

# Johnson Electric Holdings Limited

## Interim Report 2011



innovating motion

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# INTERIM REPORT FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2011

## HIGHLIGHTS

- Group sales US\$1,118 million – up 8% compared to the first half of prior financial year
- EBITDA up 1% to US\$167 million
- Profit attributable to shareholders up 9% to a record US\$102 million or 2.78 US cents per share on a fully diluted basis
- Total debt to capital ratio of 15% and cash reserves of US\$344 million as of 30th September 2011
- Interim dividend of 3 HK cents per share (0.38 US cents per share)

## CHAIRMAN'S STATEMENT

### Overview of Financial Results

Johnson Electric performed well in the six month period ended 30th September 2011. The Group achieved healthy year-on-year improvements in sales and earnings – and withstood the strong headwinds of a weak global macro-economic environment and an increase in input costs.

Group sales for the first half of the 2011/12 financial year totaled US\$1,118 million, an increase of 8% over the first half of the prior financial year. Profit attributable to shareholders increased by 9% to a record US\$102 million or 2.78 US cents per share on a fully diluted basis.

These results should be viewed in the context of not only the relatively challenging operating conditions

of the period, but also bearing in mind that the prior year's first half results were boosted by customers restocking as markets rebounded in the aftermath of the 2008/09 financial crisis.

In terms of total sales, the positive performance in the first half reflected the combination of an overall improvement in product pricing and volume growth, plus foreign currency exchange rate changes (notably the Euro versus the US Dollar) compared to prevailing levels of a year earlier. Partly offsetting these beneficial factors on the top line was the reduction of Johnson Electric's shareholding in a non-core business, such that its sales and profits since 31st July 2011 are no longer consolidated into the Group accounts.

## CHAIRMAN'S STATEMENT

The Automotive Products Group ("APG"), which contributed 58% of total sales in the period, delivered a stellar performance. Global production of light vehicles has held up relatively well during 2011 due to sustained demand in most developing countries as well as quite buoyant sales in North America. Western European markets have been weak but luxury car manufacturers have benefitted from strong export sales. China, for example, has imported an average of more than 80,000 cars a month this year (three times 2009 levels) with the vast majority of these manufactured in Europe. APG itself has outperformed the industry by increasing sales by 20% – with double-digit percentage sales gains in each of the key regions of Europe, North America and Asia.

The Industry Products Group ("IPG"), on the other hand, fared comparatively less well during the period with sales lower by 3%. Depressed housing markets, high unemployment and subdued consumer sentiment in several western economies resulted in lower demand for some motor product applications. These include home appliances, power tools, lawn and garden equipment and ink-jet printers. We have also been prepared to exit some segments where the economics are unfavourable. In the short term, this tends to result in reduced sales but over time we expect IPG's product mix to transition to a larger proportion of higher value-adding motion subsystems that offer more attractive and sustainable returns.

On the cost side, the business faced an array of tough inflationary conditions including higher average raw material costs and sharp increases in labour rates in China. And, given our substantial business operations in Switzerland and China, the strengthening of the Swiss Franc and Renminbi against the US Dollar also had a negative impact on our cost base. We were able to offset a significant part of these cost increases through pricing and volume increases, as well as a number of efficiency improvement initiatives. However, these positive effects were insufficient to avoid a reduction in operating margins when compared to the particularly strong performance levels of the prior year's first half period (though compared to the second half, margins improved slightly). Management is continuing to work diligently to ensure that the business is focused on market segments where we are competitively advantaged over the longer term and at the same time eliminating waste and unnecessary costs.

The Group incurred lower financing costs and a reduced effective tax rate – and as a consequence was able to deliver a 9% increase in profit attributable to shareholders. Earnings per share also benefitted from share repurchases by the Company which during the current financial year have amounted to 1.5% of issued share capital.

The Group's overall financial condition remains robust with consistently strong operating cash flow. As at 30th September 2011, the Group's total debt to capital ratio stood at 15% with cash reserves of US\$344 million.

### Interim Dividend

The Directors have today declared an interim dividend of 3 HK cents, equivalent to 0.38 US cents per share (2010 interim: 3 HK cents per share) payable on 5th January 2012 to shareholders registered on 21st December 2011.

### Transforming the Business to Sustain Long-Term Success

Johnson Electric is operating in a world that has been buffeted by momentous economic forces in the past few years. The full impact of these forces on many international manufacturing businesses is still to be seen, but certain imperatives are becoming clear.

Firstly, to succeed globally companies need to operate globally. From the manufacturer's perspective, a global footprint provides the flexibility and local contextual insight that can provide a critical edge over competitors – and at the same time provides a natural hedge against foreign currency movements. From the customer's perspective, the unacceptable risk of having an entire supply chain dependent on a component sourced from a single factory on the other side of the world has been all too apparent in the wake of recent natural disasters in Japan and Thailand.

It has been a journey that began over a decade ago, but Johnson Electric today is well down the path of developing the most responsive global production and fulfillment footprint in our industry. Whilst China remains an important platform from which we continue to derive significant scale and cost advantages, we have established world-class engineering and production facilities in a dozen countries spanning Asia, the Middle East, Europe, North America and South America. We are constantly reviewing how to shape and

balance this footprint to serve our customers, enhance productivity and manage risk.

Secondly, businesses that do not innovate usually find it impossible to maintain growth except by expanding in markets that are becoming increasingly commoditised. This is a trap that we are committed to avoiding and consequently we are requiring our business leaders to have a clear understanding of how they can achieve and sustain acceptable financial returns through a differentiated product offering – or be prepared to exit the segment. Indeed, the most fundamental objective of our corporate strategy today is to transform Johnson Electric into a company defined in terms of its technology leadership and product innovation.

In our motor actuators business unit, for example, we have focused its engineering and commercial talent to gain deeper insight into the most critical attributes required of specific product applications. As a result, its profitability and growth trajectory have improved greatly. Among several innovative products already launched by this business unit is a sophisticated diverter valve for domestic boilers. This consists of a motion subsystem with patented designs that significantly reduces the energy consumption of the water heating system and replaces traditional brass-based diverters with an entirely lead-free alternative.

We are driving similarly innovative product design and development strategies across all of our businesses today, with particular focus on niche segments demanding unique and customised electro-mechanical solutions. Increasingly this means offering a motion product or subsystem comprising of a motor, gears, electronics and sometimes switches and flexible circuits too. Johnson Electric stands alone in our industry in terms of this breadth and depth of technology offerings.

## CHAIRMAN'S STATEMENT

A third imperative for global manufacturing businesses looking to the future is the recognition that the largest sources of incremental growth in the world economy are most likely to be found in developing nations. Already roughly 20% of Johnson Electric's sales output is destined for developing markets and we expect these revenues to continue to grow as we strengthen our sales coverage and penetration in these geographies. Nonetheless, we also hold the view that the more "mature" economies of Europe and North America offer significant long term attractions for our business when one considers the enormous changes in regulation and consumer tastes that are driving the need for products that are more "Green" (i.e. reduce fossil fuel consumption or lower emissions) and more "Intelligent" (i.e. offering users greater flexibility, functionality and ease of use).

### Outlook and Current Trading Conditions

While I am satisfied with the performance of the business in the first half and highly confident with the strategic direction we are taking, the near-term outlook is difficult to gauge.

No one in business can draw comfort from the turmoil caused by the European sovereign debt

crisis or the gridlock in the US political system that is failing to tackle that country's high unemployment rate. Combine those two factors with an expected slowdown in the PRC economy and it is not surprising that most economists are projecting global industrial output and trade to remain subdued for some time to come.

We have observed a slight softening in our own order book in recent weeks, but as yet there is no indication of any dramatic fall-off from the average sales levels of the first half of the financial year. However, we would also note that the second half normally experiences a degree of seasonality in production (especially in December and at the Chinese Lunar New Year) that typically results in somewhat lower underlying sales compared to the first half.

In the current operating environment, the onus is on us as managers to invest prudently, contain costs and focus resources on carefully selected market segments that offer above average growth prospects and attractive and defensible financial returns.

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

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

Hong Kong, 24th November 2011

# MANAGEMENT'S DISCUSSION AND ANALYSIS

## OVERVIEW – FINANCIAL HIGHLIGHTS

US\$ million	First half of FY2011/12	First half of FY2010/11
Sales	1,118.1	1,030.6
Operating profit	118.7	124.0
Operating margin%	10.6%	12.0%
Profit attributable to shareholders	101.6	92.9
Diluted earnings per share (US Cents)	2.78	2.54
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	167.4	165.6
Free cash flow from operations <sup>1</sup>	75.0	86.9

US\$ million	30th Sep 2011	31st Mar 2011
Cash	344.1	354.7
Total debt (borrowings)	(249.8)	(313.7)
Net cash	94.3	41.0
Total equity	1,407.0	1,422.3
Market capitalisation at balance sheet date <sup>2</sup>	1,821.7	2,134.4
Enterprise value (market capitalisation + total debt – cash)	1,727.4	2,093.4
Enterprise value to EBITDA <sup>3</sup>	5.3	6.5

Credit Quality – Financial Ratios <sup>3</sup>	30th Sep 2011	31st Mar 2011
Free cash flow from operations to debt	63%	54%
Total debt to EBITDA	0.8	1.0
Total debt to capital (total equity + debt)	15%	18%
Interest coverage (EBIT <sup>4</sup> /interest expense)	20.1	18.2

<sup>1</sup> Net cash generated from operating activities plus interest received, less CAPEX net of proceeds from disposal of fixed assets

<sup>2</sup> Market capitalisation is calculated by multiplying the outstanding number of shares with the closing share price (HK\$3.94 as of 30th September 2011 and HK\$4.56 as of 31st March 2011) converted at the closing exchange rate

<sup>3</sup> Financial ratios utilising EBITDA, EBIT, interest expense and free cash flow from operations using the last twelve months' results

<sup>4</sup> Earnings before interest and taxes (EBIT) is defined as operating profit plus share of profits from associate

- **First half record results for EBITDA, profit attributable to shareholders and earnings per share.**
- Robust sales growth experienced across all regions in our Automotive business. Industry sales declined marginally.
- Decline in operating margin to 10.6% versus 12.0% last year was due to cost inflation for raw material commodities and wages in China. This was offset significantly by higher volumes, new products and selective price increases.
- Increase in EBITDA to US\$167.4 million.
- Profit attributable to shareholders improved by US\$8.7 million, primarily due to the reduction in net interest expense and a lower effective tax rate.
- The Board has declared an interim dividend of US\$13.8 million for FY2011/12, maintaining last year's rate at 3 HK Cents (equivalent to 0.38 US Cents) per share.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

- Credit quality – financial ratios strengthened in the first half of FY2011/12, consistent with the Company's philosophy of maintaining a strong balance sheet.
- 41.6 million shares were repurchased at a total cost of US\$21.8 million and cancelled in the first half of FY2011/12. These share repurchases are a constructive element in

the prudent management of the Company's overall capital structure and in enhancing returns to shareholders over time. Also, the Company purchased 5.5 million shares for US\$2.6 million which will be utilised for granting shares to eligible employees under the Long-Term Incentive Share Scheme. See page 27 for further details on share purchases.

## SALES AND PROFITABILITY

Johnson Electric is one of the world's largest providers of motors, solenoids, micro-switches, flexible printed circuits and control systems. The Group has an annual production capacity of over one billion units and manufactures products in more than a dozen countries on four continents.

Operations throughout Johnson Electric (JE) share many common features including advanced

technologies, manufacturing processes, supply chain management, brand and distribution channel management along with 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	First half of FY2011/12		First half of FY2010/11		Increase/(decrease)		Sales growth at constant exchange rates %
		%		%		%	
Automotive Products Group ("APG")	646.9	57.9%	539.7	52.4%	107.2	20%	13%
Industry Products Group ("IPG")	400.0	35.8%	414.2	40.2%	(14.2)	(3%)	(6%)
Other Businesses *	50.2	4.4%	38.2	3.7%	12.0	31%	15%
<b>SUBTOTAL</b>	<b>1,097.1</b>	<b>98.1%</b>	<b>992.1</b>	<b>96.3%</b>	<b>105.0</b>	<b>11%</b>	<b>6%</b>
Divested business	21.0	1.9%	38.5	3.7%	(17.5)	(45%)	(48%)
<b>TOTAL SALES</b>	<b>1,118.1</b>	<b>100.0%</b>	<b>1,030.6</b>	<b>100.0%</b>	<b>87.5</b>	<b>8%</b>	<b>4%</b>

\* includes sales of US\$1.2 million of Trading business for the first half of FY2010/11

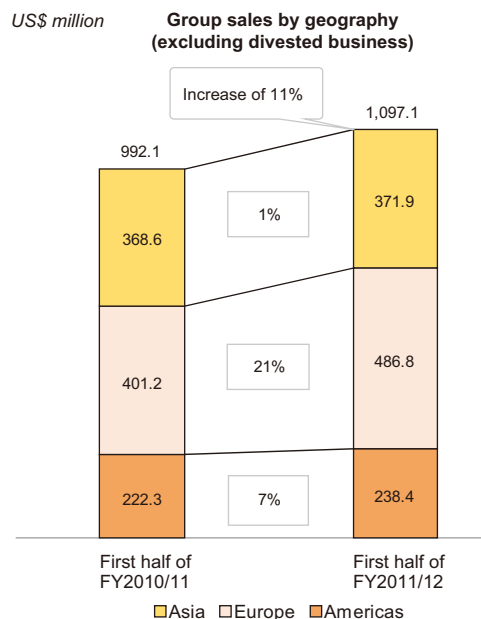


## MANAGEMENT'S DISCUSSION AND ANALYSIS

Group sales in the first half of FY2011/12 were US\$1,118.1 million. Excluding the divestiture of a controlling stake in a subsidiary, sales grew by US\$105.0 million (11%) to US\$1,097.1 million compared to US\$992.1 million for the same period last year.

Key changes are explained below:

- Excluding currency effects and the divested business, sales grew by 6% compared to the same period last year. This was mainly due to sales growth in the Group's Automotive business across the regions. Growth in the Industry business in Europe was more than offset by a decline in Asia and the Americas.
- To further enhance synergies, the operations of Parlex, our printed circuit board and interconnect solution provider, were integrated into IPG. Sales have been reclassified accordingly.
- With the aim of focusing on its core technologies, the Group divested its controlling stake in a non-core business, lowering its shareholding to 17% from the previously held stake of 52%. Consequently, only four months' sales of US\$21.0 million are incorporated in the Group results (i.e. up to the date of deconsolidation).
- The Group has wound down the Trading business.



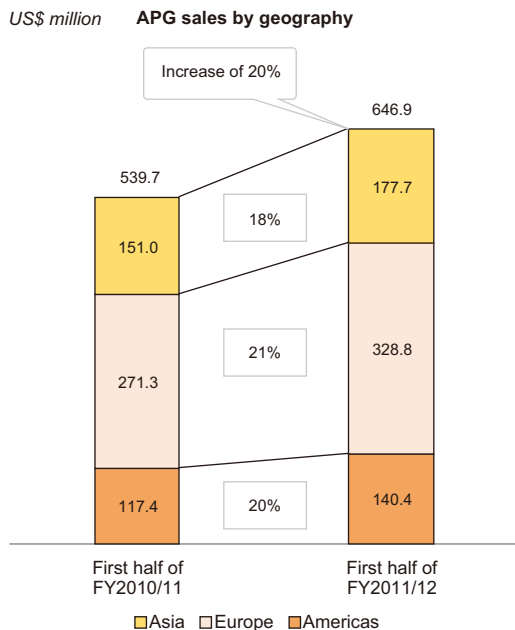
*Excluding currency effects, sales growth for the first half of FY2011/12 vs. same period last year: Overall 6%, Asia (2%), Europe 13%, Americas 4%*

## AUTOMOTIVE PRODUCTS GROUP

Sales for the first half of FY2011/12 were US\$646.9 million; an increase of 20% from US\$539.7 million for the same period last year.

The beneficial effect of a stronger Euro and Renminbi to the US Dollar contributed a 7% increase in sales. China's continued emergence as one of the largest automotive markets as well as the continuing recovery in the automotive export market in Europe, especially for luxury vehicles, significantly contributed to the growth of this division. Moreover, sales grew as a higher proportion of vehicles are being equipped with our products that improve fuel efficiency, emissions, safety and passenger convenience. Additionally, we benefitted from our focus on targeted customers as their market share grew.

MANAGEMENT'S DISCUSSION AND ANALYSIS



Excluding currency effects, sales growth for the first half of FY2011/12 vs. same period last year: Overall 13%, Asia 13%, Europe 11%, Americas 19%

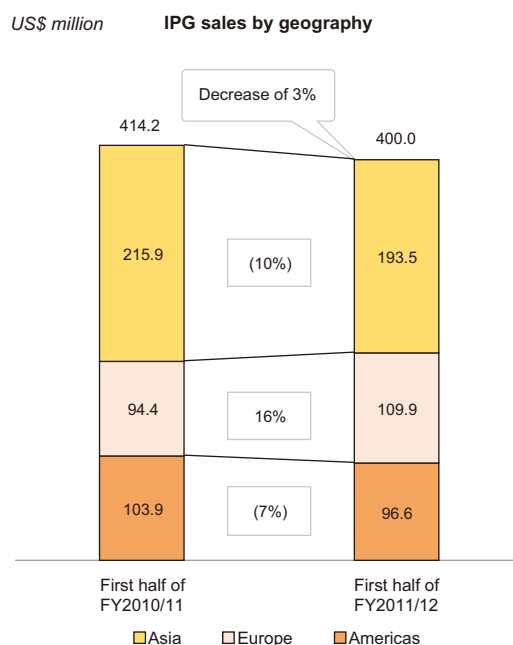
- We maintained strong growth momentum in China and the rest of Asia in vehicle segments benefitting from our products designed for safety, comfort and fuel efficiency. This was because of the success of our recent product launches for engine air and fuel management, geared motor drive products tailored to individual window lift applications and headlamp adjusters.
- In Europe, we capitalised on growth opportunities with products designed to address stringent emission regulations and fuel efficiency norms. We also gained market share with products such as geared motor drive systems for window lifts and power lift gates. Additionally, despite flat domestic demand for vehicles in Germany, exports of luxury vehicles drove sales growth.

- In the Americas, our customers gained market share as they were little impacted by the natural disaster in Japan. In addition, there has been a resurgence in demand for trucks and sport utility vehicles. Also, we had increased sales for applications such as seat adjusters and cooling fan modules in North America. Additionally, we continued our expansion into South American markets.
- The Powertrain Cooling business is primarily engaged in the manufacture and sale of cooling fan modules for OEM and Tier 1 customers and forms a significant part of our overall business. Sales for this business unit were up 22% in the first half of FY2011/12, mainly due to an increase in vehicle sales as well as recent product launches on new vehicle platforms.
- The first half of FY2011/12 saw continued cost pressure from purchased commodities and China wage inflation. In order to mitigate the impact of such changes, we continue to reorganise our portfolio to focus on products that deliver value to our customers as well as optimise our manufacturing footprint.
- We also continue to invest in research and development of products that improve safety, fuel efficiency and reduce emissions. Additionally, we are pursuing opportunities in India and Brazil, by leveraging the Group's core competency of global innovation tailored for local markets.

**INDUSTRY PRODUCTS GROUP**

- Sales for the first half of FY2011/12 were US\$400.0 million, a decrease of 3% from US\$414.2 million for the same period last year. This was mainly because the prior year benefitted from the restocking of inventory subsequent to the 2008 to 2009 recession. Additionally, weak housing market conditions continued to affect the home appliances market segment. Our exit from some low margin markets also negatively impacted sales. These factors were partially offset by strong sales growth in the gaming and entertainment market as well as the successful introduction of new product platforms in Europe.
- In Europe, we grew sales across many of our product lines. In particular, sales for our leading edge Heating, Ventilation and Air-Conditioning (HVAC) and gas metering products grew as we delivered improvements in functionality and efficiency to our customers in this market segment. We also launched new HVAC products for boiler applications.
- Sales in Asia decreased primarily due to our exit from low margin markets as well as the one-time benefit of restocking of inventory levels in the first half of FY2009/10. These factors particularly impacted the power tools, food & beverages, floor care, personal care and business machines market segments. These declines were partially offset by increase in sales of products for the gaming and entertainment market.
- Sales in the Americas declined for the reasons mentioned above and affected the power tools, lawn and garden, medical biosensors and office automation market segments.
- In order to mitigate the impact of market softness in Asia and Americas, the division remains focused on developing and launching

differentiated, energy-efficient products to fulfil consumer demand for products that offer reduced noise and weight with increased power. We also continue to develop our presence in emerging markets.



*Excluding currency effects, sales declined for the first half of FY2011/12 vs. same period last year: Overall (6%), Asia (11%), Europe 10%, Americas (7%)*

**OTHER BUSINESSES**

Other businesses mainly comprised Saia-Burgess Controls.

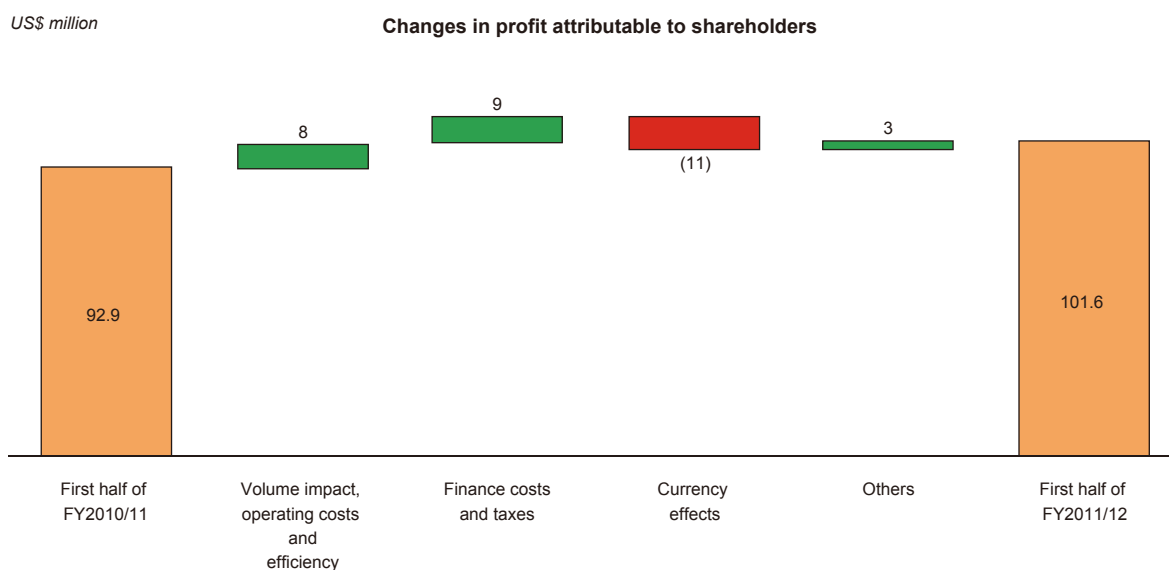
- Sales for Controls were strong for the first half of FY2011/12 at US\$50.2 million, compared to US\$37.0 million for the same period last year. The infrastructure automation segment saw strong growth across the whole of Europe. We also benefitted from the recovery in the machine industry. Other growth areas included Human Machine Interface products (HMI) and energy meters.

## FINANCIAL REPORT

## ANALYSIS OF PROFIT &amp; LOSS

<i>US\$ million</i>	First half of FY2011/12	First half of FY2010/11	Increase/ (decrease) in profit
Sales	1,118.1	1,030.6	87.5
Gross profit	303.6	295.9	7.7
<i>Gross margin %</i>	27.2%	28.7%	(1.5%)
Other income and gains/(losses)	2.8	–	2.8
Selling and administrative expenses (“S&A”)	(187.7)	(171.9)	(15.8)
<i>S&amp;A %</i>	16.8%	16.7%	(0.1%)
Operating profit	118.7	124.0	(5.3)
<i>Operating margin %</i>	10.6%	12.0%	(1.4%)
Finance costs, net	(1.3)	(3.9)	2.6
Share of profits of associate	0.2	–	0.2
Profit before income taxes	117.6	120.1	(2.5)
Income tax expenses	(16.1)	(22.0)	5.9
<i>Effective tax rate</i>	13.7%	18.3%	4.6%
Profit for the period	101.5	98.1	3.4
Non-controlling interests	0.1	(5.2)	5.3
Profit attributable to shareholders	101.6	92.9	8.7

## PROFIT ATTRIBUTABLE TO SHAREHOLDERS



Note: Numbers do not add across due to the effect of rounding

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The profit attributable to shareholders increased to US\$101.6 million for the first half of FY2011/12, up US\$8.7 million compared to the same period last year. As shown in the chart on previous page, this increase in profitability was primarily a result of:

- **Volume impact, operating costs and efficiency:** Increases in raw material commodity prices and wage costs in China had a significant adverse impact on profitability. This was offset by various initiatives taken by management to mitigate the inflation effect. These actions included price increases, efficiency and productivity improvements, quality improvements and customer assistance recoveries.

The Group also made a prospective change to the estimated remaining useful life of client relationships (purchased intangible assets resulting from the Saia-Burgess and Parlex acquisitions). The estimated remaining useful life was reduced from a range of 15 to 20 years to 10 years. The impact of this change was an increase in amortisation expense (non-cash charge) of US\$1.2 million for the first half of FY2011/12.

- **Finance costs and taxes** decreased by about US\$9 million compared to the same period

last year. This was largely the result of a reduced effective tax rate (ETR) of 13.7% as compared to 18.3% for the same period last year. The lower ETR was primarily due to improved operating profits in certain entities that are able to utilise their tax net operating losses brought forward. Interest expense was reduced as the Group replaced higher cost debt with tax efficient, lower cost debt.

- **Currency effects:** The majority of our engineering, manufacturing and supply chain operations are located in China and Switzerland. The strengthening of the Renminbi and the Swiss Franc against the US Dollar adversely affected our operating costs. The increase in cost was partially offset by a stronger Euro which favourably impacted operating income. The net effect of these currency movements reduced operating profit by about US\$11 million.
- **Others:** The first half of FY2010/11 included the loss on exiting the interest rate swap and fair value losses on the ineffective portion of Euro hedging contracts. Also, we recorded a non-recurring gain on disposal of certain fixed assets in the first half of FY2011/12.

## ANALYSIS OF CASH FLOW

### Simplified Cash Flow

US\$ million	First half of FY2011/12	First half of FY2010/11	Change
Operating profit	118.7	124.0	(5.3)
Depreciation and amortisation	48.7	41.6	7.1
<b>EBITDA</b>	<b>167.4</b>	<b>165.6</b>	<b>1.8</b>
Other non cash items in profit before taxes	0.7	4.5	(3.8)
Working capital change	(48.2)	(33.9)	(14.3)
Interest paid	(3.6)	(4.9)	1.3
Income taxes paid	(13.7)	(9.6)	(4.1)
<b>Net cash generated from operating activities</b>	<b>102.6</b>	<b>121.7</b>	<b>(19.1)</b>
Capital expenditure	(42.9)	(38.9)	(4.0)
Proceeds from disposal of fixed assets	12.3	2.4	9.9
Interest received	3.0	1.7	1.3
<b>Free cash flow from operations</b>	<b>75.0</b>	<b>86.9</b>	<b>(11.9)</b>

Free cash flow from operations was US\$75.0 million in the first half of FY2011/12, down US\$11.9 million from US\$86.9 million for the same period last year. This was largely due to increased investments in working capital, which are further explained in the following section.

### Working Capital Change

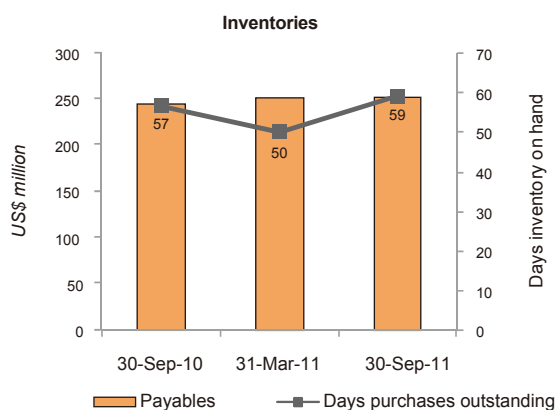
US\$ million	31st Mar 2011	Non-operating items					Increase/ (decrease) in working capital	30th Sep 2011
		Currency translation	Divestiture of a controlling stake in a subsidiary	Pension	Hedging			
Inventories	252.8	(1.9)	(11.2)	-	-	12.4	252.1	
Trade and other receivables <sup>1</sup>	421.7	(0.6)	(22.0)	-	-	2.5	401.6	
Deposits – non-current	8.1	-	(2.5)	-	-	2.4	8.0	
Trade and other payables	(414.5)	0.1	17.5	-	-	26.5	(370.4)	
Provisions and other liabilities <sup>1</sup>	(85.4)	1.1	0.4	(10.6)	-	1.6	(92.9)	
Other financial assets/ (liabilities), net <sup>1</sup>	9.1	0.1	-	-	(36.0)	2.8	(24.0)	
<b>Total working capital per balance sheet</b>	<b>191.8</b>	<b>(1.2)</b>	<b>(17.8)</b>	<b>(10.6)</b>	<b>(36.0)</b>	<b>48.2<sup>2</sup></b>	<b>174.4</b>	

<sup>1</sup> Current and non-current

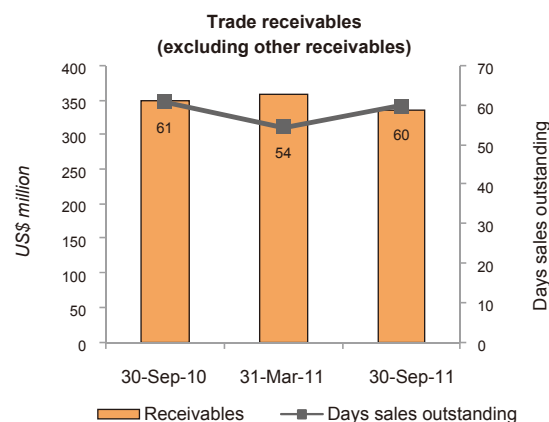
<sup>2</sup> Denotes the working capital change in the first half of FY2011/12 as reflected in the cash flow above

## MANAGEMENT'S DISCUSSION AND ANALYSIS

- **Inventories** decreased slightly by US\$0.7 million in the first half of FY2011/12, from US\$252.8 million as of 31st March 2011 to US\$252.1 million as of 30th September 2011. Excluding the currency effects and the divestiture of a controlling stake in a subsidiary, inventories increased by US\$12.4 million.

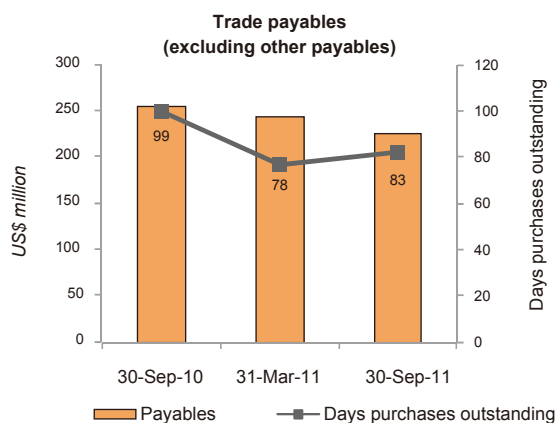


- Days inventory on hand increased from 50 days as of 31st March 2011 to 59 days as of 30th September 2011, partly due to seasonal growth in inventory levels.
- **Trade and other receivables** decreased by US\$20.1 million in the first half of FY2011/12, from US\$421.7 million as of 31st March 2011 to US\$401.6 million as of 30th September 2011, mainly due to the divestiture of a controlling stake in a subsidiary.



- Days sales outstanding (DSO) increased from 54 days as of 31st March 2011 to 60 days as of 30th September 2011. As compared to 30th September 2010, DSO was essentially flat. We continue our focus on tight credit policy and close monitoring of our credit exposure.
- The Group's receivables are of high quality. Amounts overdue greater than 30 days were less than 2% of gross trade receivables as of 30th September 2011.
- **Trade and other payables** decreased to US\$370.4 million as of 30th September 2011. Compared to 31st March 2011, trade and other payables decreased by US\$44.1 million. Excluding currency effects and the divestiture of a controlling stake in a subsidiary:

- Trade payables decreased by US\$10.4 million due to the seasonality of summer vacation.
- Other payables decreased by US\$16.1 million. This was mainly due to the effect of lower accruals for fixed assets resulting from completion of new plant and capacity enhancements for new products, especially for the automotive business. Also, there was six months of incentive compensation accruals as of 30th September 2011, compared to twelve months' accruals as of 31st March 2011.



- Days purchases outstanding increased from 78 days as of 31st March 2011 to 83 days as of 30th September 2011.

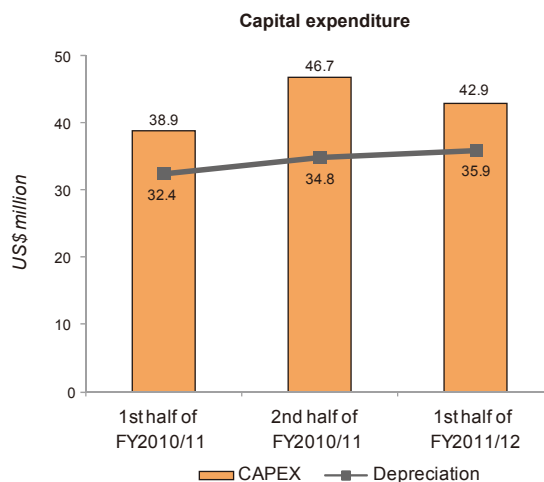
## MANAGEMENT'S DISCUSSION AND ANALYSIS

- **Provisions and other liabilities** increased by US\$7.5 million to US\$92.9 million as of 30th September 2011 compared to US\$85.4 million as of 31st March 2011. This was mainly as a result of a non-cash actuarial revaluation of pension plan liabilities.
- **Other financial assets/(liabilities)** increased by US\$33.1 million from a net financial asset of US\$9.1 million as of 31st March 2011 to a net financial liability of US\$24.0 million as of 30th September 2011. This was mainly due to mark-to-market valuations for forward contracts entered to hedge copper consumption. The spot price of copper fell 24% from US\$9,408 per metric ton as of 31st March 2011 to US\$7,158 per metric ton as of 30th September 2011. The total amount of outstanding copper hedging contracts as of 30th September 2011 was US\$121.3 million with maturity dates ranging from 1 month to 24 months. These non-cash movements were recognised directly in the hedging reserve within equity.

**Interest paid** decreased by US\$1.3 million from US\$4.9 million for the first half of FY2010/11 to US\$3.6 million for the first half of FY2011/12. This was the result of the repayment of higher cost debt during the period and in the second half of FY2010/11.

**Income taxes paid**, net of refunds, increased by US\$4.1 million from US\$9.6 million for the first half of FY2010/11 to US\$13.7 million for the first half of FY2011/12 due to the combined effects of one-time refunds received in the first half of FY2010/11 and tax payments relating to FY2010/11 paid in the first half of FY2011/12.

**Capital expenditure** was US\$42.9 million in the first half of FY2011/12, an increase of US\$4.0 million from US\$38.9 million for the same period last year. We continue to invest in capital for long term technology development, manufacturing capacity expansion and productivity improvements.



**Proceeds from disposal of fixed assets** was US\$12.3 million in the first half of FY2011/12, an increase of US\$9.9 million from US\$2.4 million for the same period last year. The increase was due to the disposal of certain non-core real estate assets during the period.

**Interest received** in the first half of FY2011/12 was US\$3.0 million, an increase of US\$1.3 million from US\$1.7 million for the same period last year. This was due to higher amount of deposits held in Renminbi.



## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Other cash flows

US\$ million	First half of FY2011/12	First half of FY2010/11	Change
<b>Free cash flow from operations</b>	<b>75.0</b>	<b>86.9</b>	<b>(11.9)</b>
Other investing activities	1.5	(0.4)	1.9
Proceeds from divestiture of a controlling stake in a subsidiary, net of cash divested	16.8 <sup>1</sup>	–	16.8
Currency swap unwound	–	(35.1)	35.1
Dividend paid	(28.3)	(23.7)	(4.6)
Purchase of shares	(24.4) <sup>2</sup>	(4.6)	(19.8)
Other financing activities	–	(2.4)	2.4
<b>Total cash flow, excluding change in borrowings</b>	<b>40.6</b>	<b>20.7</b>	<b>19.9</b>
New borrowings	40.9 <sup>3</sup>	–	40.9
Repayment of borrowings	(94.3) <sup>3</sup>	(5.4)	(88.9)
<b>Cash generated</b>	<b>(12.8)</b>	<b>15.3</b>	<b>(28.1)</b>
Exchange gains on cash	2.2	3.4	(1.2)
<b>Net movement in cash</b>	<b>(10.6)<sup>4</sup></b>	<b>18.7</b>	<b>(29.3)</b>
<b>Reconciliation of cash and borrowings balances</b>	<b>Cash</b>	<b>Debt (borrowings)</b>	<b>Net Cash <sup>5</sup></b>
As of 31st March 2011	354.7	313.7	41.0
Divestiture of a controlling stake in a subsidiary	(3.3)	(9.6)	6.3
Other (decrease)/increase	(7.3)	(54.3) <sup>3</sup>	47.0
	(10.6) <sup>4</sup>	(63.9)	53.3
<b>As of 30th September 2011</b>	<b>344.1</b>	<b>249.8</b>	<b>94.3</b>

<sup>1</sup> The proceeds of divestiture of a controlling stake in a subsidiary of US\$16.8 million consist of cash consideration of US\$20.1 million, net of cash divested US\$3.3 million. Debt of US\$9.6 million owed by the divested subsidiary has been deconsolidated

<sup>2</sup> This represents shares repurchased for cancellation for US\$21.8 million and subsequently cancelled and shares purchased for US\$2.6 million for use in the Long-Term Incentive Share Scheme

<sup>3</sup> The change in borrowings of US\$54.3 million represents new borrowings of US\$40.9 million, repayment of borrowings of US\$94.3 million, amortised upfront fee of US\$0.7 million and an unrealised exchange gain of US\$1.6 million

<sup>4</sup> Net movement in cash of US\$10.6 million represents US\$7.3 million utilised for Operating, Investing and Financing activities during the first half of FY2011/12 and a decrease of US\$3.3 million on the divestiture of a controlling stake in a subsidiary

<sup>5</sup> Net cash is defined as cash minus debt (borrowings)

The Group generated US\$40.6 million cash in the first half of FY2011/12 excluding the change in borrowings and exchange gains. This represents an increase of US\$19.9 million from US\$20.7 million for the same period last year.

Cash generation was impacted by the following:

- **Other investing activities** increased by US\$1.9 million. This was because:

- In the first half of FY2011/12, a yield-to-maturity deposit matured realising US\$1.5 million.
- In the first half of FY2010/11, we paid US\$0.4 million to acquire shares from non-controlling shareholders in a subsidiary.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

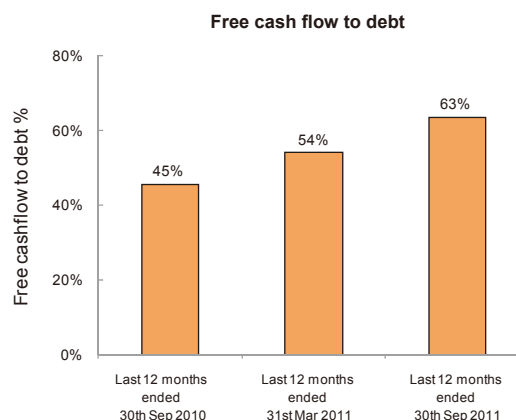
- In the first half of FY2011/12, the Group received a net cash consideration of US\$16.8 million (i.e. receipt of US\$20.1 million net of US\$3.3 million, cash on hand) from the **divestiture** of a controlling stake in a subsidiary. Following this, the Group ceased to be responsible for the US\$9.6 million debt of the divested subsidiary. Additional consideration of US\$12.1 million is being treated as a bridge loan secured by shares of the legal entity, which is due in December 2012. There were no such activities in the previous year.

The net "P&L" impact on the divestiture of a controlling stake in a subsidiary was insignificant.

- In the first half of FY2010/11, the Group incurred a cash outflow of US\$35.1 million to unwind **cross-currency swaps** of CHF200.0 million to US\$152.6 million. There were no such activities in the first half of FY2011/12.
- The final **dividend** of US\$28.3 million for FY2010/11 was paid in the first half of FY2011/12. This was US\$4.6 million more than the final dividend of US\$23.7 million for FY2009/10, paid in the first half of FY2010/11.
  - The Board has declared an interim dividend of US\$13.8 million for FY2011/12, maintaining last year's rate at 3 HK Cents (equivalent to 0.38 US Cents) per share.
- Purchase of shares:** 41.6 million shares were repurchased at a total cost of US\$21.8 million and cancelled in the first half of FY2011/12. These share repurchases are a constructive element in the prudent management of the Company's overall capital structure and in enhancing returns to shareholders over time.

Also, the Company purchased 5.5 million shares for US\$2.6 million which will be utilised for granting shares to eligible employees under the Long-Term Incentive Share Scheme.

- Other financing activities** in the first half of FY2010/11 comprised a cash outlay of US\$2.4 million for dividends to non-controlling shareholders in the Group's subsidiaries. There were no such activities in the first half of FY2011/12.
- Borrowings:** Continued cash generation enabled the Group to repay debt of US\$53.4 million, net (borrowed US\$40.9 million, repaid US\$94.3 million). As shown on the previous page in the table "Reconciliation of cash and borrowings balances", US\$9.6 million owed by a subsidiary was deconsolidated following the divestiture of a controlling stake in the subsidiary. The following significant activities occurred in the first half of the year:
  - Additional borrowings in Europe of US\$20.2 million (EUR14.9 million) were secured by trade receivables.
  - Higher cost debt of US\$70.0 million was repaid as we continued to reduce debt at the parent company level.
  - A short term debt of US\$7.8 million (RMB50.0 million) borrowed by a subsidiary was repaid.
- Consequently, free cash flow from operations as a percentage of gross debt increased to 63% as of 30th September 2011, compared to 54% as of 31st March 2011. The Group's total debt to capital ratio was 15% as of 30th September 2011, compared to 18% as of 31st March 2011.



## MANAGEMENT'S DISCUSSION AND ANALYSIS

- **Cash resources:** Our cash resources decreased by US\$10.6 million (from US\$354.7 million as of 31st March 2011 to US\$344.1 million as of 30th September 2011). This is mainly due to the repayment of borrowings, as discussed above. The majority of our cash is kept in Renminbi to partially mitigate the effect of the strengthening of the Renminbi against the US Dollar on the operating expenses for our operations in China.

<i>US\$ million</i>	30th Sep 2011	31st Mar 2011
US Dollar	39.5	29.3
Euro	14.1	34.1
RMB	276.9	266.9
CHF	3.0	2.1
Others	10.6	22.3
Total	344.1	354.7

## 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 the Board of Directors and senior management.

### Liquidity

Management believes the combination of cash on hand, available credit lines and expected future operating cash flows to be sufficient to satisfy our cash needs for our current level of operations and our planned operations for the foreseeable future. The Group had about US\$290 million of available uncommitted and unutilised short term borrowing facilities provided by its principal bankers.

### Foreign exchange risk

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

- The Group's sales are mainly denominated in the US Dollar, the Euro and the Renminbi.
- In the first half of FY2011/12, 48% of the Group's sales (51% in the first half of FY2010/11) were in US Dollars, 34% in Euros (30% in the first half of FY2010/11), 12% in Renminbi (13% in the first half of FY2010/11) 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 Renminbi and the Swiss Franc.
- The Group mitigates part of its foreign exchange risk through forward contracts, based on specific cash flow forecasts from operations denominated in that foreign currency (e.g. Euro, Renminbi and Swiss Franc). The forward contracts mature at various dates. In order to avoid the potential default by any of its counterparties on its forward contracts, the Group deals with major financial institutions that the Group anticipates will satisfy their obligations under the contracts.

## RISK MANAGEMENT

The Group identifies and manages its strategic, operational, financial and compliance risks through proactive management oversight and business processes. Existing and emerging risks are analysed and monitored on a quarterly basis by the Group's Risk Management Steering Committee composed of key senior leaders from our Engineering, Operations, Quality, Finance, Corporate Audit Services, Legal and Human Resources departments.

Whenever and wherever possible, risks are transferred or mitigated through robust business practices which are then monitored to ensure their continuing effectiveness.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Specific areas of focus include:

- Ensuring the suitability of our operational footprint to respond quickly and cost-effectively to market changes and capacity utilisation.
- Continuously improving our engineering and manufacturing processes including quality standards to be the safe choice for our customers.
- Developing and managing product differentiation through technology, innovation and intellectual property to be the definitive supplier of our customers' solutions.
- Attracting and retaining high-calibre management and other key personnel and building effective networks of employees and partners to safeguard the business success.
- Managing customer relationships, including contract terms and conditions, in accordance with industry standards.
- 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

The first half of FY2011/12 saw a focus on recruitment, retention and organisational alignment.

The Group placed emphasis on ensuring that engineering and leadership talent was in place around the world to fulfil customer demands. Competition for excellent people is vigorous around the world. Recruiting campaigns are underway throughout Asia, North and South America and in Europe.

Wage and salary levels in China continue to require attention to maintain the Group's competitive position.

The manufacturing location in Beihai, Guanxi Province, China grew during the period. A local management team is in place and total headcount at the site increased to approximately 1,700. To meet growing development needs and ensure alignment of best practices, Human Resources expanded its Shajing Training function to Beihai. Training initiatives focus on technical and engineering training and a growing list of courses are available.

In Shajing, China, direct labour remained stable but salaried recruitment remains particularly challenging in technological areas. The Shajing Recruitment function engaged several Chinese Universities in partnerships to provide a pipeline of entry level engineering talent to the Group.

In Chennai, India, the manufacturing site attained TS16949 certification, facilitating future expansion in the automotive sector.

In Brazil, Genba Kaizen activities took place under the direction of new in-country leadership with the support of regional Americas leadership. In the Americas, the Human Resources team has made changes to the 401K including introduction of a retirement life-cycle investment option.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

In Europe, recruiting for salaried positions continues to be active. Growth plans in Hungary and Poland has required the development of mobilisation planning. An Environmental, Health and Safety (EHS) assessment was completed on a new site in Hungary.

Total global headcount, including contract employees, stands at over 43,000 individuals located in Asia, Americas and Europe.

### Human Resources Management

Human Resources, Environmental, Health and Safety, and Training and Development are corporate-wide functions, provided via a Shared

Service structure. Key initiatives continue to be 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. As has characterised the history of Johnson Electric, people-centred programs such as those described in this report continue to be encouraged and invested in at all of the Group's locations.

# DISCLOSURE OF INTERESTS

## DIRECTORS

As of 30th September 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:

Name	Shares of HK\$0.0125 each of the Company	
	Personal Interests	Other Interests
Yik-Chun Koo Wang	–	2,195,410,880 (Notes 1 & 2)
Peter Kin-Chung Wang	–	577,000 (Note 3)
Peter Stuart Allenby Edwards	–	125,500 (Note 4)
Patrick Blackwell Paul	95,500	–
Michael John Enright	25,500	–
Joseph Chi-Kwong Yam	11,500	–

### 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 30th September 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 period, 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.

## DISCLOSURE OF INTERESTS

### SUBSTANTIAL SHAREHOLDERS

As of 30th September 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	2,195,410,880 (Notes 1 & 2)	60.44
Ansbacher (Bahamas) Limited	Trustee	887,040,000 (Note 1)	24.42
HSBC International Trustee Limited	Trustee	752,258,228 (Note 1)	20.71
Great Sound Global Limited	Interest of controlled corporation	745,359,860 (Note 3)	20.52
Winibest Company Limited	Beneficial owner	745,359,860 (Note 4)	20.52
Federal Trust Company Limited	Trustee	560,915,520 (Note 1)	15.44
Ceress International Investment (PTC) Corporation	Trustee	223,014,080 (Note 5)	6.14
Merriland Overseas Limited	Beneficial owner	211,943,040 (Note 6)	5.84
Capital Research and Management Company	Investment manager	185,051,000	5.09

#### NOTES

1. The shares in which Ansbacher (Bahamas) Limited and Federal Trust Company Limited were interested and 747,455,360 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 30th September 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 directors may at their discretion grant share options to eligible persons to subscribe for shares in the Company subject to the terms and conditions stipulated therein.

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

Type of grantees	Options held at 01/04/2011 and 30/09/2011	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				



## DISCLOSURE OF INTERESTS

### 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 Incentive Share Scheme was

further amended, with its amendments being approved by the shareholders, on 20th July 2011. The directors may grant shares (time-vested units ("Restricted Stock Units") and performance-vested units ("Performance Stock Units")) to such eligible employees and directors as the directors may select in their absolute discretion under the Incentive Share Scheme.

Movements in the number of unvested units granted as of the date of this report are as follows:

	Number of unvested units granted (thousands)		Total
	Restricted Stock Units	Performance Stock Units	
Unvested units granted, as of 31st March 2011	8,035	2,150	10,185
Units granted to employees and Independent Non-Executive Directors during the period	3,751	4,430	8,181
Shares vested to employees and Independent Non-Executive Directors during the period	(2,420)	–	(2,420)
Forfeited during the period	(645)	(480)	(1,125)
Unvested units granted, as of the date of this report	8,721	6,100	14,821

The number of shares vesting in the remainder of FY2011/12 and the next four financial years are as follows, excluding grants that may be made after 30th September 2011 and excluding any subsequent forfeitures:

Vesting period	Number of unvested units granted (thousands)		Total
	Restricted Stock Units	Performance Stock Units	
FY2011/12	60	–	60
FY2012/13	1,096	–	1,096
FY2013/14	3,335	1,950	5,285
FY2014/15	3,730	4,150	7,880
FY2015/16	500	–	500
Total	8,721	6,100	14,821

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.

# CORPORATE GOVERNANCE

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.

During the six months ended 30th September 2011, Mr. Oscar de Paula Bernardes Neto did not present himself for re-election as an independent non-executive director of the Company at the Annual General Meeting held on 20th July 2011 (“AGM”) upon expiration of his current term at the conclusion of the AGM. He has also ceased to be the member of the Remuneration Committee of the Company on the same date. Mr. Joseph Chi-Kwong Yam, an independent non-executive director of the Company, has been appointed as a member of the Remuneration Committee of the Company effective 20th July 2011 in place of Mr. Oscar de Paula Bernardes Neto. Save for the above, the composition of the Board of Directors remains the same as set out in the Corporate Governance Report in the Company’s Annual Report 2011.

During the six months ended 30th September 2011, the Company continued to abide by the corporate governance practices set out in the Corporate Governance Report in the Company’s Annual Report 2011.

## CODE ON CORPORATE GOVERNANCE PRACTICES

During the six months ended 30th September 2011, the Company had complied with the code provisions set out in the Code on Corporate

Governance Practices contained in Appendix 14 of the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), 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 six months ended 30th September 2011. No incident of non-compliance was noted by the Company to date in FY2011/12.

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.

### AUDIT COMMITTEE

The Audit Committee is 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 current members are Mr. Patrick Paul (Chairman), Prof. Michael Enright and Mr. Peter Wang.

The Committee is responsible for monitoring the reporting, accounting, financial, risk management and control aspects of the senior 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.

### REMUNERATION COMMITTEE

The Remuneration Committee is comprised of two independent non-executive directors (including the Committee Chairman) and one executive director. The current members are Prof. Michael Enright (Chairman), Mr. Joseph Yam and Ms. Winnie Wang.

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.

## CORPORATE GOVERNANCE

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.

### **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 current members are Mr. Peter Edwards (Chairman), Mr. Patrick Paul and Dr. Patrick Wang.

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.

### **BOARD COMMITTEE**

The Board Committee is comprised of two executive directors, Dr. Patrick Wang and Ms. Winnie Wang. 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.

### **REVIEW OF INTERIM RESULTS**

The Company's interim report for the six months ended 30th September 2011 has been reviewed by the Audit Committee and the auditor of the Company, PricewaterhouseCoopers.

## PURCHASE, SALE OR REDEMPTION OF SHARES

During the six months ended 30th September 2011, the Company repurchased a total of 41,635,500 ordinary shares of HK\$0.0125 each of the Company on the Stock Exchange, all of which shares were cancelled. The number of issued shares as of 30th September 2011 was 3,632,153,420 shares. Particulars of the shares repurchased are as follows:

Month of repurchase	Number of ordinary shares repurchased	Purchase price paid per share		Aggregate consideration paid HK\$ million
		Highest HK\$	Lowest HK\$	
August 2011	13,234,000	4.02	3.65	50.70
September 2011	28,401,500	4.39	3.89	118.59
	41,635,500			169.29

As of 24th November 2011, 13,559,000 shares had been further repurchased and cancelled at an aggregate consideration of HK\$53.85 million. The number of issued shares as of 24th November 2011 is 3,618,594,420 shares.

The Directors consider the repurchases a constructive element in the prudent management of the Company's overall capital structure and in enhancing returns to shareholders over time.

Also, the Company purchased 5,499,500 shares of the Company at a cost of US\$2.62 million during the period (i.e. August 2011) in connection with the Long-Term Incentive Share Scheme for eligible employees and Directors. The highest and the lowest purchase price paid per share was HK\$3.83 and HK\$3.60, respectively.

Save as disclosed above, neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the period. The Company has not redeemed any of its shares during the period.

# CONDENSED CONSOLIDATED BALANCE SHEET

As of 30th September 2011

	Note	Unaudited 30th September 2011 US\$'000	Audited 31st March 2011 US\$'000
<b>Assets</b>			
<b>Non-current assets</b>			
Properties, plant and equipment	5	364,179	403,985
Investment properties	5	41,338	44,142
Land use rights	5	4,749	9,346
Intangibles	5	776,664	774,688
Investment in associate		2,212	1,926
Deferred income tax assets		40,248	35,957
Available-for-sale financial assets		6,840	1,956
Other financial assets at fair value through profit and loss		4,347	4,499
Other financial assets	7	1,097	–
Receivables	8	12,115	–
Deposits		8,038	8,113
		<b>1,261,827</b>	<b>1,284,612</b>
<b>Current assets</b>			
Inventories		252,076	252,763
Trade and other receivables	6	389,470	421,735
Non-current asset held for sale		2,378	9,967
Other financial assets	7	8,144	9,534
Income tax recoverable		4,069	3,899
Other financial assets at fair value through profit and loss		3,471	5,148
Cash and deposits		344,080	354,715
		<b>1,003,688</b>	<b>1,057,761</b>
<b>Current liabilities</b>			
Trade and other payables	9	370,426	414,522
Current income tax liabilities		34,459	27,932
Other financial liabilities	7	26,992	393
Borrowings	10	139,937	134,248
Provisions and other liabilities	11	22,055	16,783
		<b>593,869</b>	<b>593,878</b>
<b>Net current assets</b>		<b>409,819</b>	<b>463,883</b>
<b>Total assets less current liabilities</b>		<b>1,671,646</b>	<b>1,748,495</b>

CONDENSED CONSOLIDATED BALANCE SHEET

	Note	Unaudited 30th September 2011 US\$'000	Audited 31st March 2011 US\$'000
<b>Non-current liabilities</b>			
Other financial liabilities	7	6,292	–
Borrowings	10	109,846	179,458
Deferred income tax liabilities		77,726	78,160
Provisions and other liabilities	11	70,810	68,585
		<b>264,674</b>	326,203
<b>NET ASSETS</b>		<b>1,406,972</b>	1,422,292
<b>Equity</b>			
Share capital and share premium	12	46,440	69,970
Reserves		1,323,476	1,263,947
Proposed dividends	18	13,819	28,285
		<b>1,383,735</b>	1,362,202
<b>Non-controlling interests</b>		<b>23,237</b>	60,090
<b>TOTAL EQUITY</b>		<b>1,406,972</b>	1,422,292

The notes on pages 36 to 58 form an integral part of this condensed interim financial information.

# CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30th September 2011

	Note	Unaudited Six months ended 30th September	
		2011 US\$'000	2010 US\$'000
Sales	4	1,118,067	1,030,641
Cost of goods sold		(814,452)	(734,719)
Gross profit		303,615	295,922
Other income and gains/(losses)	13	2,780	(42)
Selling and administrative expenses	14	(187,726)	(171,895)
Operating profit	15	118,669	123,985
Finance income	16	2,952	1,745
Finance costs	16	(4,227)	(5,702)
Share of profits of associate		234	91
Profit before income tax		117,628	120,119
Income tax expenses	17	(16,144)	(21,992)
Profit for the period		101,484	98,127
Add: Loss/(profit) attributable to non-controlling interests		142	(5,244)
Profit attributable to owners		101,626	92,883
Basic earnings per share for profit attributable to the owners during the period (expressed in US Cents per share)	19	2.79	2.54
Diluted earnings per share for profit attributable to the owners during the period (expressed in US Cents per share)	19	2.78	2.54

The notes on pages 36 to 58 form an integral part of this condensed interim financial information. The Board has declared an interim dividend of 0.38 US Cents per share (first half of FY2010/11: 0.39 US Cents) equivalent to US\$13.8 million (first half of FY2010/11: US\$14.2 million), details are set out in Note 18 to the interim accounts.



# CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30th September 2011

	Unaudited	
	Six months ended	
	30th September	
	2011	2010
	US\$'000	US\$'000
<b>Profit for the period</b>	<b>101,484</b>	98,127
<b>Other comprehensive income/(expenses):</b>		
Available-for-sale financial assets		
– fair value losses	(113)	–
– release of reserves upon disposal	(3)	–
Hedging instruments		
– fair value (losses)/gains	(29,267)	3,204
– deferred income tax effect on fair value (losses)/gains	2,664	(238)
– transferred to income statement	(6,712)	(865)
Defined benefit plans		
– actuarial losses	(10,581)	(12,802)
– deferred income tax effect on actuarial losses	1,361	1,595
Currency translation of foreign subsidiaries and associate	15,328	54,262
Other comprehensive (expenses)/income for the period, net of tax	(27,323)	45,156
<b>Total comprehensive income for the period, net of tax</b>	<b>74,161</b>	143,283
<b>Total comprehensive income attributable to:</b>		
Owners	73,252	136,939
Non-controlling interests		
Share of (losses)/profits for the period	(142)	5,244
Currency translation of foreign subsidiaries	1,051	1,100
	<b>74,161</b>	143,283

The notes on pages 36 to 58 form an integral part of this condensed interim financial information.

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th September 2011

Unaudited

	Attributable to owners								
	Share capital and share premium	Other reserves*	Exchange reserves	Share-based employee benefit reserve	Hedging reserves	Retained earnings	Total	Non-controlling interests	Total equity
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
<b>As of 31st March 2011</b>	69,970	(162,853)	214,798	2,814	11,749	1,225,724	1,362,202	60,090	1,422,292
<b>Profit for the period</b>	-	-	-	-	-	101,626	101,626	(142)	101,484
<b>Other comprehensive income:</b>									
Available-for-sale financial assets									
- fair value losses	-	(113)	-	-	-	-	(113)	-	(113)
- release of reserves upon disposal	-	(3)	-	-	-	-	(3)	-	(3)
Hedging instruments									
- fair value losses	-	-	-	-	(29,267)	-	(29,267)	-	(29,267)
- deferred income tax effect on fair value losses	-	-	-	-	2,664	-	2,664	-	2,664
- transferred to income statement	-	-	-	-	(6,712)	-	(6,712)	-	(6,712)
Defined benefit plans									
- actuarial losses	-	-	-	-	-	(10,581)	(10,581)	-	(10,581)
- deferred income tax effect on actuarial losses	-	-	-	-	-	1,361	1,361	-	1,361
Currency translation of foreign subsidiaries and associate	-	-	14,277	-	-	-	14,277	1,051	15,328
<b>Total comprehensive income/(expenses) for the period ended 30th September 2011</b>	-	(116)	14,277	-	(33,315)	92,406	73,252	909	74,161
<b>Transactions with owners:</b>									
Appropriation of retained earnings to statutory reserve	-	(910)	-	-	-	910	-	-	-
Revaluation surplus on investment properties - realised upon disposal and transfer to properties, plant and equipment	-	(5,339)	-	-	-	5,339	-	-	-
Cancellation of issued capital	(21,843)	-	-	-	-	-	(21,843)	-	(21,843)
Long-Term Incentive Share Scheme									
- shares vested	936	-	-	(936)	-	-	-	-	-
- value of employee services	-	-	-	1,032	-	-	1,032	-	1,032
- purchase of shares	(2,623)	-	-	-	-	-	(2,623)	-	(2,623)
Release on the divestiture of a controlling stake in a subsidiary	-	-	-	-	-	-	-	(37,762)	(37,762)
FY2010/11 final dividend paid	-	-	-	-	-	(28,285)	(28,285)	-	(28,285)
<b>Total transactions with owners</b>	(23,530)	(6,249)	-	96	-	(22,036)	(51,719)	(37,762)	(89,481)
<b>As of 30th September 2011</b>	<b>46,440</b>	<b>(169,218)</b>	<b>229,075</b>	<b>2,910</b>	<b>(21,566)</b>	<b>1,296,094</b>	<b>1,383,735</b>	<b>23,237</b>	<b>1,406,972</b>

\*Note: Other reserves mainly represent contributed surplus, capital reserve, property revaluation reserve, investment valuation reserve, appropriation of retained earnings to statutory reserve and goodwill on consolidation.

The notes on pages 36 to 58 form an integral part of this condensed interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th September 2010

	Unaudited									
	Attributable to owners								Non-controlling interests US\$'000	Total equity US\$'000
	Share capital and share premium US\$'000	Other reserves* US\$'000	Exchange reserves US\$'000	Share-based employee benefit reserve US\$'000	Hedging reserves US\$'000	Retained earnings US\$'000	Total US\$'000			
As of 31st March 2010	79,493	(163,879)	114,030	2,228	5,145	1,084,651	1,121,668	51,468		
Profit for the period	-	-	-	-	-	92,883	92,883	5,244	98,127	
Other comprehensive income:										
Hedging instruments										
- fair value gains	-	-	-	-	3,204	-	3,204	-	3,204	
- deferred income tax effect on fair value gains	-	-	-	-	(238)	-	(238)	-	(238)	
- transferred to income statement	-	-	-	-	(865)	-	(865)	-	(865)	
Defined benefit plans										
- actuarial losses	-	-	-	-	-	(12,802)	(12,802)	-	(12,802)	
- deferred income tax effect on actuarial losses	-	-	-	-	-	1,595	1,595	-	1,595	
Currency translation of foreign subsidiaries and associate	-	-	53,162	-	-	-	53,162	1,100	54,262	
Total comprehensive income for the period ended 30th September 2010	-	-	53,162	-	2,101	81,676	136,939	6,344	143,283	
Transactions with owners:										
Long-Term Incentive Share Scheme										
- shares vested	1,106	-	-	(1,106)	-	-	-	-	-	
- value of employee services	-	-	-	838	-	-	838	-	838	
- purchase of shares	(4,644)	-	-	-	-	-	(4,644)	-	(4,644)	
Dividends paid to non-controlling shareholders of a subsidiary	-	-	-	-	-	-	-	(2,429)	(2,429)	
FY2009/10 final dividend paid	-	-	-	-	-	(23,659)	(23,659)	-	(23,659)	
Total transactions with owners	(3,538)	-	-	(268)	-	(23,659)	(27,465)	(2,429)	(29,894)	
As of 30th September 2010	75,955	(163,879)	167,192	1,960	7,246	1,142,668	1,231,142	55,383	1,286,525	

\*Note: Other reserves mainly represent contributed surplus, capital reserve, property revaluation reserve, investment valuation reserve, appropriation of retained earnings to statutory reserve and goodwill on consolidation.

# CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30th September 2011

	Note	Unaudited Six months ended 30th September	
		2011 US\$'000	2010 US\$'000
<b>Cash flows from operating activities</b>			
Cash generated from operations	22	119,953	136,209
Interest paid		(3,561)	(4,911)
Income taxes paid		(13,749)	(9,631)
<b>Net cash generated from operating activities</b>		<b>102,643</b>	121,667
<b>Investing activities</b>			
Purchase of land use rights and properties, plant and equipment		(42,861)	(38,872)
Proceeds from disposal of investment properties, land use rights and properties, plant and equipment		12,278	2,372
Interest received		2,952	1,745
		<b>(27,631)</b>	(34,755)
Acquisition of non-controlling interests		–	(350)
Proceeds from sale of available-for-sale financial assets and other financial assets at fair value through profit and loss		1,405	–
Proceeds from divestiture of a controlling stake in a subsidiary, net of cash divested *		16,847	–
Decrease in time deposits		1,925	664
<b>Net cash used in investing activities</b>		<b>(7,454)</b>	(34,441)

\*Note: In the first half of FY2011/12, the Group received a net cash consideration of US\$16.8 million (i.e. receipt of US\$20.1 million net of US\$3.3 million, cash on hand) from the divestiture of a controlling stake in a subsidiary.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	<b>Unaudited</b>	
	<b>Six months ended</b>	
	<b>30th September</b>	
	<b>2011</b>	<b>2010</b>
	<b>US\$'000</b>	<b>US\$'000</b>
<b>Financing activities</b>		
Purchase of shares for cancellation of issued capital	(21,843)	–
Purchase of shares held for		
Long-Term Incentive Share Scheme	(2,623)	(4,644)
Proceeds from borrowings	40,889	–
Repayments of borrowings	(94,281)	(5,356)
Dividends paid to owners	(28,285)	(23,659)
Dividends paid to non-controlling interests	–	(2,429)
Currency swap unwound	–	(35,113)
<b>Net cash used in financing activities</b>	<b>(106,143)</b>	<b>(71,201)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(10,954)</b>	<b>16,025</b>
<b>Cash and cash equivalents at beginning of the period</b>	<b>352,790</b>	<b>363,133</b>
<b>Currency translation on cash and cash equivalents</b>	<b>2,244</b>	<b>3,375</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<b>344,080</b>	<b>382,533</b>
<b>ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS</b>		
<b>Cash and deposits</b>	<b>344,080</b>	<b>385,796</b>
<b>Less: time deposit with maturities over three months</b>	<b>–</b>	<b>(3,263)</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<b>344,080</b>	<b>382,533</b>

The notes on pages 36 to 58 form an integral part of this condensed interim financial information.

# NOTES TO THE INTERIM ACCOUNTS

## 1. GENERAL INFORMATION

The principal operations of Johnson Electric Holdings Limited (“the Company”) and its subsidiaries (together “the Group”) are the manufacture and sale of motion systems. The Group has 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.

This condensed consolidated interim financial information is presented in US Dollar, unless otherwise stated. This condensed consolidated interim financial information was approved for issue by the Board of Directors on 24th November 2011.

## 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

This unaudited condensed consolidated interim financial information is prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim financial reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and Appendix 16 of the Listing Rules of The Stock Exchange of Hong Kong Limited.

The accounting policies and methods of computation used in the preparation of this condensed consolidated interim financial information are consistent with those used in the annual financial statements for the year ended 31st March 2011, except that the Group adopted all new standards, amendments to standards and interpretations of HKFRS which are effective for the accounting period commencing 1st April 2011.

Except for the revised disclosure to the accounts as stated below, the adoption of these new/revised HKFRS did not have a material impact on the condensed consolidated interim financial information of the Group.

### **New and amended standards adopted by the Group**

Amendment to HKAS 34 “Interim financial reporting” is effective for annual periods beginning on or after 1st January 2011. It emphasises the existing disclosure principles in HKAS 34 and adds further guidance to illustrate how to apply these principles. Greater emphasis has been placed on the disclosure principles for significant events and transactions. Additional requirements cover disclosure of changes to fair value measurement (if significant) and the need to update relevant information from the most recent annual report. The change in accounting policy only results in additional disclosures.

## 3. ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31st March 2011, with the exception of changes in estimates that are required in determining the amortisation of intangible assets.

#### 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 had two operating segments – Manufacturing and Trading in prior years. The trading operating segment, which was principally engaged in trading of goods and materials not manufactured by the Group, was wound down in the prior financial year ended 31st March 2011. Therefore the Group had one single operating segment in the six months period ended 30th September 2011.

The Group's management assesses the performance of the operating segments based on the measure of operating profit. The measure excludes items which are not directly related to the segment performance including non-operating income/(expenses) such as interest income and expense, rental income, fair value gains/(losses) on investment property and gains/(losses) on disposal of investment properties, land use rights, properties, plant and equipment and investments.

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

	Six months ended 30th September	
	2011 US\$'000	2010 US\$'000
Operating profit presented to management	117,399	125,134
Rental income	2,028	2,383
Losses on investments, net	(172)	(322)
Gains/(losses) on disposal of investment properties, land use rights, properties, plant and equipment	796	(205)
Fair value gains on investment properties	70	–
Fair value gains/(losses) on other financial assets/liabilities	58	(1,898)
Miscellaneous expenses	(1,510)	(1,107)
Operating profit per consolidated income statement	118,669	123,985

**4. SEGMENT INFORMATION** (Cont'd)

Revenue from external customers is analysed by product applications as follows:

	Six months ended 30th September	
	2011 US\$'000	2010 US\$'000
Automotive Products Group ("APG")	646,893	539,667
Industry Products Group ("IPG")	399,973	414,235
Other Businesses	50,191	38,192
Divested business	21,010	38,547
	<b>1,118,067</b>	<b>1,030,641</b>

**Geographical information disclosure**

Revenue from external customers by country for the six months ended 30th September 2011 is as follows:

	Six months ended 30th September	
	2011 US\$'000	2010 US\$'000
Hong Kong/People's Republic of China ("HK/PRC")	310,896	315,493
United States of America ("USA")	205,833	195,706
Germany	201,167	165,692
France	65,495	59,601
Italy	49,067	44,921
Others	285,609	249,228
	<b>1,118,067</b>	<b>1,030,641</b>

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

The Powertrain Cooling business is primarily engaged in the manufacture and sale of cooling fan modules for OEM and Tier 1 customers. Revenues for this business unit, comprised 18% of the total revenues of the Group during the first half of FY2011/12.

For the first half of FY2011/12, the additions to non-current assets (other than deferred tax assets, available-for-sale financial assets, other financial assets at fair value through profit and loss and other financial assets) were US\$43.0 million (for the first half of FY2010/11: US\$42.1 million).

As of 30th September 2011, excluding goodwill held centrally, the total of non-current assets (other than deferred tax assets, available-for-sale financial assets, other financial assets at fair value through profit and loss and other financial assets) located in HK/PRC was US\$312.8 million (31st March 2011: US\$342.6 million) and the total of these non-current assets located in other countries was US\$375.3 million (31st March 2011: US\$387.1 million).



## 5. INTANGIBLES, PROPERTIES, PLANT AND EQUIPMENT, INVESTMENT PROPERTIES AND LAND USE RIGHTS

	Technology, license rights, patents and development costs				Per condensed consolidated balance sheet					
	Goodwill US\$'000	US\$'000	Brands US\$'000	Client relationships US\$'000	Total intangibles US\$'000	Properties, plant and equipment			Land use rights US\$'000	Total US\$'000
						Investment properties US\$'000	Investment properties US\$'000	Land use rights US\$'000		
As of 31st March 2011	512,548	116,449	57,863	87,828	774,688	403,985	44,142	9,346	1,232,161	
Currency translations	11,223	2,923	1,524	2,599	18,269	1,646	(94)	185	20,006	
Divestiture of a controlling stake in a subsidiary	(2,581)	(175)	-	(750)	(3,506)	(47,341)	-	(4,525)	(55,372)	
Additions	-	-	-	-	-	43,074	-	-	43,074	
Transfer	-	-	-	-	-	402	(402)	-	-	
Disposals	-	-	-	-	-	(1,515)	-	-	(1,515)	
Depreciation/amortisation	-	(6,268)	(1,564)	(4,955)*	(12,787)	(35,881)	-	(257)	(48,925)	
Provision for impairment	-	-	-	-	-	(191)	-	-	(191)	
Transfer to non-current asset held for sale	-	-	-	-	-	-	(2,378)	-	(2,378)	
Fair value gains	-	-	-	-	-	-	70	-	70	
<b>As of 30th September 2011</b>	<b>521,190</b>	<b>112,929</b>	<b>57,823</b>	<b>84,722</b>	<b>776,664</b>	<b>364,179</b>	<b>41,338</b>	<b>4,749</b>	<b>1,186,930</b>	
As of 31st March 2010	454,155	110,399	52,997	82,320	699,871	383,214	45,392	12,036	1,140,513	
Currency translations	34,361	8,289	4,449	6,645	53,744	5,343	18	222	59,327	
Additions	350	-	-	-	350	38,687	-	317	39,354	
Disposals	-	-	-	-	-	(2,583)	-	-	(2,583)	
Depreciation/amortisation	-	(5,129)	(1,224)	(2,894)	(9,247)	(32,283)	-	(244)	(41,774)	
Provision for impairment	-	-	-	-	-	(3,283)	-	-	(3,283)	
<b>As of 30th September 2010</b>	<b>488,866</b>	<b>113,559</b>	<b>56,222</b>	<b>86,071</b>	<b>744,718</b>	<b>389,095</b>	<b>45,410</b>	<b>12,331</b>	<b>1,191,554</b>	

\*Note: The Group made a prospective change to the estimated remaining useful life of client relationships (purchased intangible assets resulting from the Saia-Burgess and Parlex acquisitions). The estimated remaining useful life was reduced from a range of 15 to 20 years to 10 years. The impact of this change was an increase in amortisation expense (non-cash charge) of US\$1.2 million for the first half of FY2011/12.

**6. TRADE AND OTHER RECEIVABLES**

	30th September 2011 US\$'000	31st March 2011 US\$'000
Trade receivables – gross	336,871	362,856
Less: provision for impairment of receivables	(2,075)	(4,090)
Trade receivables – net	334,796	358,766
Prepayments and other receivables	54,674	62,969
	<b>389,470</b>	<b>421,735</b>

All trade and other receivables are repayable within one year. Accordingly, the fair value of the Group's trade and other receivables was 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:

	30th September 2011 US\$'000	31st March 2011 US\$'000
Current	314,656	328,334
1–60 days	18,139	26,122
61–90 days	1,505	2,039
Over 90 days	2,571	6,361
Total	336,871	362,856

All overdue balances are reviewed by management and the provision is considered to be adequate.

## 7. OTHER FINANCIAL ASSETS AND LIABILITIES

	Assets		Liabilities	
	30th September 2011 US\$'000	31st March 2011 US\$'000	30th September 2011 US\$'000	31st March 2011 US\$'000
Commodity contracts (Note a)				
– copper hedging contracts (cash flow hedge)	91	8,059	23,357	–
– silver hedging contracts (cash flow hedge)	–	–	29	–
Forward foreign currency exchange contracts (Note b)				
– cash flow hedge	8,917	1,263	9,894	368
– held for trading	193	212	4	–
Others – held for trading (Note c)	40	–	–	25
<b>Total (Note d)</b>	<b>9,241</b>	<b>9,534</b>	<b>33,284</b>	<b>393</b>
Current portion	<b>8,144</b>	9,534	<b>26,992</b>	393
Non-current portion	<b>1,097</b>	–	<b>6,292</b>	–
<b>Total</b>	<b>9,241</b>	<b>9,534</b>	<b>33,284</b>	<b>393</b>

*Note:*

## (a) Copper and silver hedging contracts

Gains and losses on copper and silver hedging contracts, including gains and losses recognised in the hedging reserve as of 30th September 2011, are recognised in the income statement in the period or periods in which the underlying hedged copper and silver volumes are consumed. As of 30th September 2011, there were outstanding copper hedging contracts of US\$121.3 million (31st March 2011: US\$65.0 million) with maturities ranging from 1 month to 24 months, silver hedging contracts of US\$0.5 million (31st March 2011: nil) with maturities ranging from 2 months to 4 months.

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

(b) Forward foreign currency exchange contracts

Gains and losses on RMB, Euro and CHF forward foreign currency exchange contracts designated as hedges, including gains and losses recognised in the hedging reserve as of 30th September 2011, are recognised in the income statement in the period or periods in which the underlying hedged transactions occur. As of 30th September 2011, there were outstanding RMB forward purchase contracts of RMB2,415.0 million with maturities ranging from 1 month to 24 months, Euro forward sales contracts of EUR102.0 million with maturities ranging from 1 month to 18 months and CHF forward purchase contracts of CHF81.6 million with maturities ranging from 1 month to 17 months.

For currency contracts designated as held for trading, fair value gains and losses on the forward contracts are immediately recognised in the income statement. As of 30th September 2011, there were outstanding RMB forward purchase contracts of RMB100.0 million with maturities ranging from 1 month to 5 months and JPY forward purchase contracts of JPY21.0 million with maturities ranging from 1 month to 3 months. The net fair value gains recognised in the income statement were not material.

(c) 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.

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

**8. RECEIVABLES**

	30th September 2011 US\$'000	31st March 2011 US\$'000
Receivables – non-current	<b>12,115</b>	–

In the first half of FY2011/12, the Group received a net cash consideration of US\$16.8 million (i.e. receipt of US\$20.1 million net of US\$3.3 million, cash on hand) from the divestiture of a controlling stake in a subsidiary. Following this, the Group ceased to be responsible for the US\$9.6 million debt of the divested subsidiary. Additional consideration of US\$12.1 million is being treated as a bridge loan secured by shares of the legal entity, which is due in December 2012. There were no such activities in the previous year.

**9. TRADE AND OTHER PAYABLES**

	30th September 2011 US\$'000	31st March 2011 US\$'000
Trade payables	224,641	244,824
Accrued expenses and sundry payables	145,785	169,698
	<b>370,426</b>	414,522

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

	30th September 2011 US\$'000	31st March 2011 US\$'000
0–60 days	161,137	177,446
61–90 days	39,057	44,522
Over 90 days	24,447	22,856
Total	224,641	244,824

**10. BORROWINGS**

	30th September 2011 US\$'000	31st March 2011 US\$'000
Three-year term loan (due on 26th February 2013) (Note a)	80,000	150,000
Unamortised upfront fees	(422)	(1,089)
Carrying value	79,578	148,911
Committed revolving three-year term loan (due on 14th February 2014) (Note b)	27,700	27,700
Other borrowings (due in 2017 to 2018)	2,568	2,847
Non-current borrowings	<b>109,846</b>	179,458
Loans based on trade receivables (Note b)	136,378	118,559
Other borrowings	3,559	15,689
Current borrowings	<b>139,937</b>	134,248
Total borrowings	<b>249,783</b>	313,706

*Note:*

- (a) The Company repaid US\$70.0 million of the US\$150.0 million term loan during the period. The term loan is subject to the usual terms and conditions by a bank group to an industrial credit.
- (b) Subsidiary companies have borrowed US\$164.1 million in the USA and Europe as of 30th September 2011. The borrowings' covenants are subject to the same terms and conditions as the existing term loan and are guaranteed by the Company. These loans are placed such that the interest expense will match the source of the operating income.
- Unsecured borrowings in the USA of US\$55.0 million, with a covenant that trade receivables shall not be pledged to other parties.
  - Borrowings in Europe of US\$81.4 million (EUR59.9 million), which are secured by trade receivables.
  - Unsecured borrowings in the USA of US\$27.7 million, part of a US\$35.0 million three-year committed line of credit.

**10. BORROWINGS** (Cont'd)

The maturity of borrowings is as follows:

	Bank borrowings		Other borrowings	
	30th September 2011 US\$'000	31st March 2011 US\$'000	30th September 2011 US\$'000	31st March 2011 US\$'000
Within one year	139,504	133,804	433	444
In the second year	79,578	148,911	445	458
In the third to fifth year	27,700	27,700	1,419	1,459
After the fifth year	–	–	704	930
	246,782	310,415	3,001	3,291

At the balance sheet date, the interest rate charged on outstanding balances ranged from 0.6% to 7.0% per annum (31st March 2011: 0.7% to 6.1% per annum) and the weighted average effective interest rate of the borrowings was approximately 1.6% (31st March 2011: 1.6%).

As of 30th September 2011, bank borrowings of US\$81.4 million (EUR59.9 million) 31st March 2011: US\$63.6 million (EUR45.0 million) were secured by trade receivables with a carrying amount of US\$97.7 million (EUR71.8 million) 31st March 2011: US\$76.3 million (EUR54.0 million). These secured levels fulfil the loan over-collateralisation requirement of 20%.

As of 30th September 2011, borrowings of subsidiary companies amounting to US\$164.1 million (31st March 2011: US\$161.5 million) were guaranteed by the Company.

## 11. PROVISIONS AND OTHER LIABILITIES

	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 2011	1,249	13,788	25,753	6,845	35,682	2,051	85,368
Currency translations	(7)	(411)	(455)	(18)	(166)	(31)	(1,088)
Divestiture of a controlling stake in a subsidiary	-	-	-	-	(356)	-	(356)
Provisions/(release of provisions)	1,939	(21)	4,190	11	3,371	341	9,831
Utilised	(1,568)	(934)	(5,347)	(350)	(3,198)	(74)	(11,471)
Actuarial losses recognised in equity	-	-	10,581	-	-	-	10,581
As of 30th September 2011	1,613	12,422	34,722	6,488	35,333	2,287	92,865

**Balance represented by current and non-current portion per condensed consolidated balance sheet**

Current portion	374	10,508	-	667	10,506	-	<b>22,055</b>
Non-current portion	1,239	1,914	34,722	5,821	24,827	2,287	<b>70,810</b>

As of 30th September 2011	1,613	12,422	34,722	6,488	35,333	2,287	92,865
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As of 31st March 2010	1,058	20,110	22,468	7,845	21,797	1,206	74,484
Currency translations	-	188	723	23	152	18	1,104
Provisions	61	-	1,546	24	13,660	19	15,310
Utilised	-	(5,276)	(4,208)	(607)	(4,710)	(75)	(14,876)
Actuarial losses recognised in equity	-	-	12,802	-	-	-	12,802

As of 30th September 2010	1,119	15,022	33,331	7,285	30,899	1,168	88,824
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**Balance represented by current and non-current portion per condensed consolidated balance sheet**

Current portion	-	6,591	-	546	28,399	7	35,543
Non-current portion	1,119	8,431	33,331	6,739	2,500	1,161	53,281

As of 30th September 2010	1,119	15,022	33,331	7,285	30,899	1,168	88,824
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## 12. SHARE CAPITAL AND SHARE PREMIUM

	Number of shares (thousands)			Total
	Ordinary shares	Shares held for the Share Scheme		
As of 31st March 2010	3,673,789	(8,861)		3,664,928
Shares purchased by trustee for the Long-Term Incentive Share Scheme ("Share Scheme")	–	(20,000)		(20,000)
Shares vested to employees and Independent Non-Executive Directors ("INED") for the Share Scheme	–	2,690		2,690
As of 31st March 2011	3,673,789	(26,171)		3,647,618
Repurchase and cancellation of issued capital	(41,636)	–		(41,636)
Shares purchased by trustee for the Share Scheme	–	(5,499)		(5,499)
Shares vested to employees and INED for the Share Scheme	–	2,420		2,420
As of 30th September 2011	3,632,153	(29,250)		3,602,903
	Ordinary shares US\$'000	Shares held for the Share Scheme US\$'000	Share premium US\$'000	Total US\$'000
As of 31st March 2010	5,925	(4,291)	77,859	79,493
Shares purchased by trustee for the Share Scheme	–	(10,661)	–	(10,661)
Shares vested to employees and INED for the Share Scheme	–	1,498	(360)	1,138
As of 31st March 2011	5,925	(13,454)	77,499	69,970
Repurchase and cancellation of issued capital	(67)	–	(21,776)	(21,843)
Shares purchased by trustee for the Share Scheme	–	(2,623)	–	(2,623)
Shares vested to employees and INED for the Share Scheme	–	1,320	(384)	936
As of 30th September 2011	5,858	(14,757)	55,339	<b>46,440</b>

As of 30th September 2011, the total authorised number of ordinary shares was 7,040.0 million (31st March 2011: 7,040.0 million shares) with a par value of HK\$0.0125 per share (31st March 2011: HK\$0.0125 per share). All issued shares are fully paid.

## 12. SHARE CAPITAL AND SHARE PREMIUM (Cont'd)

### Cancellation of issued capital

A general mandate was approved and given to the Board by shareholders at the Company's Annual General Meeting held on 20th July 2011 which empowers the Board to repurchase shares up to 10% (367.4 million shares) of the aggregate nominal amount of the issued share capital of the Company. This mandate will lapse at the conclusion of the next Annual General Meeting which is expected to be held in July 2012. As of 30th September 2011, 41.6 million shares had been repurchased and cancelled at a total cost of HK\$170.1 million.

As of 24th November 2011, 13.6 million shares had been further repurchased and cancelled at a total cost of HK\$54.1 million. The number of issued shares as of 24th November 2011 was 3,618.6 million.

### Long-Term Incentive Share Scheme

Share awards under the Long-Term Incentive Share Scheme ("Share Scheme") were granted to directors, senior management and other employees as recommended by the Chairman and CEO and approved by the Remuneration Committee of the Company.

The 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 approved by the shareholders on 24th August 2009. The Share Scheme was further amended, with its amendments being approved by the shareholders, on 20th July 2011. The directors may grant shares to such eligible employees and directors as the directors may select in their absolute discretion under the Share Scheme.

Senior management of the Company regularly receive annual grants of time-vested units (Restricted Stock Units or RSUs) and performance-vested units (Performance Stock Units or PSUs). Time-vested units vest after three years. Performance-vested units vest after three years, subject to achievement of the performance conditions over the three-year vesting period. The performance conditions consist of a combination of a three-year cumulative earnings per share target set at the time of grant and a series of one-year earnings per share targets set at the beginning of each year of the three-year vesting period. The full vesting of performance-vested units is subject to achievement of the three-year cumulative earnings per share target; partial vesting occurs if one or more of the one-year earnings per share targets are met.

Prior to April 2010, the Company only granted time-vested units, with 20% of the grant vesting each year for the five years following the date of the grant.

The Company makes grants of time-vested units to key staff below the senior management level. These are subject to a three-year vesting period.

Once vested, the directors have the discretion to deliver either shares or the cash equivalent of the vested shares to eligible employees.

The Company makes annual grants of fully-vested shares to the Independent Non-Executive Directors. The shares granted must be held by each director for the remainder of the board term in which the grant was made. Each year, the Company grants each of the Independent Non-Executive Directors shares equivalent in value to US\$6,000.

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

Movements in the number of unvested units granted during the period are as follows:

	Number of unvested units granted (thousands)		Total
	Restricted Stock Units	Performance Stock Units	
Unvested units granted, as of 31st March 2011	8,035	2,150	10,185
Units granted to employees and INED during the period	3,751	4,430	8,181
Shares vested to employees and INED during the period	(2,420)	–	(2,420)
Forfeited during the period	(645)	(480)	(1,125)
Unvested units granted, as of 30th September 2011	8,721	6,100	14,821

The number of shares vesting in the remainder of FY2011/12 and the next four financial years is as follows, excluding grants that may be made after 30th September 2011 and excluding any subsequent forfeitures:

Vesting period	Number of unvested units granted (thousands)		Total
	Restricted Stock Units	Performance Stock Units	
FY2011/12	60	–	60
FY2012/13	1,096	–	1,096
FY2013/14	3,335	1,950	5,285
FY2014/15	3,730	4,150	7,880
FY2015/16	500	–	500
Total	8,721	6,100	14,821

**Share Options**

Pursuant to the Share Option Scheme (the “Scheme”) approved at the Annual General Meeting of the Company 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 and any executive or non-executive directors of the Company or any affiliate as defined in the Scheme).

Under the Scheme, the Company granted options to purchase the Company’s shares at the subscription price which was set at the higher of the closing price on date of grant and the average closing price for the five trading days immediately preceding the date of the offer of grant. No option may be exercised more than 10 years after it has been granted.

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

As of 30th September 2011, share options granted to employees under the Scheme were as follows:

Held at 31/03/2011	Forfeited during the period	Held at 30/09/2011	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 period (first half of FY2010/11: nil).

The fair value of the options was determined using the binomial valuation method at the date of grant; no subsequent revaluation at the period end is required. 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 as of 30th September 2011 was US\$0.3 million (31st March 2011: US\$0.3 million).

There was no profit and loss impact relating to the Scheme in the current period (first half of FY2010/11: nil).

**13. OTHER INCOME AND GAINS/(LOSSES)**

	Six months ended 30th September	
	2011 US\$'000	2010 US\$'000
Gross rental income from investment properties	2,028	2,383
Losses on investments, net	(172)	(322)
Gains/(losses) on disposal of investment properties, land use rights, properties, plant and equipment	796	(205)
Fair value gains on investment properties	70	–
Fair value gains/(losses) on other financial assets/liabilities	58	(1,898)
	<b>2,780</b>	<b>(42)</b>

**14. SELLING AND ADMINISTRATIVE EXPENSES**

	Six months ended 30th September	
	2011 US\$'000	2010 US\$'000
Selling expenses	57,076	56,158
Administrative expenses	130,946	108,660
Claims and compensation	3,371	13,660
Net exchange gains on revaluation of monetary assets and liabilities	(3,667)	(6,583)
	<b>187,726</b>	<b>171,895</b>

**15. EXPENSES BY NATURE**

Operating profit is stated after crediting and charging the following:

	Six months ended 30th September	
	2011 US\$'000	2010 US\$'000
Depreciation		
Depreciation of properties, plant and equipment	35,881	32,283
Less: amounts capitalised in assets under construction	(213)	(132)
	<hr/> 35,668	<hr/> 32,151
Impairment of properties, plant and equipment		
– Included in selling and administrative expenses and cost of goods sold	191	3,283
	<hr/> 191	<hr/> 3,283
Other items:		
Cost of goods sold*	814,452	734,719
Amortisation of land use rights	257	244
Amortisation of intangibles	12,787	9,247
Staff costs (direct and indirect labour plus staff costs included within selling and administrative expenses)	294,469	248,589

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

**16. FINANCE COSTS, NET**

	Six months ended 30th September	
	2011 US\$'000	2010 US\$'000
Interest on bank loans wholly repayable within five years and overdrafts	4,179	5,649
Interest on bank loans wholly repayable later than five years	48	53
Interest income	(2,952)	(1,745)
	<hr/> 1,275	<hr/> 3,957

**17. INCOME TAX EXPENSES**

Hong Kong profits tax has been provided at the rate of 16.5% (first half of FY2010/11: 16.5%) on the estimated assessable profit for the period. Overseas tax has been provided at the applicable rates on the estimated assessable profit in the respective countries of operations for the period. The overall global effective tax rate for the six months ended 30th September 2011 was 13.7% (first half of FY2010/11: 18.3%).

	Six months ended 30th September	
	2011 US\$'000	2010 US\$'000
Current income tax		
Hong Kong profits tax	(6,800)	(8,884)
Overseas taxation	(11,802)	(15,318)
(Under)/over provisions in prior years	(332)	984
	(18,934)	(23,218)
Deferred income tax	2,790	1,226
Total income tax expenses	<b>(16,144)</b>	(21,992)
Effective tax rate	13.7%	18.3%

**18. INTERIM DIVIDENDS**

	Six months ended 30th September	
	2011 US\$'000	2010 US\$'000
Interim, of 0.38 US Cents (3 HK Cents) per share (first half of FY2010/11: 0.39 US Cents (3 HK Cents) per share)	13,819	14,203
	<b>13,819</b>	<b>14,203</b>

**19. EARNINGS PER SHARE****Basic 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 period.

	Six months ended 30th September	
	2011	2010
Profit attributable to owners (thousands US Dollar)	101,626	92,883
Weighted average number of ordinary shares in issue (thousands)	3,642,800	3,663,083
Basic earnings per share (US Cents per share)	<b>2.79</b>	2.54
Basic earnings per share (HK Cents per share)	<b>21.72</b>	19.71



**19. EARNINGS PER SHARE** (Cont'd)**Diluted earnings per share**

For the purpose of calculating diluted EPS, the number of ordinary shares is the weighted average number of ordinary shares calculated as per basic EPS, plus the weighted average number of all the dilutive potential ordinary shares.

	Six months ended 30th September	
	2011	2010
Weighted average number of ordinary shares in issue (thousands)	3,642,800	3,663,083
Adjustments for restricted shares units granted:		
– Share Scheme (Time vesting)	8,721	–
– Share Scheme (Performance earned)	488	–
Weighted average number of ordinary shares (diluted) (thousands)	3,652,009	3,663,083
Diluted earnings per share (US Cents per share)	<b>2.78</b>	2.54
Diluted earnings per share (HK Cents per share)	<b>21.66</b>	19.71

**20. CAPITAL COMMITMENTS**

	30th September 2011 US\$'000	31st March 2011 US\$'000
Capital commitments for properties, plant and equipment		
Authorised but not contracted for	3,340	6,226
Contracted but not yet accrued	7,224	18,403
	10,564	24,629

## 21. RELATED-PARTY TRANSACTIONS

### 21.1 Directors' emoluments

Directors' emoluments amounted to US\$1.0 million for the period ended 30th September 2011 (first half of FY2010/11: US\$0.9 million).

	Six months ended 30th September	
	2011 US\$'000	2010 US\$'000
Salaries, allowances, fees and other benefits*	933	847
Retirement scheme contributions	63	50
	996	897

\* Note: Included the value of the grant of shares to independent non-executive directors.

### 21.2 Key/senior management compensation

Other than the directors' emoluments disclosed above, emoluments paid to key/senior management were as follows:

	Six months ended 30th September	
	2011 US\$'000	2010 US\$'000
Salaries, allowances and other benefits	2,954	2,633
Retirement scheme contributions	201	234
Share-based payment	1,009	442
Bonus	3,434	1,977
	7,598	5,286

**22. CASH GENERATED FROM OPERATIONS**

	Six months ended 30th September	
	2011 US\$'000	2010 US\$'000
Profit before income tax	117,628	120,119
Add: Depreciation of properties, plant and equipment and amortisation of land use rights	35,925	32,395
Amortisation of intangible assets	12,787	9,247
Net interest expense	1,275	3,957
Share of profits of associate	(234)	(91)
<b>EBITDA*</b>	<b>167,381</b>	<b>165,627</b>
<b>Other non-cash items and adjustments</b>		
(Gains)/losses on disposals of land use rights, properties, plant and equipment	(796)	205
Provision for impairment on properties, plant and equipment	191	3,283
Net realised and unrealised losses/(gains) on disposals of other financial assets at fair value through profit and loss	427	(194)
Share-based compensation	1,032	838
Fair value gains on investment properties	(70)	–
Net realised (gains)/losses on available-for-sale financial assets	(2)	364
	782	4,496
<b>EBITDA* net of other non-cash items and adjustments</b>	<b>168,163</b>	<b>170,123</b>
<b>Change in working capital</b>		
Increase in inventories	(12,449)	(49,884)
Increase in trade and other receivables	(2,440)	(48,238)
Increase in non-current deposits	(2,374)	(3,209)
(Decrease)/increase in trade and other payables	(26,543)	67,037
(Decrease)/increase in provisions and other liabilities	(1,640)	434
Decrease in net financial liabilities	(2,764)	(54)
	(48,210)	(33,914)
<b>Cash generated from operations</b>	<b>119,953</b>	<b>136,209</b>

\* EBITDA : Earnings before interest, taxes, depreciation and amortisation

## 23. FINANCIAL RISK MANAGEMENT

### 23.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risks (including foreign currency exchange risks, commodity cost risks and interest rate risks), credit risks and liquidity risks.

This interim condensed consolidated financial information does not include all financial risk management information and disclosures required in the annual financial statements, it should be read in conjunction with the Group's annual financial statements as of 31st March 2011.

There have been no changes in the Group's risk management policies since 31st March 2011.

### 23.2 Capital risk management

The Group's total debt to capital ratio was 15% as compared to 18% as of 31st March 2011.

	30th September 2011 US\$'000	31st March 2011 US\$'000
Short term borrowings	139,937	134,248
Long term borrowings	109,846	179,458
Total debt (Note 10)	249,783	313,706
Total equity	1,406,972	1,422,292
Total capital (equity + debt)	1,656,755	1,735,998
Total debt to capital ratio	15%	18%

# 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

#### Hong Kong Head Office

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Website : [www.johnsonelectric.com](http://www.johnsonelectric.com)

#### American Depositary

##### Receipt (ADR)

Ratio : 1 ADR : 10 Ordinary Shares

Exchange : OTC

Symbol : JELCY

CUSIP : 479087207

#### Non-Executive Directors

Yik-Chun Koo Wang

*Honorary Chairman*

Peter Kin-Chung Wang

Peter Stuart Allenby Edwards\*

Patrick Blackwell Paul\*

Michael John Enright\*

Joseph Chi-Kwong Yam

*GBM, GBS, CBE, JP\**

\* *Independent Non-Executive*

*Director*

#### Auditor

PricewaterhouseCoopers

#### Registrars 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

#### 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](mailto:adr@jpmorgan.com)

#### Company Secretary

Susan Chee-Lan Yip

#### Registered Office

Canon's Court

22 Victoria Street

Hamilton HM 12

Bermuda

#### Principal Bankers

The Hongkong and Shanghai

Banking Corporation Limited

BNP Paribas Hong Kong Branch

Bank of China (Hong Kong) Limited

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)

19th December 2011 (Monday) –

21st December 2011 (Wednesday)

#### Dividend (per Share)

Interim Dividend : 3 HK Cents

Payable on : 5th January 2012 (Thursday)

**Johnson Electric Holdings Limited**

12 Science Park East Avenue, 6/F  
Hong Kong Science Park  
Shatin, New Territories  
Hong Kong  
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[www.johnsonelectric.com](http://www.johnsonelectric.com)