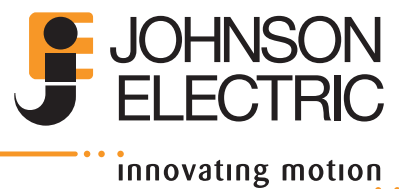


# Johnson Electric Holdings Limited Interim Report 2013



# INTERIM REPORT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2013

## CONTENTS

HIGHLIGHTS AND LETTER TO SHAREHOLDERS	2
MANAGEMENT'S DISCUSSION AND ANALYSIS	7
CORPORATE GOVERNANCE	25
DISCLOSURE OF INTERESTS	29
PURCHASE, SALE OR REDEMPTION OF SHARES	33
INTERIM DIVIDEND AND CLOSURE OF REGISTER OF SHAREHOLDERS	34
STATEMENT OF ACCOUNTS	35
CHANGES IN INFORMATION OF DIRECTORS	76
CORPORATE AND SHAREHOLDER INFORMATION	77

## HIGHLIGHTS

- Group sales US\$1,035 million – down 1% compared to the first half of the prior financial year. Excluding foreign currency effects and non-recurring items, sales were flat
- Gross profit margin improved to 29.6% from 28.4%
- EBITDA increased 16% to US\$171 million
- Operating profits increased 26% to US\$126 million with operating margins improving to 12.1% from 9.6%
- Net profit attributable to shareholders increased 29% to a record first half of US\$110 million or 3.08 US cents per share on a fully diluted basis
- Free cash flow from operations up 31% to US\$120 million
- Total debt to capital ratio of 7% and cash reserves of US\$563 million as of 30 September 2013
- Interim dividend of 3 HK cents per share (0.38 US cents per share)

## LETTER TO SHAREHOLDERS

### OVERVIEW OF FINANCIAL RESULTS

Johnson Electric performed well during the six month period ended 30 September 2013. Although the sluggish global economy continued to dampen sales demand in many markets, the Group benefited from a strong performance by its Automotive Products Group, favourable foreign exchange rates

and from productivity gains and lower raw material prices that contributed to significantly improved profitability.

Group sales for the first half of the FY2013/14 totalled US\$1,035 million, a decrease of less than 1% over the first half of the prior financial year. Net profit attributable to shareholders increased by 29% to a record US\$110 million or 3.08 US cents per share.

## LETTER TO SHAREHOLDERS

Year on year comparisons of total reported sales were affected by non-recurring items in the prior year period including the in-sourcing of a distribution channel in Europe and the inclusion of sales from the non-core Saia-Burgess Controls business unit which was divested in February 2013. Excluding these non-recurring factors and the effect of foreign exchange rate movements, Group sales were essentially flat compared to the prior year.

The Automotive Products Group (“APG”), which contributed approximately two-thirds of total sales, continued to deliver satisfactory results. Excluding non-recurring items and foreign exchange rate effects, APG grew sales by 4% compared to the first half of the prior year – with increases recorded in Europe and the Americas partly offset by a small decrease in Asia.

Operating conditions for global automotive component suppliers show a marked contrast by geographic region. In Europe, new car registrations have fallen to their lowest levels in more than two decades as high unemployment and weak consumer confidence continue to depress demand. In this exceptionally tough environment, APG managed to grow sales by 7% (in constant currencies and excluding non-recurring items) as a result of new programme wins across a range of product applications.

North American new vehicle sales, on the other hand, are benefiting from a slowly improving economy and pent-up demand to replace an ageing fleet. APG’s sales to the Americas increased by 3% year on year, reflecting the improving automotive industry environment in the US but were somewhat offset by weaker sales in South America. In Asia, APG sales were slightly lower mostly due to decreased sales to South Korea where OEM production volumes in 2013 have been below 2012 levels.

The Industry Products Group (“IPG”) reported a 7% decline in sales during the period, excluding non-recurring items and currency effects. As noted in prior reports to shareholders, IPG has been undergoing an important shift in its go-to-market strategy in the past few years as it seeks to accelerate new product development and reduce its exposure to several lower end product applications. This far-reaching evolution is taking time and is still to achieve the change in sales trajectory we demand of our operating divisions. However, the positive responses that we are seeing from customers to IPG’s new product portfolio combined with signs of a gradual pick-up in end-market demand gives us confidence that the division is on track for a sustainable improvement in sales performance over the course of the next six to eighteen months.

Regarding operating costs and overall profitability, the first six months of the financial year were favourable. This reflected the combination of beneficial foreign exchange rate movements (particularly the stronger Euro against the US Dollar), improved product mix, cost reductions including productivity, quality and reliability enhancements, and lower average raw material prices. Partially offsetting these were labour cost inflation in China and ongoing investments in business infrastructure and in our developing global operating footprint. As a result, the Group achieved very satisfactory improvements in both gross and operating profit margins. Finally, higher net interest income and a lower effective tax rate resulted in profit attributable to shareholders increasing by 29% to US\$110 million.

Johnson Electric's consistently strong cash generative qualities were reflected in a 31% improvement in free cash flow from operations. Consequently, the Group's balance sheet remains in excellent shape with a total debt to capital ratio of 7% and cash reserves as of 30 September 2013 standing at US\$563 million.

## INTERIM DIVIDEND

The Directors have today declared an interim dividend of 3 HK cents, equivalent to 0.38 US cents per share (2012 interim: 3 HK cents per share) payable on 4 December 2013 to shareholders registered on 26 November 2013.

## TECHNOLOGY INNOVATION AND NEW PRODUCT DEVELOPMENT

At Johnson Electric, we are constantly challenging our business managers and engineers to consider how particular market segments are changing and how these changes can offer new opportunities for profitable growth.

In some instances this can mean differentiating our product offering using new technology (or a combination of technologies) to provide a unique motion solution to a customer's problem. In doing so, the ultimate objective is to help the customer differentiate their products in the marketplace. In other situations, it can mean revitalizing an existing product line with a solution that offers lower total transaction costs for a customer over their product's entire life-cycle.

Whether it is through differentiated solutions targeted at premium market segments or more total cost competitive products aimed at value segments, Johnson Electric is striving to build and sustain advantage through a steady stream of technology innovations. Here are just three examples of new products that the Group has brought to market in the past two months alone:

- A Sealed Power Switch designed for outdoor products, including robotics lawn mowers. Its “Tough Seal” protective technology delivers the highest reliability in extreme environmental conditions including water submersion;
- A Compact Lite motor platform for automotive seat motors. With a per unit weight reduction of 30 percent compared with traditional seat motors, this new motor platform supports improvements in fuel economy required by vehicle manufacturers;
- A new brushless motor platform for professional power tools. This best-in-class product provides the professional user with the precision control and torque they require for the toughest jobs and its high efficiency enables more work to be done on a single battery charge.

## GLOBAL OPERATIONS

Complementing the increasingly robust pipeline of new products, Johnson Electric has been building one of the most global and responsive operating footprints in our industry.

New developments in the past six months include breaking ground on a new production facility in Niš, Serbia to serve future business growth in Europe. In India, we are fitting out a new facility in Chennai as a result of sales growth that is outstripping the capacity of our existing plant. And in Zacatecas, Mexico, we are engaged in an important ramp-up of production to serve customers both in North and South America.

## PROSPECTS

The overall performance of the Group in the first half of the financial year has been very satisfactory – particularly in terms of improved profitability and free cash flow. Further progress has been made in strengthening our global operating footprint and our pipeline of innovative new products has never been in better shape.

Looking ahead, the slow recovery of the global economy – with disturbingly high unemployment levels in many countries – is continuing to suppress demand growth in several of the market segments where Johnson Electric operates. There is no obvious sign of this changing quickly in the near future and current trading patterns give us reason to believe that sales in the second half of the financial year will be at broadly similar

levels to the first half. Nonetheless, I consider the Group to be in a strong competitive and financial position with excellent prospects over the longer term.

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

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

Hong Kong, 7 November 2013

# MANAGEMENT'S DISCUSSION AND ANALYSIS

## FINANCIAL HIGHLIGHTS

<i>US\$ million</i>	First half of FY2013/14	First half of FY2012/13
Sales	1,035.2	1,042.7
Gross profit	306.6	296.4
<i>Gross margin</i>	29.6%	28.4%
Profit attributable to shareholders	110.0	85.3
Diluted earnings per share (US Cents)	3.08	2.37
EBITDA	170.5	147.4
<i>EBITDA margin</i>	16.5%	14.1%
Free cash flow from operations <sup>1</sup>	120.2	91.8

<i>US\$ million</i>	30 Sep 2013	31 Mar 2013
Cash	563.4	480.9
Total debt (borrowings)	(132.0)	(125.0)
Net cash	431.4	355.9
Total equity	1,690.0	1,598.8
Market capitalisation at balance sheet date <sup>2</sup>	2,569.4	2,646.2
Enterprise value <sup>3</sup>	2,172.3	2,320.5
Enterprise value to EBITDA <sup>4</sup>	6.6	7.6

<b>Credit Quality – Financial Ratios</b> <sup>4</sup>	30 Sep 2013	31 Mar 2013
Free cash flow from operations (annualised) to debt	144%	129%
Total debt to EBITDA (annualised)	0.4	0.4
Total debt to capital (total equity + debt)	7%	7%

<sup>1</sup> Net cash generated from operating activities plus net interest received, less capital expenditure net of proceeds from disposal of fixed assets. FY2012/13 excludes cash outflow due to insourcing a European distribution channel

<sup>2</sup> Outstanding number of shares multiplied by the closing share price (HK\$5.61 as of 30 September 2013 and HK\$5.78 as of 31 March 2013) converted to USD at the closing exchange rate

<sup>3</sup> Enterprise value calculated as market capitalisation plus non-controlling interests plus total debt less cash

<sup>4</sup> EBITDA and free cash flow from operations were annualised using last twelve months' results

- First half record results for EBITDA, profit attributable to shareholders and earnings per share.
- Sales as reported decreased by 1%. Sales were flat excluding currency effects and nonrecurring items, as sales growth in our Automotive Products Group was offset by decreased sales in our Industry Products Group.
- Gross profit and EBITDA improved as we benefited from new product launches, productivity improvements and lower commodity costs.
- Robust free cash flow from operations driven by earnings growth, while maintaining discipline in our investment levels.



## SALES AND PROFITABILITY

Johnson Electric is one of the world's largest providers of motion subsystems, including motors, solenoids, micro-switches, flexible printed circuits and microelectronics, serving many industries. 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 commonalities including advanced technologies, manufacturing processes, supply chain, brands, distribution channels and program management, along with the business model as a whole. This creates opportunities

for revenue growth by leveraging the strength of the Group's core competences and for cost reduction through the sharing of resources.

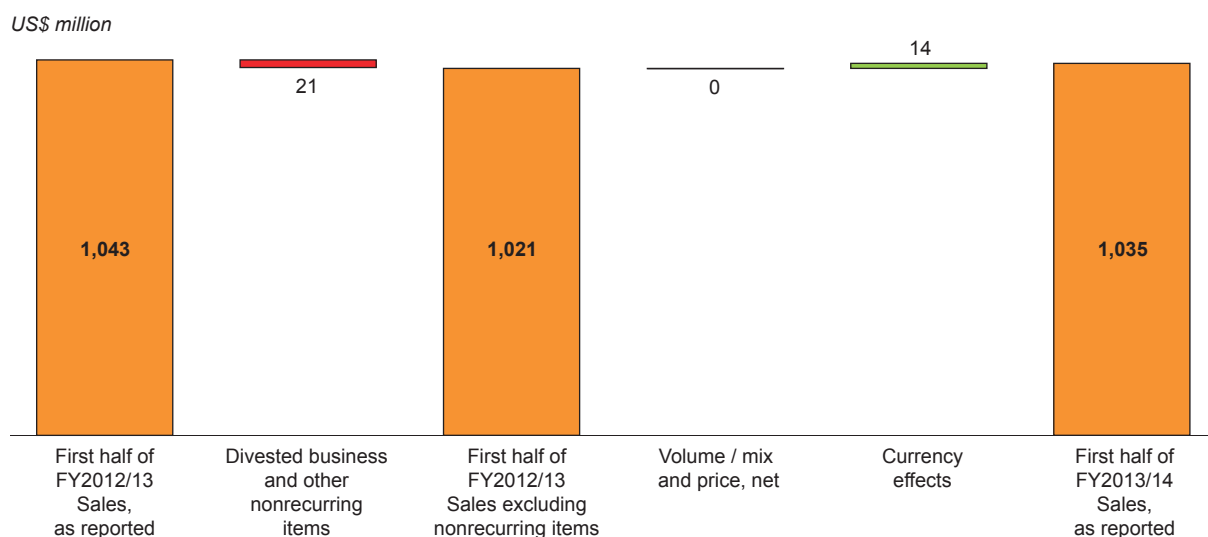
### Sales Review

Group sales in the first half of FY2013/14 were US\$1,035.2 million, a decrease of US\$7.5 million, 1%, compared to US\$1,042.7 million for the same period last year.

Sales, excluding currency effects and nonrecurring items, in the first half of FY2013/14 remained unchanged compared to the first half of FY2012/13, as shown below:

<i>US\$ million</i>	First half of FY2013/14		First half of FY2012/13		Sales growth / (decline)
		%		%	
<b>Automotive Products Group ("APG")</b>					
– Sales, excluding currency effects and nonrecurring items	686.4	67%	660.9	65%	4%
– Nonrecurring items (insourcing of a European distribution channel)	–		(19.3)		
– Currency effects	13.0		–		
<b>APG sales, as reported</b>	699.4		641.6		
<b>Industry Products Group ("IPG")</b>					
– Sales, excluding currency effects and nonrecurring items	334.8	33%	360.6	35%	(7%)
– Nonrecurring items (insourcing of a European distribution channel)	–		(0.7)		
– Currency effects	1.0		–		
<b>IPG sales, as reported</b>	335.8		359.9		
<b>Group sales</b>					
<b>– Sales, excluding currency effects and nonrecurring items</b>	<b>1,021.2</b>	<b>100%</b>	<b>1,021.5</b>	<b>100%</b>	<b>–%</b>
– Nonrecurring items:					
Insourcing of a European distribution channel	–		(20.0)		
Divested business	–		41.2		
– Currency effects	14.0		–		
<b>Group sales, as reported</b>	<b>1,035.2</b>		<b>1,042.7</b>		<b>(1%)</b>

**First Half of FY2013/14 Sales versus First Half of FY2012/13**



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

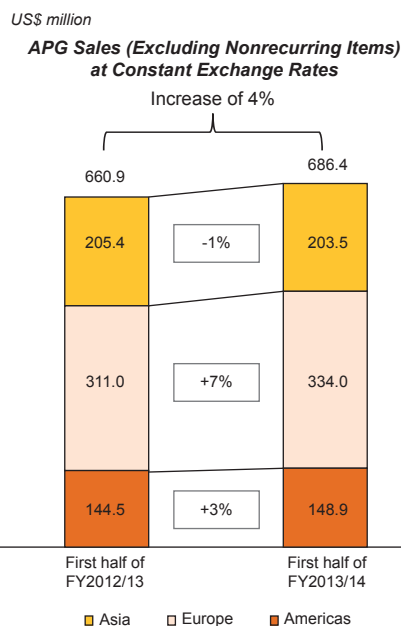
Currency effects and nonrecurring items impacting sales were as follows:

- **Currency effects:** The Group's sales are largely denominated in the US Dollar, the Euro and the Chinese Renminbi. Currency movements, primarily the strengthening of the Euro and the Chinese Renminbi against the US Dollar over the first half of FY2013/14 increased sales by US\$14.0 million compared to the first half of FY2012/13.
- **Nonrecurring items:** There were no nonrecurring items in the first half of FY2013/14.
- In the second half of FY2012/13, the Group divested Saia-Burgess Controls, a non-core business based in Europe and engaged in the manufacture of programmable logic controllers and components. During the first half of FY2012/13 sales of this business amounted to US\$41.2 million.
- In 2012 the Group insourced a European distribution channel and entered into an agreement that required the repurchase of inventory previously sold to the distributor. As a result, reported sales, in the first half of FY2012/13, were adversely affected by an estimated US\$20 million.

## Automotive Products Group

Sales, excluding currency effects and nonrecurring items, increased 4% compared to the same period last year (Asia: 1% decline, Europe: 7% growth and Americas: 3% growth).

- In Asia, we saw a slight reduction in sales of products for engine air and powertrain cooling applications. This was largely offset by higher demand for our products for window-lift, HVAC, sunroof, and doorlock applications.
- In Europe, we increased sales of our products for powertrain cooling applications and geared motor drive systems for window-lift applications as we ramped up production of products launched in earlier years. We also saw increased demand for our products for electric parking brake applications. This growth was slightly offset by reduced sales of products for engine air management, power-lift gate and doorlock applications.
- In the Americas, the continued benefit from platform launches in earlier years and ongoing strength in the market drove sales growth for many of our products including brushless powertrain cooling systems, and products for engine air and fuel management applications. This was slightly offset by a reduction in seat adjustment applications.



- The Powertrain Cooling business, primarily engaged in the manufacture and sale of cooling fan modules for OEM and Tier 1 customers, accounted for 24% of the Group's sales in the first half of FY2013/14. Sales for this business unit, excluding currency effects, increased by 10% in the first half of FY2013/14 compared to the same period last year. This was driven by strong growth in revenues in Europe and the Americas.
- We continue to invest in developing low-weight, high-power-density motors and subsystems for advanced applications that increase fuel efficiency, reduce emissions and improve safety. Our design teams are organised into engineering centres based on specific product technologies including powertrain cooling, engine valve actuators, grill shutter actuators, HVAC actuators, headlamp actuators, transmission actuators, braking and stability control actuators, window-lift drives, seat adjustment and power closure subsystems.

Recent product launches include:

- A new low-weight compact motor product line for power seat adjustments that provides needed power without using rare earth magnets. A seat in a modern luxury car may contain more than ten such motors, so a compact motor can result in considerable weight reduction and improved fuel economy;
- A high torque motor product line for automated manual transmission applications in passenger cars and commercial vehicles, and a new compact brushless motor product line for hydraulic pumps in dual clutch transmission. These result in an improved driver experience and better fuel economy through delivering a fast

and accurate response for a smoother gear change; and

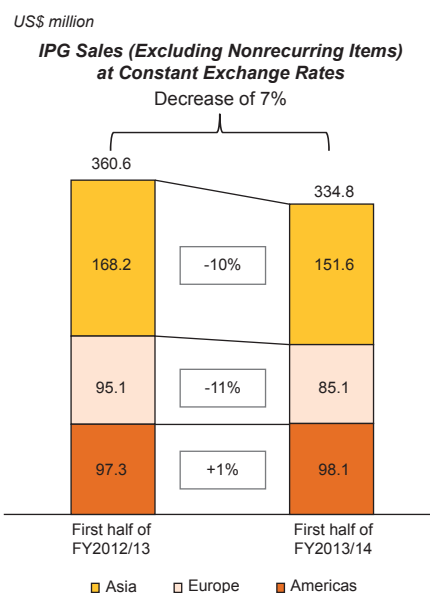
- A range of fast-response driver alert actuators that improve road safety by providing high-intensity vibration to stimulate a fatigued driver. Similar technology is used in applications that provide a force feedback (haptic) response for touch screen controls in cars.

Our on-the-ground engineering presence in key geographic markets enables us to customise our products to meet particular customer needs. We are also ensuring that our manufacturing sites are well-placed to support regional customers, increase responsiveness and reduce delivery lead times whilst minimising our logistics costs and inventory levels.

## Industry Products Group

Sales, excluding currency effects, declined by 7% compared to the same period last year (Asia: 10% decline, Europe: 11% decline, Americas: 1% growth).

In the first half of FY2013/14, IPG continued to focus on developing and launching unique and customised products for specialised market segments that demand precision motor and motion subsystem solutions.



- Sales in Asia declined due to lower demand for products for applications in food and beverage, bathroom, entertainment and gaming, optical equipment and camera, smartcards, personal care products and power tools. This was partially offset by increased demand for products for business machine applications and certain flexible-circuit products as well as growth in sales from recent product launches for tactile feedback applications.
  - In Europe, sales declined due to lower demand for products for food and beverage applications, white goods and power tools, partially offset by growth in demand for products for HVAC applications. Sales in other market segments were largely flat.
  - In the Americas, sales increased slightly due to continued recovery of demand for products for white goods and growth in sales of products for medical and electric metering applications. This was partially offset by weakness in demand for products for entertainment and gaming, industrial automation, lawn and garden, food and beverage and floorcare applications.
  - IPG continues to invest in developing products and subsystems that offer productivity enhancements, and increased power efficiency. Additionally, our product technology allows us to satisfy increasingly stringent regulations in several key markets.
  - Our design teams are organised according to specific technology disciplines including micro-switches, DC motors, brushless motors, high voltage DC motors, solenoids, stepper motors and piezo actuators.
- Recent product launches include:
- A sealed switch for outdoor power equipment, protected against dust and water to ensure reliability in use;
  - A new motor product family of low-weight, brushless motors for high-power, cordless, professional paint sprayers, enabling the use of higher viscosity paints and delivering more consistent paint coverage than is possible with traditional low-power paint sprayers; and
  - Custom gear motors for ATM and similar currency handling applications, with high torque for faster “notes per second” with high precision control. This complements our wide range of motion solutions including motors, solenoids and flexible circuits for this market segment.
- Sales of newly developed products for certain high-potential segments can be expected to gradually increase over time as customers undertake extensive product trials and pilot programs.

**PROFITABILITY REVIEW**

<i>US\$ million</i>	First half of FY2013/14	First half of FY2012/13	Increase / (decrease) in profit
Sales	1,035.2	1,042.7	(7.5)
Gross profit	306.6	296.4	10.2
<i>Gross margin %</i>	29.6%	28.4%	
Other income and gains, net	4.4	1.3	3.1
Selling and administrative expenses ("S&A")	(185.5)	(197.8)	12.3
<i>S&amp;A %</i>	17.9%	19.0%	
<b>Operating profit</b>	<b>125.5</b>	<b>99.9</b>	<b>25.6</b>
Net interest income	3.8	2.4	1.4
Share of profits of associate	0.1	0.2	(0.1)
Profit before income tax	129.4	102.5	26.9
Income tax expense	(16.4)	(14.5)	(1.9)
<i>Effective tax rate</i>	12.7%	14.1%	
Profit for the period	113.0	88.0	25.0
Non-controlling interests	(3.0)	(2.7)	(0.3)
Profit attributable to shareholders, as reported	110.0	85.3	24.7

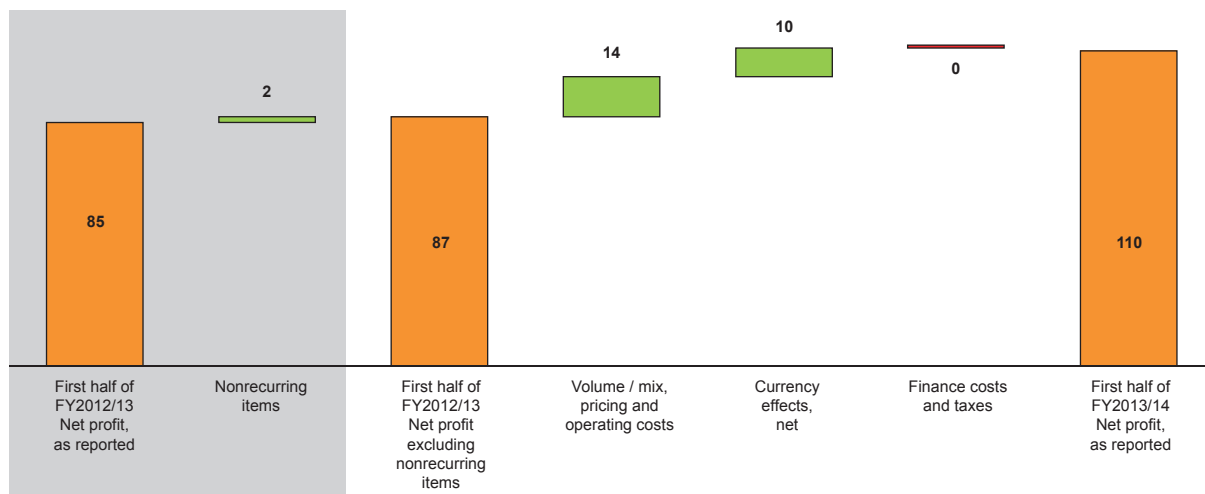
Total profit attributable to shareholders increased to a record US\$110.0 million in the first half of FY2013/14, an increase of US\$24.7 million (29%) from US\$85.3 million in the first half of FY2012/13.

There were no nonrecurring items in the first half of FY2013/14. Nonrecurring items in the first half of FY2012/13, adversely affected operating profit for that period by US\$1.5 million, as shown in the table below:

<i>US\$ million</i>	First half of FY2013/14	First half of FY2012/13	Increase / (decrease) in profit
Operating profit, as reported	125.5	99.9	25.6
<i>Operating margin %</i>	12.1%	9.6%	
Nonrecurring items:			
Operating profit of divested business	–	(3.6)	
Insourcing of a European distribution channel	–	5.1	
Total nonrecurring items	–	1.5	
<b>Operating profit excluding nonrecurring items</b>	<b>125.5</b>	<b>101.4</b>	<b>24.1</b>
<b><i>Operating margin %, excluding nonrecurring items</i></b>	<b>12.1%</b>	<b>9.7%</b>	

## Profit Attributable to Shareholders

US\$ million



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

- Nonrecurring items:** There were no nonrecurring items in the first half of FY2013/14. The first half of FY2012/13, included net profit of US\$2.9 million from Saia-Burgess Controls, which was divested in February 2013. Additionally, the insourcing of a European distribution channel, discussed in the sales review, adversely affected net profit for the first half of FY2012/13 by US\$4.4 million.

Excluding nonrecurring items, total profit attributable to shareholders increased by US\$23.2 million (27%) to US\$110.0 million for the first half of FY2013/14.

- Volume / mix, pricing and operating costs:** We saw improved margins and profits as we benefited from the development and launch of new value-added products. We also benefited from cost reduction activities that increased productivity and efficiency, initiatives to improve quality and reliability as well as lower raw material costs including certain commodities.

However, these gains were partially offset by increased labour costs due to wage inflation, especially in China.

The net effect of these changes to volume / mix, pricing and operating costs was to increase profit by US\$14.0 million.

- Currency effects, net:** Johnson Electric has operations in more than twenty countries around the world, including sales and support offices, manufacturing and assembly plants, and engineering and product design centres. This diverse operating footprint creates foreign exchange risk. The Group partially mitigates this risk through the use of foreign currency hedging contracts.

The overall effect of currency movements in the first half of FY2013/14, including applicable hedges, increased operating profit by US\$9.7 million. The biggest contributor to this increase was the strengthening of the Euro against the US Dollar (average Euro to US Dollar exchange rate: first half of FY2013/14 was US\$1.32; first half of FY2012/13 was US\$1.27, an increase of 4%).

## MANAGEMENT'S DISCUSSION AND ANALYSIS

- **Finance costs and taxes:** Overall, changes to finance costs and taxes decreased profit by approximately US\$0.5 million.
  - Finance costs decreased due to the combined effect of reduced fees and overdraft positions and increased interest income from interest bearing deposits, primarily in the Chinese Renminbi.
  - Tax expenses increased in line with the increase in profits. The effective tax rate ("ETR") for the first half of FY2013/14 was 12.7%. This is analysed further in the notes to the accounts on page 64.

## ANALYSIS OF CASH FLOW

### Free Cash Flow

<i>US\$ million</i>	First half of FY2013/14	First half of FY2012/13	Change
Operating profit	125.5	100.2*	25.3
Depreciation and amortisation	45.0	47.2	(2.2)
<b>EBITDA</b>	<b>170.5</b>	<b>147.4</b>	<b>23.1</b>
Other non-cash items in profit before taxes	3.2	2.6	0.6
Working capital changes	(13.6)	(13.4)	(0.2)
Interest paid	(0.9)	(1.5)	0.6
Income taxes paid	(12.4)	(11.7)	(0.7)
<b>Net cash generated from operating activities</b>	<b>146.8</b>	<b>123.4</b>	<b>23.4</b>
Capital expenditure	(40.4)	(37.9)	(2.5)
Proceeds from disposal of fixed assets	9.0	2.3	6.7
Interest received	4.8	4.0	0.8
<b>Free cash flow from operations excluding insourcing</b>	<b>120.2</b>	<b>91.8</b>	<b>28.4</b>
Working capital change due to insourcing a European distribution channel	–	(49.5)	49.5
<b>Free cash flow from operations</b>	<b>120.2</b>	<b>42.3</b>	<b>77.9</b>

\* Operating profit as reported plus for the first half of FY2012/13 dividend received from associate of US\$0.3 million; no such dividend was received in the first half of FY2013/14

The Group's free cash flow from operations was US\$120.2 million in the first half of FY2013/14, compared to US\$42.3 million in the first half of FY2012/13. Of the US\$77.9 million change between the two periods, US\$49.5 million relates to working capital changes due to the insourcing of a European

distribution channel in the first half of FY2012/13.

Changes in our working capital and cash movements are explained in the following pages.



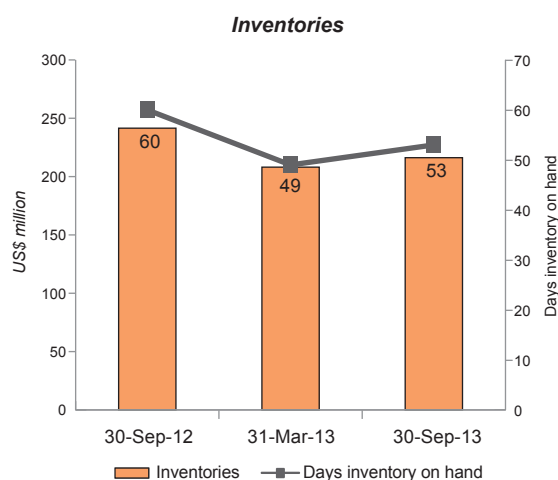
## Working Capital Changes

<i>US\$ million</i>	Balance sheet as of 31 Mar 2013	Currency translations	Divestiture	Hedging and others	Investing activity	Working capital changes per cash flow	Balance sheet as of 30 Sep 2013
Inventories	208.1	1.1	–	–	–	7.0	216.2
Trade and other receivables	411.7	11.0	–	–	(1.5)	7.1	428.3
Deposits – non-current	4.5	0.1	–	–	–	1.7	6.3
Trade and other payables	(341.7)	(6.1)	5.8	–	(2.2)	(11.9)	(356.1)
Provision obligations and other liabilities *	(65.6)	(2.4)	–	0.4	–	9.1	(58.5)
Other financial assets / (liabilities), net *	40.8	–	–	(25.7)	–	0.6	15.7
<b>Total working capital per balance sheet</b>	<b>257.8</b>	<b>3.7</b>	<b>5.8</b>	<b>(25.3)</b>	<b>(3.7)</b>	<b>13.6</b>	<b>251.9</b>

\* *Current and non-current*

- **Inventories** increased by US\$8.1 million, from US\$208.1 million as of 31 March 2013 to US\$216.2 million as of 30 September 2013, primarily due to seasonal effects.

Days inventory on hand decreased to 53 days as of 30 September 2013 from 60 days as of 30 September 2012, due to supply chain efficiencies gained over the last twelve months; for example, our ongoing efforts to rationalise warehouses as well as ensuring responsiveness of manufacturing operations by reducing supplier delivery lead times.

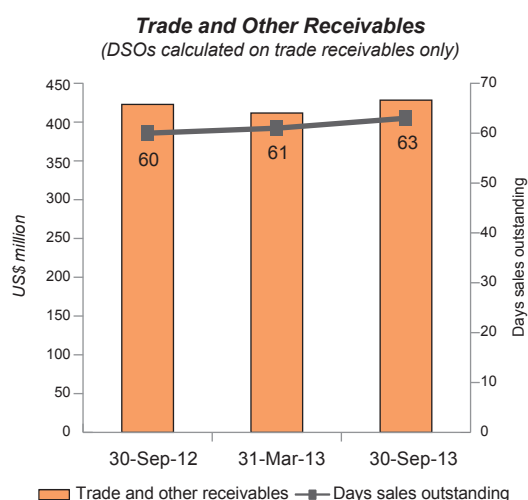


## MANAGEMENT'S DISCUSSION AND ANALYSIS

- Trade and other receivables** increased by US\$16.6 million in the first half of FY2013/14, from US\$411.7 million as of 31 March 2013 to US\$428.3 million as of 30 September 2013. Excluding currency effects, trade receivables and other receivables increased by US\$7.1 million. This was mainly due to the impact of increased sales to customers with longer than average credit terms in some of our business.

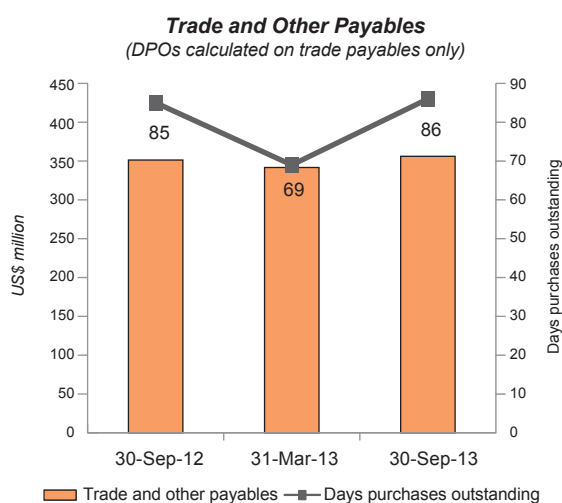
Days sales outstanding increased to 63 days as of 30 September 2013, compared to 60 days as of 30 September 2012, due to the reasons explained above.

The Group's receivables are of high quality. Amounts overdue greater than 30 days were approximately 2.7% of gross trade receivables as of 30 September 2013 (2.0% as of 31 March 2013).



- Trade and other payables** were US\$356.1 million as of 30 September 2013, an increase of US\$14.4 million from US\$341.7 million as of 31 March 2013. Excluding currency effects and nonrecurring changes due to the divestiture of the Controls business in February 2013, trade and other payables increased by US\$11.9 million, largely due to seasonal effects and in line with the change in inventories.

Days purchases outstanding remained almost unchanged as of 30 September 2013 and 30 September 2012.

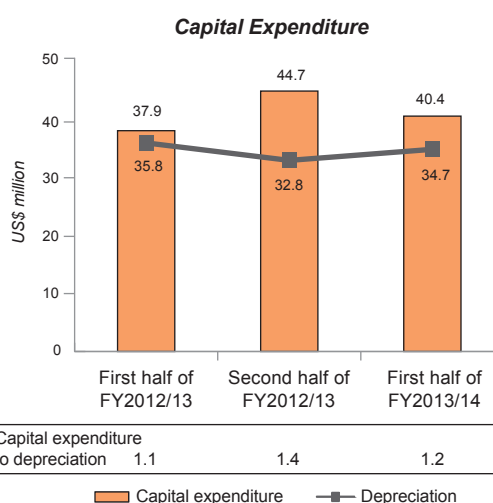


- **Provision obligations and other liabilities** decreased by US\$7.1 million to US\$58.5 million as of 30 September 2013 compared to US\$65.6 million as of 31 March 2013. Excluding currency effects, provision obligations and other liabilities decreased by US\$9.1 million, mainly due to settlement of warranty claims, utilisation of restructuring liabilities and contributions toward pension plans.
- **Other financial assets / (liabilities), net** decreased by US\$25.1 million from a net financial asset of US\$40.8 million as of 31 March 2013 to a net financial asset of US\$15.7 million as of 30 September 2013. This was primarily due to changes in the mark-to-market valuation of forward currency hedge and commodity contracts that protect our operating margins.
  - Foreign currency forward contracts decreased in value by US\$24.6 million, primarily as the mark-to-market valuation of contracts to sell Euro fell, as the Euro strengthened 5% against the US Dollar. This was offset somewhat by increases in the mark-to-market valuation of our contracts to buy the Chinese Renminbi due to its appreciation (1%) against the US Dollar.
  - The value of our forward contracts to buy commodities decreased by US\$0.5 million due to declining commodity prices.

Details of the spot prices are shown below:

	Spot rates as of 30 Sep 2013	Spot rates as of 31 Mar 2013	Strengthen / (weaken)
Copper (per metric ton)	7,291	7,583	(4%)
Silver (per ounce)	21.68	28.64	(24%)
Euro / US Dollar	1.35	1.28	5%
Chinese Renminbi per US Dollar	6.12	6.21	1%

- Further details can be found in the Financial Management and Treasury Policy section on page 22 and in Note 7 on pages 50 to 51 of the accounts.
- **Interest paid** decreased by US\$0.6 million from US\$1.5 million for the first half of FY2012/13 to US\$0.9 million for the first half of FY2013/14, as we reduced fees and overdraft positions.
- **Income taxes paid**, net of refunds, increased slightly to US\$12.4 million, from US\$11.7 million for the first half of FY2012/13.
- **Capital expenditure** amounted to US\$40.4 million in the first half of FY2013/14 as we continued to invest in new product launches, ongoing productivity improvements and replacement of assets as well as long-term technology development.



## MANAGEMENT'S DISCUSSION AND ANALYSIS

- **Proceeds from disposal of fixed assets** were US\$9.0 million in the first half of FY2013/14, an increase of US\$6.7 million from US\$2.3 million in the first half of FY2012/13. In both periods, disposals largely comprised real estate.
- **Interest received** in the first half of FY2013/14 was US\$4.8 million, an increase of US\$0.8 million from US\$4.0 million in the first half of FY2012/13, primarily due to an increase in our Chinese Renminbi deposits.

### Other Cash Flows

<i>US\$ million</i>	First half of FY2013/14	First half of FY2012/13	Change
Free cash flow from operations	120.2	42.3	77.9
Capitalisation of engineering development costs	(1.5)	–	(1.5)
Acquisition (Subsequent payments) / proceeds of divestiture of non-core business	– (5.8)	(4.8) 4.8	4.8 (10.6)
Purchase of shares for cancellation of issued capital	(1.5)	(5.2)	3.7
Purchase of shares held for Long-Term Incentive Share Scheme	(2.9)	–	(2.9)
Dividends paid	(36.7)	(32.2)	(4.5)
Other financing activities:			
Equity contributions from non-controlling interests	0.7	–	0.7
Dividends paid to non-controlling interests	–	(2.7)	2.7
<b>Total cash flow (excluding changes in borrowings and currency effects)</b>	<b>72.5</b>	<b>2.2</b>	<b>70.3</b>

The Group generated US\$72.5 million cash in the first half of FY2013/14, excluding changes in borrowings and currency effects compared to US\$2.2 million in the first half of FY2012/13.

The net movement in cash includes the following:

- **Capitalisation of engineering development costs:** Starting in the first half of FY2013/14, we capitalised engineering development costs of US\$1.5 million relating to engineering design and development of products that are planned to be launched in the coming years.
- **Acquisition:** There was no acquisition activity in the first half of FY2013/14. In the first half of FY2012/13, the Group paid US\$4.8 million as a deposit for the purchase of intellectual property. Subsequently, we acquired the business including the aforementioned intellectual property, as well as customer lists and inventory in March 2013.

- **(Subsequent payments) / proceeds of divestiture of non-core business:** In the first half of FY2013/14, the Group paid US\$5.8 million to settle purchase price adjustments resulting from the divestiture of Saia-Burgess Controls. This amount was accrued in the previous financial year.

In the first half of FY2012/13, the Group received US\$4.8 million for the disposal of a minority stake in a non-core business.

- **Purchase of shares:** In the first half of FY2013/14, the Company:
  - Repurchased 2.4 million shares for cancellation at a total cost of US\$1.5 million, including brokerage and cancellation fees (repurchased 8.8 million shares at a total cost of US\$5.2 million in the first half of FY2012/13).
  - Purchased 4.9 million shares for US\$2.9 million, for use in granting shares to eligible employees and Directors under the Long-Term Incentive Plan. There were no such purchases in the first half of FY2012/13.

- **Dividends paid** in the first half of FY2013/14 amounted to US\$36.7 million (final dividend for FY2012/13). This was US\$4.5 million more than the dividend payments made in the same period last year (US\$32.2 million final dividend for FY2011/12).

- The Board has declared an interim dividend of US\$13.7 million (HK\$0.03 per share) for FY2013/14, to be paid in December 2013. This compares to an interim dividend of US\$13.8 million (HK\$0.03 per share) for FY2012/13.

- **Other financing activities** comprised a proportional equity contribution of US\$0.7 million from the non-controlling interests in our 60% owned subsidiary in China in FY2013/14 due to expansion. A dividend of US\$2.7 million was paid in the first half of FY2012/13 to the non-controlling interests.

**Cash and Borrowings**

US\$ million	First half of FY2013/14	First half of FY2012/13	Change
Total cash flow (excluding changes in borrowings and currency effects)	72.5	2.2	70.3
Net proceeds / (repayment) of borrowings	3.5 <sup>(a)</sup>	(41.2)	44.7
Increase / (decrease) in cash (excluding currency effects)	76.0	(39.0)	115.0
Exchange gains on cash	6.5	0.8	5.7
Net movement in cash	82.5	(38.2)	120.7

**Net Debt / Cash Analysis**

US\$ million	30 Sep 2013	31 Mar 2013	Change
Cash	563.4	480.9	82.5
Borrowings	(132.0)	(125.0)	(7.0) <sup>(b)</sup>
Net cash	431.4	355.9	75.5

Note: Net proceeds of borrowings of US\$3.5 million<sup>(a)</sup> excludes an unrealised exchange loss of US\$3.5 million. These resulted in a total increase in borrowings of US\$7.0 million<sup>(b)</sup>.

Net cash increased US\$75.5 million to US\$431.4 million as of 30 September 2013, from US\$355.9 million as of 31 March 2013.

- **Borrowings:** Borrowings increased by US\$7.0 million to US\$132.0 million as of 30 September 2013:
  - The Group's total debt to capital ratio remained unchanged at 7% as of 30 September 2013 and 31 March 2013. On an annualised basis, free cash flow from operations as a percentage of gross debt increased to 144% as of 30 September 2013, compared to 129% (excluding the working capital changes due to the insourcing of a European distribution channel) as of 31 March 2013.
  - Interest coverage (defined as EBITDA divided by gross interest expense – both

calculated using the last twelve months actual results) was 172 times for the period ended 30 September 2013 (113 times for the twelve months ended 31 March 2013).

- **Cash resources** increased by US\$82.5 million to US\$563.4 million as of 30 September 2013. As we have a significant manufacturing footprint in China, the majority of our cash is kept in Chinese Renminbi to hedge the effect of the potential strengthening of the Chinese Renminbi versus the US Dollar on our operating costs.

US\$ million	30 Sep 2013	31 Mar 2013
Chinese Renminbi	402.8	332.6
Euro	114.8	98.4
US Dollar	30.7	35.8
Others	15.1	14.1
Total	563.4	480.9

## FINANCIAL MANAGEMENT AND TREASURY POLICY

Financial risk faced by the Group is managed by the Group's Treasury function, based at the corporate headquarters in Hong Kong. Policies are established by senior management and approved by the Board of Directors.

### Liquidity

As of 30 September 2013, the Group was in compliance with all covenants on its borrowings and expects to be compliant going forward.

Management believes the combination of cash on hand, available credit lines and expected future operating cash flows is sufficient to satisfy our cash needs for our current level of operations and our planned operations for the foreseeable future.

The Group had US\$485 million unutilised **revolving credit** facilities provided by its principal bankers, comprised of:

- US\$165 million committed and unutilised facilities, with the following expiry dates:
  - US\$35 million – 14 February 2014
  - US\$30 million – 25 July 2015
  - US\$30 million – 14 August 2015
  - US\$20 million – 5 November 2015
  - US\$30 million – 10 December 2015
  - US\$20 million – 15 January 2016
- US\$320 million of uncommitted and unutilised facilities.

Also, the Group had US\$200 million in uncommitted **trade receivable financing** lines available, of which US\$124.9 million was borrowed as of 30 September 2013 (US\$121.9 million as of 31 March 2013).

## Foreign Exchange and Raw Material Commodity Price Risk

The Group operates globally and is therefore exposed to foreign exchange and raw material commodity price risk.

- The Group's sales are primarily denominated in the US Dollar, the Euro and the Chinese Renminbi. In the first half of FY2013/14, 47% (FY2012/13: 47%) of the Group's sales were in US Dollars, 34% in Euros (FY2012/13: 33%), 15% in the Chinese Renminbi (FY2012/13: 15%) with the rest being in other currencies.
- The major currencies used to operate the business are the US Dollar, the Chinese Renminbi, the Euro, the Hong Kong Dollar, the Swiss Franc, the Hungarian Forint and the Polish Zloty.
- The Group hedges part of its foreign exchange risk through forward contracts, based on cash flow forecasts from operations denominated in that foreign currency (e.g. Chinese Renminbi, Euro, Hungarian Forint, Swiss Franc, Mexican Peso, Polish Zloty, Indian Rupee, Israeli Shekel and Japanese Yen). The forward contracts mature at various dates to match the underlying cash flows.
- The Group is exposed to raw material price risk, mainly due to the fluctuations in steel, copper and silver purchase prices. The price risks due to steel are reduced through fixed price contracts up to 3 months forward with the Group's suppliers. Price risk due to copper and silver is reduced through hedging using appropriate financial instruments. The Group also manages copper and silver prices through incorporating appropriate clauses in certain customer contracts so as to pass increases / decreases in raw material costs onto these customers.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

- In order to avoid the potential default by any of its counterparties on its forward contracts and swap agreements, the Group deals with major financial institutions (e.g. the Group's principal bankers) with strong

investment grade credit ratings that the Group believes will satisfy their obligations under the contracts.

### ENTERPRISE 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 Enterprise Risk Management Steering Committee led by the Group's Chief Executive and including key senior leaders from our Engineering, Operations, Supply Chain, Quality, Finance, Corporate Audit Services, Legal and Human Resources departments.

Risks are managed / mitigated through robust business practices, which are monitored and tested to ensure their continuing effectiveness. 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 and quality standards to maintain our position as the "safe choice" for our customers.

- Developing and managing product differentiation through technology, innovation and intellectual property in order to be the definitive supplier of motion solutions to our customers.
- Attracting and retaining high-calibre management and other key personnel and building effective networks of employees and partners, thus safeguarding the Group's success.
- Managing customer relationships, including contract terms and conditions, in accordance with industry standards and Group policy.
- 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 or exceeding expectations on energy efficiency, environmental responsibility and employee safety.



## INVESTING IN PEOPLE

Human Resources, Environmental Health and Safety (“EHS”), and Training & Development (“T&D”) are corporate-wide, shared service functions. Key activities continue to be equitable and competitive compensation, a system-based approach to EHS requirements and a commitment to training and development activities. All of these contribute to differentiating Johnson Electric from its competitors.

As of 30 September 2013, total global headcount stood at over 34,000 individuals located in Asia, the Americas and Europe.

### Current Initiatives

The first half of FY2013/14 saw a focus on new and expanded manufacturing sites in every region in which we operate:

- **Asia:** China remains the Group’s major production centre. The hiring of workers is becoming ever more challenging and we have implemented programmes to attract and retain sufficient direct labour to maintain and support business growth. Our second largest site located in Guangxi is operating smoothly and is slated for further expansion in the near future.
- **Americas:** Our new manufacturing facility in Zacatecas, Mexico, is now operational.

We continue to train individuals from Zacatecas at the Group’s China facilities to ensure the continued success of our Mexico operations and to provide a foundation for further expansion.

- **Europe:** We are establishing a new manufacturing facility in Niš, Serbia, and are recruiting key management staff for this. Plans are in place to cross-train Serbian employees at the Group’s China facilities.

The EHS group continues to track fundamental environmental performance such as wastewater compliance, energy and water consumption, solid and hazardous waste generation and carbon emissions. In Shajing, China, the EHS group is rolling out the second phase of the Group’s comprehensive EHS management system, with our other China facilities to follow. EHS is also focused on initiatives to improve energy efficiency and reduce carbon emissions.

The T&D group continues to train key Engineers and Specialists on the JE Product Development System, the Group’s unique approach to product development. This world-wide programme is critical to drive product innovation and profitable growth.

## CORPORATE GOVERNANCE

Johnson Electric Holdings Limited (“Company” or “Johnson Electric”) is committed to achieving high standards of corporate governance that properly protect and promote the interests of its shareholders and devotes considerable effort to identifying and formalising best practices of corporate governance.

During the six months ended 30 September 2013, the composition of the Board of Directors remained the same as set out in the Corporate Governance Report in the Company’s Annual Report 2013.

During the six months ended 30 September 2013, the Company continued to abide by the corporate governance practices set out in the Corporate Governance Report in the Company’s Annual Report 2013.

### CORPORATE GOVERNANCE CODE

During the six months ended 30 September 2013, the Company complied with the code provisions set out in the Corporate Governance Code contained in Appendix 14 of the Rules Governing the Listing of Securities (“Listing Rules”) on The Stock Exchange of Hong Kong Limited (“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 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 that Dr. Wang should hold both offices. The Board believes that it is able to effectively 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 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 are 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 since their last election shall retire and be 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) also states that the director holding office as 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.

### Code Provision A.6.7

Code A.6.7 provides, inter alia, that independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders.

Ms. Yik-Chun Koo Wang, Mr. Peter Kin-Chung Wang, Mr. Peter Stuart Allenby Edwards, Mr. Patrick Blackwell Paul and Prof. Michael John Enright were unable to attend the Annual

General Meeting of the Company held on 15 July 2013 due to overseas commitments or other prior business engagements.

## 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 30 September 2013.

Employees who are likely to be in possession of unpublished inside information of the Company and its subsidiaries ("Group") are also subject to compliance with guidelines on no less exacting terms than the Model Code.

## THE BOARD

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

### COMMITTEES

The monitoring and assessment of certain governance matters are allocated to four committees which operate under defined terms of reference and are required to report to the Board on a regular basis.

#### Audit Committee

The Audit Committee comprises two independent non-executive directors (including the Committee Chairman) and one non-executive director who together have substantial experience in the fields of accounting, taxation, business, corporate governance and regulatory affairs. The current members are Mr. Patrick Blackwell Paul (Committee Chairman), Prof. Michael John Enright and Mr. Peter Kin-Chung Wang.

The Committee is responsible for monitoring the financial reporting, accounting, enterprise risk management, status of funded and unfunded defined benefit pension plans and internal control aspects of the Group's activities. It has full access to the Group's Head of Corporate Audit Services to hear directly any concerns of the internal audit function 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 the terms of reference which are available on the websites of the Group and the Stock Exchange.

#### Remuneration Committee

The Remuneration Committee consists of two independent non-executive directors (including the Committee Chairman) and one executive director. The current members are Prof. Michael John Enright (Committee Chairman), Mr. Joseph Chi-Kwong Yam and Ms. Winnie Wing-Yee 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 the senior management on behalf of the Board.

In addition, it has responsibility for reviewing and making appropriate recommendations to the Board on retirement plans and provisions and on management development and succession plans for executive directors and senior management. The Committee's authority and duties are set out in the terms of reference which are available on the websites of the Group and the Stock Exchange.

At Johnson Electric, remuneration and incentive schemes are linked to the achievement of annual and long term performance goals. By providing total compensation at competitive industry levels, for 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 directs the management in the engagement of outside remuneration experts and stays abreast of remuneration practices among comparable 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 comprises two independent non-executive directors (including the Committee Chairman) and one executive director. The current members are Mr. Peter Stuart Allenby Edwards (Committee Chairman), Mr. Patrick Blackwell Paul and Dr. Patrick Shui-Chung 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 the terms of reference which are available on the websites of the Group and the Stock Exchange.

### Board Committee

The Board Committee comprises two executive directors, Dr. Patrick Shui-Chung Wang and Ms. Winnie Wing-Yee 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 the terms of reference and a summary of which are available on the Group's website.

### REVIEW OF INTERIM RESULTS

The Company's interim report for the six months ended 30 September 2013 has been reviewed by the Audit Committee and the Company's auditor, PricewaterhouseCoopers.

# DISCLOSURE OF INTERESTS

## DIRECTORS

As of 30 September 2013, 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	–	2,201,610,880 (Notes 1 & 2)
Peter Kin-Chung Wang	–	577,000 (Note 3)
Peter Stuart Allenby Edwards	–	145,000 (Note 4)
Patrick Blackwell Paul	115,000	–
Michael John Enright	45,000	–
Joseph Chi-Kwong Yam	31,000	–

*Notes:*

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

Save as disclosed herein, as of 30 September 2013, 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.

## SUBSTANTIAL SHAREHOLDERS

As of 30 September 2013, 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	Numbers of shares held	Approximate % of shareholding
Yik-Chun Koo Wang	Beneficiary of family trusts	2,201,610,880 (Notes 1 & 2)	61.51
Ansbacher (Bahamas) Limited	Trustee	887,040,000 (Note 1)	24.78
HSBC International Trustee Limited	Trustee	760,066,228 (Note 1)	21.23
Great Sound Global Limited	Interest of controlled corporation	753,655,360 (Note 3)	21.06
Winibest Company Limited	Beneficial owner	753,655,360 (Note 4)	21.06
Federal Trust Company Limited	Trustee	560,915,520 (Note 1)	15.67
Ceress International Investment (PTC) Corporation	Trustee	223,014,080 (Note 5)	6.23
Schroders Plc	Investment manager	215,251,088	6.01
Merriland Overseas Limited	Beneficial owner	211,943,040 (Note 6)	5.92

### Notes:

1. The shares in which Ansbacher (Bahamas) Limited and Federal Trust Company Limited were interested and 753,655,360 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 30 September 2013, 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 29 July 2002 adopted a share option scheme (“Option Scheme”). The Option Scheme expired on 28 July 2012 and no options could be granted afterwards. However, the unexercised options under the Option Scheme will continue to be valid and exercisable subject to the provisions of the Option Scheme within their respective exercisable periods.

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

Types of grantees	Options held at 31/03/2013	Options lapsed during the period	Options held at the date of this report	Subscription price per share (HK\$)	Date of grant	Exercisable from	Exercisable until
Employees	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
	725,000	(525,000)	200,000				

### Long-Term Incentive Share Scheme

The Long-Term Incentive Share Scheme was initially approved by the shareholders on 26 July 1999 and expired on 31 July 2009. Such scheme was replaced by a new Long-Term Incentive Share Scheme (“Incentive Share Scheme”) approved by the shareholders on 24 August 2009. The Incentive Share Scheme was further amended, with its amendments

being approved by the shareholders, on 20 July 2011. The Board may grant time-vested units (Restricted Stock Units) and performance-vested units (Performance Stock Units) or cash payment in lieu of shares to such eligible employees and directors as the Board may select at its absolute discretion under the Incentive Share Scheme.



During the six months ended 30 September 2013, the Company purchased 4,896,500 shares of the Company at a cost of HK\$22.3 million in connection with the Incentive Share Scheme for eligible employees and directors. The highest and the lowest purchase price paid per share was HK\$4.59 and HK\$4.50, respectively.

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

	Number of unvested shares granted (thousands)		Total
	Restricted Stock Units	Performance Stock Units	
Unvested shares granted, as of 31 March 2013	12,585	11,700	24,285
Unvested shares granted to employees and Independent Non-Executive Directors during the period	6,848	9,620	16,468
Shares vested to employees and Independent Non-Executive Directors during the period	(3,563)	(2,062)	(5,625)
Forfeited during the period	(740)	(2,068)	(2,808)
Unvested shares granted, as of the date of this report	15,130	17,190	32,320

As of the date of this report, the number of unvested shares to be vested in the remainder of FY2013/14 and the following financial years, excluding grants that may be made after the date of this report and excluding any subsequent forfeitures, is as follows:

Vesting year	Number of unvested shares granted (thousands)		Total
	Restricted Stock Units	Performance Stock Units	
FY2013/14	20	–	20
FY2014/15	3,205	3,330	6,535
FY2015/16	5,395	5,290	10,685
FY2016/17	6,010	8,570	14,580
FY2018/19	500	–	500
Total unvested shares to be vested, as of the date of this report	15,130	17,190	32,320

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.

## PURCHASE, SALE OR REDEMPTION OF SHARES

During the six months ended 30 September 2013, the Company repurchased a total of 2,407,500 ordinary shares of HK\$0.0125 each of the Company on the Stock Exchange, all of these shares were cancelled. The number of issued shares of the Company as of 30 September 2013 was 3,579,348,920. 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 2013	2,399,500	5.00	4.83	11.82
September 2013	8,000	5.00	5.00	0.04
	2,407,500			11.86

\* Excluding a brokerage and cancellation fee of HK\$0.05 million

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.

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

## INTERIM DIVIDEND AND CLOSURE OF REGISTER OF SHAREHOLDERS

The Board has declared an interim dividend of 3 HK Cents equivalent to 0.38 US Cents per share (2012: 3 HK Cents or 0.38 US Cents), payable on 4 December 2013 (Wednesday) to shareholders whose names appear on the Register of Shareholders of the Company on 26 November 2013 (Tuesday).

The Register of Shareholders of the Company will be closed, for the purpose of determining shareholders' entitlement to the interim dividend, from 22 November 2013 (Friday) to 26 November 2013 (Tuesday) inclusive, during which no transfer of shares will be registered.

In order to qualify for the interim dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong (not the registrar in Bermuda) for registration, not later than 4:30 p.m. on 21 November 2013 (Thursday). Shares of the Company will be traded ex-dividend as from 20 November 2013 (Wednesday).

# STATEMENT OF ACCOUNTS

## CONTENTS

CONDENSED CONSOLIDATED BALANCE SHEET	36
CONDENSED CONSOLIDATED INCOME STATEMENT	38
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	39
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	40
CONDENSED CONSOLIDATED CASH FLOW STATEMENT	42
NOTES TO THE INTERIM ACCOUNTS	44

## CONDENSED CONSOLIDATED BALANCE SHEET

As of 30 September 2013

	Note	Unaudited 30 September 2013 US\$'000	Audited 31 March 2013 US\$'000
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	3	365,968	358,566
Investment property	4	61,206	63,214
Land use rights	5	3,736	3,800
Intangible assets	6	641,499	621,535
Investment in associate		2,223	2,064
Deferred income tax assets		35,292	35,694
Available-for-sale financial assets		1,211	1,081
Other financial assets at fair value through profit and loss		–	1,102
Other financial assets	7	31,153	32,593
Deposits		6,307	4,540
		<b>1,148,595</b>	<b>1,124,189</b>
<b>Current assets</b>			
Inventories		216,164	208,095
Trade and other receivables	8	428,349	411,666
Other financial assets at fair value through profit and loss		1,078	–
Other financial assets	7	17,962	15,934
Income tax recoverable		1,866	3,141
Cash and deposits		563,387	480,924
		<b>1,228,806</b>	<b>1,119,760</b>
<b>Current liabilities</b>			
Trade and other payables	9	356,104	341,652
Current income tax liabilities		47,831	40,491
Other financial liabilities	7	13,308	5,260
Borrowings	10	130,335	123,260
Provision obligations and other liabilities	11	24,894	27,435
		<b>572,472</b>	<b>538,098</b>
<b>Net current assets</b>		<b>656,334</b>	<b>581,662</b>
<b>Total assets less current liabilities</b>		<b>1,804,929</b>	<b>1,705,851</b>

	Note	Unaudited 30 September 2013 US\$'000	Audited 31 March 2013 US\$'000
<b>Non-current liabilities</b>			
Other financial liabilities	7	20,132	2,468
Borrowings	10	1,655	1,735
Deferred income tax liabilities		59,441	64,663
Provision obligations and other liabilities	11	33,667	38,222
		<b>114,895</b>	107,088
<b>NET ASSETS</b>		<b>1,690,034</b>	1,598,763
<b>Equity</b>			
Share capital			
Ordinary shares	12	5,773	5,777
Shares held for the Share Scheme	12	(13,907)	(13,849)
Share premium	12	23,740	25,433
Reserves		1,626,307	1,514,526
Proposed dividends	19	13,740	36,625
		<b>1,655,653</b>	1,568,512
<b>Non-controlling interests</b>		<b>34,381</b>	30,251
<b>TOTAL EQUITY</b>		<b>1,690,034</b>	1,598,763

The notes on pages 44 to 75 form an integral part of this condensed consolidated interim financial information.

## CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2013

	Note	Unaudited Six months ended 30 September	
		2013 US\$'000	2012 US\$'000
<b>Sales</b>	2	<b>1,035,239</b>	1,042,664
<b>Cost of goods sold</b>		<b>(728,623)</b>	(746,291)
<b>Gross profit</b>		<b>306,616</b>	296,373
<b>Other income and gains, net</b>	13	<b>4,366</b>	1,322
<b>Selling and administrative expenses</b>	14	<b>(185,481)</b>	(197,769)
<b>Operating profit</b>		<b>125,501</b>	99,926
<b>Finance income</b>	16	<b>4,774</b>	4,036
<b>Finance costs</b>	16	<b>(934)</b>	(1,658)
<b>Share of profits of associate</b>		<b>127</b>	203
<b>Profit before income tax</b>		<b>129,468</b>	102,507
<b>Income tax expense</b>	17	<b>(16,402)</b>	(14,503)
<b>Profit for the period</b>		<b>113,066</b>	88,004
<b>Profit attributable to non-controlling interests</b>		<b>(3,008)</b>	(2,670)
<b>Profit attributable to owners</b>		<b>110,058</b>	85,334
<b>Basic earnings per share for profit attributable to the owners during the period (expressed in US Cents per share)</b>	18	<b>3.10</b>	2.38
<b>Diluted earnings per share for profit attributable to the owners during the period (expressed in US Cents per share)</b>	18	<b>3.08</b>	2.37

The notes on pages 44 to 75 form an integral part of this condensed consolidated interim financial information. The Board has declared an interim dividend of 0.38 US Cents per share (first half of FY2012/13: 0.38 US Cents) equivalent to US\$13.7 million (first half of FY2012/13: US\$13.8 million), details are set out in Note 19.

# CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2013

	Note	Unaudited Six months ended 30 September	
		2013 US\$'000	2012 US\$'000
<b>Profit for the period</b>		<b>113,066</b>	88,004
<b>Other comprehensive income / (expenses)</b>			
Items that will not be recycled subsequently to profit or loss:			
Defined benefit plans			
– remeasurements	11	<b>353</b>	(11,157)
– deferred income tax effect		<b>(132)</b>	1,447
Investment property			
– revaluation surplus on transfer of property, plant and equipment to investment property		–	3,618
– deferred income tax effect		–	(904)
Total items that will not be recycled subsequently to profit or loss		<b>221</b>	(6,996)
Items that will be recycled to profit or loss:			
Available-for-sale financial assets			
– fair value gains / (losses), net		<b>154</b>	(292)
– release of reserves upon disposal	21	<b>245</b>	129
Hedging instruments			
– fair value losses, net		<b>(21,751)</b>	(3,266)
– deferred income tax effect		<b>3,159</b>	433
– transferred to income statement		<b>(3,972)</b>	(1,424)
Currency translations of subsidiaries and associate		<b>37,890</b>	(26,756)
Total items that will be recycled to profit or loss		<b>15,725</b>	(31,176)
<b>Other comprehensive income / (expenses) for the period, net of tax</b>		<b>15,946</b>	(38,172)
<b>Total comprehensive income for the period, net of tax</b>		<b>129,012</b>	49,832
<b>Total comprehensive income attributable to:</b>			
Owners		<b>125,532</b>	47,144
Non-controlling interests			
Share of profits for the period		<b>3,008</b>	2,670
Currency translations		<b>472</b>	18
		<b>129,012</b>	49,832

The notes on pages 44 to 75 form an integral part of this condensed consolidated interim financial information.



# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2013

	Unaudited									
	Attributable to owners of the Company								Non-controlling interests	Total equity
	Note	Share capital and share premium	Other reserves*	Exchange reserve	Share-based employee compensation reserve	Hedging reserve	Retained earnings	Total		
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	
<b>As of 31 March 2013</b>		17,361	(131,889)	169,887	5,859	34,237	1,473,057	1,568,512	30,251	1,598,763
<b>Profit for the period</b>		-	-	-	-	-	110,058	110,058	3,008	113,066
<b>Other comprehensive income / (expenses):</b>										
Available-for-sale financial assets										
– fair value gains, net		-	154	-	-	-	-	154	-	154
– release of reserves upon disposal	21	-	245	-	-	-	-	245	-	245
Hedging instruments										
– fair value losses, net		-	-	-	-	(21,751)	-	(21,751)	-	(21,751)
– deferred income tax effect		-	-	-	-	3,159	-	3,159	-	3,159
– transferred to income statement		-	-	-	-	(3,972)	-	(3,972)	-	(3,972)
Defined benefit plans										
– remeasurements	11	-	-	-	-	-	353	353	-	353
– deferred income tax effect		-	-	-	-	-	(132)	(132)	-	(132)
Investment property										
– revaluation surplus realised upon disposal		-	(564)	-	-	-	564	-	-	-
Currency translations of subsidiaries and associate		-	-	37,467	-	(49)	-	37,418	472	37,890
<b>Total comprehensive income / (expenses) for the first half of FY2013/14</b>		-	(165)	37,467	-	(22,613)	110,843	125,532	3,480	129,012
<b>Transactions with owners:</b>										
Transfer		-	(3,927)	-	-	-	3,927	-	-	-
Cancellation of issued capital	12	(1,536)	-	-	-	-	-	(1,536)	-	(1,536)
Long-Term Incentive Share Scheme										
– shares vested	12	2,671	-	-	(2,671)	-	-	-	-	-
– value of employee services	21	-	-	-	2,699	-	-	2,699	-	2,699
– purchase of shares	12	(2,890)	-	-	-	-	-	(2,890)	-	(2,890)
Share options										
– options lapsed		-	-	-	(274)	-	274	-	-	-
Contribution from non-controlling interests		-	-	-	-	-	-	-	650	650
FY2012/13 final dividend paid		-	-	-	-	-	(36,664)	(36,664)	-	(36,664)
<b>Total transactions with owners</b>		(1,755)	(3,927)	-	(246)	-	(32,463)	(38,391)	650	(37,741)
<b>As of 30 September 2013</b>		<b>15,606</b>	<b>(135,981)</b>	<b>207,354</b>	<b>5,613</b>	<b>11,624</b>	<b>1,551,437</b>	<b>1,655,653</b>	<b>34,381</b>	<b>1,690,034</b>

\* Other reserves mainly represent contributed surplus, capital reserve, property revaluation reserve, investment revaluation reserve, statutory reserve and goodwill on consolidation.

The notes on pages 44 to 75 form an integral part of this condensed consolidated interim financial information.

For the six months ended 30 September 2012

	Unaudited									
	Attributable to owners of the Company								Non-controlling interests	Total equity
	Share capital and share premium	Other reserves*	Exchange reserve	Share-based employee compensation reserve	Hedging reserve	Retained earnings	Total			
Note	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000		
As of 31 March 2012		36,422	(133,147)	218,747	3,967	7,055	1,328,515	1,461,559	25,922	1,487,481
Profit for the period		-	-	-	-	-	85,334	85,334	2,670	88,004
Other comprehensive income / (expenses):										
Available-for-sale financial assets										
- fair value losses, net		-	(292)	-	-	-	-	(292)	-	(292)
- release of reserves upon disposal	21	-	129	-	-	-	-	129	-	129
Hedging instruments										
- fair value losses, net		-	-	-	-	(3,266)	-	(3,266)	-	(3,266)
- deferred income tax effect		-	-	-	-	433	-	433	-	433
- transferred to income statement		-	-	-	-	(1,424)	-	(1,424)	-	(1,424)
Defined benefit plans										
- remeasurements	11	-	-	-	-	-	(11,157)	(11,157)	-	(11,157)
- deferred income tax effect		-	-	-	-	-	1,447	1,447	-	1,447
Investment property										
- revaluation surplus on transfer of property, plant and equipment to investment property	4	-	3,618	-	-	-	-	3,618	-	3,618
- deferred income tax effect		-	(904)	-	-	-	-	(904)	-	(904)
Currency translations of subsidiaries and associate		-	-	(26,774)	-	-	-	(26,774)	18	(26,756)
Total comprehensive income / (expenses) for the first half of FY2012/13		-	2,551	(26,774)	-	(4,257)	75,624	47,144	2,688	49,832
Transactions with owners:										
Appropriation of retained earnings to statutory reserve		-	18	-	-	-	(18)	-	-	-
Cancellation of issued capital		(5,185)	-	-	-	-	-	(5,185)	-	(5,185)
Long-Term Incentive Share Scheme										
- shares vested		479	-	-	(479)	-	-	-	-	-
- value of employee services	21	-	-	-	2,226	-	-	2,226	-	2,226
Dividends paid to non-controlling shareholders of a subsidiary		-	-	-	-	-	-	-	(2,752)	(2,752)
FY2011/12 final dividend paid		-	-	-	-	-	(32,263)	(32,263)	-	(32,263)
Total transactions with owners		(4,706)	18	-	1,747	-	(32,281)	(35,222)	(2,752)	(37,974)
As of 30 September 2012		31,716	(130,578)	191,973	5,714	2,798	1,371,858	1,473,481	25,858	1,499,339

\* Other reserves mainly represent contributed surplus, capital reserve, property revaluation reserve, investment revaluation reserve, statutory reserve and goodwill on consolidation.

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 September 2013

	Note	Unaudited Six months ended 30 September	
		2013 US\$'000	2012 US\$'000
<b>Cash flows from operating activities</b>			
Earnings before interest, taxes, depreciation and amortisation	21	170,481	147,374
Other non-cash items and adjustments	21	3,247	2,577
Change in working capital	21	(13,558)	(62,837)
Cash generated from operations	21	160,170	87,114
Interest paid		(934)	(1,493)
Income taxes paid		(12,416)	(11,719)
<b>Net cash generated from operating activities</b>		<b>146,820</b>	<b>73,902</b>
<b>Investing activities</b>			
Purchase of property, plant and equipment and capitalised expenditure of investment property		(40,373)	(37,891)
Proceeds from disposal of property, plant and equipment and investment property		8,993	2,310
Interest received		4,774	4,036
		(26,606)	(31,545)
Capitalisation of engineering development costs	6	(1,478)	–
Business combination *		–	(4,800)
Proceeds from sale of available-for-sale financial assets and other financial assets at fair value through profit and loss		24	53
Proceeds from divestiture of non-core business, net of cash divested **		–	4,755
Subsequent payments of divestiture of non-core business		(5,797)	–
<b>Net cash used in investing activities</b>		<b>(33,857)</b>	<b>(31,537)</b>

\* On 2 July 2012, the Group entered into an agreement with Dialight Europe Limited to acquire certain assets, to expand the market share in the smart meter segment for electric utilities. In the first half of FY2012/13, the Group paid US\$4.8 million deposit for this acquisition. The total consideration of the acquisition was US\$11.1 million and was completed in the second half of FY2012/13.

\*\* In the first half of FY2012/13, the Group received US\$4.8 million for the disposal of a minority stake in a non-core business. The controlling stake in this business was divested in FY2011/12 for US\$28.9 million.

		<b>Unaudited</b>	
		<b>Six months ended</b>	
		<b>30 September</b>	
	Note	2013	2012
		US\$'000	US\$'000
<b>Financing activities</b>			
Purchase of shares for cancellation of issued capital	12	(1,536)	(5,185)
Purchase of shares held for Long-Term Incentive Share Scheme	12	(2,890)	–
Proceeds from borrowings		11,440	19,176
Repayments of borrowings		(7,911)	(60,304)
Dividends paid to owners		(36,664)	(32,263)
Dividends paid to non-controlling interests		–	(2,752)
Contribution from non-controlling interests		650	–
<b>Net cash used in financing activities</b>		<b>(36,911)</b>	<b>(81,328)</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>76,052</b>	<b>(38,963)</b>
<b>Cash and cash equivalents at beginning of the period</b>		<b>480,924</b>	<b>385,117</b>
<b>Currency translations on cash and cash equivalents</b>		<b>6,411</b>	<b>768</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>		<b>563,387</b>	<b>346,922</b>

The notes on pages 44 to 75 form an integral part of this condensed consolidated 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.

This condensed consolidated interim financial information is presented in US Dollars, unless otherwise stated. This condensed consolidated interim financial information has been approved for issue by the Board of Directors on 7 November 2013.

### 2. SEGMENT INFORMATION

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker (as defined in Hong Kong Financial Reporting Standards, “HKFRS”). The chief operating decision maker has been identified as the Group’s Executive Committee.

The Group had one operating segment in the first half of FY2013/14 and corresponding comparative period.

The Group’s management assesses the performance of its operating segments based on the measure of operating profit. The management’s 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 disposals of fixed assets and investments.

## NOTES TO THE INTERIM ACCOUNTS

### 2. SEGMENT INFORMATION *(Cont'd)*

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

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2013</b>	2012
	<b>US\$'000</b>	US\$'000
Operating profit presented to management	<b>118,976</b>	97,728
Gross rental income from investment property (Note 13)	<b>2,316</b>	1,917
Gains on investments, net (Note 13)	<b>661</b>	208
Gains / (losses) on disposal of property, plant and equipment and investment property (Note 13 & 21)	<b>1,793</b>	(454)
Fair value losses on other financial assets / liabilities (Note 13)	<b>(404)</b>	(349)
Government grants	<b>2,037</b>	–
Miscellaneous income	<b>122</b>	876
<b>Operating profit per condensed consolidated income statement</b>	<b>125,501</b>	99,926

Revenue from external customers by business unit was as follows:

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2013</b>	2012
	<b>US\$'000</b>	US\$'000
Automotive Products Group (“APG”)	<b>699,414</b>	641,533
Industry Products Group (“IPG”)	<b>335,825</b>	359,932
Divested business	<b>–</b>	41,199
	<b>1,035,239</b>	1,042,664

The Powertrain Cooling business (included in APG) is primarily engaged in the manufacture and sale of cooling fan modules for OEM and Tier 1 customers. Revenues for this business unit, accounted for 24% of the total revenues of the Group for the first half of FY2013/14 (first half of FY2012/13: 21%).

## 2. SEGMENT INFORMATION *(Cont'd)*

### Revenue by geography

Revenue from external customers by country of destination was as follows:

	Six months ended 30 September	
	2013 US\$'000	2012 US\$'000
Hong Kong / People's Republic of China ("HK/PRC")	273,694	285,265
United States of America ("USA")	215,734	210,943
Germany	121,962	131,171
France	49,821	56,651
Poland	46,747	38,150
Italy	40,245	38,620
Czech Republic	38,560	31,627
Korea	29,545	31,646
United Kingdom	27,861	22,857
Malaysia	19,049	17,969
Japan	18,890	23,250
Spain	18,654	15,198
Brazil	17,968	19,900
Romania	13,229	7,423
Austria	12,922	11,501
Belgium	10,261	11,993
India	9,736	7,594
Mexico	8,488	8,233
Turkey	8,312	6,851
Others	53,561	65,822
	<b>1,035,239</b>	<b>1,042,664</b>

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

### Segment assets

For the first half of FY2013/14, 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\$45.0 million (first half of FY2012/13: US\$43.0 million).

As of 30 September 2013, excluding goodwill, 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\$331.2 million (31 March 2013: US\$326.0 million) and the total of these non-current assets located in other countries was US\$293.1 million (31 March 2013: US\$291.1 million).

## NOTES TO THE INTERIM ACCOUNTS

### 3. PROPERTY, PLANT AND EQUIPMENT

	Freehold land, leasehold land and buildings US\$'000	Machinery and equipment US\$'000	Assets under construction US\$'000	Moulds and tools US\$'000	Other assets* US\$'000	Total US\$'000
As of 31 March 2013	102,845	121,691	29,092	59,592	45,346	358,566
Currency translations	2,492	1,115	601	526	252	4,986
Additions	4,305	3,519	29,744	1,661	2,124	41,353
Transfer	3,589	9,172	(20,656)	6,827	1,068	–
Transfer from investment property (Note 4)	1,520	–	–	–	–	1,520
Disposals	(2,443)	(833)	–	(125)	(74)	(3,475)
Provision for impairment (Note 15 & 21)	–	(124)	(1,948)	–	–	(2,072)
Depreciation (Note 15)	(5,542)	(15,276)	–	(10,164)	(3,928)	(34,910)
<b>As of 30 September 2013</b>	<b>106,766</b>	<b>119,264</b>	<b>36,833</b>	<b>58,317</b>	<b>44,788</b>	<b>365,968</b>
As of 31 March 2012	118,322	119,788	31,519	61,197	43,842	374,668
Currency translations	(1,662)	(757)	(176)	(315)	(226)	(3,136)
Additions	3,008	11,096	15,413	6,865	1,637	38,019
Transfer	(139)	5,702	(8,967)	1,759	1,645	–
Transfer to investment property	(1,977)	–	–	–	–	(1,977)
Disposals	(870)	(556)	(124)	(262)	(89)	(1,901)
Provision for impairment (Note 15 & 21)	–	(29)	–	–	(146)	(175)
Depreciation (Note 15)	(5,125)	(16,532)	–	(10,411)	(3,824)	(35,892)
<b>As of 30 September 2012</b>	<b>111,557</b>	<b>118,712</b>	<b>37,665</b>	<b>58,833</b>	<b>42,839</b>	<b>369,606</b>

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



#### 4. INVESTMENT PROPERTY

	2013 US\$'000	2012 US\$'000
As of 31 March	63,214	53,705
Currency translations	113	–
Capitalised expenditure	394	52
Transfer from property, plant and equipment and land use right		
– Net book value	–	2,728
– Revaluation surplus	–	3,618
Transfer to property, plant and equipment (Note 3)	(1,520)	–
Disposals	(995)	(863)
As of 30 September	<b>61,206</b>	59,240

#### 5. LAND USE RIGHTS

	2013 US\$'000	2012 US\$'000
As of 31 March	3,800	4,677
Currency translations	56	3
Transfer to investment property	–	(751)
Amortisation (Note 15)	(120)	(134)
As of 30 September	<b>3,736</b>	3,795

## NOTES TO THE INTERIM ACCOUNTS

### 6. INTANGIBLE ASSETS

	Goodwill US\$'000	Technology, license rights, engineering development costs and patents US\$'000	Brands US\$'000	Client relationships US\$'000	Total intangible assets US\$'000
As of 31 March 2013	436,573	79,607	45,404	59,951	621,535
Currency translations	20,076	3,459	2,274	2,970	28,779
Addition	–	1,478	–	–	1,478
Amortisation (Note 15 & 21)	–	(4,970)	(1,268)	(4,055)	(10,293)
<b>As of 30 September 2013</b>	<b>456,649</b>	<b>79,574</b>	<b>46,410</b>	<b>58,866</b>	<b>641,499 *</b>
As of 31 March 2012	516,614	106,053	55,803	79,313	757,783
Currency translations	(14,918)	(3,123)	(1,809)	(2,849)	(22,699)
Amortisation (Note 15 & 21)	–	(5,630)	(1,391)	(4,289)	(11,310)
As of 30 September 2012	501,696	97,300	52,603	72,175	723,774

\* Total intangible assets as of 30 September 2013 and 31 March 2013 are denominated in the following underlying currencies:

	USD equivalent 30 September 2013 US\$'000	31 March 2013 US\$'000
In Swiss Franc	548,821	529,619
In US Dollar	83,075	83,737
In British Pound Sterling	6,789	6,794
In Euro	2,814	1,385
<b>Total intangible assets</b>	<b>641,499</b>	621,535

## 7. OTHER FINANCIAL ASSETS AND LIABILITIES

	Assets		Liabilities	
	30 September 2013 US\$'000	31 March 2013 US\$'000	30 September 2013 US\$'000	31 March 2013 US\$'000
Raw material commodity contracts (Note a)				
– cash flow hedge	3,861	2,778	6,118	4,529
Forward foreign currency exchange contracts (Note b)				
– cash flow hedge	45,237	40,963	25,225	3,182
– net investment hedge	17	4,753	1,959	–
– held for trading	–	33	138	17
<b>Total (Note c)</b>	<b>49,115</b>	<b>48,527</b>	<b>33,440</b>	<b>7,728</b>
Current portion	17,962	15,934	13,308	5,260
Non-current portion	31,153	32,593	20,132	2,468
<b>Total</b>	<b>49,115</b>	<b>48,527</b>	<b>33,440</b>	<b>7,728</b>

Note:

(a) Raw material commodity contracts

Copper, silver and aluminium forward commodity contracts as per table below are designated as hedges. Gains and losses initially recognised in the hedging reserve as of 30 September 2013, will be recognised in the income statement in the period or periods in which the underlying hedged copper, silver and aluminium volumes are consumed.

As of 30 September 2013, the Group had the following outstanding raw material commodity contracts:

	Notional amount	Contract value (US\$ million)	Remaining maturities range (months)
<b>Cash flow hedge</b>			
Copper commodity contracts	17,950 metric ton	131.6	1 – 42
Silver commodity contracts	625,000 oz	16.0	1 – 48
Aluminium commodity contracts	150 metric ton	0.3	1 – 6

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

(b) Forward foreign currency exchange contracts

The RMB, EUR, HUF, CHF, MXN, PLN, INR, ILS and JPY forward foreign currency exchange contracts as per table below are designated as hedges. Gains and losses initially recognised in the hedging reserve as of 30 September 2013, will be recognised in the income statement in the period or periods in which the underlying hedged transactions occur. For currency contracts designated as held for trading, fair value gains and losses on the forward contracts are immediately recognised in the income statement. The net fair value changes recognised in the income statement were not material.

As of 30 September 2013, the Group had the following outstanding forward foreign currency exchange contracts:

	Settlement currency	Notional amount (million)	Contract value in USD equivalent (US\$ million)	Remaining maturities range (months)
<b>Cash flow hedge</b>				
Chinese Renminbi forward purchase contracts	USD	RMB 6,553.5	1,004.7	1 – 60
Euro forward sales contracts	USD	EUR 630.0	836.8	1 – 60
Hungarian Forint forward purchase contracts	EUR	HUF 24,571.0	103.5	1 – 60
Swiss Franc forward purchase contracts	EUR	CHF 60.6	67.0	1 – 17
Mexican Peso forward purchase contracts	USD	MXN 700.6	51.0	1 – 60
Polish Zloty forward purchase contracts	EUR	PLN 108.9	33.1	1 – 58
Indian Rupee forward purchase contracts	USD	INR 598.3	8.6	19 – 60
Israeli Shekel forward purchase contracts	USD	ILS 21.9	5.6	1 – 13
Japanese Yen forward sales contracts	USD	JPY 327.0	3.5	1 – 19
<b>Net investment hedge</b>				
Euro forward sales contracts	USD	EUR 150.0	203.8	15 – 60
<b>Held for trading</b>				
Indian Rupee forward purchase contracts	USD	INR 106.7	1.7	1 – 18

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

(d) The net gain from raw material commodity and foreign currency exchange hedge contracts recognised in the income statement during the period was US\$4.0 million (first half of FY2012/13: net gain of US\$1.5 million).

## 8. TRADE AND OTHER RECEIVABLES

	<b>30 September 2013 US\$'000</b>	31 March 2013 US\$'000
Trade receivables – gross	<b>362,525</b>	346,707
Less: impairment of trade receivables	<b>(3,707)</b>	(2,472)
Trade receivables – net	<b>358,818</b>	344,235
Prepayments and other receivables	<b>69,531</b>	67,431
	<b>428,349</b>	411,666

All trade and other receivables were due within one year from the end of the reporting period. Accordingly, the fair value of the Group's trade and other receivables was approximately equal to the carrying value.

### Ageing of gross trade receivables

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

	<b>30 September 2013 US\$'000</b>	31 March 2013 US\$'000
Current	<b>342,067</b>	329,807
1–30 days overdue	<b>10,749</b>	9,939
31–90 days overdue	<b>4,260</b>	3,631
Over 90 days overdue	<b>5,449</b>	3,330
Total	<b>362,525</b>	346,707

There was no concentration of credit risk with respect to trade receivables, as the Group has a large number of customers and no single customer represents more than 10% of the total.

**9. TRADE AND OTHER PAYABLES**

	<b>30 September 2013 US\$'000</b>	31 March 2013 US\$'000
Trade payables	<b>196,750</b>	184,655
Accrued expenses and sundry payables	<b>159,354</b>	156,997
	<b>356,104</b>	341,652

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

	<b>30 September 2013 US\$'000</b>	31 March 2013 US\$'000
0 – 60 days	<b>143,942</b>	137,953
61 – 90 days	<b>37,114</b>	31,048
Over 90 days	<b>15,694</b>	15,654
Total	<b>196,750</b>	184,655

## 10. BORROWINGS

	<b>30 September 2013 US\$'000</b>	31 March 2013 US\$'000
Loans based on trade receivables (Note)	<b>124,878</b>	121,860
Other borrowings – Non-current	<b>1,655</b>	1,735
– Current	<b>5,457</b>	1,400
<b>Total borrowings</b>	<b>131,990</b>	124,995
<b>Current borrowings</b>	<b>130,335</b>	123,260
<b>Non-current borrowings</b>	<b>1,655</b>	1,735

*Note:*

Subsidiary companies have borrowed US\$124.9 million in the USA, Europe and Hong Kong as of 30 September 2013 (as of 31 March 2013: US\$121.9 million) based on trade receivables. These loans are placed such that the interest expense will match the geography of the operating income:

- Unsecured borrowings in the USA of US\$45.0 million, with a covenant that trade receivables shall not be pledged to other parties (31 March 2013: US\$50.0 million).
- Borrowings in Europe of US\$54.1 million (EUR40.0 million) (31 March 2013: US\$57.5 million (EUR45.0 million)), which are secured by trade receivables and require an over-collateralisation level of 20% of the amount loaned (US\$64.9 million as of 30 September 2013 and US\$69.0 million as of 31 March 2013).
- Unsecured borrowings in Hong Kong of US\$25.8 million based on trade receivables (31 March 2013: US\$14.4 million).

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

The maturity of borrowings was as follows:

	Bank borrowings		Other loans	
	30 September 2013 US\$'000	31 March 2013 US\$'000	30 September 2013 US\$'000	31 March 2013 US\$'000
Within one year	129,878	122,833	457	427
In the second year	-	-	470	440
In the third to fifth year	-	-	1,185	1,105
After the fifth year	-	-	-	190
	<b>129,878</b>	122,833	<b>2,112</b>	2,162

As of 30 September 2013, the interest rate charged on outstanding balances ranged from 0.6% to 3.2% per annum (31 March 2013: 0.6% to 3.2% per annum) and the weighted average effective interest rate of the borrowings was approximately 0.8% (31 March 2013: 0.8%). Interest expense is discussed in Note 16.

As of 30 September 2013, borrowings of subsidiary companies amounting to US\$129.9 million (31 March 2013: US\$122.8 million) were guaranteed by the Company. The Group has two key financial covenants as part of its various borrowing agreements. These covenants are the net debt outstanding compared to EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortisation) test and a net worth (Total Equity) test. The Group was in compliance with all covenants as of 30 September 2013 and expects to remain compliant in future periods.



## 11. PROVISION OBLIGATIONS AND OTHER LIABILITIES

	Retirement benefit obligations US\$'000	Other pension costs US\$'000	Finance lease liabilities US\$'000	Restructuring US\$'000	Legal and warranty US\$'000	Long service payment and sundries US\$'000	Total US\$'000
As of 31 March 2013	23,278	421	5,418	10,325	22,582	3,633	65,657
Currency translations	1,232	6	–	451	607	37	2,333
Provisions / (release of provision) (Note 14)	(826)	1,960	–	–	2,001	220	3,355
Utilised	(3,739)	(1,979)	(384)	(2,163)	(4,166)	–	(12,431)
Remeasurements	(353)	–	–	–	–	–	(353)
<b>As of 30 September 2013</b>	<b>19,592</b>	<b>408</b>	<b>5,034</b>	<b>8,613</b>	<b>21,024</b>	<b>3,890</b>	<b>58,561</b>
Current portion	–	377	856	8,613	15,048	–	24,894
Non-current portion	19,592	31	4,178	–	5,976	3,890	33,667
<b>As of 30 September 2013</b>	<b>19,592</b>	<b>408</b>	<b>5,034</b>	<b>8,613</b>	<b>21,024</b>	<b>3,890</b>	<b>58,561</b>
As of 31 March 2012	32,586	1,575	6,120	20,555	34,910	4,168	99,914
Currency translations	(963)	1	(2)	(550)	(228)	183	(1,559)
Provisions / (release of provision) (Note 14)	1,395	1,934	1	–	8,408	(58)	11,680
Utilised	(3,826)	(3,078)	(354)	(5,071)	(2,290)	(82)	(14,701)
Remeasurements	11,157	–	–	–	–	–	11,157
<b>As of 30 September 2012</b>	<b>40,349</b>	<b>432</b>	<b>5,765</b>	<b>14,934</b>	<b>40,800</b>	<b>4,211</b>	<b>106,491</b>
Current portion	–	386	731	12,785	34,079	–	47,981
Non-current portion	40,349	46	5,034	2,149	6,721	4,211	58,510
<b>As of 30 September 2012</b>	<b>40,349</b>	<b>432</b>	<b>5,765</b>	<b>14,934</b>	<b>40,800</b>	<b>4,211</b>	<b>106,491</b>

## NOTES TO THE INTERIM ACCOUNTS

### 12. SHARE CAPITAL

	Number of shares (thousands)				
	Ordinary shares	Shares held for the Share Scheme	Total	Share premium US\$'000	Total US\$'000
As of 31 March 2012	3,612,941	(29,190)	3,583,751		
Repurchase and cancellation of issued capital	(31,185)	–	(31,185)		
Shares vested to employees and Independent Non-Executive Directors ("INED") for the Long-Term Incentive Share Scheme ("Share Scheme")	–	1,636	1,636		
As of 31 March 2013	3,581,756	(27,554)	3,554,202		
Repurchase and cancellation of issued capital	(2,407)	–	(2,407)		
Shares purchased by trustee for the Share Scheme	–	(4,897)	(4,897)		
Shares vested to employees and INED for the Share Scheme	–	4,561	4,561		
<b>As of 30 September 2013</b>	<b>3,579,349</b>	<b>(27,890)</b>	<b>3,551,459</b>		
	Ordinary shares US\$'000	Shares held for the Share Scheme US\$'000	Share premium US\$'000	Total US\$'000	
As of 31 March 2012	5,827	(14,741)	45,336	36,422	
Repurchase and cancellation of issued capital	(50)	–	(19,823)	(19,873)	
Shares vested to employees and INED for the Share Scheme	–	892	(80)	812	
As of 31 March 2013	5,777	(13,849)	25,433	17,361	
Repurchase and cancellation of issued capital	(4)	–	(1,532)	(1,536)	
Shares purchased by trustee for the Share Scheme	–	(2,890)	–	(2,890)	
Shares vested to employees and INED for the Share Scheme	–	2,832	(161)	2,671	
<b>As of 30 September 2013</b>	<b>5,773</b>	<b>(13,907)</b>	<b>23,740</b>	<b>15,606</b>	

As of 30 September 2013, the total authorised number of ordinary shares was 7,040.0 million (31 March 2013: 7,040.0 million) with a par value of HK\$0.0125 per share (31 March 2013: HK\$0.0125 per share). All issued shares were fully paid.

## 12. SHARE CAPITAL (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 15 July 2013 empowering the Board to repurchase shares up to 10% (358.2 million shares) of the aggregate nominal amount of the issued share capital of the Company. This mandate which had also existed in the previous year was extended to the next 12 month period. 2.4 million shares have been repurchased and cancelled at a total cost including brokerage and cancellation fees of US\$1.5 million (HK\$11.9 million) in the first half of FY2013/14 (first half of FY2012/13: 8.8 million shares at a total cost of US\$5.2 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 Chief Executive and approved by the Remuneration Committee of the Company.

The Share Scheme was initially approved by the shareholders on 26 July 1999 and expired on 31 July 2009. This scheme was replaced by a new Long-Term Incentive Share Scheme approved by the shareholders on 24 August 2009. The Share Scheme was further amended, with its amendments being approved by the shareholders, on 20 July 2011. Under the Share Scheme, the directors have absolute discretion to grant shares to such eligible employees and directors.

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 (RSUs), 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 ("INED"). 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 INED shares equivalent in value to US\$6,000.

## NOTES TO THE INTERIM ACCOUNTS

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

Movements in the number of unvested shares granted were as follows:

	Number of unvested units granted (thousands)		
	Restricted Stock Units	Performance Stock Units	Total
Unvested shares granted, as of 31 March 2012	8,481	5,910	14,391
Shares granted to employees and INED during the year	6,015	6,100	12,115
Shares vested to employees and INED during the year	(1,636)	–	(1,636)
Forfeited during the year	(275)	(310)	(585)
Unvested shares granted, as of 31 March 2013	12,585	11,700	24,285
Shares granted to employees and INED during the period	6,848	9,620	16,468
Shares vested to employees and INED during the period	(3,563)	(2,062)	(5,625)
Forfeited during the period	(740)	(2,068)	(2,808)
Unvested shares granted, as of 30 September 2013	<b>15,130</b>	<b>17,190</b>	<b>32,320</b>

The weighted average fair value of the unvested shares granted during the period was HK\$5.74 (US\$0.74).

As of 30 September 2013, the number of unvested shares to be vested in the remainder of FY2013/14 and the following financial years, excluding grants that may be made after 30 September 2013 and excluding any subsequent forfeitures, is as follows:

Vesting year	Number of unvested units granted (thousands)		
	Restricted Stock Units	Performance Stock Units	Total
FY2013/14	20	–	20
FY2014/15	3,205	3,330	6,535
FY2015/16	5,395	5,290	10,685
FY2016/17	6,010	8,570	14,580
FY2018/19	500	–	500
Total unvested shares to be vested	<b>15,130</b>	<b>17,190</b>	<b>32,320</b>

## 12. SHARE CAPITAL (Cont'd)

### Share options

Pursuant to the Share Option Scheme (the "Scheme") approved at the Annual General Meeting of the Company held on 29 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, 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 the date of the 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.

As of 30 September 2013, share options granted to employees under the Scheme were as follows:

Held at 31/03/2013	Options lapsed during the period	Held at 30/09/2013	Subscription price per share (HK\$)	Date of grant	Exercisable from	Exercisable until
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
725,000	(525,000)	200,000				

No share option was granted or exercised in the first half of FY2013/14 (first half of FY2012/13: nil).

The fair value of the options was determined using binomial valuation method at the date of grant; no subsequent revaluation at the year 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 30 September 2013 was US\$0.1 million (31 March 2013: US\$0.3 million).

There was no profit and loss impact relating to the Scheme in the first half of FY2013/14 (first half of FY2012/13: nil).

## NOTES TO THE INTERIM ACCOUNTS

### 13. OTHER INCOME AND GAINS, NET

	Six months ended 30 September	
	2013 US\$'000	2012 US\$'000
Gross rental income from investment property (Note 2)	2,316	1,917
Gains on investments, net (Note 2)	661	208
Gains / (losses) on disposal of property, plant and equipment and investment property (Note 2 & 21)	1,793	(454)
Fair value losses on other financial assets / liabilities (Note 2)	(404)	(349)
	<b>4,366</b>	1,322

### 14. SELLING AND ADMINISTRATIVE EXPENSES

	Six months ended 30 September	
	2013 US\$'000	2012 US\$'000
Selling expenses	48,741	56,156
Administrative expenses	141,197	135,604
Legal and warranty (Note 11)	2,001	8,408
Net exchange gains on revaluation of monetary assets and liabilities (Note 15)	(6,458)	(2,399)
	<b>185,481</b>	197,769

*Note: Selling and administrative expenses included operating lease payments for the first half of FY2013/14 of US\$3.5 million (first half of FY2012/13: US\$3.2 million).*

*Selling expenses were lower in the first half of FY2013/14 as compared to the same period in FY2012/13, primarily because of the divestiture of the Saia-Burgess Controls business in February 2013.*

## 15. EXPENSES BY NATURE

Operating profit is stated after crediting and charging the following:

	Six months ended 30 September	
	2013 US\$'000	2012 US\$'000
Depreciation		
Depreciation of property, plant and equipment (Note 3)	34,910	35,892
Less: amounts capitalised in assets under construction	(343)	(180)
	<b>34,567</b>	35,712
Employee compensation	265,606	249,601
Less: amounts capitalised in assets under construction	(2,345)	(1,556)
	<b>263,261</b>	248,045
Impairment of property, plant and equipment		
– Included in selling and administrative expenses and cost of goods sold (Note 3 & 21)	2,072	175
	<b>2,072</b>	175
Other items:		
Cost of goods sold*	728,623	746,291
Engineering expenditure**	58,086	61,694
Auditors' remuneration	1,151	1,197
Amortisation of land use rights (Note 5)	120	134
Amortisation of intangible assets (Note 6 & 21)	10,293	11,310
Net exchange gains on revaluation of monetary assets and liabilities (Note 14)	(6,458)	(2,399)
Impairment of trade receivables / bad debt expense	1,955	542
Unused amounts of impairment of trade receivables reversed against bad debt expense	(818)	(178)

\* Cost of goods sold comprised materials, direct labour costs (including their social costs) and production overheads including operating lease payments of US\$7.4 million (first half of FY2012/13: US\$7.9 million).

**15. EXPENSES BY NATURE** (Cont'd)

**\*\* Engineering expenditure**

The Group's engineering expenditure for the first half of FY2013/14 and FY2012/13 are as follow:

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2013</b>	<b>2012</b>
	<b>US\$'000</b>	<b>US\$'000</b>
<i>Engineering expenditure</i>	<b>59,564</b>	61,694
<i>Capitalisation of engineering development costs</i>	<b>(1,478)</b>	–
<i>Net engineering expenditure</i>	<b>58,086</b>	61,694

*Engineering expenditure as a percentage of sales were 5.8% in the first half of FY2013/14 (first half of FY2012/13: 5.9%).*

**16. FINANCE (INCOME) / COSTS, NET**

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2013</b>	<b>2012</b>
	<b>US\$'000</b>	<b>US\$'000</b>
Interest expense on borrowings wholly repayable within five years and overdrafts	<b>934</b>	1,653
Interest expense on borrowings wholly repayable later than five years	<b>–</b>	5
Interest income	<b>(4,774)</b>	(4,036)
<b>Net interest income (Note 21)</b>	<b>(3,840)</b>	(2,378)



## 17. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (first half of FY2012/13: 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 first half of FY2013/14 was 12.7% (first half of FY2012/13: 14.1%).

	Six months ended 30 September	
	2013 US\$'000	2012 US\$'000
Current income tax		
Hong Kong profits tax	11,128	6,063
Overseas taxation	10,179	9,077
Over provision in prior years	(1,018)	(1,395)
	<b>20,289</b>	13,745
Deferred income tax	<b>(3,887)</b>	758
Total income tax expense	<b>16,402</b>	14,503
Effective tax rate	<b>12.7%</b>	14.1%

The effective tax rate of the Group of 12.7% differed from the statutory tax rate of Hong Kong of 16.5% as follows:

	Six months ended 30 September		Six months ended 30 September	
	2013	2012	2013 US\$'000	2012 US\$'000
Profit before income tax			129,468	102,507
Tax charged at Hong Kong profits tax rate	16.5%	16.5%	21,362	16,914
Effect of different tax rates in other countries				
– Countries with taxable profit	1.8%	2.4%	2,379	2,461
– Countries with loss	(1.7)%	(1.1)%	(2,164)	(1,168)
Income, net of expenses, not subject to tax	(6.8)%	(3.7)%	(8,800)	(3,760)
Over provisions in prior years (current and deferred)	(0.7)%	(0.7)%	(946)	(744)
Tax losses and other timing differences not recognised as an asset and other tax, net of (utilisation)	3.6%	0.7%	4,571	800
	<b>12.7%</b>	14.1%	<b>16,402</b>	14,503

**18. EARNINGS PER SHARE****Basic earnings per share**

Basic earnings per share was calculated by dividing the profit attributable to owners by the weighted average number of ordinary shares in issue during the period excluding ordinary shares purchased by the Company and held for the Long-Term Incentive Share Scheme.

	<b>Six months ended 30 September</b>	
	<b>2013</b>	2012
Profit attributable to owners (thousands US Dollar)	<b>110,058</b>	85,334
Weighted average number of ordinary shares in issue (thousands)	<b>3,555,645</b>	3,580,088
Basic earnings per share (US Cents per share)	<b>3.10</b>	2.38
Basic earnings per share (HK Cents per share)	<b>24.02</b>	18.49

**Diluted earnings per share**

Diluted EPS was calculated by adjusting the weighted average number of ordinary shares as per basic EPS, to include the weighted average number of all the dilutive potential ordinary shares.

	<b>Six months ended 30 September</b>	
	<b>2013</b>	2012
Weighted average number of ordinary shares issued and outstanding (thousands)	<b>3,555,645</b>	3,580,088
Adjustments for restricted shares granted:		
– Share Scheme (Time vesting)	<b>12,910</b>	12,830
– Share Scheme (Performance earned)	<b>3,128</b>	2,903
Weighted average number of ordinary shares (diluted) (thousands)	<b>3,571,683</b>	3,595,821
Diluted earnings per share (US Cents per share)	<b>3.08</b>	2.37
Diluted earnings per share (HK Cents per share)	<b>23.91</b>	18.41

## 19. INTERIM DIVIDENDS

	Six months ended 30 September	
	2013 US\$'000	2012 US\$'000
Interim, of 0.38 US Cents (3 HK Cents) per share, to be paid in December 2013 (first half of FY2012/13: 0.38 US Cents or 3 HK Cents)	13,740	13,836
	<b>13,740</b>	<b>13,836</b>

## 20. CAPITAL COMMITMENTS

	30 September 2013 US\$'000	31 March 2012 US\$'000
Capital commitments for property, plant and equipment		
Authorised but not contracted for*	25,000	22,500
Contracted but not yet accrued	13,860	6,749
	<b>38,860</b>	<b>29,249</b>

\* As of the balance sheet date, capital commitments authorised but not contracted for represented the management's budget for the coming quarter.

**21. CASH GENERATED FROM OPERATIONS**

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2013</b>	<b>2012</b>
	<b>US\$'000</b>	<b>US\$'000</b>
Profit before income tax	<b>129,468</b>	102,507
Add: Depreciation of property, plant and equipment and amortisation of land use rights	<b>34,687</b>	35,846
Amortisation of intangible assets (Note 6 &15)	<b>10,293</b>	11,310
Finance income, net (Note 16)	<b>(3,840)</b>	(2,378)
Associate dividend receipts less share of profits	<b>(127)</b>	89
<b>EBITDA*</b>	<b>170,481</b>	147,374
<b>Other non-cash items and adjustments</b>		
(Gains) / losses on disposal of property, plant and equipment and investment property (Note 2 &13)	<b>(1,793)</b>	454
Provision for impairment on property, plant and equipment (Note 3 &15)	<b>2,072</b>	175
Share-based compensation	<b>2,699</b>	2,226
Net realised and unrealised losses / (gains) on other financial assets at fair value through profit and loss	<b>24</b>	(407)
Net realised losses on available-for-sale financial assets	<b>245</b>	129
	<b>3,247</b>	2,577
<b>EBITDA* net of other non-cash items and adjustments</b>	<b>173,728</b>	149,951
<b>Change in working capital</b>		
(Increase) / decrease in inventories	<b>(6,959)</b>	8,193
Increase in trade and other receivables	<b>(7,142)</b>	(25,268)
Increase in non-current deposits	<b>(1,689)</b>	(91)
Increase in trade and other payables	<b>11,938</b>	4,959
Decrease in provision obligations and other liabilities	<b>(9,076)</b>	(1,955)
(Increase) / decrease in net financial assets	<b>(630)</b>	787
Insourcing of a European distribution channel	<b>-</b>	(49,462)
	<b>(13,558)</b>	(62,837)
<b>Cash generated from operations</b>	<b>160,170</b>	87,114

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

## 22. RELATED-PARTY TRANSACTIONS

### 22.1 Directors' emoluments

Directors' emoluments amounted to US\$2.2 million for the first half of FY2013/14 (first half of FY2012/13: US\$2.4 million).

	Six months ended 30 September	
	2013 US\$'000	2012 US\$'000
Salaries, allowances and other benefits*	1,048	962
Retirement scheme contributions	98	79
Bonuses	1,077	1,368
	<b>2,223</b>	<b>2,409</b>

Refer to page 76 for additional information.

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

### 22.2 Key / senior management compensation

Other than the directors' remuneration disclosed above, emoluments paid to 10 (first half of FY2012/13: 11) key / senior management as set out in our 2013 annual report were as follows:

	Six months ended 30 September	
	2013 US\$'000	2012 US\$'000
Salaries, allowances and other benefits	2,928	3,102
Retirement scheme contributions	240	240
Share-based payment	1,858	297
Bonuses	1,941	3,015
	<b>6,967</b>	<b>6,654</b>

## 23. FINANCIAL RISK MANAGEMENT

### 23.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk, fair value interest rate risk and raw material commodity price risk), customer credit risk and liquidity risk.

This condensed consolidated interim 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 31 March 2013.

There have been no changes in the Group's risk management policies since 31 March 2013.

### 23.2 Capital risk management

As of 30 September 2013, the Group's total debt to capital ratio was 7% compared to 7% as of 31 March 2013.

Total debt to capital ratio as of 30 September 2013 and 31 March 2013 was as follows:

	<b>30 September 2013 US\$'000</b>	31 March 2013 US\$'000
Short term borrowings	<b>130,335</b>	123,260
Long term borrowings	<b>1,655</b>	1,735
Total debt	<b>131,990</b>	124,995
Total equity	<b>1,690,034</b>	1,598,763
Total capital (equity + debt)	<b>1,822,024</b>	1,723,758
Debt to capital ratio	<b>7%</b>	7%

The net cash position as of 30 September 2013 and 31 March 2013 was as follows:

Total debt	<b>(131,990)</b>	(124,995)
Cash and deposits	<b>563,387</b>	480,924
Net cash (total debt less cash)	<b>431,397</b>	355,929

Funding requirements for capital expenditure are expected to be met by cash on hand, available credit lines and expected future operating cash flows.

## 23. FINANCIAL RISK MANAGEMENT (Cont'd)

### 23.3 Fair value estimation

The fair value of the Group's assets and liabilities are classified into 3 levels of the fair value measurement hierarchy according to HKFRS 7 and HKFRS 13 requirements and disclosed as below:

Level 1: No financial assets and liabilities of the Group are quoted in public markets.

Level 2: The Group's level 2 financial assets and liabilities are traded in the market and the fair values are obtained from the bank statements.

Level 3: The Group's level 3 financial assets and liabilities are not traded in the market and the fair values are obtained from the statements issued by the investment bank.

The following table presents the Group's financial assets and liabilities that are measured at fair value as of 30 September 2013.

	Level 1 US\$'000	Level 2 US\$'000	Level 3 US\$'000	Total US\$'000
<b>Assets</b>				
Other financial assets				
– Derivatives used for hedging	–	49,115	–	49,115
Other financial assets at fair value through profit and loss				
– Unlisted debt securities	–	1,078	–	1,078
Available-for-sale financial assets				
– Unlisted securities	–	–	1,211	1,211
<b>Total assets</b>	<b>–</b>	<b>50,193</b>	<b>1,211</b>	<b>51,404</b>
<b>Liabilities</b>				
Other financial liabilities				
– Derivatives held for trading	–	138	–	138
– Derivatives used for hedging	–	33,302	–	33,302
<b>Total liabilities</b>	<b>–</b>	<b>33,440</b>	<b>–</b>	<b>33,440</b>

**23. FINANCIAL RISK MANAGEMENT (Cont'd)****23.3 Fair value estimation (Cont'd)**

The following table presents the Group's financial assets and liabilities that are measured at fair value as of 31 March 2013:

	Level 1 US\$'000	Level 2 US\$'000	Level 3 US\$'000	Total US\$'000
<b>Assets</b>				
<b>Other financial assets</b>				
– Derivatives held for trading	–	33	–	33
– Derivatives used for hedging	–	48,494	–	48,494
<b>Other financial assets at fair value through profit and loss</b>				
– Unlisted debt securities	–	1,102	–	1,102
<b>Available-for-sale financial assets</b>				
– Unlisted securities	–	–	1,081	1,081
<b>Total assets</b>	<b>–</b>	<b>49,629</b>	<b>1,081</b>	<b>50,710</b>
<b>Liabilities</b>				
<b>Other financial liabilities</b>				
– Derivatives held for trading	–	17	–	17
– Derivatives used for hedging	–	7,711	–	7,711
<b>Total liabilities</b>	<b>–</b>	<b>7,728</b>	<b>–</b>	<b>7,728</b>

There were no significant transfers of financial assets between level 1, level 2 and level 3 fair value hierarchy classifications during the period.

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

- (i) **Other financial assets / liabilities**  
The Group relies on bank valuations to determine the fair value of financial assets / liabilities which in turn are determined using various valuation techniques such as discounted cash flow analysis. Copper price and foreign currency exchange prices are the key inputs in the valuation.
- (ii) **Other financial assets at fair value through profit and loss**  
The fair values of unlisted debt securities are valued by the financial institutions who calculate the fair value using discounted cash flow analysis.
- (iii) **Available-for-sale financial assets**  
The fair values of unlisted securities are valued by the financial institutions who calculate the fair value using discounted cash flow analysis, in which the key inputs are unobservable and the unobservable inputs reflecting the equity partners' own assumptions about what market participants would use in pricing the asset and liability.



## 23. FINANCIAL RISK MANAGEMENT *(Cont'd)*

### 23.3 Fair value estimation *(Cont'd)*

The following table presents the changes in level 3 instruments for the first half of FY2013/14 and the first half of FY2012/13:

	Available-for-sale financial assets	
	2013 US\$'000	2012 US\$'000
As of 31 March	1,081	6,307
Disposal	(24)	(4,808)
Fair value gains / (losses) recorded in equity	154	(292)
As of 30 September	1,211	1,207

Valuation process:

The non-publicity-traded securities initially are recorded at cost and are adjusted to fair value using methods determined by the equity partner after consideration of all relevant information, such as type of security, purchase price, purchases of the same and similar securities by other investors, current financial position and operating results, public and private company comparables, discounted cash flow analysis, and other pertinent information.

### 24. PRINCIPAL ACCOUNTING POLICIES

This unaudited condensed consolidated interim financial information has been 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 31 March 2013, except that the Group adopted all new standards, amendments to standards and interpretations of HKFRS effective for the accounting period commencing 1 April 2013.

The effect of adopting the new HKFRSs is disclosed in Note 26.

### 25. 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 31 March 2013.

## 26. EFFECT OF ADOPTING NEW, REVISED AND AMENDED HKFRS

In the first half of FY2013/14, the Group adopted the following new, revised and amended standards and interpretations of HKFRSs below, which are relevant to its operations and have an impact on the consolidated financial statements:

HKAS 1 (amendment)	Presentation of financial statements
HKAS 19 (2011)	Employee benefits
HKFRS 13	Fair value measurement

A summary of these new standards and interpretation is as follows:

### **HKAS 1 (amendment), “Presentation of financial statements”**

The main change resulting from these amendments is a requirement for entities to group items presented in “other comprehensive income” (“OCI”) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI.

### **HKAS 19 (2011), “Employee benefits”**

HKAS 19 (2011) amends the accounting for employment benefits. The adoption of this revised standard did not have material impact to the Group.

- The standard requires past service cost to be recognised immediately in income statement.
- The standard replaces the interest cost on the defined benefit obligation and the expected return on plan assets with a net interest cost based on the net defined benefit asset or liability and the discount rate, measured at the beginning of the year. There is no change to determining the discount rate; this continues to reflect the yield on high-quality corporate bonds. This has increased the income statement charge as the discount rate applied to assets is lower than the expected return on assets. This has no effect on total comprehensive income as the increased charge in profit or loss is offset by a credit in other comprehensive income.
- There is a new term “remeasurements”. This is made up of actuarial gains and losses, the difference between actual investment returns and the return implied by the net interest cost.
- The standard clarifies that the benefit to be attributed to period of service is net of the effect of any employee contributions in respect of service.
- HKAS 19 (2011) has been adopted prospectively as the impact on prior years is not material.

**26. EFFECT OF ADOPTING NEW, REVISED AND AMENDED HKFRS** *(Cont'd)*

**HKFRS 13, “Fair value measurement”**

HKFRS 13 introduces enhanced disclosure requirements. These requirements are similar to those in HKFRS 7 but apply to all assets and liabilities (not just financial ones) measured at fair value or whose fair value is disclosed. The major changes are:

- Disclosures are required for non-financial assets (e.g. land and buildings, investment properties) and liabilities whose fair values are disclosed even though they are not measured at fair value in the balance sheet.
- Fair value hierarchy disclosures now include non-financial and financial assets and liabilities and also any fair values disclosed in footnotes.
- More detailed disclosure for Level 3 fair values (e.g. quantitative information about the significant unobservable inputs, a description of valuation processes used and qualitative discussion about the sensitivity of the measurements).
- The change has no significant impact to the measurements of the Group’s assets and liabilities.

## CHANGES IN INFORMATION OF DIRECTORS

In accordance with Rule 13.51(B)(1) of the Listing Rules, the changes in information of Directors of the Company subsequent to the date of the Annual Report 2013 of the Company are set out below:

<b>Name of Director</b>	<b>Details of Changes</b>
Patrick Shui-Chung Wang	<p>The annual base salary has been revised to US\$869,040 and his annual discretionary bonus will be determined with reference to the Company's performance and profitability with effect from 1 July 2013.</p> <p>Dr. Wang has retired as Chairman and Director of the Hong Kong Applied Science and Technology Research Institute Company Limited with effect from 21 October 2013.</p>
Winnie Wing-Yee Wang	<p>The annual base salary has been revised to US\$612,612 and her annual discretionary bonus will be determined with reference to the Company's performance and profitability with effect from 1 July 2013.</p>
Austin Jesse Wang	<p>The annual base salary has been revised to CHF213,850 and his annual discretionary bonus will be determined with reference to the Company's performance and profitability with effect from 1 July 2013.</p>
Joseph Chi-Kwong Yam	<p>Mr. Yam has retired as Independent Non-executive Director of China Construction Bank Corporation with effect from 23 October 2013.</p>

# CORPORATE AND SHAREHOLDER INFORMATION

## Johnson Electric Holdings Limited

(Incorporated in Bermuda with limited liability)

### CORPORATE INFORMATION

#### Board of Directors

##### Executive Directors

Patrick Shui-Chung Wang *JP*

*Chairman and Chief Executive*

Winnie Wing-Yee Wang

*Vice-Chairman*

Austin Jesse Wang

##### Non-Executive Directors

Yik-Chun Koo Wang

*Honorary Chairman*

Peter Kin-Chung Wang

Peter Stuart Allenby Edwards\*

Patrick Blackwell Paul\*

Michael John Enright\*

Joseph Chi-Kwong Yam

*GBM, GBS, CBE, JP\**

\* *Independent Non-Executive Director*

#### Company Secretary

Lai-Chu Cheng

#### Auditor

PricewaterhouseCoopers

#### Registrars and Transfer Offices

Principal Registrar:

HSBC Securities Services

(Bermuda) Limited

6 Front Street

Hamilton HM 11

Bermuda

Registrar in Hong Kong:

Computershare Hong Kong

Investor Services Limited

Shops 1712-1716, 17th Floor

Hopewell Centre

183 Queen's Road East

Wan Chai, Hong Kong

#### Registered Office

Canon's Court

22 Victoria Street

Hamilton HM 12

Bermuda

#### Hong Kong Head Office

12 Science Park East Avenue, 6/F

Hong Kong Science Park

Shatin, New Territories

Hong Kong

Tel : (852) 2663 6688

Fax : (852) 2897 2054

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

#### Principal Bankers

The Hongkong and Shanghai

Banking Corporation Limited

Bank of China (Hong Kong) Limited

Hang Seng Bank Limited

Mizuho Bank, Ltd.

The Bank of Tokyo-Mitsubishi UFJ, Ltd.

Citibank, N.A.

BNP Paribas

JPMorgan Chase Bank, N.A.

Commerzbank AG

Standard Chartered Bank

### LISTING INFORMATION

#### Share Listing

The Company's shares are listed on The Stock Exchange of Hong Kong Limited.

#### 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)

22 – 26 November 2013 (Fri – Tue)

#### Dividend (per Share)

Interim Dividend : 3 HK Cents

Paid on : 4 December 2013 (Wed)

**Johnson Electric Holdings Limited**

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

