 31st March 2011, there were outstanding RMB forward purchase contracts of RMB570.0 million with maturities ranging from 1 month to 15 months, JPY forward purchase contracts of JPY650.0 million with maturities of 2 months, Euro forward purchase contracts of EUR54.0 million with maturities from 1 month to 6 months.

16. OTHER FINANCIAL ASSETS AND LIABILITIES *(Cont'd)*

(d) Forward foreign exchange contracts *(Cont'd)*

For currency contracts designated as held for trading, fair value gains and losses of the forward contracts are recognised in the income statement. As of 31st March 2011, there were outstanding RMB forward purchase contracts of RMB220.0 million with maturities ranging from 1 month to 11 months, Euro forward purchase contracts of EUR5.0 million with maturities ranging from 1 month to 5 months, JPY forward purchase contracts of JPY175.0 million with maturities ranging from 1 month to 3 months, USD forward purchase contracts of US$0.1 million with maturities ranging from 2 months to 4 months. Net fair value gains recognised in the income statement was not material.

(e) Others – held for trading

This represents the mark-to-market value for a credit default swap maturing on 20th March 2012 on a notional amount of US$25.0 million of sovereign debt of China (maturing in 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*	
	2011	*2010*	*2011*	*2010*
	US$'000	*US$'000*	*US$'000*	*US$'000*
Interest rate swaps	–	–	–	*3,107*
Cross currency interest rate swaps	–	*48*	–	*35,113*
Forward foreign exchange contracts	–	–	*147*	–
Total	–	*48*	*147*	*38,220*
Current portion	–	*48*	***147***	*38,220*
Non-current portion	–	–	–	–
Total	–	*48*	*147*	*38,220*

17. CASH AND DEPOSITS

	Group		*Company*	
	2011	2010	*2011*	*2010*
	US$'000	US$'000	*US$'000*	*US$'000*
Cash at bank and in hand	148,059	229,207	*39*	*80*
Short term bank deposits	204,731	133,926	*–*	*–*
Cash and cash equivalents	352,790	363,133	*39*	*80*
Other short term bank deposits	1,925	3,927	*–*	*–*
Total	**354,715**	367,060	***39***	*80*

The effective interest rate on bank balances and deposits was 1.33% (FY2009/10: 0.5%); these deposits have an average maturity of 38 days (FY2009/10: 87 days).

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

Group	2011	2010
	US$'000	US$'000
US Dollar	29,339	70,315
Euro	34,109	24,003
RMB	266,939	135,128
CHF	2,051	125,052
Others	22,277	12,562
Total	**354,715**	367,060

18. TRADE AND OTHER PAYABLES

Group	2011	2010
	US$'000	US$'000
Trade payables	244,824	206,565
Accrued expenses and sundry payables	169,698	134,579
	414,522	341,144

Company	*2011*	*2010*
	US$'000	*US$'000*
Accrued expenses and sundry payables	*269*	*531*
	269	*531*

18. TRADE AND OTHER PAYABLES *(Cont'd)*

The fair value of the Group's trade and other payables were approximately the carrying value. The aging analysis of trade payables based on invoice date was as follows:

	2011 US$'000	2010 US$'000
0-60 days	177,446	151,903
61-90 days	44,522	34,423
Over 90 days	22,856	20,239
Total	244,824	206,565

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

Group	2011 US$'000	2010 US$'000
US Dollar	97,683	84,930
Euro	51,575	42,238
RMB	45,137	36,640
HK Dollar	40,300	32,118
Others	10,129	10,639
Total	244,824	206,565

19. BORROWINGS

	Group 2011 US$'000	Group 2010 US$'000	*Company 2011 US$'000*	*Company 2010 US$'000*
Three-year term loan (due on 26th February 2013) (Note a)	150,000	400,000	*150,000*	*400,000*
Unamortised upfront fees	(1,089)	(4,618)	*(1,089)*	*(4,618)*
Carrying value	148,911	395,382	*148,911*	*395,382*
Committed revolving three-year term loan (due on 14th February 2013) (Note b)	27,700	–	–	–
Other loans (due in 2017 to 2018)	2,847	6,345	–	–
Non-current borrowings	**179,458**	401,727	***148,911***	*395,382*
Loans based on trade receivables (Note b)	118,559	–	–	–
Other loans	15,689	6,962	–	–
Current borrowings	**134,248**	6,962	–	–
Total borrowings	313,706	408,689	*148,911*	*395,382*

Note:

(a) The Company repaid US$250.0 million from the US$400.0 million term loan borrowed last year in order to reduce the interest expense and to shift borrowings from the Company level to the subsidiary level as discussed in Note (b) below. The term loan is subject to the usual terms and conditions by a bank group to an industrial credit.

(b) Subsidiary companies borrowed US$146.3 million in USA and Europe. The new borrowings are subject to the same terms and conditions as the existing term loan and were guaranteed by the Company. These new loans are placed such that the interest expense will match the source of the operating income.

- Unsecured borrowing in USA of US$55.0 million, with a covenant that trade receivables shall not be pledged to other parties.
- Borrowings in Europe of US$63.6 million (EUR45.0 million), which were secured by trade receivables.
- Unsecured borrowing in USA of US$27.7 million, part of a US$35.0 million three-year committed line of credit.

19. BORROWINGS *(Cont'd)*

The maturity of borrowings was as follows:

	Group				*Company*	
	Bank borrowings		Other loans		*Bank borrowings*	
	2011	2010	2011	2010	*2011*	*2010*
	US$'000	US$'000	US$'000	US$'000	*US$'000*	*US$'000*
Within one year	133,804	6,617	444	345	–	–
In the second year	148,911	2,941	458	677	*148,911*	–
In the third to fifth year	27,700	395,382	1,459	1,356	–	*395,382*
After the fifth year	–	–	930	1,371	–	–
	310,415	404,940	3,291	3,749	*148,911*	*395,382*

At the balance sheet date, the interest rate charged on the outstanding balances ranged from 0.7% to 6.1% per annum (31st March 2010: 2.2% to 8.2% per annum).

The weighted average effective interest rate of the borrowings as of 31st March 2011 was approximately 1.6% (31st March 2010 adjusted for interest rate swaps: 3.3%).

As of 31st March 2011, bank borrowings of US$63.6 million (EUR45.0 million) were secured by trade receivables with a carrying amount of US$76.3 million (EUR54.0 million). This represents an over-collateralisation requirement of 20%. (31st March 2010: US$9.6 million secured by properties, plant and equipment and land use rights with a carrying amount of US$13.3 million was repaid in the current year).

As of 31st March 2011, borrowings of subsidiary companies amounting to US$161.5 million were guaranteed by the Company.

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

	Group		*Company*	
	2011	2010	*2011*	*2010*
	US$'000	US$'000	*US$'000*	*US$'000*
US Dollar	231,611	395,382	*148,911*	*395,382*
Euro	66,851	3,749	–	–
RMB	15,244	9,558	–	–
	313,706	408,689	*148,911*	*395,382*

20. 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$'000	Long service payment and Sundries US$'000	Total US$'000
As of 31st March 2009	936	11,990	32,264	7,624	10,415	1,497	64,726
Currency translations	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)
As of 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
As of 31st March 2010	1,058	20,110	22,468	7,845	21,797	1,206	74,484
As of 31st March 2010	1,058	20,110	22,468	7,845	21,797	1,206	74,484
Currency translations	3	763	2,081	43	571	23	3,484
Provisions	188	585	3,435	–	24,260	1,691	30,159
Release of provisions	–	(174)	–	–	(1,823)	–	(1,997)
Utilised	–	(7,496)	(7,592)	(1,043)	(9,123)	(552)	(25,806)
Actuarial losses recognised in equity	–	–	5,361	–	–	(317)	5,044
As of 31st March 2011	1,249	13,788	25,753	6,845	35,682	2,051	85,368
Current portion	–	5,503	–	690	10,571	19	**16,783**
Non-current portion	1,249	8,285	25,753	6,155	25,111	2,032	**68,585**
As of 31st March 2011	1,249	13,788	25,753	6,845	35,682	2,051	85,368

* Included the settlement of US$17.6 million for the Joyal claim. The remaining amount of US$23.6 million represents claims from customers for various products.

20. PROVISIONS AND OTHER LIABILITIES *(Cont'd)*

20.1 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 projected unit credit method to account for the Group's pension accounting costs.

20.1.1 The amounts recognised as a net liability in the balance sheet were determined as follows:

	2011 US$'000	2010 US$'000
Present value of funded obligations	(168,349)	(135,303)
Less: Fair value of plan assets (b)	155,240	131,220
	(13,109)	(4,083)
Present value of unfunded obligations	(12,644)	(18,385)
Retirement benefit obligations (net liability)	(25,753)	(22,468)

(a) Present value of defined benefit obligations

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

	2011 US$'000	2010 US$'000
At beginning of the year	153,688	136,171
Current service cost (Note 20.1.2)	3,044	2,796
Interest cost (Note 20.1.2)	6,020	4,610
Contributions by plan participants	3,795	3,050
Actuarial losses (Note 20.1.3)	4,993	4,169
Currency translations	20,511	9,422
Benefits paid	(11,058)	(11,239)
Settlement	–	4,709
At end of the year	180,993	153,688
Represented by:		
Present value of funded obligations	168,349	135,303
Present value of unfunded obligations	12,644	18,385
	180,993	153,688

20. PROVISIONS AND OTHER LIABILITIES *(Cont'd)*

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

Defined benefit pension plans *(Cont'd)*

20.1.1 (b) Fair value of plan assets

	2011 US$'000	2010 US$'000
The movement in the fair value of plan assets for the year was as follows:		
At beginning of the year	131,220	103,907
Expected return on plan assets (Note 20.1.2)	5,629	3,560
Actuarial (losses)/gains (Note 20.1.3)	(368)	11,764
Currency translations	18,430	8,026
Employer contributions	5,465	9,564
Employee contributions	3,795	3,050
Benefits paid	(8,931)	(8,651)
At end of the year (Note 20.1.1)	155,240	131,220

The actual gains on plan assets were US$5.3 million (FY2009/10: US$15.3 million).

20.1.2 The amounts recognised in the income statement were as follows:

	2011 US$'000	2010 US$'000
Current service cost (Note 20.1.1.a)	3,044	2,796
Interest cost (Note 20.1.1.a)	6,020	4,610
Expected return on plan assets (Note 20.1.1.b)	(5,629)	(3,560)
Past service cost	8	(6)
Expensed in income statement for pensions benefits included in staff costs (Note 28)	3,443	3,840

20.1.3 The amounts recognised through equity were as follows:

	2011 US$'000	2010 US$'000
Actuarial losses on obligation (Note 20.1.1.a)	(4,993)	(4,169)
Actuarial (losses)/gains on plan assets (Note 20.1.1.b)	(368)	11,764
Net actuarial (losses)/gains (Note 23)	(5,361)	7,595
Less: deferred taxation on actuarial losses/(gains) (Note 23)	2,411	(1,649)
Total (losses)/gains, included in equity	(2,950)	5,946

20 PROVISIONS AND OTHER LIABILITIES *(Cont'd)*

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

Defined benefit pension plans *(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 6 years, the weighted average rate of return for the defined benefits pension plans was 2.6% per annum.

Plan assets comprised the following:

	2011		2010	
	US$'000	Percentage	US$'000	Percentage
Equities	56,158	36%	47,331	36%
Bonds	66,870	43%	57,836	44%
Others (mainly property investment)	32,212	21%	26,053	20%
	155,240	100%	131,220	100%

Experience adjustments were as follows:

	2011	2010	2009	2008	2007
	US$'000	US$'000	US$'000	US$'000	US$'000
As of 31st March					
Present value of defined benefit obligations	180,993	153,688	136,171	166,402	145,026
Less: Fair value of plan assets	(155,240)	(131,220)	(103,907)	(132,915)	(116,916)
Deficit in the plan	25,753	22,468	32,264	33,487	28,110
Experience adjustments on plan liabilities	(686)	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 where these assets are based.

The Group did not expect to make contributions to post-employment benefit plans for the year ending 31st March 2012.

20. PROVISIONS AND OTHER LIABILITIES *(Cont'd)*

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

Defined benefit pension plans *(Cont'd)*

The principal actuarial assumptions used were as follows:

	2011 Percentage	2010 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% – 3%	0% – 4%

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 were as follows:

	2011	2010
Male	19.2	18.7
Female	22.2	22.0

20.2 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 the 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. As of 31st March 2011, the balance of the forfeited contributions was US$0.8 million (31st March 2010: US$0.7 million).

20. PROVISIONS AND OTHER LIABILITIES *(Cont'd)*

20.3 Finance lease liabilities

Properties, plant and equipment included the following amounts held under finance leases:

	2011 US$'000	2010 US$'000
Cost – capitalised finance leases	11,103	18,814
Accumulated depreciation and impairment	(7,174)	(5,930)
Net book amount	3,929	12,884

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

Gross finance lease obligation – minimum lease payments:

	2011 US$'000	2010 US$'000
Not later than 1 year	1,492	1,711
Later than 1 year and not later than 5 years	5,576	5,679
Later than 5 years	3,062	4,462
	10,130	11,852
Future finance charges on finance leases	(3,285)	(4,007)
Present value of finance lease liabilities	6,845	7,845

The present value of finance lease liabilities was as follows:

	2011 US$'000	2010 US$'000
Not later than 1 year	690	562
Later than 1 year and not later than 5 years	3,463	3,549
Later than 5 years	2,692	3,734
	6,845	7,845

21. DEFERRED INCOME TAX

Deferred 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 relate to the same fiscal authority. The following amounts, determined after appropriate offsetting within a tax return, are shown in the consolidated balance sheet:

	2011 US$'000	As restated 2010 US$'000	As restated 1st April 2009 US$'000
Deferred income tax assets	**35,957**	39,833	36,463
Deferred income tax liabilities	**(78,160)**	(77,245)	(75,792)
Total deferred income tax	(42,203)	(37,412)	(39,329)

The gross differences between book and tax accounting, before netting in a tax return were as follows:

	2011 US$'000	2010 US$'000
Gross deferred income tax assets	49,240	44,551
Gross deferred income tax liabilities	(91,443)	(81,963)
Deferred income tax liabilities, net	(42,203)	(37,412)

The details of the change in components of book and tax accounting differences are shown in the next section.

21. DEFERRED INCOME TAX *(Cont'd)*

The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

	Provisions		Accelerated tax depreciation		Tax losses		Fair value gains/(losses)		Others		Total	
	2011 US$'000	2010 US$'000	2011 US$'000	2010 US$'000	2011 US$'000	2010 US$'000	2011 US$'000	As restated 2010 US$'000	2011 US$'000	2010 US$'000	2011 US$'000	As restated 2010 US$'000
Deferred income tax assets												
At beginning of the year	8,824	20,991	115	617	22,115	12,671	–	1,331	13,497	11,582	44,551	47,192
Currency translations	286	422	36	16	36	124	(10)	–	64	151	412	713
Acquisitions of subsidiaries	–	83	–	–	–	58	–	–	–	–	–	141
Credited/(charged) to income statement	3,327	(8,557)	1,330	(377)	(1,847)	9,342	(97)	–	(2,094)	2,922	619	3,330
Deferred income tax assets written off	–	(4,119)	–	(141)	–	(80)	–	–	–	(1,026)	–	(5,366)
Taxation charged to equity	4	4	–	–	–	–	1,318	(1,331)	2,336	(132)	3,658	(1,459)
Assets at end of the year	12,441	8,824	1,481	115	20,304	22,115	1,211	–	13,803	13,497	49,240	44,551
Deferred income tax (liabilities)												
At beginning of the year, as previously reported	(1,943)	(4,128)	(16,128)	(23,331)	–	–	(64,997)	(63,974)	(5,427)	(159)	(88,495)	(91,592)
Adoption of HKAS 12 (amendment)	–	–	–	–	–	–	6,532	5,071	–	–	6,532	5,071
At beginning of the year, as restated	(1,943)	(4,128)	(16,128)	(23,331)	–	–	(58,465)	(58,903)	(5,427)	(159)	(81,963)	(86,521)
Currency translations	(297)	(192)	(790)	(496)	–	–	(8,421)	(4,782)	109	123	(9,399)	(5,347)
Credited/(charged) to income statement	(143)	2,377	1,508	6,280	–	–	3,775	5,641	(3,288)	(5,245)	1,852	9,053
Deferred income tax liabilities written off	–	–	–	1,419	–	–	–	–	–	1,375	–	2,794
Taxation charged to equity	–	–	–	–	–	–	(693)	(421)	(1,240)	(1,521)	(1,933)	(1,942)
Liabilities at end of the year	(2,383)	(1,943)	(15,410)	(16,128)	–	–	(63,804)	(58,465)	(9,846)	(5,427)	(91,443)	(81,963)
Deferred income tax assets/ (liabilities), net	10,058	6,881	(13,929)	(16,013)	20,304	22,115	(62,593)	(58,465)	3,957	8,070	(42,203)	(37,412)

Deferred income tax liabilities of US$8.5 million have not been recognised for the withholding tax that would be payable on the unremitted earnings of certain subsidiaries. Such amounts are permanently reinvested.

21. DEFERRED INCOME TAX *(Cont'd)*

Shown as:

	2011 US$'000	As restated 2010 US$'000	As restated 1st April 2009 US$'000
Deferred income tax assets:			
Deferred income tax assets to be recovered after more than twelve months	38,483	31,438	32,333
Deferred income tax assets to be recovered within twelve months	10,757	13,113	14,859
Deferred income tax assets	49,240	44,551	47,192
Deferred income tax liabilities:			
Deferred income tax liabilities to be recovered after more than twelve months	(84,346)	(73,034)	(78,739)
Deferred income tax liabilities to be recovered within twelve months	(7,097)	(8,929)	(7,782)
Deferred income tax liabilities	(91,443)	(81,963)	(86,521)
Deferred income tax liabilities, net	(42,203)	(37,412)	(39,329)

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

	2011 US$'000	As restated 2010 US$'000
At beginning of the year, as previously reported	(43,944)	(44,400)
Adoption of HKAS 12 (amendment)	6,532	5,071
At beginning of the year, as restated	(37,412)	(39,329)
Currency translations	(8,987)	(4,634)
Acquisition of subsidiaries	–	141
Transfer to income statement (Note 30)	2,471	12,383
Deferred income tax assets written off (Note 30)	–	(2,572)
Deferred income tax charged to equity	1,725	(3,401)
At end of the year	(42,203)	(37,412)

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

	2011 US$'000	2010 US$'000
Fair value reserves in shareholders' equity (Note 23) – hedging reserve	(686)	(1,752)
Actuarial losses/(gains) of defined benefit plans	2,411	(1,649)
	1,725	(3,401)

21. DEFERRED INCOME TAX *(Cont'd)*

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$125.6 million (FY2009/10: US$152.3 million) that can be carried forward against future taxable income. The aging of unrecognised tax losses by their expiry dates was as follows:

	2011 US$'000	2010 US$'000
Less than 1 year	1,847	18,455
1-2 years	1,055	11,695
3-5 years	12,962	17,558
5-20 years	37,860	34,424
Unlimited	71,841	70,216
	125,565	152,348

Deferred income tax assets have not been recognised with respect to other deductible temporary differences amounting to US$5.5 million (FY2009/10: US$7.5 million), for which no taxable profit will be available to set off the deductible temporary difference.

The movement table 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 deductions against taxable profit, which gives rise to a different basis for calculating accounting and taxable profit.

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.

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

Fair value gains/(losses):
The extent to which a change in value resulting from the reassessment of an asset's economic worth is not treated as 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.

22. 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 31st March 2009	3,663,599	5,925	77,855	(5,339)	78,441
Treasury shares vested	1,329	–	4	1,048	1,052
As of 1st April 2010	3,664,928	5,925	77,859	(4,291)	79,493
Treasury shares purchased for the Long-Term Incentive Share Scheme	(20,000)	–	–	(10,661)	(10,661)
Treasury shares vested	2,690	–	(360)	1,498	1,138
As of 31st March 2011	3,647,618	5,925	77,499	(13,454)	**69,970**

As of 31st March 2011, the total authorised number of ordinary shares is 7,040,000,000 shares (31st March 2010: 7,040,000,000) with a par value of HK$0.0125 per share (31st March 2010: HK$0.0125 per share). All issued shares are fully paid.

Long-Term Incentive Share Scheme

The Long-Term Incentive Share Scheme was initially approved by the shareholders on 26th July 1999 and expired on 31st July 2009. Such scheme was replaced by a new Long-Term Incentive Share Scheme (the "Incentive Share Scheme") approved by the shareholders on 24th August 2009. The directors may grant shares to such eligible employees and directors as the directors may select in its absolute discretion under the Incentive Share Scheme.

Details of the shares vested in eligible employees under the Incentive Share Scheme as of 31st March 2011 are as follows:

Number of shares purchased	Average purchase price (HK$)	Total shares granted in FY2004/05 – FY2010/11	Total shares vested in FY 2005/06 – FY2010/11	Shares to be vested				
				FY2011/12	FY2012/13	FY2013/14	FY2014/15	FY2015/16
26,170,517	4.36	16,553,000	6,368,000	2,394,000	1,156,000	5,795,000	340,000	500,000

During the year, the Company granted 5,751,000 shares (FY2009/10: 5,144,000) under the Long-Term Incentive Share Scheme.

22. SHARE CAPITAL AND SHARE PREMIUM *(Cont'd)*

Share Options

Pursuant to the Share Option Scheme (the "Scheme") approved at the Annual General Meeting of the Group held on 29th July 2002 and adopted by the Company on the same day, 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).

As of 31st March 2011, share options granted to employees under the Scheme were as follows:

Held at 31/03/2010	Forfeited during the year	Held at 31/03/2011	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
262,500	–	262,500	9.65	31/07/2003	01/07/2005	30/07/2013
262,500	–	262,500	9.65	31/07/2003	01/07/2006	30/07/2013
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
1,425,000	–	1,425,000				

No share option was granted or exercised during the year (FY2009/10: nil).

The fair value of options granted or forfeited, net, during the year ended 31st March 2011 was determined using the Binomial valuation model. There was no profit and loss impact relating to the Scheme in the current year (FY2009/10: US$42,000). The significant inputs into the model were dividend yield of 1.5%, sub optimal early exercise factor of 1.5, withdrawal rate of 5% post the vesting period, volatility of 40% and the risk-free rate which varied depending on the grant date.

The aggregate fair value of the options previously granted was US$0.3 million (FY2009/10: US$0.3 million). This was recognised, together with a corresponding increase in equity, over the vesting period.

23. RESERVES

Group

	Contributed surplus US$'000	Capital reserve US$'000	Goodwill on consolidation US$'000	Exchange reserve US$'000	Share-based employee benefit reserve US$'000	Hedging reserve US$'000	Other reserves* US$'000	Retained earnings US$'000	Total US$'000
As of 31st March 2010, as previously reported	15,499	38,904	(233,885)	114,030	2,228	5,145	13,226	1,080,496	1,035,643
Adoption of HKAS 12 (amendment)	–	–	–	–	–	–	2,377	4,155	6,532
As of 31st March 2010, as restated	15,499	38,904	(233,885)	114,030	2,228	5,145	15,603	1,084,651	1,042,175
Exchange gains on translation of foreign subsidiaries	–	–	–	100,768	–	–	–	–	100,768
Available-for-sale financial assets (Note 11)									
– fair value gains	–	–	–	–	–	–	209	–	209
– release of reserves upon disposal	–	–	–	–	–	–	(101)	–	(101)
Actuarial losses of defined benefit plans (Note 20.1.3)	–	–	–	–	–	–	–	(5,361)	(5,361)
Deferred income tax effect on actuarial losses of defined benefit plans (Note 20.1.3)	–	–	–	–	–	–	–	2,411	2,411
Actuarial gains of long service payment	–	–	–	–	–	–	–	317	317
Fair value gains									
– hedging instrument	–	–	–	–	–	13,636	–	–	13,636
– transferred to income statement	–	–	–	–	–	(6,346)	–	–	(6,346)
– deferred income tax on fair value gains (Note 21)	–	–	–	–	–	(686)	–	–	(686)
Revaluation surplus									
– on transfer from properties, plant and equipment to investment properties (Note 6)	–	–	–	–	–	–	758	–	758
Net income recognised directly in equity	–	–	–	100,768	–	6,604	866	(2,633)	105,605
Profit for the year	–	–	–	–	–	–	–	181,728	181,728
Total comprehensive income for the year	–	–	–	100,768	–	6,604	866	179,095	287,333
Appropriation of retained earnings to statutory reserve	–	–	–	–	–	–	160	(160)	–
FY2009/10 final dividend paid	–	–	–	–	–	–	–	(23,659)	(23,659)
FY2010/11 interim dividend paid	–	–	–	–	–	–	–	(14,203)	(14,203)
Long-Term Incentive Share Scheme									
– shares vested	–	–	–	–	(1,138)	–	–	–	(1,138)
– value of employee services	–	–	–	–	1,724	–	–	–	1,724
	–	–	–	100,768	586	6,604	1,026	141,073	250,057
As of 31st March 2011	15,499	38,904	(233,885)	214,798	2,814	11,749	16,629	1,225,724	1,292,232
Final dividend proposed	–	–	–	–	–	–	–	28,285	**28,285**
Other	15,499	38,904	(233,885)	214,798	2,814	11,749	16,629	1,197,439	**1,263,947**
As of 31st March 2011	15,499	38,904	(233,885)	214,798	2,814	11,749	16,629	1,225,724	1,292,232
Company and subsidiaries	15,499	38,904	(233,885)	214,798	2,814	11,749	16,629	1,224,092	1,290,600
Associate	–	–	–	–	–	–	–	1,632	1,632
As of 31st March 2011	15,499	38,904	(233,885)	214,798	2,814	11,749	16,629	1,225,724	1,292,232

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

23. RESERVES *(Cont'd)*

Group

	Contributed surplus US$'000	Capital reserve US$'000	Goodwill on consolidation US$'000	Exchange reserve US$'000	Share-based employee benefit reserve US$'000	Hedging reserve US$'000	Other reserves* US$'000	Retained earnings US$'000	Total US$'000
As of 31st March 2009, as previously reported	15,499	38,904	(233,885)	69,947	2,452	(19,144)	12,180	1,000,012	885,965
Adoption of HKAS 12 (amendment)	–	–	–	–	–	–	2,377	2,694	5,071
As of 31st March 2009, as restated	15,499	38,904	(233,885)	69,947	2,452	(19,144)	14,557	1,002,706	891,036
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 plans (Note 20.1.3)	–	–	–	–	–	–	–	7,595	7,595
Deferred income tax effect on actuarial gains of defined benefit plans (Note 20.1.3)	–	–	–	–	–	–	–	(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 21)	–	–	–	–	–	(1,752)	–	–	(1,752)
Net income recognised directly in equity	–	–	–	44,083	–	24,289	72	5,946	74,390
Profit for the year	–	–	–	–	–	–	–	76,973	76,973
Total comprehensive income for the year	–	–	–	44,083	–	24,289	72	82,919	151,363
Appropriation of retained earnings to statutory reserve	–	–	–	–	–	–	974	(974)	–
Long-Term Incentive Share Scheme									
– shares vested	–	–	–	–	(1,052)	–	–	–	(1,052)
– value of employee services	–	–	–	–	870	–	–	–	870
Share option scheme									
– value of employee services	–	–	–	–	(42)	–	–	–	(42)
	–	–	–	44,083	(224)	24,289	1,046	81,945	151,139
As of 31st March 2010	15,499	38,904	(233,885)	114,030	2,228	5,145	15,603	1,084,651	1,042,175
Final dividend proposed	–	–	–	–	–	–	–	23,659	23,659
Other	15,499	38,904	(233,885)	114,030	2,228	5,145	15,603	1,060,992	1,018,516
As of 31st March 2010	15,499	38,904	(233,885)	114,030	2,228	5,145	15,603	1,084,651	1,042,175
Company and subsidiaries	15,499	38,904	(233,885)	114,030	2,228	5,145	15,603	1,083,157	1,040,681
Associate	–	–	–	–	–	–	–	1,494	1,494
As of 31st March 2010	15,499	38,904	(233,885)	114,030	2,228	5,145	15,603	1,084,651	1,042,175

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

23. RESERVES *(Cont'd)*

Company

	Contributed surplus US$'000	Share-based employee benefit reserve US$'000	Other reserve US$'000	Hedging reserve US$'000	Retained earnings US$'000	Total US$'000
As of 31st March 2009	95,273	2,452	(157)	(1,701)	320,347	416,214
Long-Term Incentive Share Scheme						
– shares 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 (Note 11)	–	–	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
As of 31st March 2010	95,273	2,228	(85)	–	520,132	617,548
Final dividend proposed	–	–	–	–	23,659	23,659
Other	95,273	2,228	(85)	–	496,473	593,889
As of 31st March 2010	95,273	2,228	(85)	–	520,132	617,548
Long-Term Incentive Share Scheme						
– shares vested	–	(1,138)	–	–	–	(1,138)
– value of employee services	–	1,724	–	–	–	1,724
Available-for-sale financial assets						
– fair value gains (Note 11)	–	–	209	–	–	209
– release of reserves upon disposal	–	–	(101)	–	–	(101)
Fair value losses						
– hedging instrument	–	–	–	(147)	–	(147)
Profit for the year	–	–	–	–	202,128	202,128
FY2009/10 final dividend paid	–	–	–	–	(23,659)	(23,659)
FY2010/11 interim dividend paid	–	–	–	–	(14,203)	(14,203)
As of 31st March 2011	95,273	2,814	23	(147)	684,398	782,361
Final dividend proposed	–	–	–	–	28,285	**28,285**
Other	95,273	2,814	23	(147)	656,113	**754,076**
As of 31st March 2011	95,273	2,814	23	(147)	684,398	782,361

Distributable reserves of the Company at 31st March 2011 amounted to US$779.7 million (31st March 2010: US$615.4 million).

24. OTHER INCOME AND GAINS/(LOSSES)

	2011 US$'000	2010 US$'000
Gross rental income from investment properties	4,265	4,392
Gains/(losses) on investments, net	832	(2,410)
Gains/(losses) on disposal of investment properties, land use rights and properties, plant and equipment	2,959	(113)
Fair value gains on investment properties (Note 6)	7,988	8,314
Fair value losses on Euro contracts	(1,072)	–
Fair value gains on RMB contracts	789	–
Fair value losses on interest rate swap (Note 16(b))	(908)	(4,446)
Fair value losses on copper contracts	(36)	–
	14,817	5,737

25. SELLING AND ADMINISTRATIVE EXPENSES

	2011 US$'000	2010 US$'000
Selling expenses	112,593	95,707
Administrative expenses	232,694	211,418
Claims and compensation		
– provisions (Note 20)	24,260	41,266
– release of provisions (Note 20)	(1,823)	(1,865)
Net exchange (gains)/losses on revaluation of monetary assets and liabilities	(9,332)	4,314
	358,392	350,840

Note: Included in selling and administrative expenses, operating lease payment for the year was US$5.6 million (FY2009/10: US$5.4 million).

26. RESTRUCTURING PROVISION AND ASSETS IMPAIRMENT

	2011 US$'000	2010 US$'000
Restructuring provision	411	24,630
Assets impairment relating to restructuring (Note 27)	–	1,183
Total provisions	**411**	25,813

Note: The restructuring provision and asset impairments for the prior year related to activities in Europe, USA and Asia. The restructuring provision mainly consisted of provision for severance payments in relation to initiatives to simplify the European manufacturing, supply chain and legal entity footprint.

27. EXPENSES BY NATURE

Operating profit is stated after crediting and charging the following:

	2011 US$'000	As restated 2010 US$'000
Depreciation		
Depreciation on properties, plant and equipment (Note 5)	67,013	68,150
Less: amounts capitalised in assets under construction	(359)	(226)
	66,654	67,924
Employee benefit expense (Note 28)	425,837	372,825
Less: amounts capitalised in assets under construction	(2,284)	(1,343)
	423,553	371,482
Impairment of properties, plant and equipment (Note 5)		
– Relating to restructuring (Note 26)	–	1,183
– Included in selling and administrative expenses and cost of goods sold	4,337	974
Impairment of intangibles (Note 8)	–	1,466
	4,337	3,623
Other items:		
Cost of goods sold*	1,524,370	1,259,489
Auditors' remuneration	2,084	1,950
Amortisation on land use rights (Note 7)	568	430
Amortisation of intangibles (Note 8)	19,567	18,789
Net foreign exchange (gains)/losses	(9,332)	4,314
Net write back for impairment of trade receivables (Note 14)	(682)	(3,282)

* *Note:* Cost of goods sold include materials, direct labour costs (including their social costs) and production overheads.

Included in the cost of goods sold was an operating lease payment of US$15.1 million (FY2009/10: US$12.5 million).

28. EMPLOYEE BENEFIT EXPENSE

	2011 US$'000	2010 US$'000
Wages and salaries	388,849	335,938
Share-based payments	1,699	828
Social security costs	26,131	26,613
Pension costs – defined contribution plans	5,715	5,606
Pension costs – defined benefit plans (Note 20.1.2)	3,443	3,840
	425,837	372,825

28. EMPLOYEE BENEFIT EXPENSE *(Cont'd)*

28.1 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.

28.2 Directors' emoluments

The remuneration of directors for the year ended 31st March 2011 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	–	735	–	71	806
Winnie Wing-Yee Wang	–	414	123	40	577
Austin Jesse Wang	–	135	12	1	148
Peter Kin-Chung Wang	36	–	–	–	36
Peter Stuart Allenby Edwards	39*	–	–	–	39
Patrick Blackwell Paul	51*	–	–	–	51
Oscar de Paula Bernardes Neto	40*	–	–	–	40
Michael John Enright	49*	–	–	–	49
Joseph Chi-Kwong Yam	15	–	–	–	15
	230	1,356	135	112	1,833

* Included are the value of the grant of shares to independent non-executive directors.

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

28. EMPLOYEE BENEFIT EXPENSE *(Cont'd)*

28.3 Senior management compensation

The five individuals whose emoluments were the highest in the Group are as follows. FY2009/10 included one director whose emoluments were reflected in the analysis presented in Note 28.2. The emoluments payable to the 5 individuals (FY2009/10: 4) during the year are as follows:

	2011 US$'000	2010 US$'000
Salaries, allowances and other benefits	2,764	2,110
Retirement scheme contributions	278	126
Retirement gratuity	–	1,300
Bonuses	1,490	373
	4,532	3,909

Emoluments band

	Number of individuals 2011	2010
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$833,001 – US$897,000 (HK$6,500,001 – HK$7,000,000)	4	–
US$1,026,001 – US$1,090,000 (HK$8,000,001 – HK$8,500,000)	1	–
US$2,115,001 – US$2,179,000 (HK$16,500,001 – HK$17,000,000) (Note)	–	1

Note: Amount shown above included a retirement gratuity

28. EMPLOYEE BENEFIT EXPENSE *(Cont'd)*

28.4 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 Profile of directors and senior management on pages 138 to 140 of the annual report were as follows:

	2011 US$'000	2010 US$'000
Salaries and other short term employee benefits	3,910	3,124
Share-based payments	472	95
	4,382	3,219

29. FINANCE COSTS, NET

	2011 US$'000	2010 US$'000
Interest on bank loans wholly repayable within five years and overdrafts	12,870	8,811
Interest on bank loans wholly repayable later than five years	100	111
Interest income	(3,566)	(2,165)
Net interest on bank loans and overdrafts	9,404	6,757

30. INCOME TAX EXPENSES

Hong Kong profits tax has been provided at the rate of 16.5% (FY2009/10: 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 2011 was 15.9% (FY2009/10: 15.8%).

	2011 US$'000	As restated 2010 US$'000
Current income tax		
Hong Kong profits tax	(11,532)	(11,024)
Overseas taxation	(28,313)	(19,533)
Over provisions in prior years	1,328	4,368
	(38,517)	(26,189)
Deferred income tax (Note 21)	2,471	12,383
Deferred income tax assets written off (Note 21)	–	(2,572)
Total income tax expenses	**(36,046)**	(16,378)
Effective tax rate	15.9%	15.8%

The effective tax rate of the Group of 15.9% differs from the statutory tax rate of Hong Kong of 16.5% as follows:

	2011	As restated 2010	2011 US$'000	As restated 2010 US$'000
Profit before income tax			226,407	103,764
Tax charged at Hong Kong profits tax rate	(16.5)%	(16.5)%	(37,357)	(17,121)
Effect of different tax rates in other countries				
– Countries with taxable profit	(1.7)%	(3.2)%	(3,782)	(3,362)
– Countries with loss	1.5%	8.2%	3,422	8,593
Income, net of expenses not subject to tax	5.5%	8.4%	12,399	8,744
Over/(under) provisions for prior years	0.9%	(0.5)%	2,064	(536)
Utilisation of tax losses, tax losses and other timing differences not recognised as an asset and other tax	(5.6)%	(9.7)%	(12,792)	(10,124)
Deferred income tax assets written off	–	(2.5)%	–	(2,572)
	(15.9)%	(15.8)%	(36,046)	(16,378)

31. PROFIT ATTRIBUTABLE TO OWNERS

The Group's consolidated profit attributable to owners was US$181.7 million (FY2009/10 as restated: US$77.0 million). Profit of the Company for the year was US$202.1 million (FY2009/10: US$199.8 million).

Details of movement in reserves are shown in Note 23.

32. DIVIDENDS

	2011 US$'000	2010 US$'000
Interim, of 0.39 US Cents (3 HK Cents) per share (FY2009/10: nil)	14,203	–
Final, proposed, of 0.77 US Cents (6 HK Cents) per share (FY2009/10: 0.64 US Cents or 5 HK Cents)	28,285	23,659
	42,488	23,659

Total dividend per share for the year is 9 HK Cents (FY2009/10: 5 HK Cents).

At a meeting held on 31st May 2011 the directors recommended a final dividend of 0.77 US Cents (6 HK Cents) per share. The recommended final dividend will be reflected as an appropriation of retained earnings for the year ending 31st March 2012.

33. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to owners by the weighted average number of ordinary shares in issue during the year.

	2011	As restated 2010
Profit attributable to owners (thousands US Dollar)	181,728	76,973
Weighted average number of ordinary shares in issue (thousands)	3,659,782	3,664,826
Basic earnings per share (US Cents per share)	**4.97**	2.10
Basic earnings per share (HK Cents per share)	38.60	16.29

The Company has share options that could dilute basic earnings per share in the future. Diluted earnings per share equals basic earnings per share because there were no potential dilutive ordinary shares outstanding during the year ended 31st March 2011.

34. COMMITMENTS

34.1 Capital commitments

Group	2011 US$'000	2010 US$'000
Capital commitments for properties, plant and equipment		
Authorised but not contracted for	6,226	7,068
Contracted but not yet accrued	18,403	6,944
	24,629	14,012

The Company did not have capital commitment as of 31st March 2011 (31st March 2010: nil).

34.2 Operating lease commitments

(i) As of 31st March 2011, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	2011		2010	
	Land and buildings US$'000	Others US$'000	Land and buildings US$'000	Others US$'000
Not later than one year	14,859	1,164	11,993	1,246
Later than one year and not later than five years	41,382	796	24,216	1,002
Later than five years	30,173	16	16,719	–
	86,414	1,976	52,928	2,248

(ii) As of 31st March 2011, the Group had future aggregate minimum lease rental receivable under non-cancellable operating leases on land and buildings as follows:

	2011 US$'000	2010 US$'000
Not later than one year	1,850	2,370
Later than one year and not later than five years	45	258
	1,895	2,628

The Company did not have operating lease commitment as of 31st March 2011 (31st March 2010: nil).

35. CASH GENERATED FROM OPERATIONS

	2011 US$'000	2010 US$'000
Profit before income tax	226,407	103,764
Add: Depreciation of properties, plant and equipment and amortisation of land use rights	67,222	68,354
Amortisation of intangible assets	19,567	18,789
Net interest expense	9,404	6,757
Share of (profits)/losses of associate	(135)	276
EBITDA*	322,465	197,940
Other non-cash items and adjustments:		
Release of pledged deposits	–	17,122
(Gains)/losses on disposals of land use rights, properties, plant and equipment	(2,959)	113
Provision for impairment on properties, plant and equipment	4,337	2,157
Provision for intangibles impairment	–	1,466
Negative goodwill from acquisitions	–	(131)
Net realised and unrealised gains on disposals of other financial assets at fair value through profit or loss	(377)	(247)
Share-based compensation	1,724	828
Fair value gains on investment properties	(7,988)	(8,314)
Net realised (gains)/losses on available-for-sale financial assets	(154)	908
	(5,417)	13,902
EBITDA* net of other non-cash items and adjustments	317,048	211,842
Change in working capital:		
(Increase)/decrease in inventories	(51,700)	13,801
Increase in trade and other receivables	(48,031)	(73,612)
Increase in non-current deposits	(4,908)	–
Increase in trade and other payables	63,823	94,323
Increase in provisions and other liabilities	2,284	15,100
(Decrease)/increase in net financial liabilities	(449)	14,320
	(38,981)	63,932
Cash generated from operations	278,067	275,774

In the cash flow statement, proceeds from disposal of investment properties, land use rights, properties, plant and equipment comprises:

	2011 US$'000	2010 US$'000
Net book amount	7,623	2,472
Gains/(losses) on disposal of investment properties, land use rights, properties, plant and equipment	2,959	(113)
Proceeds from disposal of investment properties, land use rights, properties, plant and equipment	10,582	2,359

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

36. ACQUISITION OF ADDITIONAL INTERESTS OF SUBSIDIARIES AND BUSINESS COMBINATIONS

36.1 Acquisition of additional interests of subsidiaries

The Group acquired additional shares of Nanomotion Ltd., at a consideration of US$0.4 million during the year (FY2009/10: US$6.9 million).

36.2 Business combinations

In the prior year, the Group acquired additional equity interests in China Autoparts, Inc. (China Autoparts) from non-controlling shareholders on 18th June 2009 and 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 total consideration was US$21.9 million, comprised of US$7.8 million purchase cost, net of cash equivalent acquired, plus debt assumed of US$14.1 million.

37. RELATED-PARTY TRANSACTIONS

Details of substantial owners are shown in Disclosure of Interests in the Report of the Directors on page 37. The Group had no other material related party transactions during the year. Details of senior management and key management compensation are disclosed in Note 28.3 and 28.4 in these financial statements.

38. FINANCIAL RISK MANAGEMENT

38.1 Financial risk factors

The Group's activities are exposed 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.

For the year to 31st March 2011, of the sales, 49% (FY2009/10: 49%) were in US Dollar, 31% (FY2009/10: 33%) in Euro, 14% (FY2009/10: 12%) in RMB and the rest in other currencies such as Japanese Yen. The major currencies for purchase of materials and services are the US Dollar, the Euro, the Hong Kong Dollar and the Japanese Yen. Aside from the US Dollar and the Hong Kong Dollar (which is pegged to the US Dollar), 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 15 months.

As of 31st March 2011, if the currency had weakened/strengthened by 5% against the RMB with all other variables held constant, post-tax profit for the year would be 5.1% (FY2009/10: 5.1%) higher/lower, mainly a result of foreign exchange on translation of RMB denominated net current assets.

(ii) Interest rate risk

The Group's interest rate risk mainly arises from interest-bearing borrowings.

The Group will continue to monitor interest rate risk and will consider the use of both fixed and floating interest rate borrowings in the functional currencies where the Group operates.

38. FINANCIAL RISK MANAGEMENT *(Cont'd)*

38.1 Financial risk factors *(Cont'd)*

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

(ii) Interest rate risk *(Cont'd)*

The bank balances and deposits as of 31st March 2011 were US$354.7 million (31st March 2010: US$367.1 million) and were interest bearing at weighted average rate of approximately 1.1% (31st March 2010: 0.5%). Other than the bank deposits, the Group has no significant interest-bearing assets. Management does not anticipate significant impact resulting from the changes in interest rates on interest-bearing assets and borrowings.

(iii) Commodity price risk

The Group is exposed to commodity price risk, mainly due to the fluctuations in copper and steel purchase prices. The price risks due to steel are reduced through fixed price contracts up to 3 months forward 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.

A 10% increase/decrease change in the copper price would have affected the equity by US$7.3 million (31st March 2010: US$4.7 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 approximately 20% of its goods and services to its 5 largest customers and the largest single customer was less than 5% of sales. 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.

As of 31st March 2011, the Company's maximum exposure to credit risk for financial guarantee is US$161.5 million (31st March 2010: US$10.6 million).

(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.

38. FINANCIAL RISK MANAGEMENT *(Cont'd)*

38.1 Financial risk factors *(Cont'd)*

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

The Group also has access to significant uncommitted and unutilised short term borrowing facilities provided by its principal bankers which amount to US$270.0 million (31st March 2010: US$400.0 million).

The Group had cash and cash equivalents of US$352.8 million as of 31st March 2011 (31st March 2010: US$363.1 million), which constitute 15% of its total assets.

The financing instrument by subsidiary companies in USA and Europe, guaranteed by the Company will be sufficient to satisfy our cash needs for our current level of operations and our planned operations for the foreseeable future.

Also, the Group had trade and other receivables of US$421.7 million as of 31st March 2011 which should all mature within one year and could fully cover the trade and other payables which amounted to US$414.5 million as of 31st March 2011. Therefore, management considers that the liquidity risk is low. The current ratio (current assets over current liabilities) of the Group as of 31st March 2011 is 1.8 (31st March 2010: 2.1).

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 2011				
Bank borrowings	137,682	152,842	28,308	3,429
Other financial liabilities				
– Forward foreign exchange contracts	368	–	–	–
– Others	25	–	–	–
Finance lease	1,492	1,384	4,192	3,062
Trade and other payables	414,522	–	–	–
Company				
As of 31st March 2011				
Bank borrowings	*2,619*	*152,382*	–	–
Other financial liabilities				
– Forward foreign exchange contracts	*147*	–	–	–
Trade and other payables	*269*	–	–	–
Amounts due to subsidiaries	*390,520*	–	–	–
Financial guarantee contracts	*161,503*	–	–	–

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 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	–	–	–

	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
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*	–	–	–
Amounts due to subsidiaries	*260,810*	–	–	–
Financial guarantee contracts	*10,592*	–	–	–

38. FINANCIAL RISK MANAGEMENT *(Cont'd)*

38.2 Capital risk management

The Group's debt to capital ratio was 18% as compared to 26% last year. The net debt to net capital ratio was -3% as compared to 3% last year.

The debt to capital ratio as of 31st March 2011 and 31st March 2010 were as follows:

	2011 US$'000	2010 US$'000
Short term borrowings	134,248	6,962
Long term borrowings	179,458	401,727
Total debt (Note 19)	313,706	408,689
Total equity	1,422,292	1,173,136
Total capital (equity + debt)	1,735,998	1,581,825
Debt to capital ratio	18%	26%

The net debt to net capital ratio as of 31st March 2011 and 31st March 2010 were as follows:

	2011 US$'000	2010 US$'000
Cash and deposits (Note 17)	354,715	367,060
(Net cash)/net debt (total debt less cash)	(41,009)	41,629
Net capital (equity + net debt)	1,381,283	1,214,765
Net debt to net capital ratio	–3%	3%

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

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 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 Group's and the Company's assets and liabilities other than investment properties that are measured at fair value as of 31st March 2011.

	Level 1 US$'000	Level 2 US$'000	Level 3 US$'000	Total US$'000
Group				
Assets				
Other financial assets				
– Derivatives held for trading	–	212	–	212
– Derivatives used for hedging	–	9,322	–	9,322
Other financial assets at fair value through profit or loss				
– Unlisted debt securities	–	9,647	–	9,647
Available-for-sale financial assets				
– Unlisted securities	–	–	1,956	1,956
Total assets	–	19,181	1,956	21,137
Liabilities				
Other financial liabilities				
– Derivatives held for trading	–	25	–	25
– Derivatives used for hedging	–	368	–	368
Total liabilities	–	393	–	393
Company				
Assets				
Available-for-sale financial assets				
– Unlisted securities	–	–	*1,956*	*1,956*
Total assets	–	–	*1,956*	*1,956*
Liabilities				
Other financial liabilities				
– Derivatives used for hedging	–	*147*	–	*147*
Total liabilities	–	*147*	–	*147*

38. FINANCIAL RISK MANAGEMENT *(Cont'd)*

38.3 Fair value estimation *(Cont'd)*

The following table presents the Group's and the Company's assets and liabilities other than investment properties that are measured at fair value as of 31st March 2010:

	Level 1 US$'000	Level 2 US$'000	Level 3 US$'000	Total US$'000
Group				
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
Company				
Assets				
Other financial assets				
– Derivatives used for hedging	–	*48*	–	*48*
Available-for-sale financial assets				
– Unlisted securities	–	–	*2,042*	*2,042*
Total assets	–	*48*	*2,042*	*2,090*
Liabilities				
Other financial liabilities				
– Derivatives used for hedging	–	*38,220*	–	*38,220*
Total liabilities	–	*38,220*	–	*38,220*

38. FINANCIAL RISK MANAGEMENT *(Cont'd)*

38.3 Fair value estimation *(Cont'd)*

Changes in level 3 instruments were as follows:

	Available-for-sale financial assets	
	2011	2010
	US$'000	US$'000
Opening balance	2,386	3,525
Currency translations	19	71
Disposal	(295)	(375)
Fair value gains transfer to equity	209	319
Provision for impairment	(363)	(1,154)
Closing balance	1,956	2,386
Total losses for the year included in profit or loss for assets held at the end of the year	(363)	(1,154)

The following summarises the major methods and assumptions used in estimating the fair values of the financial assets and liabilities:

(i) 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 valuation techniques such as discounted cash flow analysis. Copper price and foreign currency exchange price are the key estimates in the valuation.

(ii) Other financial assets at fair value through profit or loss
The fair values of unlisted debt securities are based on the fair value using discounted cash flow analysis valued by the financial institutions.

(iii) Available-for-sale financial assets
The fair values of unlisted securities are based on the fair value using discounted cash flow analysis valued by the financial institutions.

39. EFFECT OF ADOPTING NEW HKFRS

Interpretations and amendments to published standards effective in FY2010/11 which are relevant to the Group

In FY2010/11, the Group adopted the new/revised standards and interpretations of HKFRS below, which are relevant to its operations.

HKAS 17 (amendment)	Leases
HKAS 27 (revised)	Consolidated and separate financial statements
HKAS 39 (amendment)	Eligible hedged items
HKFRS 2 (amendment)	Group cash-settled share-based payment transactions
HKFRS 3 (revised)	Business combinations
HK(IFRIC) 17	Distribution of non-cash assets to owners
HK-Int 5	Presentation of financial statements – classification by the borrower of a term loan that contains a repayment on demand clause
Annual Improvements Project	Improvements to HKFRS 2009

The adoption of such new and revised standards and interpretation does not have material impact on the consolidated financial statements except for HKAS 17 (amendment), "Leases", which is included in the 2009 Annual Improvements Project. A summary of these new standards and interpretation is as follows:

HKAS 17 (amendment), "Leases"

The amendment deletes specific guidance in the standard which previously required the land element in a lease to be classified as an operating lease unless title to the land was expected to be passed to the lessee by the end of the lease term.

Under the amended HKAS 17, a lease of land is classified as a finance lease if the lease transfers substantially all the risks and rewards incidental to ownership of the leasehold land to the lessee. The amendments to HKAS 17 are required to be applied retrospectively. Comparative information has been restated to reflect this change in accounting policy. The effect of this change is a reclassification of certain leasehold land to properties, plant and equipment.

The effect of the adoption of this amendment is as below:

		Balances as of	
	31st March 2011 US$'000	31st March 2010 US$'000	1st April 2009 US$'000
(Decrease) in land use rights	(12,558)	(14,605)	(15,479)
Increase in properties, plant and equipment	12,558	14,605	15,479

HKAS 27 (revised), "Consolidated and separate financial statements"

The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss. HKAS 27 (revised) has had no significant impact on the current period.

39. EFFECT OF ADOPTING NEW HKFRS *(Cont'd)*

HKAS 39 (amendment), "Eligible hedge items"

The amended standard prohibits designating inflation as a hedgeable component of a fixed rate debt. Inflation is not separately identifiable and reliably measurable as a risk or a portion of a financial instrument, unless it is a contractually specified portion of the cash flows of a recognised inflation-linked bond whose other cash flows are unaffected by the inflation portion. It also prohibits including time value in a one-sided hedged risk when designating options as hedges. An entity may only designate the change in the intrinsic value of an option as the hedging instrument of a one-sided risk arising from a forecast transaction in a hedging relationship. A one-sided risk is that changes in cash flows or fair value of a hedged item is above or below a specified price or other variable.

HKFRS 2 (amendment), "Group cash-settled share-based payment transactions"
(effective from 1st January 2010)

In addition to incorporating HK(IFRIC) 8, 'Scope of HKFRS 2', and HK(IFRIC) 11, 'HKFRS 2 – Group and treasury share transactions', the amendments expand on the guidance in HK(IFRIC) 11 to address the classification of group arrangements that were not covered by that interpretation.

HKFRS 3 (revised), "Business combinations"

'Business combinations', and consequential amendments to HKAS 27, 'Consolidated and separate financial statements', HKAS 28, 'Investments in associates', and HKAS 31, 'Interests in joint ventures', are effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1st July 2009.

The revised standard continues to apply the acquisition method to business combinations but with some significant changes compared with HKFRS 3. For example, all payments to purchase a business are recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the statement of comprehensive income. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs are expensed.

HK(IFRIC) 17, "Distribution of non-cash assets to owners"
(effective on or after 1st July 2009)

The interpretation was published in November 2008. This interpretation provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends. HKFRS 5 has also been amended to require that assets are classified as held for distribution only when they are available for distribution in their present condition and the distribution is highly probable.

HK-Int 5, "Presentation of financial statements – classification by the borrower of a term loan that contains a repayment on demand clause"

This interpretation requires that the classification of a term loan as a current or a non-current liability in accordance with paragraph 69(d) of HKAS 1 "Presentation of financial statements" should be determined by reference to the rights and obligations of the lender and borrower, as contractually agreed between the two parties and in force as of the reporting date. Therefore, the interpretation requires that amount payable under a loan agreement which includes a clause that gives the lender the unconditional right to call the loan at any time should be classified by the borrower as current liabilities in the balance sheet.

39. EFFECT OF ADOPTING NEW HKFRS *(Cont'd)*

Amendment early adopted by the Group

The Group has early adopted the revised standards of HKFRS below, which are relevant to its operations.

HKAS 12 (amendment)	Deferred tax: recovery of underlying assets

HKAS 12 (amendment), "Deferred tax: recovery of underlying assets"

In December 2010, the HKICPA amended HKAS 12, 'Deferred tax: recovery of underlying assets', to introduce an exception to the principle for the measurement of deferred tax assets or liabilities arising on an investment property measured at fair value. HKAS 12 requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. The amendment introduces a rebuttable presumption that an investment property measured at fair value is recovered entirely by sale. The amendment is applicable retrospectively to annual periods beginning on or after 1st January 2012 with early adoption permitted.

The Group has early adopted this amendment retrospectively for the financial year ended 31st March 2011 and the effects of adoption are disclosed as follows.

As disclosed in Note 6, the Group had investment properties measured at their fair values amounting to US$45.4 million as of 1st April 2010 (31st March 2009: US$37.0 million). As required by the amendment, the Group has re-measured retrospectively the deferred tax relating to these investment properties on the presumption that they are recovered entirely by sale retrospectively. The comparative figures for 2010 have been restated to reflect the change in accounting policy, as summarised below.

Effect of balance sheet	31st March 2011 US$'000	31st March 2010 US$'000	1st April 2009 US$'000
(Decrease) in deferred tax liabilities	(7,884)	(6,532)	(5,071)
Increase in other reserve	2,494	2,377	2,377
Increase in retained earnings	5,390	4,155	2,694

Effect on income statement	2011 US$'000	2010 US$'000
Decrease in income tax expenses	1,235	1,461
Increase in net profit attributable to the owners of the Company	1,235	1,461
Increase in basic and diluted EPS	0.03 US Cents	0.04 US Cents

39. EFFECT OF ADOPTING NEW HKFRS *(Cont'd)*

Standards, interpretations and amendments to published standards that are not effective in FY2010/11 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 2011 or later periods, which the Group has not early adopted, are as follows:

HKAS 24 (revised)	Related party disclosures [4]
HKAS 32 (amendment)	Classification of rights issues [1]
HKFRS 1 (amendment)	Limited exemption from comparative HKFRS 7 disclosures for first-time adopters [2]
HKFRS 1 (amendment)	Severe hyperinflation and removal of fixed dates for first-time adopters [3]
HKFRS 7 (amendment)	Disclosures – transfers of financial assets [3]
HKFRS 9	Financial instruments [5]
HK (IFRIC) – Int 14 (amendment)	Prepayments of a minimum funding requirement [4]
HK (IFRIC) – Int 19	Extinguishing financial liabilities with equity Instruments [2]
Annual Improvements Project	Improvements to HKFRSs 2010 [4,unless otherwise specified]

Note

(1) Effective on or after 1st February 2010
(2) Effective on or after 1st July 2010
(3) Effective on or after 1st July 2011
(4) Effective from 1st January 2011
(5) Effective from 1st January 2013

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. Management's initial assessment is that the adoption of these amendments, new standards and new interpretations 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 are not analysed in detail.

40. PRINCIPAL SUBSIDIARIES AND ASSOCIATE

The following list contains particulars of subsidiaries and associate 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%
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%
Fu Wang Electric Manufacturing (Dongguan) Co., Ltd. *	Manufacturing	China	HK$8,000,000	–	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	–	100%
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%

* Wholly owned foreign enterprises

\# Equity joint ventures

40. PRINCIPAL SUBSIDIARIES AND ASSOCIATE *(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 Dresden GmbH (formerly known as Saia–Burgess Dresden GmbH)	Sales and marketing	Germany	EUR25,600	–	100%
Johnson Electric Engineering Limited	Technical support	Hong Kong	100,000 shares of HK$1 each	100%	–
Johnson Electric Halver GmbH (formerly known as Saia–Burgess Halver GmbH)	R&D and manufacturing	Germany	EUR25,000	–	100%
Johnson Electric Hatvan Kft (formerly known as Saia–Burgess Hatvan Kft.)	Manufacturing	Hungary	HUF30,000,000	–	100%
Johnson Electric (Beihai) Co., Ltd. *	Manufacturing, sales and marketing and R&D	China	US$10,000,000	–	100%
Johnson Electric (Guangdong) Co. Ltd. *	Manufacturing	China	US$4,250,000	–	100%
Johnson Electric Industrial Manufactory, Limited	Trading	Hong Kong	308,000,000 shares of HK$0.5 each	100%	–
Johnson Electric Intellectual Property Limited	Licensing	Bermuda	1,000,000 shares of HK$0.1 each	100%	–
Johnson Electric International AG	R&D, manufacturing, sales and marketing	Switzerland	643,200 shares of CHF50 each	–	100%
Johnson Electric International Limited	Sales and manufacturing	Hong Kong	80,000,000 shares of HK$1 each	–	100%
Johnson Electric International (AT) GmbH (formerly known as Saia–Burgess Österreich GmbH)	Sales and marketing	Austria	EUR40,000	–	100%
Johnson Electric International (DE) GmbH (formerly known as Saia–Burgess Deutschland GmbH)	Sales and marketing	Germany	EUR511,300	–	100%

* Wholly owned foreign enterprises

\# Equity joint ventures

40. PRINCIPAL SUBSIDIARIES AND ASSOCIATE *(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 International (UK) Limited	Sales and marketing	United Kingdom	15,032,665 shares of GBP1 each	–	100%
Johnson Electric (Korea) Limited	Sales and marketing	South Korea	10,000 shares of KRW5,000 each	–	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 (Nanjing) Co., Ltd. *	Manufacturing	China	US$6,100,000	–	100%
Johnson Electric Oldenburg GmbH & Co. KG (formerly known as Saia–Burgess Oldenburg GmbH & Co. KG)	Manufacturing, sales and marketing	Germany	EUR15,338,800	–	100%
Johnson Electric Ózd Kft (formerly known as Saia–Burgess Ózd Kft)	Manufacturing	Hungary	HUF16,470,000	–	100%
Johnson Electric Poland Sp.zo.o. (formerly known as Saia–Burgess Poland Sp.zo.o.)	Manufacturing	Poland	24,001 shares of PLN500 each	–	100%
Johnson Electric Private Limited	Manufacturing	India	RS100,000	–	100%
Johnson Electric S.A.	R&D and manufacturing	Switzerland	500 shares of CHF1,000 each	–	100%
Johnson Electric (Shanghai) Company Limited *	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 Switzerland AG (formerly known as Saia–Burgess Murten AG)	R&D, manufacturing, sales and marketing	Switzerland	5,000 shares of CHF1,000 each	–	100%

* Wholly owned foreign enterprises

\# Equity joint ventures

40. PRINCIPAL SUBSIDIARIES AND ASSOCIATE *(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 World Trade Limited	Marketing, sales agent and distributor	Hong Kong	100,000 shares of HK$1 each	100%	–
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	–	98.57%
Parlex Dynaflex Corporation	Manufacturing	United States of America	1,000 shares issued without par value	–	100%
Parlex Pacific Limited	Sales and marketing	Hong Kong	10,000 shares of HK$1 each	–	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 EUR45 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 CHF1,000 each	–	100%

* Wholly owned foreign enterprises

\# Equity joint ventures

40. PRINCIPAL SUBSIDIARIES AND ASSOCIATE *(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 Controls Italia S.r.l. (formerly known as Johnson Electric (Italy) S.r.l.)	Sales and marketing	Italy	EUR10,000	–	100%
Saia-Burgess Controls (Shenzhen) Co., Ltd. *	Sales and marketing	China	HK$2,000,000	–	100%
Saia-Burgess (HK) Limited	Sales and marketing	Hong Kong	2 shares of HK$10 each	–	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	EUR3,700,000	–	100%
Saia-Burgess Paris Sarl	Sales and marketing	France	125,000 shares of EUR16 each	–	100%
Shanghai Malu Ri Yong–JEA Gate Electric Co., Ltd. #	Manufacturing	China	RMB50,000,000	–	60%
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%
Associate					
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$ million	**2011**	2010	2009
Consolidated Income Statement			
Sales	**2,104.0**	1,741.0	1,828.2
Earnings Before Interest and Tax (EBIT) [1]	**235.8**	110.5	47.0
Profit before Income Tax	**226.4**	103.7	37.4
Income Tax (Expenses)/Income	**(36.1)**	(17.8)	0.4
Discontinued Operations	**–**	–	(31.1)
Profit for The Year	**190.3**	85.9	6.7
Non-controlling Interests	**(8.6)**	(10.4)	(4.1)
Profit Attributable to Owners	**181.7**	75.5	2.6
Consolidated Balance Sheet			
Fixed Assets	**457.5**	440.6	428.3
Goodwill and Intangible Assets	**774.7**	699.9	662.1
Other Current and Non-Current Assets	**1,110.2**	990.3	859.5
Total Assets	**2,342.4**	2,130.8	1,949.9
Equity Attributable to Owners	**1,362.2**	1,115.1	964.4
Non-controlling Interests	**60.1**	51.5	33.7
Total Equity	**1,422.3**	1,166.6	998.1
Debt (Total Borrowings)	**313.7**	408.7	528.9
Capital Employed [2]	**1,736.0**	1,575.3	1,527.0
Other Current and Non-Current Liabilities	**606.4**	555.5	422.9
Total Equity and Liabilities	**2,342.4**	2,130.8	1,949.9
Per Share Data			
Basic Earnings per Share (US Cents) – Continuing Operations	**5.0**	2.1	0.9
Dividend per Share (US Cents)	**1.2**	0.6	–
Owners' Equity per Share (US Cents)	**37.2**	30.4	26.3
Other Information			
Free Cash Flow from Operations [3]	**169.6**	215.1	168.5
Earnings Before Interest, Tax, Depreciation and Amortisation	**322.5**	197.9	136.2
Ratios			
EBIT to Sales %	**11%**	6%	3%
Return on Equity % [4]	**13%**	7%	1%
Free Cash Flow from Operations to Debt %	**54%**	53%	32%
Debt to EBITDA (Times)	**1.0**	2.1	3.9
Debt to Capital %	**18%**	26%	35%
Interest Coverage (Times)	**18.2**	12.4	3.0

1 Earnings before interest and tax (EBIT) is defined as operating profit (per accounts) plus share of profits/(losses) of associate
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

* Historical data for FY2001/02 to FY2009/10 had not been restated in this summary for the adoption of HKAS 12 (amendment).

2008	2007	2006	2005	2004	2003	2002
2,220.8	2,086.6	1,526.3	1,143.8	1,050.7	955.3	773.7
188.9	157.5	117.8	153.9	132.6	172.7	123.3
170.1	135.9	116.3	156.4	134.5	174.2	125.9
(31.9)	(22.9)	(21.9)	(15.2)	(17.9)	(24.8)	(15.3)
–	–	–	–	–	–	–
138.2	113.0	94.4	141.2	116.6	149.4	110.6
(7.4)	(3.3)	(0.4)	–	–	–	–
130.8	109.7	94.0	141.2	116.6	149.4	110.6
471.3	439.0	421.1	280.3	257.0	248.5	235.0
775.2	667.2	631.6	43.3	20.1	22.4	22.6
1,108.2	914.1	961.3	738.2	676.0	607.0	489.4
2,354.7	2,020.3	2,014.0	1,061.8	953.1	877.9	747.0
1,101.9	940.7	845.5	818.3	734.1	665.6	553.7
31.0	22.7	10.3	1.1	–	–	–
1,132.9	963.4	855.8	819.4	734.1	665.6	553.7
564.5	573.5	708.1	16.0	3.1	7.5	7.2
1,697.4	1,536.9	1,563.9	835.4	737.2	673.1	560.9
657.3	483.4	450.1	226.4	215.9	204.8	186.1
2,354.7	2,020.3	2,014.0	1,061.8	953.1	877.9	747.0
3.6	3.0	2.6	3.8	3.2	4.1	3.0
1.8	1.7	1.7	2.0	1.7	1.7	1.3
30.0	25.6	23.0	22.3	20.0	18.1	15.1
186.7	106.8	110.3	76.5	144.9	133.9	127.0
279.5	246.0	178.0	203.5	172.2	212.8	165.2
9%	8%	8%	13%	13%	18%	16%
12%	12%	11%	17%	16%	22%	20%
33%	19%	16%	The Group was substantively debt-free before FY2005/06			
2.0	2.3	4.0				
33%	37%	45%				
7.2	5.5	15.5				

PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Yik-Chun Koo Wang

Non-Executive Director

Honorary Chairman

Yik-Chun Koo Wang, age 94, 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 60, obtained his BSc and MSc degrees in Electrical Engineering and received an Honorary Doctorate of Engineering from Purdue University in Indiana, USA. 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. Dr. Wang is 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 and a member of the Nomination Committee of VTech Holdings Limited and a non-executive director of Tristate 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, and a member of the Steering Committee on the Promotion of Electric Vehicles from April 2009 to March 2011. Dr. Wang was also a member of the Greater Pearl River Delta Business Council. 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 64, obtained her BSc degree from Ohio University in USA. 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 30, 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 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 57, 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 63, 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 63, 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 64, 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 director of Metalúrgica Gerdau S.A., Gerdau S.A., Companhia Suzano de Papel e Celulose, Localiza, São Paulo Alpargatas S.A. and Praxair Inc. in USA. He is also a member of the Advisory Boards of Bunge Brasil and Alcoa Brasil and Amyris Brasil.

Michael John Enright

Independent Non-Executive Director
Chairman of Remuneration Committee and Member of Audit Committee

Michael John Enright, age 52, 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.

Joseph Chi-Kwong Yam *GBM, GBS, CBE, JP*

Independent Non-Executive Director

Joseph Chi-Kwong Yam, age 63, has been an Independent Non-Executive Director of the Company since 2010. He graduated from the University of Hong Kong with first class honours in 1970. Over the years, he has received a number of honorary doctorate degrees and professorships from universities in Hong Kong and overseas. Mr. Yam was awarded the highest honour of the Grand Bauhinia Medal by the Government of the Hong Kong Special Administrative Region in 2009. He was Chief Executive of the Hong Kong Monetary Authority from 1993 to September 2009. He is Executive Vice President of the China Society for Finance and Banking, a society managed by the People's Bank of China, Distinguished Research Fellow of the Institute of Global Economics and Finance at The Chinese University of Hong Kong and Chairman of Macroprudential Consultancy Limited. Mr. Yam is a member of the Board of Directors, the Corporate Responsibility Committee and the Risk Committee of UBS AG. He is also an independent non-executive director of China Construction Bank Corporation and a member of the advisory committees of a number of academic and private institutions focusing in finance.

SENIOR MANAGEMENT

Tung-Sing Choi

Senior Vice President
Strategic Manufacturing

Tung-Sing Choi, age 61, 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 utilisation of machines and fixtures.

James Randolph Dick

Senior Vice President
Strategic Marketing & Sales

James Randolph Dick, age 57, 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 USA, 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 45, 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 44, 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 48, 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 Saia-Burgess Controls and Tonglin Precision Parts Limited. Prior to joining Johnson Electric in 2002, he was a partner at The Boston Consulting Group.

Kam-Chin Ko

Senior Vice President

Automotive Products Group − Asia

Kam-Chin Ko, age 45, holds a MSc degree in Manufacturing System Engineering from the University of Warwick, UK and a Doctor of Engineering from the Hong Kong Polytechnic University. 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 45, holds a Mechanical Engineering degree from Sunderland Polytechnics, UK, 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. Prior to joining the Group, he has 10 years experience with TDK, NHK and Philips, where he held a variety of positions in product engineering, product procurement, and sales & marketing.

Peter Henry Langdon

Senior Vice President
Human Resources

Peter Henry Langdon, age 62, 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 51, 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 49, 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 55, 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 USA 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 in April 2010, he was Vice President & Controller and Principal Accounting Officer with BorgWarner Inc.

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*
Joseph Chi-Kwong Yam
*GBM, GBS, CBE, JP**

* *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 Securities Services
(Bermuda) Limited
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

ADR Bank

JPMorgan Chase Bank
JPMorgan Service Center
P.O. Box 43013
Providence, RI 02940-3013
USA
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
Bank of China (Hong Kong) Limited
DBS Bank Ltd., Hong Kong Branch
Standard Chartered Bank
(Hong Kong) Limited

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

Closure of Register (both dates inclusive)
13th July 2011 (Wednesday)
– 20th July 2011 (Wednesday)

Annual General Meeting

20th July 2011 (Wednesday)

Dividend (per Share)

Interim Dividend	: 3 HK Cents
Paid on	: 6th January 2011 (Thursday)
Final Dividend	: 6 HK Cents
Payable on	: 21st July 2011 (Thursday)

Johnson Electric Holdings Limited

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