Johnson Electric Holdings Limited
Interim Report 2017

JOHNSON ELECTRIC
innovating motion

(Stock Code: **179**)

Contents

HIGHLIGHTS

- Group sales US$1,532 million – up 12% compared to first half of the prior financial year. Excluding the impact of acquisitions and foreign exchange rate changes, sales increased by 6%
- EBITDA increased 15% to US$260 million or 17.0% of sales (16.5% in prior year)
- Operating profit increased 15% to US$170 million or 11.1% of sales (10.8% in prior year)
- Net profit attributable to shareholders up 16% to US$140 million or 15.8 US cents per share on a fully diluted basis
- Total debt to capital ratio of 18% and cash reserves of US$160 million as of 30 September 2017
- Interim dividend increased by 6% to 17 HK cents per share (2.18 US cents per share)
- Acquisition of an additional 50% interest in Halla Stackpole Corporation completed on 16 May 2017

LETTER TO SHAREHOLDERS

Johnson Electric achieved a very satisfactory set of financial results for the six month period ended 30 September 2017.

Group sales for the first half of the 2017/18 financial year totalled US$1,532 million, an increase of 12% over the first half of the prior financial year. Excluding the impact of acquisitions and foreign exchange rate changes, underlying sales increased by 6%. Net profit attributable to shareholders increased 16% to US$140 million or 15.8 US cents per share on a fully diluted basis.

Johnson Electric's positive financial performance reflected solid organic growth from both its Automotive Products and Industry Products divisions, as well as the effect of additional contributions from the acquisition of AML Systems in May 2016 and the increased shareholding in Halla Stackpole Corporation in May 2017. The Group has continued to gain share in a number of key product application segments where customers are seeking innovative motion solutions in markets undergoing major regulatory and technology change. At same time, ongoing investments are being made to support new business wins and to establish a global production model that offers best-in-class cost and responsiveness.

Overview of Financial Results

The Automotive Products Group ("APG"), excluding acquisitions, increased sales by 6% on a constant currency basis compared to the first half of the prior year. The strongest business unit performances came from Powertrain Cooling, Actuator Systems and Body Comfort. Partly offsetting this strength was the somewhat weaker sales performances of Stackpole International and Body Instruments.

APG's overall business trajectory continues to compare favourably with recent global automotive industry volume growth. North American light vehicle production during the period under review declined by 6%; European passenger car production increased by 1%; and Asia's production was up by just over 2%. The sustained success of APG's business in the current operating environment is primarily due to its ability to offer cost-competitive technology solutions to several of the most critical imperatives for OEM end-customers: reduced emissions; improved fuel economy; higher safety; and greater comfort.

The Industry Products Group ("IPG"), which contributed 24% of total Group sales, recorded 8% sales growth in constant currency terms in the first half. This was an excellent performance given the relatively lacklustre consumer demand and deflationary pressures in many of our customers' end markets. And it is indicative of a more streamlined and more focused management effort to drive sales in segments where Johnson Electric's technology offering is most advantaged. Among IPG's most rapidly growing product applications are medical devices, lawn and garden equipment and remote disconnect metering.

Gross profit increased by 4% to US$382 million – which as a percentage of sales represented a decline from 26.8% to 24.9%. This was partly due to the negative impact of pricing pressure and higher labour and depreciation expenses; and also partly due to product mix changes as the result of acquisitions. The recently acquired Halla Stackpole Corporation and AML Systems are automotive components businesses that, consistent with the market segments they serve, have lower average gross margins than the Group as a whole – but also feature cost structures with much lower overheads.

Group operating profits increased by 15% to US$170 million or 11.1% of sales (up from 10.8% in the prior year). The increase in operating profits, whilst higher than anticipated, was held back slightly by the combined net impact of two non-cash items: a valuation gain related to the acquisition of an additional 50% equity interest in Halla Stackpole; and a mark-to-market liability related to structured foreign exchange contracts that form part of the Group's long-term operational hedging activities. Excluding these two items and the contributions of acquisitions during the period under review, net profits increased by 13% to US$137 million.

Increased Interim Dividend

The Directors have today declared a 6% increase in the interim dividend to 17 HK cents per share, equivalent to 2.18 US cents per share (2016 interim: 16 HK cents per share). This is consistent with the previously announced intention to increase the ratio of interim dividends such that it represents approximately one-third of the prior financial year's total dividends paid. The interim dividend will be payable on 5th January 2018 to shareholders registered on 22nd December 2017.

Integrating Recent Acquisitions

Shareholders will be aware that Johnson Electric has made significant advances in recent years by adding to the capabilities and scope of the Group through a small number of carefully targeted acquisitions and investments.

With regard to integrating these acquisitions into the Group, we have not taken a "one-size fits all" approach. Instead we have made a conscious effort to integrate according to the particular needs and circumstances of the acquired business, taking into account factors such as the differences in business model and culture, governance imperatives, and the opportunities to extract synergies.

In the case of Stackpole International, for example, it has made business sense to maintain it as a relatively distinct operation comprised of engineered products (engine and transmission pumps) and powder metal components. The integration effort has consequently been focused primarily on two main areas. Firstly, Stackpole's financial reporting systems and policies have been aligned with the Group's financial policies and controls. Secondly, by combining the hydraulics engineering expertise of Stackpole with the electric motor expertise of Johnson Electric, a major initiative is underway to develop electric pumps and electric pump module solutions to a range of applications that are stemming from the electrification of the automobile.

By contrast, the market-leading headlamp leveller product line of AML Systems directly complemented the existing headlamp actuator business of Johnson Electric with the result that these two product lines have been combined to form a fully integrated Lighting segment under the Group's Actuation Systems business unit.

Business Outlook

Johnson Electric is continuing to perform well heading into the second half of the current financial year.

Although the automotive components industry has felt the negative effects of the cyclical slowdown in vehicle production volumes in some regions, many of the key trends shaping the sector are having a positive impact on demand for the Group's products. The turnaround of our Industry Products Group has also been a positive development and management is working hard to ensure that the disciplined go-to-market strategies and careful cost control that have underpinned its return to growth are maintained.

Based on the current level of new business bookings – and assuming that the global economy continues its gradual recovery – we anticipate Johnson Electric's overall sales growing at a mid-single digit percentage rate in constant currency terms for at least the next three to five years. This rate of topline growth may be periodically supplemented by acquisitions where we see an opportunity to add complementary capabilities and technology to the Group. However, with median acquisition multiples now exceeding the levels seen immediately prior to the 2008 Global Financial Crisis, we intend to remain highly selective and patient in pursuing the right transactions at the right prices.

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

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

Hong Kong, 8 November 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL PERFORMANCE

US$ million	First half of FY2017/18 [1]	First half of FY2016/17
Sales	1,532.4	1,366.8
Gross profit	382.0	366.4
Gross margin	*24.9%*	*26.8%*
Profit attributable to shareholders	140.5	120.8
Diluted earnings per share (US cents)	15.80	13.69
EBITDA [2]	260.2	225.3
EBITDA margin	*17.0%*	*16.5%*
Free cash flow from operations [3]	54.0	32.5

US$ million	30 Sep 2017	31 Mar 2017
Cash	160.4	127.7
Total debt [4]	475.6	384.0
Net debt (total debt less cash)	315.2	256.3
Total equity	2,189.9	2,025.0
Market capitalisation [5]	3,294.6	2,565.6
Enterprise value [6]	3,673.4	2,854.7
EBITDA adjusted on a proforma basis [7]	497.2	450.5

Key Financial Ratios	30 Sep 2017	31 Mar 2017
Enterprise value to EBITDA [7]	7.4	6.3
Free cash flow [7] to total debt	40%	42%
Total debt to EBITDA [7]	1.0	0.9
Total debt and leases [8] to EBITDA [7]	1.1	1.0
Total debt to capital (total equity + total debt)	18%	16%

1 First half of FY2017/18 includes 6 months' results of AML Systems ("AML") and 5 month's results of Halla Stackpole ("HSC") (first half of FY2016/17: 4½ months' results of AML Systems)

2 Earnings before interest, tax, depreciation and amortisation

3 Net cash generated from operating activities plus net interest received, less capital expenditure (net of proceeds from disposal of fixed assets) and capitalisation of engineering development costs

4 Total debt calculated as bank overdraft plus borrowings and convertible bonds (debt elements)

5 Outstanding number of shares multiplied by the closing share price (HK$29.85 per share as of 30 September 2017 and HK$23.20 per share as of 31 March 2017) converted to USD at the closing exchange rate

6 Enterprise value calculated as market capitalisation plus non-controlling interests plus total debt less cash

7 EBITDA and free cash flow from operations were annualised using the last 12 months' results (adjusted to include the last 12 month's results of Halla Stackpole and AML Systems on a pro forma basis)

8 Lease payments were discounted at 7% for this analysis with a corresponding adjustment of annual lease expense to EBITDA

BUSINESS REVIEW

Johnson Electric's Operating Model

Johnson Electric is a global leader in the supply of precision motors, motion subsystems and related electro-mechanical components for the automotive industry and for other industrial and consumer product applications. The Group offers the broadest set of engineered motor and motion system solutions available in the market today – incorporating brushed and brushless DC motors, AC motors, stepper motors, piezo-electric motors, cooling fan modules, fixed and variable displacement oil pumps, water pumps, HVAC and other actuators, sintered powder metal components, solenoids, relays, precision gears, switches, lighting subsystems, coolant valves and flexible printed interconnects. These can be standardised for mass production or tailored to meet the needs of strategic segments and key accounts.

Technology leadership and application-specific know-how are the drivers that make Johnson Electric a global leader in its industry.

The Group seeks to work closely with its customers to understand the market's requirements and key preferences and to identify the key underlying trends, regulatory changes or technology advancements that drive long-term demand. Using the information gained, Johnson Electric constantly challenges its business managers and engineers to apply the Group's technology leadership and know-how to offer new opportunities to solve customers' problems. This can mean utilising the Group's volume production base and innovative manufacturing and product technologies to take cost leadership, designing and delivering a solution that offers lower total costs for a customer over their product's entire life-cycle. In other situations, it can mean finding a unique solution to help the customer differentiate their products in the marketplace, for example through lower energy consumption, lower weight, lower noise, longer endurance or higher performance.

The key goals of Johnson Electric's manufacturing strategy are to be global, flexible, high quality and cost competitive. In executing this strategy, the Group is progressively shaping its operating footprint in Asia, the Americas and Europe, increasing automation and efficiency worldwide. The Group's "in-region" manufacturing facilities strengthen support for customers by being close to where they are operating and ensuring fast, reliable supplies and highly responsive levels of service. It also lowers freight costs and inventory levels and mitigates the Group's operating risk by not being overly reliant on any single country or factory.

The Group's cost competitiveness is also enhanced through the commonalities shared by its operations including advanced technologies, manufacturing processes, vertical integration (with certain components manufactured in-house), supply chain, brands, distribution channels and program management.

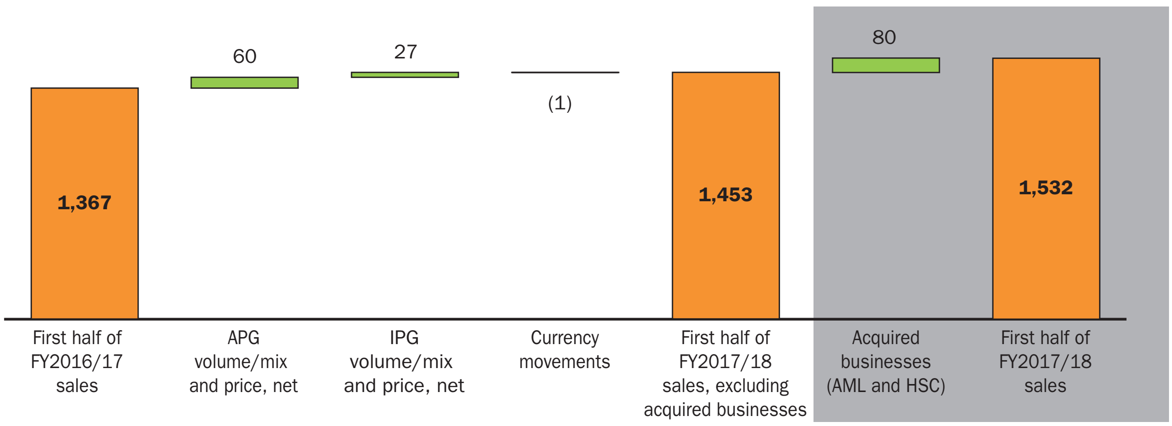
Sales Review

Sales in the first half of FY2017/18 were US$1,532.4 million, an increase of US$165.6 million or 12% compared to US$1,366.8 million in the first half of FY2016/17. Excluding acquisitions and currency movements, sales increased by US$86.6 million or 6% compared to the prior year, as shown below:

US$ million	First half of FY2017/18		First half of FY2016/17		Change	
Automotive Products Group ("APG") sales						
– Excluding acquisition and currency movements	1,086.4	71%	1,026.9	75%	59.5	6%
– Acquired businesses	79.6	5%	–	0%	79.6	
– Subtotal	1,166.0	76%	1,026.9	75%	139.1	14%
– Currency movements	(0.8)		n/a		(0.8)	
APG sales	1,165.2		1,026.9		138.3	13%
Industry Products Group ("IPG") sales						
– Excluding currency movements	367.0	24%	339.9	25%	27.1	8%
– Currency movements	0.2		n/a		0.2	
IPG sales	367.2		339.9		27.3	8%
Group sales						
– Excluding acquisition and currency movements	1,453.4	95%	1,366.8	100%	86.6	6%
– Acquired businesses	79.6	5%	–	0%	79.6	
– Subtotal	1,533.0	100%	1,366.8	100%	166.2	12%
– Currency movements	(0.6)		n/a		(0.6)	
Group sales	**1,532.4**		**1,366.8**		**165.6**	**12%**

The drivers underlying these movements in sales are shown in the following chart:

US$ million



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

Volume, mix and price, net, increased sales by US$86.6 million. Organic changes in the sales of the Automotive Products Group and the Industry Products Group are discussed on pages 8 to 10.

Newly acquired businesses increased sales by US$79.6 million. The impact of these acquisitions is further discussed below as part of the review of the Automotive Products Group.

Currency movements had only a small impact on revenues (US$0.6 million compared to the first half of FY2016/17). The impact of the weaker Chinese Renminbi against the US Dollar was offset by the effect of a stronger Euro against the US Dollar, when comparing average exchange rates for the first half of FY2017/18 to the first half of FY2016/17. The Group's sales are largely denominated in the US Dollar, the Euro, the Chinese Renminbi and the Canadian Dollar. See Note 1.3 to the condensed consolidated interim financial statements ("accounts") for the main foreign currency translation rates.

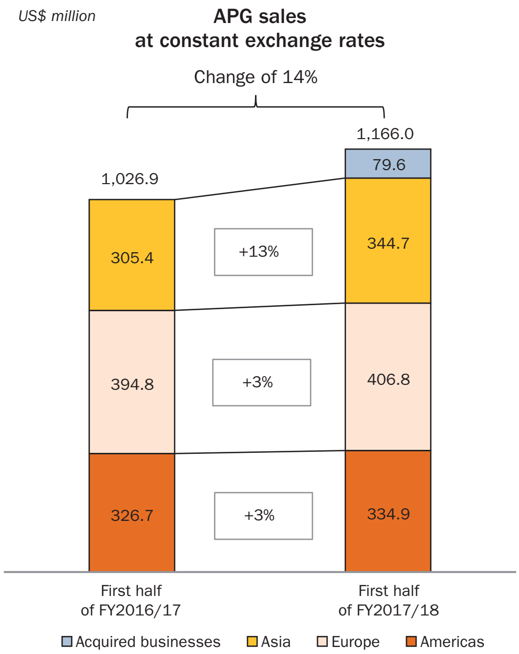
Automotive Products Group

Through the combined effects of organic business growth and the acquisitions of AML and Halla Stackpole, APG's sales grew by 14%, excluding currency movements.

Organic growth: APG's sales excluding currency effects and acquired businesses grew 6% compared to the first half of FY2016/17.

In Asia, sales increased 13%, significantly outpacing growth in car production in the region as APG benefited from the ramp-up of recent platform launches and market share gains with the Group's products for powertrain cooling, engine and transmission oil pumps, lighting, braking, engine emissions and power liftgate applications. This was slightly offset by reduced sales of products for power steering applications.

In Europe, sales increased 3%, despite only modest growth in car production in the region, as APG benefited from recent platform launches and the ramp-up of customer programs utilising its products for heating, ventilation and air-conditioning, engine and transmission oil pumps, brushless powertrain cooling, powder metal components, window lift and engine coolant



Half-yearly trend in sales
(excluding acquired businesses and currency movements)

	APG sales growth/(decline) [1]			
Six month period ended	Asia	Europe	Americas	Total
30 September 2017	13%	3%	3%	6%
31 March 2017	22%	2%	4%	10%
30 September 2016	17%	2%	3%	7%
31 March 2016	5%	4%	6%	5%
30 September 2015	3%	6%	3%	5%
31 March 2015	12%	4%	(6%)	4%

1 Comparing each 6 months' results to the same period in the previous fiscal year

valves. This was partially offset by reduced demand for brushed powertrain cooling products.

In the Americas, sales increased 3% despite a drop in light vehicle production in the region, as sales of products for powertrain cooling, electric parking brake, engine fuel management and engine air management benefited from customer growth and the ramp-up of recently launched customer programs. This was partially offset by a decline in Stackpole's sales due to change in product mix as Stackpole has introduced new lower cost, more efficient pumps and sales of these are expected to increase in future periods. Delayed orders for powder metal components in the energy segment also reduced sales for the period.

The Powertrain Cooling business, including the "GATE" brand, primarily engaged in the manufacture and sale of cooling fan modules for OEM and Tier 1 customers, accounted for 19% of the Group's sales for the first half of FY2017/18 (first half of FY2016/17: 19%).

The Stackpole business, primarily engaged in the manufacture and sale of engine and transmission oil pumps and powder metal components accounted for 15% of the Group's sales for the first half of FY2017/18 (first half of FY2016/17: 18%). Including the acquisition of Halla Stackpole (discussed below), the Stackpole business accounted for 19% of the Group's sales for the first half of FY2017/18.

Newly acquired businesses increased APG's sales by US$79.6 million in the first half of FY2017/18.

Underlying sales of AML grew by approximately 6%, excluding currency effects compared to the first half of FY2016/17 (combining 1½ months pre-acquisition sales of US$17.2 million on a pro forma basis and 4½ months post-acquisition sales), driven by increased market penetration, product launches and ramp-ups in Europe, Asia and the Americas.

Halla Stackpole's sales for the 5 months since acquisition were US$62.4 million. Excluding currency effects, underlying sales for the first half of FY2017/18 (including 1 month's pre-acquisition sales) grew by approximately 12% compared to the same period in the prior year (pre-acquisition). This was driven by product launches and ramp-ups in Asia and the opening of new markets in the Americas.

Industry Products Group

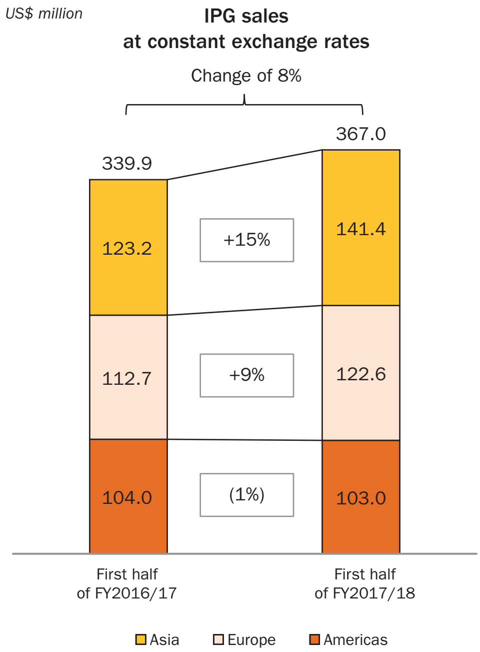
IPG's sales, excluding currency movements, increased 8% for the first half of FY2017/18 compared to the same period last year.

In Asia, sales increased 15% across a broad array of segments. Strong growth was delivered in key accounts in multiple segments including smart meters, point of sales, printers, home appliances and power tools.

In Europe, sales increased 9% driven by strong growth in the smart meter segment and robotic lawn mower segment. The home heating segment grew due to new program launches.

In the Americas, sales invoiced domestically decreased by 1% compared to the same period last year. However, including new programs that were booked with American customers but invoiced in Asia would have resulted in net growth of 1% compared to the prior year. The medical segment was a growth area, including motors for surgical devices and flexible printed products for vital signs monitoring. Engine starter motors for lawn mowers was also a growth area.

From FY2016/17, the IPG division structure and business model has changed. The "Segment Solution Business" manages business development at key customers in selected industry segments with high growth potential. The "Segment Product Business" manages product sales at smaller customers with sustainable multi-year business demand.



Half-yearly trend in sales (excluding currency movements)

Six month period ended	IPG sales growth/(decline) [1]			
	Asia	Europe	Americas	Total
30 September 2017	15%	9%	(1%)	8%
31 March 2017	5%	20%	(1%)	7%
30 September 2016	1%	16%	(6%)	3%
31 March 2016	(17%)	11%	(4%)	(5%)
30 September 2015	(17%)	6%	4%	(4%)
31 March 2015	(3%)	6%	16%	5%

1 Comparing each 6 months' results to the same period in the previous fiscal year

Profitability Review

Profit attributable to shareholders was US$140.5 million in the first half of FY2017/18, up US$19.7 million from US$120.8 million in the first half of FY2016/17. Excluding 1½ months profits of AML Systems and 5 months profits of Halla Stackpole, a valuation gain on a deemed disposal (due to the acquisition of Halla Stackpole) and unrealised losses on structured foreign currency contracts, profit for the first half of FY2017/18 was US$136.6 million.

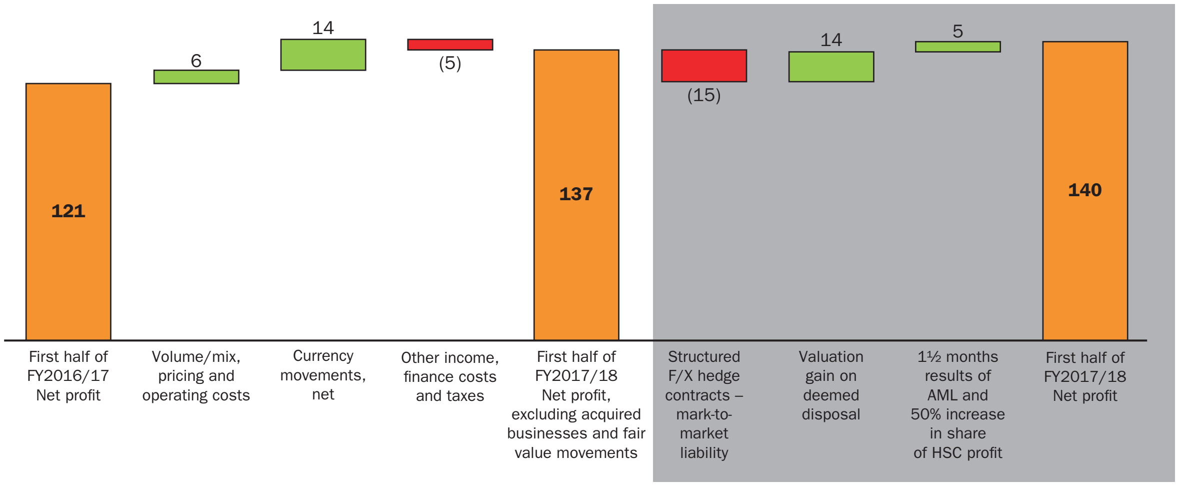
US$ million	First half of FY2017/18 [1]	First half of FY2016/17	Increase/ (decrease)
Sales	1,532.4	1,366.8	165.6
Gross profit	382.0	366.4	15.6
Gross margin %	*24.9%*	*26.8%*	
Other income and gains, net	1.4	9.7	(8.3)
Intangible assets amortisation expense	(19.8)	(18.6)	(1.2)
Intangible assets amortisation expense %	*1.3%*	*1.4%*	
Other selling and administrative expenses ("S&A")	(193.1)	(209.8)	16.7
Other S&A %	*12.6%*	*15.3%*	
Operating profit	170.5	147.7	22.8
Operating profit margin %	*11.1%*	*10.8%*	
Share of profit of associates	0.9	2.0	(1.1)
Net interest expense	(6.3)	(5.5)	(0.8)
Profit before income tax	165.1	144.2	20.9
Income tax expense	(19.5)	(18.5)	(1.0)
Effective tax rate	*11.8%*	*12.9%*	
Profit for the period	145.6	125.7	19.9
Non-controlling interests	(5.1)	(4.9)	(0.2)
Profit attributable to shareholders	140.5	120.8	19.7

1 First half of FY2017/18 includes 6 months' results of AML Systems and 5 months' results of Halla Stackpole (first half of FY2016/17: 4½ months' results of AML Systems)

The drivers underlying the increase in profit attributable to shareholders are shown below:

Profit Attributable to Shareholders

US$ million



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

Volume / mix, pricing and operating costs: Profits benefited from increased volumes and cost reduction activities in the first half of FY2017/18. This was partially offset by price adjustments from long-term agreements, wage and raw material inflation and new product start-up costs in North America. The net effect of these changes increased net profit by US$6.3 million.

The gross profit margin decreased to 24.9% for the first half of FY2017/18 from 26.8% for the same period last year. The gross profit margin excluding acquired businesses was 25.2%. Further, when adjusted for the currency hedges for export sales (reported in selling and administrative expenses), the gross margin would be 25.9%.

Currency movements: The Group's global operations expose it to foreign exchange volatility, partially mitigated by hedging key currencies such as the Euro and the Chinese Renminbi. Currency movements increased net profit by US$14.5 million in the first half of FY2017/18.

Other income, finance costs and taxes: Profits were constrained by a reduction in other income in the first half of FY2017/18, as the same period last year included gains on disposal of property and higher levels of government subsidies. Net interest expense excluding interest attributable to acquisitions reduced slightly. Tax charges increased slightly as profit increased. The net effect of these changes reduced profit by US$5.0 million.

Structured foreign currency hedge contracts – mark-to-market liability: In the first half of FY2017/18, unrealised losses on structured foreign currency contracts decreased net profit by US$14.9 million, net of tax (US$17.5 million pre-tax). The Group entered into these contracts for economic hedging purposes, for mitigating potential future risks from changes in currency exchange rates. The contracts have an option that allows the counterparty banks to cancel a portion of the hedge; therefore, they do not qualify for hedge accounting under HKFRS 9. Consequently, the unrealised mark-to-market adjustments flow through the Income Statement in each accounting period and will eventually reverse on settlement at the various option expiration dates. The final realised gain or loss for each contract will crystallise based on the prevailing spot rate at the date of maturity versus the contract rate.

These contracts were executed in accordance with the following foreign currency policy approvals:

Purpose of contract	Sell	Buy	Maturity dates at inception	Policy limit / % of need *	Policy – F/X rate
Protect future cash flows from exposure to future changes in currency rates	Canadian Dollars Euro Euro US Dollars	US Dollars US Dollars US Dollars Chinese Renminbi	1 – 36 months forward 36 – 84 months forward 36 – 84 months forward 48 – 72 months forward	75% 40% 80% 60%	< 1.30 ≥ 1.30 ≥ 1.35 ≥ 8.00
Protect net investment in European operations from exposure to future changes in currency rates	Euro	US Dollars	63 – 87 months forward	80%	≥ 1.35

* The policy limits do not include any growth in volume from today's business levels.

These structured contracts achieved exchange rates that were not available at the time using plain vanilla contracts. See Note 7(b) to the accounts for details of these contracts, including the weighted average contract rates.

Acquired businesses (and valuation gain on deemed disposal): AML Systems added US$1.1 million to the Group's net profit in the 1½ months to 18 May 2017. Halla Stackpole, acquired on 16 May 2017, added US$3.7 million to the Group's net profit in the 5 months since its acquisition. The acquisition of an equity interest in Halla Stackpole also created a non-cash US$14.0 million valuation gain on the deemed disposal of the pre-existing 30% holding in Halla Stackpole, net of transaction costs.

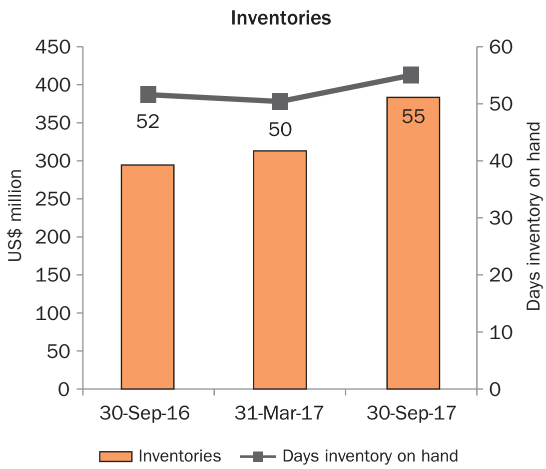
WORKING CAPITAL

US$ million	Balance sheet as of 31 Mar 2017	Currency translations	Acquisition	Working capital changes per cash flow	All other	Balance sheet as of 30 Sep 2017
Inventories	313.1	10.2	11.6	48.5	–	383.4
Trade and other receivables	614.7	22.6	47.2	(6.3)	–	678.2
Other non-current assets	11.1	0.4	4.0	(0.3)	2.4	17.6
Trade payables, other payables and deferred income [1]	(569.2)	(22.6)	(23.0)	9.1	(7.7)	(613.4)
Provisions and other liabilities [1]	(59.6)	(2.5)	(0.4)	7.4	0.7	(54.4)
Retirement benefit obligations [1, 2]	(30.8)	(2.6)	(8.5)	(1.4)	5.9	(37.4)
Other financial assets /(liabilities), net [1]	75.2	0.9	–	(3.7)	(11.4)	61.0
Total working capital per balance sheet	354.5	6.4	30.9	53.3	(10.1)	435.0

1 Current and non-current
2 Net of defined benefit pension plan assets

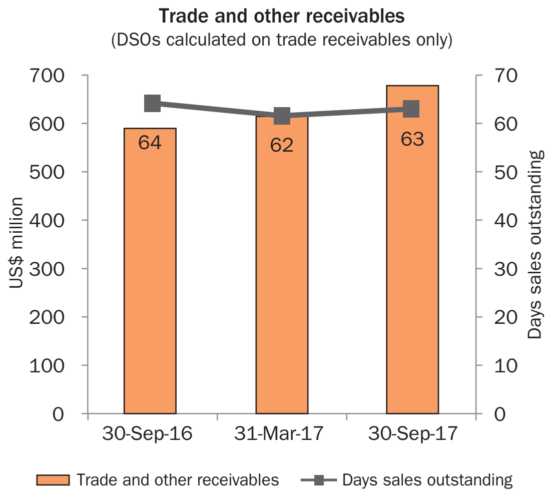
Inventories increased in value by US$70.3 million to US$383.4 million as of 30 September 2017 (31 March 2017, US$313.1 million) due to the acquisition of Halla Stackpole, increased production volumes to meet higher business levels, buffer stock as the Group transferred certain production lines as part of its ongoing efforts to optimise its manufacturing footprint and the national holidays in the beginning of October in China.

Days inventory on hand ("DIOs") increased to 55 days as of 30 September 2017 from 52 days as of 30 September 2016, due to the increase in buffer stock discussed above.



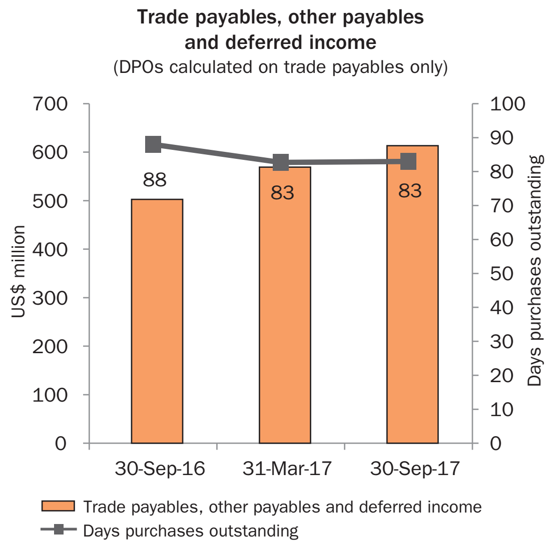
Trade and other receivables increased by US$63.5 million to US$678.2 million as of 30 September 2017 (31 March 2017, US$614.7 million), due to the acquisition of Halla Stackpole.

Days sales outstanding ("DSOs") decreased slightly to 63 days as of 30 September 2017, from 64 days as of 30 September 2016. The Group's receivables are of high quality. Current receivables and overdue balances of less than 30 days remained at about 98% of gross trade receivables.



Trade payables, other payables and deferred income increased by US$44.2 million to US$613.4 million as of 30 September 2017 (31 March 2017, US$569.2 million), due to the acquisition of Halla Stackpole and increased business volumes, partially offset by the insourcing of some parts production.

Days purchases outstanding ("DPOs") decreased to 83 days as of 30 September 2017 from 88 days as of 30 September 2016.



Provisions and other liabilities decreased by US$5.2 million due to the utilisation of warranty provisions. Provisions and other liabilities as of 31 March 2017 were restated to include a US$14.0 million remeasurement of legal and warranty provisions from the acquisition of AML in May 2016.

Retirement benefit obligations increased by US$6.6 million largely due to the acquisition of Halla Stackpole, partially offset by gains made by the underlying pension scheme assets.

Other financial assets / (liabilities), net, decreased by US$14.2 million to a net financial asset of US$61.0 million as of 30 September 2017 (31 March 2017, net financial asset of US$75.2 million).

- The fair value of commodity contracts increased by US$19.3 million as mark-to-market rates for copper rose above the Group's hedge rates.

- Fair value gains on forward foreign currency contracts and cross-currency interest rate swaps decreased by US$33.5 million, largely due to a decrease in the mark-to-market value of Euro, Swiss Franc and Canadian Dollar hedge contracts, partially offset by an increase in the mark-to-market value of Chinese Renminbi and Mexican Peso hedge contracts.

Spot prices of significant items

	Spot rates as of 30 Sep 2017	Spot rates as of 31 Mar 2017	Strengthen /(weaken)
USD per EUR	1.18	1.07	(9%)
RMB per USD	6.63	6.89	4%
CAD per USD	1.24	1.33	7%
HUF per EUR	311.00	308.48	(1%)
MXN per USD	18.20	18.71	3%
USD per metric ton of copper	6,485	5,849	11%
USD per ounce of silver	16.86	18.06	(7%)

In addition to the above, the Group also holds structured foreign currency hedge contracts valued at their mark-to-market liability but that have no impact on cash flow (see note 7(b) to the accounts).

Further details of the Group's hedging activities can be found in the Financial Management and Treasury Policy section on pages 21 to 22 and in Note 6 to the accounts.

CASH FLOW

US$ million	First half of FY2017/18 [1]	First half of FY2016/17	Change
Operating profit [2]	171.5	148.4	23.1
Depreciation and amortisation	88.7	76.9	11.8
EBITDA	260.2	225.3	34.9
Other non-cash items	9.7	5.2	4.5
Working capital changes	(53.3)	(39.6)	(13.7)
Interest paid	(3.7)	(3.2)	(0.5)
Income taxes paid	(23.8)	(18.9)	(4.9)
Capital expenditure, net of subsidies	(131.9)	(137.7)	5.8
Proceeds from disposal of fixed assets	0.2	4.2	(4.0)
Capitalisation of engineering development costs	(4.0)	(3.4)	(0.6)
Interest received	0.6	0.6	–
Free cash flow from operations	**54.0**	**32.5**	**21.5**
Acquisitions and related costs	(77.7)	(87.6)	9.9
Acquisition of non-controlling interests	–	(19.3)	19.3
Dividends paid	(37.7)	(37.7)	–
Other investing activities	0.1	0.2	(0.1)
Other financing activities	(0.7)	(0.9)	0.2
Borrowing proceeds	85.2	45.6	39.6
Increase / (decrease) in cash and cash equivalents (excluding currency movements)	23.2	(67.2)	90.4
Currency translation gains / (losses) on cash and cash equivalents	8.0	(1.8)	9.8
Net movement in cash and cash equivalents	31.2	(69.0)	100.2
Proceeds from bank overdrafts	1.5	6.5	(5.0)
Net movement in cash	32.7	(62.5)	95.2

1 First half of FY2017/18 includes 6 months' results of AML Systems and 5 months' results of Halla Stackpole. First half of FY2016/17 includes 4 ½ months' results of AML Systems

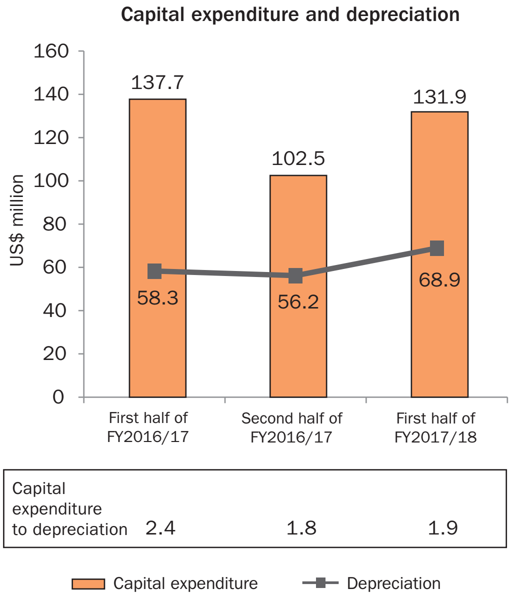
2 Operating profit plus US$1.0 million dividend received from associates in the first half of FY2017/18 (first half of FY2016/17: US$0.8 million)

The Group generated US$54.0 million free cash flow from operations in the first half of FY2017/18, up US$21.5 million from US$32.5 million in the first half of FY2016/17. This movement in operating cash flows included:

- **Working capital** changes of US$53.3 million, to support increased business volumes, as explained in the previous section.

- **Income taxes paid** increased as the Group paid US$5.2 million (EUR4.7 million) in April 2017 as part of the estimated settlement for fiscal audit in Europe for the 4 year period of FY2006/07 through FY2009/10.

- **Capital expenditure** of US$131.9 million in the first half of FY2017/18. The Group continues to enhance the level of automation to standardise operating processes, further improve product quality and reliability and mitigate rising labour costs in China. Additionally, the Group continues to invest in new product launches, long-term technology / testing development and on-going replacement of assets.



The net movement in cash includes the following:

- **Acquisitions and related costs:** In May 2017, the Group acquired an equity interest in Halla Stackpole Corporation for consideration of US$76.9 million plus transaction costs of US$0.8 million. This acquisition increased the Group's attributable interest in Halla Stackpole Corporation from 30% to 80%.

  In May 2016, Johnson Electric acquired AML Systems for US$64.7 million (consideration of US$72.3 million less US$14.3 million cash acquired plus repayment of assumed debt of US$6.7 million). In relation to 2015/16 acquisition of Stackpole, the Group paid US$22.9 million in the first half of FY2016/17 for Stackpole's Mississauga leased properties and related items.

- **Acquisition of non-controlling interests:** There was no acquisition of non-controlling interests in the first half of FY2017/18. In September 2016, the Group increased its interest in the Ri-Yong group of companies from 60% to 70% for consideration of US$19.3 million in cash. Ri-Yong manufactures products for powertrain cooling, largely for the China automotive market.

- **Dividends** are discussed in the Financial Management and Treasury Policy Section in the following pages.

FINANCIAL MANAGEMENT AND TREASURY POLICY

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

Credit Rating

Johnson Electric subscribes to both Moody's Investors Service and Standard & Poor's Ratings Services (S&P) for independent long-term credit ratings. As of 30 September 2017, the Group maintained investment grade ratings from both agencies. These ratings represent the Group's solid market position, stable profitability and prudent financial leverage.

	Rating	Outlook	Grade
Moody's Investors Service	Baa1	Stable	Investment
Standard & Poor's Ratings Services	BBB	Stable	Investment

Liquidity

Management believes the combination of cash on hand, available credit lines, access to the capital markets and expected future operating cash flows is sufficient to satisfy the Group's cash needs for the current and planned level of operations.

Net Debt and Credit lines

US$ million	30 Sep 2017	31 Mar 2017	Change
Cash	160.4	127.7	32.7
Bank overdraft and borrowings	(265.3)	(176.4)	(88.9)
Convertible bonds	(210.3)	(207.6)	(2.7)
Net debt	(315.2)	(256.3)	(58.9)
Available unutilised credit lines	851.6	758.9	92.7

Cash increased by US$32.7 million to US$160.4 million as of 30 September 2017 as explained on pages 17 to 18. As shown in the adjacent table, the majority this cash was held in Euro, US Dollars and the Chinese Renminbi.

US$ million	30 Sep 2017	31 Mar 2017
EUR	55.9	35.3
USD	39.7	28.7
RMB	34.9	40.4
CAD	0.9	9.4
Others	29.0	13.9
Total	160.4	127.7

Bank overdraft and borrowings increased by US$88.9 million to US$265.3 million as of 30 September 2017, from US$176.4 million as of 31 March 2017. Further information on borrowings can be found in Note 10 to the accounts.

Convertible bonds: In April 2014, the Company issued convertible bonds, in an aggregate principal amount of US$200 million with a cash coupon rate of 1% per annum, maturing in April 2021, with an April 2019 put option for the bondholders. The bonds have an effective annual yield of 3.57%. As of 30 September 2017, the carrying value of these bonds was US$210.3 million. Further information on the convertible bonds can be found in Note 11 to the accounts.

US$ million	Total debt	Swap contracts*	Total after effect of swaps	%
USD	425.8	(125.0)	300.8	62%
HKD	20.0	(20.0)	–	0%
EUR	0.2	154.0	154.2	32%
CAD	29.2	–	29.2	6%
ILS	0.4	–	0.4	0%
Total	475.6	9.0	484.6	100%

Balance Sheet presentation:

Borrowings – current	79.8
Borrowings – non-current	185.5
Convertible bonds	210.3
Gross debt	475.6
Swap contracts* (Other financial liabilities)	9.0
Total debt including swap contracts	484.6

Gearing:

- The Group's total debt to capital ratio was 18% as of 30 September 2017, up from 16% as of 31 March 2017 due to the acquisition of Halla Stackpole.

- Total debt to EBITDA ratio (adjusted to include 12 months of Halla Stackpole) was 1.0 as of 30 September 2017, up slightly from 0.9 (adjusted to include 12 months of AML Systems) as of 31 March 2017.

- Interest coverage (defined as EBITDA divided by gross interest expense) was 41 times for the 12 months ended 30 September 2017, compared to 40 times for FY2016/17.

- Free cash flow from operations as a percentage of gross debt decreased to 40% as of 30 September 2017 from 42% as of 31 March 2017. This was due to the net effects of an increase in borrowings for the acquisition of Halla Stackpole and the increase in free cash flow explained earlier.

Available credit lines — The Group had US$852 million available unutilised credit lines as of 30 September 2017, as follows:

- Of US$255 million committed revolving credit facilities provided by certain of its principal bankers, US$230 million remained unutilised. These facilities have expiry dates ranging from September 2018 to February 2020;

- US$463 million of uncommitted and unutilised revolving credit facilities, provided by its principal bankers; and

- US$159 million of uncommitted and unutilised trade receivable financing lines.

Dividends

The Board has declared an interim dividend of 17 HK cents per share for FY2017/18, an increase of 6% over the prior year amount (FY2016/17: 16 HK cents per share) equivalent to US$18.8 million, to be paid in January 2018. The Company paid a final dividend of 34 HK cents per share for FY2016/17 (FY2015/16: 34 HK cents per share) equivalent to US$37.7 million in August 2017.

Foreign Exchange and Raw Material Commodity Price Risk

The Group is exposed to foreign exchange risk and hedges part of this risk through forward contracts. These forward contracts, including options, have varying maturities, ranging from 1 to 84 months as of 30 September 2017, to match the underlying cash flows of the business and included:

- Forward sales of the Euro ("EUR") and the Japanese Yen ("JPY") and EUR options to hedge export sales denominated in these currencies;
- Forward sales and options for the Canadian Dollar ("CAD") to hedge materials purchased in USD for its operations in Canada; and
- Forward purchases of the Chinese Renminbi ("RMB"), the Hungarian Forint ("HUF"), the Swiss Franc ("CHF"), the Mexican Peso ("MXN"), the Polish Zloty ("PLN") and the Serbian Dinar ("RSD") and RMB options to hedge operating costs, primarily production conversion costs, denominated in these currencies.

Sales by currency: The Group's sales are primarily denominated in the currencies shown in the table below:

	First half of FY2017/18	First half of FY2016/17
USD	37%	37%
EUR	30%	31%
RMB	19%	18%
CAD	9%	12%
KRW	2%	0%
Others	3%	2%

The Group also hedges its net investment in its European operations to protect itself from exposure to future changes in currency exchange rates. These forward contracts, including options, have varying maturities ranging from 3 to 87 months as of 30 September 2017.

The Group is exposed to commodity price risk, mainly from fluctuations in steel, copper, silver and aluminium prices.

- Price risk due to steel is reduced through fixed price contracts for steel up to 3 months forward with the Group's suppliers and through cash flow hedge contracts for iron ore and coking coal with varying maturities ranging from 16 to 31 months.

- Price risk due to copper, silver and aluminium is reduced by hedging through appropriate financial instruments with varying maturities ranging from 1 to 57 months as of 30 September 2017. The Group also manages these commodity prices by way of incorporating appropriate clauses in certain customer contracts to pass increases / decreases in raw material costs onto these customers.

To avoid the potential default by any of its counterparties on its forward contracts, the Group deals only 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.

Further information about forward foreign currency contracts and raw material commodity contracts can be found in Notes 6 and 7 to the accounts.

CORPORATE GOVERNANCE

Johnson Electric Holdings Limited ("Company") 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 2017, the composition of the Board of Directors ("Board") remained the same as set out in the Corporate Governance Report in the Company's Annual Report 2017.

During the six months ended 30 September 2017, the Company continued to abide by the corporate governance practices set out in the Corporate Governance Report in the Company's Annual Report 2017.

CORPORATE GOVERNANCE CODE

During the six months ended 30 September 2017, 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:

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 that non-executive directors should be appointed for a specific term, subject to re-election.

Code A.4.2 provides, inter alia, 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 and Mr. Patrick Blackwell Paul were unable to attend the annual general meeting of the Company held on 12 July 2017 due to overseas commitments or other prior business engagements.

CHANGES IN INFORMATION OF DIRECTORS

In accordance with Rule 13.51B(1) of the Listing Rules, the changes in information of Directors of the Company subsequent to the date of the Annual Report 2017 of the Company are set out below:

The annual basic salary of Mr. Austin Jesse Wang has been revised to US$300,000 with effect from 1 July 2017 whilst his annual discretionary bonus remains to be determined with reference to the Company's performance and profitability.

Mr. Joseph Chi-Kwong Yam was appointed a non-official member of the Executive Council of The Government of the Hong Kong Special Administrative Region with effect from 1 July 2017.

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 2017.

REVIEW OF INTERIM RESULTS

The Company's interim report for the six months ended 30 September 2017 has been reviewed by the Audit Committee and the Company's auditor, PricewaterhouseCoopers.

DISCLOSURE OF INTERESTS

DIRECTORS

As of 30 September 2017, 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$0.05 each of the Company Personal Interests	Other Interests		Approximate % of shareholding
Yik-Chun Koo Wang	–	502,570,700	(Notes 1 & 2)	57.185
Patrick Shui-Chung Wang	1,610,000	–	(Note 3)	0.183
Winnie Wing-Yee Wang	517,000	–	(Note 4)	0.059
Austin Jesse Wang	193,875	–	(Note 5)	0.022
Peter Kin-Chung Wang	–	25,598,770	(Notes 6 & 7)	2.912
Peter Stuart Allenby Edwards	–	40,250	(Note 8)	0.004
Patrick Blackwell Paul	32,750	–		0.003
Michael John Enright	15,250	–		0.001
Joseph Chi-Kwong Yam	11,750	–		0.001
Christopher Dale Pratt	56,000	–		0.006

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. The interest comprises 1,610,000 underlying shares in respect of the awarded shares granted, which remained unvested, under the Johnson Electric Restricted and Performance Stock Unit Plan.
4. The interest comprises 517,000 underlying shares in respect of the awarded shares granted, which remained unvested, under the Johnson Electric Restricted and Performance Stock Unit Plan.
5. The interest comprises 147,000 underlying shares in respect of the awarded shares granted, which remained unvested, under the Long-Term Incentive Share Scheme and the Johnson Electric Restricted and Performance Stock Unit Plan.
6. 25,478,520 shares were held under a trust of which Peter Kin-Chung Wang was a beneficiary.
7. 120,250 shares were held beneficially by Peter Kin-Chung Wang's spouse.
8. These shares were held under a trust of which Peter Stuart Allenby Edwards was one of the beneficiaries.

Save as disclosed above, 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 the shares, underlying shares in, or debentures 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 2017, the shareholders' interests being 5% or more of the Company's issued share capital as shown in the register of substantial shareholders maintained under Section 336 of the SFO or as otherwise notified to the Company and the Stock Exchange are set out below:

Name of shareholder	Capacity	Numbers of shares held	Approximate % of shareholding
Yik-Chun Koo Wang	Beneficiary of family trusts	502,570,700 (Notes 1 & 2)	57.18
Ansbacher (Bahamas) Limited	Trustee	221,760,000 (Note 1)	25.23
HSBC International Trustee Limited	Trustee	197,961,915 (Note 1)	22.52
Great Sound Global Limited	Interest of controlled corporation	196,335,340 (Note 3)	22.34
Winibest Company Limited	Beneficial owner	196,335,340 (Note 4)	22.34
Federal Trust Company Limited	Trustee	109,953,880 (Note 1)	12.51
Schroders Plc	Investment manager	70,105,868	7.97
Merriland Overseas Limited	Interest of controlled corporation	52,985,760 (Note 5)	6.02

Notes:

1. The shares in which Ansbacher (Bahamas) Limited was interested, 196,335,340 of the shares in which HSBC International Trustee Limited was interested and 84,475,360 of the shares in which Federal Trust Company Limited was interested were held, directly or indirectly, by them as trustees of various trusts associated with the Wang family and were included in the shares in which Yik-Chun Koo Wang was interested as referred to above under Directors' Disclosure of Interests.
2. The shares in which 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 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 2017, 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.

INCENTIVE SHARE SCHEMES

The Long-Term Incentive Share Scheme ("Share Scheme") was approved by the shareholders on 24 August 2009 and was further amended and 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 Share Scheme. A new share scheme, the Johnson Electric Restricted and Performance Stock Unit Plan ("Stock Unit Plan") was approved by the shareholders on 9 July 2015 and no further grants of share awards under the Share Scheme could be made afterwards. Unvested share awards granted under the Share Scheme continue to be valid subject to the provisions of the Share Scheme.

The purpose of the Stock Unit Plan is to align management with ownership. The Stock Unit Plan helps to attract skilled and experienced personnel, incentivise them to remain with the Company and its subsidiaries ("Group") and to motivate them to strive for the future development and expansion of the Group.

The following is a summary of the Stock Unit Plan:

1. **Participants**

   The participants of the Stock Unit Plan are the Directors, the directors of the Company's subsidiaries and the employees of the Group who the Board considers, in its sole and absolute discretion, have contributed or will contribute significantly to the Group.

2. **Awards**

   A contingent right to receive either fully paid ordinary shares of the Company or a cash payment, in either case is awarded pursuant to the Stock Unit Plan ("Awards").

3. **Term**

   Subject to any early termination of the Stock Unit Plan in accordance with the Stock Unit Plan, the Stock Unit Plan shall be valid and effective for a term of 10 years commencing from the date of adoption of the Stock Unit Plan ("Term").

4. **Eligibility**

   The Board may, at its discretion, invite directors and employees of the Group, who the Board considers, in its sole and absolute discretion, have contributed or will contribute to the Group, to participate in the Stock Unit Plan.

5. **Administration**

The Stock Unit Plan shall be subject to the administration of the Board. The Company may appoint a professional trustee to assist with the administration and vesting of Awards granted.

6. **Grant of Awards**

The Board may, at any time during the Term, at its sole and absolute discretion, make an offer of the grant of an Award to any participant as the Board may in its sole and absolute discretion select, subject to the terms of the Stock Unit Plan.

Any offer of the grant of an Award to any Director, chief executive or substantial shareholder of the Company, or any of their respective associates, shall be subject to the prior approval of the remuneration committee (excluding any member of the remuneration committee who is the proposed grantee of the grant in question) of the Company and all grants to connected persons shall be subject to compliance with the requirements of the Listing Rules.

7. **Vesting of Awards**

Subject to the terms of the Stock Unit Plan, the Board may determine from time to time such vesting conditions or vesting periods for an Award to be vested. For the purpose of satisfying the grant of Awards, the Board shall determine whether the Company shall, at its sole and absolute discretion, (a) allot and issue new shares (by using the general mandate to issue and allot shares for grantees who are not connected persons); and/or (b) direct and procure the trustee of the Stock Unit Plan appointed by the Company to acquire through on-market purchases of shares; and/or (c) pay or procure the payment of a cash payment.

8. **Maximum Number of Shares to be Granted**

The total number of shares that may underlie the Awards granted pursuant to the Stock Unit Plan and any other equity-based incentive awards granted under any other equity-based incentive schemes of the Company shall not exceed 10% of the aggregate number of shares of the Company in issue as of the date of adoption of the Stock Unit Plan ("Scheme Mandate Limit").

The Scheme Mandate Limit may be renewed subject to prior approval of the shareholders of the Company but, in any event, the total number of shares that may underlie the Awards granted following the new approval date under the limit as renewed must not exceed 10% of the aggregate number of shares of the Company in issue as of the new approval date. Shares underlying the Awards granted pursuant to the Stock Unit Plan (including those outstanding, cancelled or vested Awards) prior to the new approval date will not be counted for the purpose of determining the maximum aggregate number of shares that may underlie the Awards granted following the new approval date under the limit as renewed. For the avoidance of doubt, shares issued prior to the new approval date pursuant to the vesting of Awards granted pursuant to the

Stock Unit Plan will be counted for the purpose of determining the aggregate number of shares in issue as of the new approval date.

9. Dividends and Voting Rights

The Awards do not carry any right to vote at general meetings of the Company. A grantee shall not be entitled to any dividends or distributions in respect of any shares underlying the Awards granted until such shares have been allotted and issued or transferred (as the case may be) to the grantee.

10. Transferability

Subject to the terms of the Stock Unit Plan, an Award shall be personal to the grantee and shall not be assignable or transferrable. A grantee shall not in any way sell, transfer, charge, mortgage, encumber or create any interests in favour of any third party over or in relation to any Award.

11. Alteration

The Board may alter any of the terms of the Stock Unit Plan at any time provided that any changes to the authority of the Board in relation to any alteration of the terms of the Stock Unit Plan shall not be made without the prior approval of shareholders of the Company in general meeting or any alterations to the terms and conditions of the Stock Unit Plan which are of a material nature or any changes to the terms of the Awards granted must be approved by the shareholders of the Company in general meeting, except where the alterations or changes take effect automatically under the existing terms of the Stock Unit Plan.

12. Termination

The Company by ordinary resolution in general meeting or the Board may at any time terminate the Stock Unit Plan and, in such event, no further Awards may be granted but in all other respects the terms of the Stock Unit Plan shall remain in full force and effect in respect of Awards which are granted during the Term and which remain unvested immediately prior to the termination.

During the six months ended 30 September 2017, no shares of the Company were purchased by the Company in connection with the Stock Unit Plan for eligible employees and directors.

Movements in the number of unvested units granted as of the date of this report under both the Share Scheme and the Stock Unit Plan on a combined basis are as follows:

	Number of unvested units granted (thousands)		
	Restricted Stock Units	Performance Stock Units	Total
Unvested units granted, as of 31 March 2017	6,949	7,140	14,089
Units granted to Directors and employees during the period	1,666	1,616	3,282
Shares vested to Directors and employees during the period	(1,285)	(1,801)	(3,086)
Forfeited during the period	(218)	(337)	(555)
Unvested units granted, as of 30 September 2017	7,112	6,618	13,730
Subsequent forfeitures	(24)	–	(24)
Unvested units granted, as of the date of this report	7,088	6,618	13,706

As of the date of this report, the number of unvested units outstanding under both the Share Scheme and the Stock Unit Plan on a combined basis are as follows:

	Number of unvested units granted (thousands)		
Vesting period	Restricted Stock Units	Performance Stock Units	Total
FY2017/18	5	–	5
FY2018/19	2,203	1,946	4,149
FY2019/20	3,245	3,089	6,334
FY2020/21	1,635	1,583	3,218
Unvested units outstanding, as of the date of this report	7,088	6,618	13,706

Apart from the Share Scheme and the Stock Unit Plan 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

Save as disclosed in Note 14 to the accounts, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares during the six months ended 30 September 2017.

INTERIM DIVIDEND

The Board has declared an interim dividend of 17 HK cents equivalent to 2.18 US cents per share (2016: 16 HK cents or 2.05 US cents) payable on 5 January 2018 (Friday) to shareholders whose names appear on the Register of Shareholders of the Company on 22 December 2017 (Friday).

CLOSING REGISTER OF SHAREHOLDERS

The Register of Shareholders of the Company will be closed, for the purpose of determining shareholders' entitlement to the interim dividend, from 20 December 2017 (Wednesday) to 22 December 2017 (Friday) 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 19 December 2017 (Tuesday). Shares of the Company will be traded ex-dividend as from 18 December 2017 (Monday).

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

CONTENTS

CONSOLIDATED BALANCE SHEET

As of 30 September 2017

	Note	**Unaudited 30 September 2017 US$'000**	Audited 31 March 2017 US$'000
Assets			
Non-current assets			
Property, plant and equipment	3	**966,549**	799,406
Investment property	4	**95,161**	93,385
Intangible assets	5	**1,196,012**	1,086,072
Investment in associates		**3,074**	39,799
Other financial assets	6	**108,569**	159,370
Financial assets at fair value through profit and loss	7	**4,479**	–
Defined benefit pension plan assets	12	**12,038**	9,352
Deferred income tax assets		**46,386**	54,320
Other non-current assets		**17,585**	11,055
		2,449,853	2,252,759
Current assets			
Inventories		**383,363**	313,115
Trade and other receivables	8	**678,211**	614,651
Other financial assets	6	**42,374**	53,189
Income tax recoverable		**3,688**	2,523
Pledged deposits		**5,097**	4,747
Cash and cash equivalents		**160,390**	127,689
		1,273,123	1,115,914
Current liabilities			
Trade payables	9	**307,331**	288,262
Other payables and deferred income		**286,774**	265,654
Current income tax liabilities		**53,839**	48,241
Other financial liabilities	6	**23,234**	28,015
Financial liabilities at fair value through profit and loss	7	**2,424**	–
Borrowings	10	**79,819**	26,128
Retirement benefit obligations	12	**389**	474
Provisions and other liabilities	13	**48,728**	52,756
		802,538	709,530
Net current assets		**470,585**	406,384
Total assets less current liabilities		**2,920,438**	2,659,143

	Note	Unaudited 30 September 2017 US$'000	Audited 31 March 2017 US$'000
Non-current liabilities			
Other payables and deferred income		**19,324**	15,321
Other financial liabilities	6	**66,685**	109,343
Financial liabilities at fair value through profit and loss	7	**17,200**	–
Borrowings	10	**185,496**	150,233
Convertible bonds	11	**210,314**	207,610
Deferred income tax liabilities		**106,448**	105,093
Put option written to a non-controlling interest	24	**70,279**	–
Retirement benefit obligations	12	**49,084**	39,656
Provisions and other liabilities	13	**5,695**	6,892
		730,525	634,148
NET ASSETS		**2,189,913**	2,024,995
Equity			
Share capital – Ordinary shares (at par value)	14	**5,670**	5,670
Shares held for incentive share schemes (at purchase cost)	14	**(55,256)**	(64,813)
Reserves		**2,175,965**	2,051,333
		2,126,379	1,992,190
Non-controlling interests		**63,534**	32,805
TOTAL EQUITY		**2,189,913**	2,024,995

The notes on pages 42 to 82 form an integral part of these condensed consolidated interim financial statements.

CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2017

	Note	Unaudited Six months ended 30 September 2017 US$'000	 2016 US$'000
Sales	2	**1,532,445**	1,366,774
Cost of goods sold		**(1,150,454)**	(1,000,374)
Gross profit		**381,991**	366,400
Other income and gains, net	15	**1,362**	9,747
Selling and administrative expenses	16	**(212,880)**	(228,446)
Operating profit		**170,473**	147,701
Share of profit of associates		**949**	2,019
Finance income	17	**529**	570
Finance costs	17	**(6,861)**	(6,096)
Profit before income tax		**165,090**	144,194
Income tax expense	19	**(19,509)**	(18,548)
Profit for the period		**145,581**	125,646
Profit attributable to non-controlling interests		**(5,118)**	(4,870)
Profit attributable to shareholders		**140,463**	120,776
Basic earnings per share for profit attributable to the shareholders for the period (expressed in US cents per share)	20	**16.31**	14.07
Diluted earnings per share for profit attributable to the shareholders for the period (expressed in US cents per share)	20	**15.80**	13.69

The notes on pages 42 to 82 form an integral part of these condensed consolidated interim financial statements.

Please see Note 21 for details of interim dividend.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2017

	Note	Unaudited Six months ended 30 September 2017 US$'000	2016 US$'000
Profit for the period		**145,581**	125,646
Other comprehensive income / (expenses)			
Items that will not be recycled to profit and loss:			
Defined benefit plans			
– remeasurements	12	**5,906**	(6,775)
– deferred income tax effect		**(678)**	978
Investment property			
– deferred income tax effect		**–**	(1,546)
Share of other comprehensive expenses of associates		**–**	(1,418)
Hedging instruments for transactions resulting in the recognition of inventories and subsequently recognised to the income statement upon consumption			
– raw material commodity contracts			
– fair value gains, net		**21,438**	5,925
– transferred to inventory and subsequently recognised in income statement		**245**	11,700
– deferred income tax effect		**(3,578)**	(2,908)
Total items that will not be recycled to profit and loss directly		**23,333**	5,956
Items that will be recycled to profit and loss:			
Hedging instruments			
– forward foreign currency exchange contracts			
– fair value gains / (losses), net		**3,687**	(7,594)
– transferred to income statement		**(9,754)**	(8,487)
– deferred income tax effect		**(1,374)**	4,678
– net investment hedge			
– fair value (losses) / gains, net		**(26,977)**	3,407
Release of exchange reserve of an associate upon business combination	24	**(469)**	–
Currency translations of subsidiaries		**109,342**	(25,357)
Currency translations of associates		**(18)**	870
Total items that will be recycled to profit and loss directly		**74,437**	(32,483)
Other comprehensive income / (expenses) for the period, net of tax		**97,770**	(26,527)
Total comprehensive income for the period net of tax		**243,351**	99,119
Total comprehensive income attributable to:			
Shareholders		**237,755**	95,514
Non-controlling interests			
Share of profits for the period		**5,118**	4,870
Currency translations		**478**	(1,265)
		243,351	99,119

The notes on pages 42 to 82 form an integral part of these condensed consolidated interim financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2017

		Unaudited								
		Attributable to shareholders of JEHL								
	Note	Share capital US$'000	Other reserves* US$'000	Exchange reserve US$'000	Share-based employee compensation reserve US$'000	Hedging reserve US$'000	Retained earnings US$'000	Total US$'000	Non-controlling interests US$'000	Total equity US$'000
As of 31 March 2017		(59,143)	(171,218)	99,439	20,270	36,720	2,066,122	1,992,190	32,805	2,024,995
Profit for the period		–	–	–	–	–	140,463	140,463	5,118	145,581
Other comprehensive income / (expenses):										
Hedging instruments										
– raw material commodity contracts										
– fair value gains, net		–	–	–	–	21,438	–	21,438	–	21,438
– transferred to inventory and subsequently recognised in income statement		–	–	–	–	245	–	245	–	245
– deferred income tax effect		–	–	–	–	(3,578)	–	(3,578)	–	(3,578)
– forward foreign currency exchange contracts										
– fair value gains, net		–	–	–	–	3,687	–	3,687	–	3,687
– transferred to income statement		–	–	–	–	(9,754)	–	(9,754)	–	(9,754)
– deferred income tax effect		–	–	–	–	(1,374)	–	(1,374)	–	(1,374)
– net investment hedge										
– fair value losses, net		–	–	(26,977)	–	–	–	(26,977)	–	(26,977)
Defined benefit plans										
– remeasurements	12	–	–	–	–	–	5,906	5,906	–	5,906
– deferred income tax effect		–	–	–	–	–	(678)	(678)	–	(678)
Release of exchange reserve of an associate upon business combination	24	–	–	(469)	–	–	–	(469)	–	(469)
Currency translations of subsidiaries		–	–	108,106	–	758	–	108,864	478	109,342
Currency translations of associates		–	–	(18)	–	–	–	(18)	–	(18)
Total comprehensive income for the first half of FY2017/18		–	–	80,642	–	11,422	145,691	237,755	5,596	243,351
Transactions with shareholders:										
Appropriation of retained earnings to statutory reserve		–	2,084	–	–	–	(2,084)	–	–	–
Incentive share schemes										
– shares vested	14	9,557	484	–	(10,041)	–	–	–	–	–
– value of employee services	23	–	–	–	6,359	–	–	6,359	–	6,359
Non-controlling interest arising on business combination	24	–	–	–	–	–	–	–	25,133	25,133
Put option written to a non-controlling interest	24	–	(72,190)	–	–	–	–	(72,190)	–	(72,190)
FY2016/17 final dividend paid		–	–	–	–	–	(37,735)	(37,735)	–	(37,735)
Total transactions with shareholders		9,557	(69,622)	–	(3,682)	–	(39,819)	(103,566)	25,133	(78,433)
As of 30 September 2017		**(49,586)****	**(240,840)**	**180,081**	**16,588**	**48,142**	**2,171,994**	**2,126,379**	**63,534**	**2,189,913**

* Other reserves mainly represent capital reserve, property revaluation reserve, equity component of convertible bonds (net of taxes), statutory reserve, reserve arising from put option written to a non-controlling interest and goodwill on consolidation.

** The total of US$(49.6) million is comprised by share capital of US$5.7 million and shares held for incentive share schemes of US$(55.3) million.

The notes on pages 42 to 82 form an integral part of these condensed consolidated interim financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2016

		Unaudited								
		Attributable to shareholders of JEHL								
	Note	Share capital US$'000	Other reserves* US$'000	Exchange reserve US$'000	Share-based employee compensation reserve US$'000	Hedging reserve US$'000	Retained earnings US$'000	Total US$'000	Non-controlling interests US$'000	Total equity US$'000
As of 31 March 2016		(69,780)	(161,657)	159,048	17,516	2,005	1,895,446	1,842,578	42,174	1,884,752
Profit for the period		–	–	–	–	–	120,776	120,776	4,870	125,646
Other comprehensive income / (expenses):										
Hedging instruments										
– raw material commodity contracts										
– fair value gains, net		–	–	–	–	5,925	–	5,925	–	5,925
– transferred to inventory and subsequently recognised in income statement		–	–	–	–	11,700	–	11,700	–	11,700
– deferred income tax effect		–	–	–	–	(2,908)	–	(2,908)	–	(2,908)
– forward foreign currency exchange contracts										
– fair value losses, net		–	–	–	–	(7,594)	–	(7,594)	–	(7,594)
– transferred to income statement		–	–	–	–	(8,487)	–	(8,487)	–	(8,487)
– deferred income tax effect		–	–	–	–	4,678	–	4,678	–	4,678
– net investment hedge										
– fair value gains, net		–	–	3,407	–	–	–	3,407	–	3,407
Defined benefit plans										
– remeasurements	12	–	–	–	–	–	(6,775)	(6,775)	–	(6,775)
– deferred income tax effect		–	–	–	–	–	978	978	–	978
Investment property										
– revaluation surplus realised upon disposal		–	(32)	–	–	–	32	–	–	–
– deferred income tax effect		–	(1,546)	–	–	–	–	(1,546)	–	(1,546)
Share of other comprehensive expense of associates		–	–	–	–	–	(1,418)	(1,418)	–	(1,418)
Currency translations of subsidiaries		–	–	(24,055)	–	(37)	–	(24,092)	(1,265)	(25,357)
Currency translations of associates		–	–	870	–	–	–	870	–	870
Total comprehensive income / (expenses) for the first half of FY2016/17		–	(1,578)	(19,778)	–	3,277	113,593	95,514	3,605	99,119
Transactions with shareholders:										
Appropriation of retained earnings to statutory reserve		–	272	–	–	–	(272)	–	–	–
Incentive share schemes										
– shares vested	14	10,419	(1,031)	–	(9,388)	–	–	–	–	–
– value of employee services	23	–	–	–	4,782	–	–	4,782	–	4,782
Acquisition of non-controlling interests		–	(7,996)	–	–	–	–	(7,996)	(11,316)	(19,312)
FY2015/16 final dividend paid		–	–	–	–	–	(37,673)	(37,673)	–	(37,673)
Total transactions with shareholders		10,419	(8,755)	–	(4,606)	–	(37,945)	(40,887)	(11,316)	(52,203)
As of 30 September 2016		(59,361)	(171,990)	139,270	12,910	5,282	1,971,094	1,897,205	34,463	1,931,668

* Other reserves mainly represent capital reserve, property revaluation reserve, equity component of convertible bonds (net of taxes), statutory reserve and goodwill on consolidation.

CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 September 2017

	Note	Unaudited Six months ended 30 September 2017 US$'000	2016 US$'000
Cash flows from operating activities			
Earnings before interest, taxes, depreciation and amortisation	23	**260,231**	225,316
Other non-cash items	23	**9,725**	5,188
Change in working capital	23	**(53,260)**	(39,597)
Cash generated from operations	23	**216,696**	190,907
Interest paid		**(3,657)**	(3,171)
Income taxes paid		**(23,763)**	(18,881)
Net cash generated from operating activities		**189,276**	168,855
Investing activities			
Purchase of property, plant and equipment and capitalised expenditure of investment property, net of subsidies		**(131,956)**	(137,693)
Proceeds from disposal of property, plant and equipment and investment property		**142**	4,158
Capitalised expenditure of engineering development	5 & 18	**(3,996)**	(3,347)
Finance income received		**529**	570
		(135,281)	(136,312)
Business combination and acquisition			
– acquisition of subsidiary *	24	**(77,689)**	(64,704)
– leased properties and related items **		**–**	(22,914)
Proceeds from sale of financial assets at fair value through profit and loss		**73**	189
Net cash used in investing activities		**(212,897)**	(223,741)

* On 16 May 2017, the Group acquired an additional 50% equity interest in Halla Stackpole Corporation. Cash outlay in relation to this acquisition amounted to US$77.7 million. For details, please refer to Note 24.

In the first half of FY2016/17, cash outlay in relation to the acquisition of AML amounted to US$64.7 million.

** Stackpole acquisition of two previously leased properties and related items of US$22.9 million in the first half of FY2016/17.

	Note	Unaudited Six months ended 30 September 2017 US$'000		2016 US$'000
Financing activities				
Proceeds from bank borrowings		**116,508**	(a)	63,832
Repayments of bank borrowings and finance leases		**(31,922)**	(b)	(19,179)
Dividends paid to shareholders		**(37,735)**		(37,673)
Acquisition of non-controlling interests		**–**		(19,312)
Net cash generated from / (used in) financing activities		**46,851**		(12,332)
Net increase / (decrease) in cash and cash equivalents		**23,230**		(67,218)
Cash and cash equivalents at beginning of the period		**127,689**		193,325
Currency translations on cash and cash equivalents		**7,980**		(1,797)
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		**158,899**	***	124,310

*** Cash and cash equivalents as of 30 September 2017 comprised cash and deposits of US$160.4 million and bank overdraft of US$(1.5) million.

The reconciliation of liabilities arising from financial activities is as follows:

	Borrowings (current) US$'000	Borrowings (non-current) US$'000	Convertible bonds US$'000	Finance lease liability US$'000	Total US$'000	
As of 31 March 2017	26,128	150,233	207,610	1,545	385,516	
Currency translations	861	1,316	–	–	2,177	
Cash flows						
– inflow from financing activities	82,214	34,294	–	–	116,508	(a)
– outflow from financing activities	(31,044)	(178)	–	(700)	(31,922)	(b)
– outflow from operating activities	–	–	(1,000)	–	(1,000)	
Bank overdraft	1,491	–	–	–	1,491	
Non-cash changes						
– finance costs	–	–	3,704	76	3,780	
– reclassification	169	(169)	–	–	–	
As of 30 September 2017	79,819	185,496	210,314	921	476,550	

The notes on pages 42 to 82 form an integral part of these condensed consolidated interim financial statements.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. GENERAL INFORMATION AND BASIS OF PREPARATION

1.1 General Information

The principal operations of Johnson Electric Holdings Limited ("JEHL") 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.

JEHL, the parent holding 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 shares of JEHL are listed on The Stock Exchange of Hong Kong Limited.

These unaudited condensed consolidated interim financial statements are presented in US Dollars, unless otherwise stated and has been approved for issue by the Board of Directors on 8 November 2017. It has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim financial reporting" issued by the Hong Kong Institute of Certified Public Accountant ("HKICPA") and Appendix 16 of the Listing Rules of The Stock Exchange of Hong Kong Limited.

1.2 Basis of preparation

The accounting policies and methods of computation used in the preparation of these condensed consolidated interim financial statements are consistent with those used in the annual financial statements of the year ended 31 March 2017, except that the Group adopted all new standards, amendments to standards and interpretations of Hong Kong Financial Reporting Standards ("HKFRS") effective for the accounting period commencing 1 April 2017, which are disclosed in Note 29.

The preparation of interim financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. In preparing these condensed consolidated interim financial statements, 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 2017.

1. GENERAL INFORMATION AND BASIS OF PREPARATION *(Cont'd)*

1.3 Exchange rates

The following table shows the exchange rates that are frequently used on the consolidated financial statements.

		Closing rate		Average rate for the period	
				Six months ended 30 September	
		30 September 2017	31 March 2017	**2017**	2016
1 foreign currency unit to USD:					
Swiss Franc	CHF	**1.031**	0.999	**1.028**	1.028
Euro	EUR	**1.179**	1.067	**1.139**	1.123
British Pound	GBP	**1.344**	1.247	**1.294**	1.374
1 USD to foreign currency:					
Canadian Dollar	CAD	**1.243**	1.335	**1.297**	1.296
Hong Kong Dollar	HKD	**7.813**	7.769	**7.801**	7.759
Hungarian Forint	HUF	**263.852**	289.017	**270.270**	277.778
Israeli Shekel	ILS	**3.529**	3.632	**3.574**	3.810
Indian Rupee	INR	**65.531**	64.935	**64.350**	66.934
Japanese Yen	JPY	**112.360**	111.982	**110.988**	105.042
Mexican Peso	MXN	**18.198**	18.709	**18.175**	18.420
Polish Zloty	PLN	**3.660**	3.946	**3.722**	3.879
Chinese Renminbi	RMB	**6.629**	6.889	**6.758**	6.599
Serbian Dinar	RSD	**101.010**	116.279	**106.383**	109.890

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 HKFRS). The chief operating decision maker has been identified as the Group's Executive Committee. The Group has one operating segment.

The Group's management assesses the performance of its operating segment based on the measure of operating profit, excluding items which are not directly related to the segment performance. These include 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.

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

	Six months ended 30 September	
	2017	2016
	US$'000	US$'000
Operating profit presented to management	**169,111**	137,954
Other income and gains, net (Note 15)	**1,362**	9,747
Operating profit per consolidated income statement	**170,473**	147,701

Sales from external customers by business unit were as follows:

	Six months ended 30 September	
	2017	2016
	US$'000	US$'000
Automotive Products Group ("APG")	**1,165,183**	1,026,902
Industry Products Group ("IPG")	**367,262**	339,872
	1,532,445	1,366,774

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. Sales for this business unit accounted for 19% of the total sales of the Group for first half of FY2017/18 (first half of FY2016/17: 19%).

2. SEGMENT INFORMATION *(Cont'd)*

Sales by geography

Sales to external customers by region of destination was as follows:

	Six months ended 30 September 2017 US$'000	Six months ended 30 September 2016 US$'000
Europe *	**543,697**	515,203
North America **	**419,941**	411,614
People's Republic of China ("PRC")	**391,985**	321,101
Asia (excluding PRC)	**150,141**	99,681
South America	**21,610**	14,477
Others	**5,071**	4,698
	1,532,445	1,366,774

* Included in Europe were sales to external customers in Germany of US$106.9 million and France of US$70.1 million for the first half of FY2017/18 (first half of FY2016/17: Germany of US$115.7 million and France of US$99.9 million).

** Included in North America were sales to external customers in USA of US$350.3 million for the first half of FY2017/18 (first half of FY2016/17: US$355.9 million).

No single external customer contributed 10% or more of the total Group sales.

Segment assets

For the first half of FY2017/18, the additions to non-current assets (other than deferred tax assets, financial assets and defined benefit pension plan assets) were US$144.8 million (first half of FY2016/17: US$130.2 million) excluding the additions from acquisitions.

The non-current assets (other than goodwill, deferred tax assets, financial assets and defined benefit pension plan assets) by geography location as of 30 September 2017 and 31 March 2017 were as follow:

	30 September 2017 US$'000	31 March 2017 US$'000
HK / PRC	**583,533**	447,596
Canada	**373,584**	393,682
Switzerland	**144,735**	140,100
Others	**389,129**	326,759
	1,490,981	1,308,137

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
First half of FY2017/18						
As of 31 March 2017	157,362	353,344	171,779	68,131	48,790	799,406
Currency translations	9,283	19,980	9,593	3,776	1,393	44,025
Business combination (Note 24)	10,201	50,096	6,774	460	1,470	69,001
Additions	3,344	17,788	91,535	8,468	2,946	124,081
Transfer	1,068	64,117	(90,889)	21,616	4,088	–
Disposals	–	(134)	–	(329)	(5)	(468)
Reversal of impairment (Note 18 & 23)	–	–	–	202	–	202
Depreciation (Note 18)	(6,293)	(40,845)	–	(16,038)	(6,522)	(69,698)
As of 30 September 2017	**174,965**	**464,346**	**188,792**	**86,286**	**52,160**	**966,549**
First half of FY2016/17						
As of 31 March 2016	108,075	299,184	153,180	61,362	45,688	667,489
Currency translations	(765)	(5,522)	(1,610)	(1,418)	(418)	(9,733)
Business combination and acquisition	22,924	5,867	2,990	1,342	861	33,984
Additions	1,327	16,482	102,777	6,920	3,104	130,610
Transfer	12,402	57,061	(86,179)	11,942	4,774	–
Disposals	(1,304)	(273)	–	(43)	(245)	(1,865)
Impairment charges (Note 18 & 23)	(1,850)	(13)	–	(517)	(26)	(2,406)
Depreciation (Note 18)	(6,157)	(33,729)	–	(13,397)	(5,542)	(58,825)
As of 30 September 2016	134,652	339,057	171,158	66,191	48,196	759,254

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

4. INVESTMENT PROPERTY

	2017 US$'000	2016 US$'000
As of 31 March	**93,385**	91,530
Currency translations	**284**	(201)
Capitalised expenditure	**1,492**	46
Disposals	**–**	(366)
As of 30 September	**95,161**	91,009

5. INTANGIBLE ASSETS

	Goodwill US$'000	Technology US$'000	Patents and engineering development US$'000	Brands US$'000	Client relationships US$'000	Land use rights US$'000	Total US$'000
First half of FY2016/17							
As of 31 March 2016	692,328	76,259	16,577	78,398	217,088	2,755	1,083,405
Currency translations	(3,773)	(427)	(364)	(617)	(3,193)	(75)	(8,449)
Business combination (Note 24)	51,659 *	3,792	866	–	12,490	–	68,807
Additions (Note 18)	–	–	3,347	–	–	–	3,347
Amortisation (Note 18 & 23)	–	(6,668)	(1,857)	(1,221)	(8,723)	(109)	(18,578)
As of 30 September 2016	740,214	72,956	18,569	76,560	217,662	2,571	1,128,532
Second half of FY2016/17							
As of 30 September 2016	740,214	72,956	18,569	76,560	217,662	2,571	1,128,532
Currency translations	(18,634)	(1,730)	(702)	(1,808)	(4,385)	(82)	(27,341)
Additions	–	–	3,382	–	–	–	3,382
Amortisation	–	(6,575)	(2,031)	(1,186)	(8,605)	(104)	(18,501)
As of 31 March 2017	721,580	64,651	19,218	73,566	204,672	2,385	1,086,072
First half of FY2017/18							
As of 31 March 2017	721,580	64,651	19,218	73,566	204,672	2,385	1,086,072
Currency translations	34,902	2,949	1,454	3,954	13,245	339	56,843
Business combination (Note 24)	30,919	–	–	–	25,374	–	56,293
Additions (Note 18)	–	–	3,996	–	–	12,648	16,644
Amortisation (Note 18 & 23)	–	(6,749)	(2,403)	(1,221)	(9,361)	(106)	(19,840)
As of 30 September 2017	**787,401**	**60,851**	**22,265**	**76,299**	**233,930**	**15,266**	**1,196,012** **

* Adjustments to goodwill related to acquisition of AML during the remeasurement period (12 months from the date of acquisition). Details are set out in Note 24.

** Total intangible assets by underlying currencies as of 30 September 2017 and 31 March 2017 are disclosed in next page.

5. INTANGIBLE ASSETS *(Cont'd)*

Total intangible assets as of 30 September 2017 and 31 March 2017 were denominated in the following underlying currencies.

	USD equivalent	
	30 September 2017 US$'000	31 March 2017 US$'000
In CAD	**507,768**	479,106
In CHF	**442,462**	437,195
In USD	**83,807**	83,652
In EUR	**83,166**	75,376
In KRW	**55,158**	–
In RMB	**15,266**	2,385
In GBP	**8,385**	8,358
Total intangible assets	**1,196,012**	1,086,072

6. OTHER FINANCIAL ASSETS AND LIABILITIES

	30 September 2017			31 March 2017		
	Assets US$'000	**(Liabilities) US$'000**	**Net US$'000**	Assets US$'000	(Liabilities) US$'000	Net US$'000
Cash flow hedge						
– raw material commodity contracts (Note a (i))	**27,730**	**(1,594)**	**26,136**	14,916	(8,094)	6,822
– forward foreign currency exchange contracts (Note a (ii))	**99,991**	**(73,907)**	**26,084**	160,476	(129,252)	31,224
Net investment hedge (Note b)						
– forward foreign currency exchange contracts to hedge European subsidiaries	**21,037**	**(1,881)**	**19,156**	32,106	–	32,106
– cross currency interest rate swaps	**-**	**(10,997)**	**(10,997)**	3,029	–	3,029
Fair value hedge (Note c)						
– forward foreign currency exchange contracts to hedge CAD intercompany loan interest	**242**	**(1,407)**	**(1,165)**	437	–	437
– cross currency interest rate swaps	**-**	**(81)**	**(81)**	–	–	–
Held for trading (Note d)	**1,922**	**(38)**	**1,884**	1,595	(12)	1,583
Others	**21**	**(14)**	**7**	–	–	–
Total (Note e)	**150,943**	**(89,919)**	**61,024**	212,559	(137,358)	75,201
Current portion	**42,374**	**(23,234)**	**19,140**	53,189	(28,015)	25,174
Non-current portion	**108,569**	**(66,685)**	**41,884**	159,370	(109,343)	50,027
Total	**150,943**	**(89,919)**	**61,024**	212,559	(137,358)	75,201

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

Note:

(a) Cash flow hedge

(i) Raw material commodity contracts

Copper, silver, aluminium, iron ore and coking coal forward commodity contracts as per the table below are designated as cash flow hedges. Gains and losses initially recognised in the hedging reserve, will be transferred to balance sheet within inventories and subsequently recognised in the income statement in the period or periods in which the underlying hedged copper, silver, aluminium and steel (by iron ore and coking coal contracts) volumes are consumed and sold.

As of 30 September 2017, the Group had the following outstanding raw material commodity contracts:

	Notional amount	Settlement value (US$ million)	Weighted average contract price (US$)	Spot price (US$)	Mark-to-market rate (US$)	Remaining maturities range (months)	Assets/ (liabilities), net carrying value (US$'000)
Cash flow hedge contracts							
Copper commodity	30,250 metric ton	171.8	5,678	6,485	6,522	1 – 57	25,514
Silver commodity	505,000 oz	8.6	16.96	16.86	17.06	1 – 36	52
Aluminium commodity	325 metric ton	0.6	1,768	2,111	2,098	1 – 6	107
Iron ore commodity	142,500 metric ton	6.7	47	64	53	16 – 31	905
Coking coal commodity	32,500 metric ton	4.7	146	183	132	19 – 31	(442)
Total							26,136

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

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

(ii) Forward foreign currency exchange contracts

The EUR, HUF, PLN, JPY, RSD, CAD, CHF, MXN and RMB forward foreign currency exchange contracts as per the table below are designated as cash flow hedges. The Group has sales in EUR and JPY, thus it entered into EUR and JPY forward foreign currency exchange contracts. The Group incurs majority of its operating expenses (including conversion costs) in domestic currencies in China, Hungary, Poland, Switzerland, Mexico, Serbia and Hong Kong, hence, it entered into forward foreign currency exchange contracts to hedge these expenses. The Group also entered into sell CAD forward foreign currency exchange contracts to hedge the material purchase in USD for its operations in Canada. Gains and losses initially recognised in the hedging reserve, will be recognised in the income statement in the period or periods in which the underlying hedged transactions occur (cash realisation).

As of 30 September 2017, the Group had the following outstanding forward foreign currency exchange contracts:

	Settlement currency	Notional value (million)	Weighted average contract rate *	Spot rate	Mark-to-market rate	Remaining maturities range (months)	Settlement value in USD equivalent (US$ million)	Assets / (liabilities), net carrying value (US$'000)
Cash flow hedge contracts								
Sell EUR forward	USD	EUR 481.8	1.42	1.18	1.25	1 – 84	685.7	82,872
Buy HUF forward	EUR	HUF 33,685.8	337.29	311.00	313.46	1 – 55	117.7	8,950
Buy PLN forward	EUR	PLN 510.7	4.65	4.31	4.55	1 – 60	129.6	2,629
Sell JPY forward	USD	JPY 228.0	114.15	112.36	111.38	1 – 12	2.0	(50)
Buy RSD forward	EUR	RSD 2,199.2	126.46	119.06	131.34	1 – 12	20.5	(762)
Sell CAD forward	USD	CAD 213.3	1.26	1.24	1.24	1 – 48	169.8	(1,762)
Buy CHF forward	EUR	CHF 181.5	1.10	1.14	1.14	1 – 23	194.4	(6,853)
Buy MXN forward	USD	MXN 2,295.3	18.62	18.20	20.98	1 – 72	123.3	(13,838)
Buy RMB forward	USD	RMB 6,972.6	6.65	6.63	6.95	1 – 64	1,048.7	(45,102)
Total								26,084

* Weighted average contract rate is a ratio defined as notional value / settlement value. The EUR to USD is stated in the inverse order.

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

(b) Net investment hedge

The EUR forward foreign currency exchange contracts and cross currency interest rate swaps as per the table below are designated as net investment hedges. Gains and losses recognised in the exchange reserve will be released from equity to profit and loss on the disposal or partial disposal of the foreign operation.

As of 30 September 2017, the Group had the following outstanding contracts:

	Settlement currency	Notional value (million)	Weighted average contract rate*	Spot rate	Mark-to-market rate	Remaining maturities range (months)	Settlement value in USD equivalent (US$ million)	Assets / (liabilities), net carrying value (US$'000)
Net investment hedge contracts								
Sell EUR forward	USD	EUR 151.0	1.38	1.18	1.25	3 – 87	207.9	19,156
Cross currency interest rate swaps (pay EUR, receive USD)	USD	EUR 130.6	1.11	1.18	1.19	40 – 52	145.0	(10,997)

* Weighted average contract rate is a ratio defined as notional value / settlement value. The EUR to USD is stated in the inverse order.

(c) Fair value hedge

The CAD forward foreign currency exchange contracts as per the table below are designated as a fair value hedge to hedge the CAD intercompany loan interest balance. The HKD cross currency swap contracts are designated to hedge the HKD loan balance. Gains and losses were recognised in the income statement.

As of 30 September 2017, the Group had the following outstanding contracts:

	Settlement currency	Notional value (million)	Weighted average contract rate*	Spot rate	Mark-to-market rate	Remaining maturities range (months)	Settlement value in USD equivalent (US$ million)	Liabilities, net carrying value (US$'000)
Fair value hedge contracts								
Sell CAD forward	USD	CAD 88.1	1.26	1.24	1.24	1 – 25	69.8	(1,165)
Cross currency interest rate swaps (pay USD, receive HKD)	USD	HKD 156.5	7.83	7.81	7.79	11	20.0	(81)

* Weighted average contract rate is a ratio defined as notional value / settlement value.

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

(d) Held for trading

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 2017, the Group had the following outstanding contracts:

	Settlement currency	Notional value (million)	Weighted average contract rate *	Spot rate	Mark-to-market rate	Remaining maturities range (months)	Settlement value in USD equivalent (US$ million)	Assets, net carrying value (US$'000)
Held for trading contracts								
Buy INR forward	USD	INR 1,819.9	78.46	65.53	72.56	1 – 60	23.2	1,884

* Weighted average contract rate is a ratio defined as notional value / settlement value.

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

(f) The income statement effect from raw material commodity and foreign currency exchange contracts and the cross currency interest rate swaps recognised in first half of FY2017/18 was a net gain of US$9.8 million (first half of FY2016/17: net loss of US$0.1 million).

(g) As of 30 September 2017, the balance in the exchange reserve for continuing hedges that are accounted for net investment hedge was US$30.2 million (31 March 2017: US$57.2 million).

(h) Estimate of future cash flow

In terms of estimating future cash flow, the contracts' rate at maturity compared to the spot rate for the currency and commodity agreements as of 30 September 2017 would result in approximately US$163 million cash flow benefit (31 March 2017: US$211 million).

7. FINANCIAL ASSETS / LIABILITIES AT FAIR VALUE THROUGH PROFIT AND LOSS

	30 September 2017			31 March 2017		
	Assets	(Liabilities)	Net	Assets	(Liabilities)	Net
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Fair value of a call option related to the acquisition of Halla Stackpole (Note a)	2,324	–	2,324	–	–	–
Structured foreign currency contracts (Note b)	2,155	(19,624)	(17,469)	–	–	–
Total	4,479	(19,624)	(15,145)	–	–	–
Current portion	–	(2,424)	(2,424)	–	–	–
Non-current portion	4,479	(17,200)	(12,721)	–	–	–
Total	4,479	(19,624)	(15,145)	–	–	–

Note:

(a) Fair value of a call option related to the acquisition of Halla Stackpole
The Group is granted a call option in which the Group shall have the right to require Halla Holdings Corporation to sell all of its rights to the Group, exercisable at any time during a 4-year period immediately following the expiry of the Put Exercise Period. Please see details in Note 24.

(b) Structured foreign currency contracts (economic hedge)
The Group assesses its hedging position requirements based on the estimated future exposures of the underlying transactions and the potential fluctuation of the foreign currencies.

During the period, the Group entered into structured foreign currency contracts for economic hedging purposes, for mitigating potential future risks from changes in currency exchange rates. These structured contracts achieved exchange rates that were not available at the time using plain vanilla contracts. These contracts are intended to minimise the currency exposure for the Group's sales denominated in Euro, its net investment in Europe denominated in EUR, purchases denominated in USD for its operations in Canada and RMB expenses for its operations in China. These contracts have option features written to the counterparty banks, which potentially reduce the notional value to be delivered. Therefore, they do not qualify for hedge accounting under HKFRS 9. Consequently, the unrealised mark-to-market adjustments flow through the income statement in each accounting period and will eventually reverse on settlement at the various option expiration dates. The final realised gain or loss for each contract will crystallise based on the prevailing spot rate at the date of maturity versus the contract rate. The weighted average contract rates are shown on page 54.

7. FINANCIAL ASSETS / LIABILITIES AT FAIR VALUE THROUGH PROFIT AND LOSS *(Cont'd)*

(b) Structured foreign currency contracts (economic hedge) *(cont'd)*

In the first half of FY2017/18, unrealised losses on structured foreign currency contracts decreased net profit by US$14.9 million, net of tax (US$17.5 million pre-tax).

The Group considers these contracts as economic hedges, since the contracts are able to mitigate the risk in the foreign exchange movements in the underlying transactions and assets. The maximum deliverable amounts of the structured foreign currency contracts will not exceed the Group's future needs. The Group's exposure to EUR, RMB and CAD cash flows over remaining maturities period is summarised below:

	Sell EUR (EUR million)	Buy RMB (RMB million)	Sell CAD (CAD million)
Hedge – by plain vanilla	481.8	6,972.6	213.3
Economic hedge – by structured forward			
– minimum possible hedge	174.8	208.0	63.5
– maximum possible hedge	346.6	416.0	155.8
Hedged %*			
– Plain vanilla	44%	45%	43%
– Plain vanilla and structured forward – minimum	60%	47%	56%
– Plain vanilla and structured forward – maximum	76%	48%	74%

* The hedged % does not include any growth in volume from today's business levels.

As of 30 September 2017, the Group had the following structured foreign currency contracts:

	Option features	Settlement currency	Notional value – minimum (million)	Notional value – maximum (million)	Range of contract rates	Weighted average contract rate *	Remaining maturities range (months)	Settlement value in USD equivalent (US$ million)	Assets / (liabilities), net carrying value (US$'000)
Structured foreign currency contracts									
Sell EUR (for sales)	Reduction of notional amount	USD	EUR 174.8	EUR 346.6	1.30 – 1.39	1.35	34 – 83	466.8	(12,204)
Sell EUR (for net investment)	Reduction of notional amount	USD	EUR 50.0	EUR 100.0	1.36 – 1.40	1.38	63 – 87	138.1	(3,720)
Sell CAD	Reduction of notional amount	USD	CAD 63.5	CAD 155.8	1.25 – 1.30	1.27	1 – 27	123.0	(3,389)
Buy RMB	Reduction of notional amount	USD	RMB 208.0	RMB 416.0	8.00 – 8.01	8.00	52 – 68	52.0	1,844
Total									(17,469)

* Weighted average contract rate is a ratio defined as notional value – maximum/ settlement value. The EUR to USD is stated in the inverse order.

The latest structured foreign currency contract was entered on 11 August 2017.

7. FINANCIAL ASSETS / LIABILITIES AT FAIR VALUE THROUGH PROFIT AND LOSS *(Cont'd)*

(b) Structured foreign currency contracts (economic hedge) *(cont'd)*
In terms of estimating future cash flow, the contracts' rate at maturity compared to the spot rate (assuming minimum delivery for the EUR and RMB contracts and maximum delivery for the CAD contracts) as of 30 September 2017 would result in approximately US$43 million cash flow benefit.

8. TRADE AND OTHER RECEIVABLES

	30 September 2017 US$'000	31 March 2017 US$'000
Trade receivables – gross	**569,867**	520,620
Less: impairment of trade receivables	**(4,657)**	(4,736)
Trade receivables – net	**565,210**	515,884
Prepayments and other receivables	**113,001**	98,767
	678,211	614,651

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

(a) The ageing of gross trade receivables based on invoice date was as follows:

	30 September 2017 US$'000	31 March 2017 US$'000
0 – 30 days	**275,873**	249,578
31 – 90 days	**257,842**	246,235
Over 90 days	**36,152**	24,807
Total	**569,867**	520,620

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

Ageing of gross trade receivables *(Cont'd)*

(b) The Group normally grants credit terms ranging from 30 to 105 days to its trade customers. The ageing of gross trade receivables based on overdue date was as follows:

	30 September 2017 US$'000	31 March 2017 US$'000
Current	**524,300**	481,825
1 – 30 days overdue	**34,841**	25,937
31 – 90 days overdue	**5,962**	7,782
Over 90 days overdue	**4,764**	5,076
Total	**569,867**	520,620

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 10% or more of total receivables.

9. TRADE PAYABLES

	30 September 2017 US$'000	31 March 2017 US$'000
Trade payables	**307,331**	288,262

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

	30 September 2017 US$'000	31 March 2017 US$'000
0 – 60 days	**247,500**	220,081
61 – 90 days	**44,593**	45,520
Over 90 days	**15,238**	22,661
Total	**307,331**	288,262

10. BORROWINGS

	30 September 2017 US$'000	31 March 2017 US$'000
Loans based on trade receivables (Note a)	**74,000**	61,710
Loan from International Finance Corporation ("IFC") (Note b)	**74,332**	74,279
Other borrowings – Non-current	**82,164**	30,254
– Current	**34,819**	10,118
Total borrowings	**265,315**	176,361
Current borrowings	**79,819**	26,128
Non-current borrowings	**185,496**	150,233

Note:

(a) Subsidiary companies have borrowed US$74.0 million in the USA, Europe and Hong Kong as of 30 September 2017 (31 March 2017: US$61.7 million) based on trade receivables. These loans are placed such that the interest expense will match the geographic location of the operating income as follows:

- Unsecured borrowings in the USA of US$55.0 million, with a covenant that trade receivables shall not be pledged to any parties (31 March 2017: US$32.0 million).

- Unsecured borrowings in Hong Kong of US$19.0 million with a covenant that trade receivables shall not be pledged to any parties (31 March 2017: US$13.7 million).

- Europe repaid the borrowings during the period (31 March 2017: US$16.0 million (EUR15.0 million)).

(b) Loan from IFC – US$74.3 million (principal US$75.0 million less US$0.7 million transaction costs) was drawn in January 2016. This is an 8-year loan for projects in Serbia, Mexico, Brazil and India with quarterly repayments beginning from April 2019 with a final maturity date of 15 January 2024.

10. BORROWINGS *(Cont'd)*

The maturity of borrowings was as follows:

	Bank borrowings and overdraft		Other loans	
	30 September 2017 US$'000	31 March 2017 US$'000	**30 September 2017 US$'000**	31 March 2017 US$'000
Less than 1 year	**79,158**	25,510	**661**	618
1 – 2 years	**56,615**	31,200	**16,260**	480
2 – 5 years	**44,167**	35,000	**45,401**	53,743
Over 5 years	**–**	–	**23,053**	29,810
	179,940	91,710	**85,375**	84,651

As of 30 September 2017, the interest rate charged on outstanding balances ranged from 0.6% to 6.3% per annum (31 March 2017: 0.5% to 6.0% per annum) and the weighted average effective interest rate of the borrowings was approximately 1.5% (31 March 2017: 0.6%). Interest expense is disclosed in Note 17.

Johnson Electric subscribes to both Moody's Investors Service and Standard & Poor's Ratings Services (S&P) for independent long-term credit ratings. As of 30 September 2017, the Group maintained investment grade ratings from both agencies. Moody's was Baa1 and S&P was BBB. These ratings represent the Group's solid market position, stable profitability and prudent financial leverage.

The fair value of borrowings approximately equals their carrying amount, since the majority of the borrowings have floating interest rates. The fair values are based on cash flows discounted using a rate based on the borrowing rate and are within level 2 of the fair value hierarchy.

11. CONVERTIBLE BONDS

	30 September 2017 US$'000	31 March 2017 US$'000
Convertible Bonds (Liability component)	**210,314**	207,610

JEHL issued convertible bonds in an aggregate principal amount of US$200 million on 2 April 2014. These convertible bonds bear interest as cash coupon at the rate of 1% per annum, payable semi-annually. They have a maturity of 7 years to 2 April 2021 and a 5 year put option for the bondholders. The bondholders have the option of requiring JEHL to redeem all or some of the convertible bonds on 2 April 2019 at 109.31% of the principal amount. Otherwise, unless previously redeemed, converted or purchased and cancelled, JEHL will redeem each convertible bond at 113.41% of its principal amount on the maturity date. The effective interest rate of the liability component is 3.57%.

The funds raised by this bond issue were utilised for the acquisition of Stackpole International in FY2015/16.

The bondholders have the right to convert their bonds into ordinary shares of JEHL at the conversion price at any time on or after 13 May 2014 up to the maturity date. No such conversions had occurred as of 30 September 2017.

With effect from 27 July 2017, the conversion price was adjusted to HK$38.12 per share as a result of the interim and final dividend for FY2016/17.

The fair value of the liability component of the Group's convertible bonds was approximately equal to its carrying value as of 30 September 2017. The fair values of convertible bonds are within level 2 of the fair value hierarchy.

12. RETIREMENT BENEFIT OBLIGATIONS

	Defined benefit pension plans US$'000	Defined contribution pension plans and long service payment US$'000	Total US$'000
First half of FY2017/18			
As of 31 March 2017	27,573	3,205	30,778
Currency translations	2,636	(15)	2,621
Business combination (Note 24)	8,533	–	8,533
Charges	3,630	2,744	6,374
Utilisations	(2,590)	(2,375)	(4,965)
Remeasurements *	(5,906)	–	(5,906)
As of 30 September 2017	**33,876** **	**3,559**	**37,435**
Retirement benefit obligations:			
Current portion	–	389	389
Non-current portion	45,914	3,170	49,084
Defined benefit pension plan assets:			
Non-current portion	(12,038)	–	(12,038)
As of 30 September 2017	**33,876**	**3,559**	**37,435**
First half of FY2016/17			
As of 31 March 2016	19,581	4,009	23,590
Currency translations	405	70	475
Business combination	1,879	–	1,879
Charges	2,271	2,969	5,240
Utilisations	(2,522)	(2,588)	(5,110)
Remeasurements *	6,775	–	6,775
As of 30 September 2016	28,389	4,460	32,849
Retirement benefit obligations:			
Current portion	–	486	486
Non-current portion	32,642	3,974	36,616
Defined benefit pension plan assets:			
Non-current portion	(4,253)	–	(4,253)
As of 30 September 2016	28,389	4,460	32,849

* Remeasurements represent actuarial gains and losses.

** The retirement benefit obligations were mainly denominated in CHF, GBP, EUR, CAD and KRW as of 30 September 2017. These retirement benefit obligations of US$33.9 million (31 March 2017: US$27.6 million) comprised gross present value of obligations of US$184.6 million (31 March 2017: US$161.9 million) less fair value of plan assets of US$150.7 million (31 March 2017: US$134.3 million).

13. PROVISIONS AND OTHER LIABILITIES

	Legal and warranty US$'000	Severance US$'000	Finance lease liability US$'000	Others US$'000	Total US$'000
First half of FY2016/17					
As of 31 March 2016	23,652	8,999	6,473	159	39,283
Currency translations	(164)	(68)	(52)	8	(276)
Business combination (Note 24)	18,343*	–	–	–	18,343
Charges	6,895	8,375	314	404	15,988
Utilisations	(3,290)	(7,176)	(916)	(111)	(11,493)
As of 30 September 2016	45,436	10,130	5,819	460	61,845
Second half of FY2016/17					
As of 30 September 2016	45,436	10,130	5,819	460	61,845
Currency translations	(747)	(243)	7	(2)	(985)
Buyout of finance lease	–	–	(3,644)	–	(3,644)
Charges	12,975	518	126	3,217	16,836
Utilisations	(10,158)	(3,224)	(763)	(259)	(14,404)
As of 31 March 2017	47,506	7,181	1,545	3,416	59,648
Current portion	40,872	7,181	1,287	3,416	52,756
Non-current portion	6,634	–	258	–	6,892
As of 31 March 2017	47,506	7,181	1,545	3,416	59,648
First half of FY2017/18					
As of 31 March 2017	47,506	7,181	1,545	3,416	59,648
Currency translations	2,005	443	–	(1)	2,447
Business combination (Note 24)	435	–	–	–	435
Charges / (take backs)	357	(901)	76	(105)	(573)
Utilisations	(5,205)	(1,455)	(700)	(174)	(7,534)
As of 30 September 2017	**45,098**	**5,268**	**921**	**3,136**	**54,423**
Current portion	39,403	5,268	921	3,136	48,728
Non-current portion	5,695	–	–	–	5,695
As of 30 September 2017	**45,098**	**5,268**	**921**	**3,136**	**54,423**

* Adjustment to legal and warranty liabilities related to AML during the remeasurement period (12 month from the date of acquisition). Details are set out in Note 24.

14. SHARE CAPITAL

	Share capital – ordinary shares (thousands)	Shares held for the incentive share schemes (thousands)	Total
As of 31 March 2016	878,845	(23,076)	855,769
Shares vested to employees for the incentive share schemes	–	3,434	3,434
As of 31 March 2017	878,845	(19,642)	859,203
Shares vested to Directors and employees for the incentive share schemes	–	3,085	3,085
As of 30 September 2017	**878,845**	**(16,557)**	**862,288**

As of 30 September 2017, the total authorised number of ordinary shares was 1,760.0 million (31 March 2017: 1,760.0 million) with a par value of HK$0.05 per share (31 March 2017: HK$0.05 per share). All issued share were fully paid.

	Share capital – ordinary shares US$'000	Shares held for the incentive share schemes US$'000	Total US$'000
As of 31 March 2016	5,670	(75,450)	(69,780)
Shares vested to employees for the incentive share schemes	–	10,637	10,637
As of 31 March 2017	5,670	(64,813)	(59,143)
Shares vested to Directors and employees for the incentive share schemes	–	9,557	9,557
As of 30 September 2017	**5,670**	**(55,256)**	**(49,586)**

14. SHARE CAPITAL *(Cont'd)*

Cancellation of issued capital

A general mandate was approved and given to the Board by shareholders at JEHL's AGM held on 12 July 2017 empowering the Board to repurchase shares up to 10% (87.9 million shares) of the aggregate nominal amount of the issued share capital of JEHL. This mandate which had also existed in the previous year was extended to the next 12 month period. No shares were purchased in the first half of FY2017/18 for cancellation (first half of FY2016/17: nil).

Incentive share schemes

Share awards under the Long-Term Incentive Share Scheme ("Share Scheme") are granted to directors, senior management and other employees as recommended by the Chairman and Chief Executive and approved by the Remuneration Committee of the Group. The Share Scheme was approved by the shareholders on 24 August 2009 and was further amended and approved by the shareholders on 20 July 2011.

On 9 July 2015, a new share scheme, the Johnson Electric Restricted and Performance Stock Unit Plan ("Stock Unit Plan") was approved by the shareholders and no further grants of share awards under the Share Scheme could be made afterwards. The rules of the Stock Unit Plan provide a better framework to support the use of equity-based compensation on a global scale as Johnson Electric continues to grow its footprint. Unvested share awards granted under the Share Scheme continue to be valid subject to the provisions of the Share Scheme. Under the Stock Unit plan, the Board may grant time-vested units and performance-vested units to such eligible Directors and employees of the Group as the Remuneration Committee may select at its absolute discretion.

Senior management of the Group receive annual grants of time-vested units (Restricted Stock Units or RSUs) and performance-vested units (Performance Stock Units or PSUs). According to current granting policy, time-vested units typically vest after three years. Performance-vested units vest after three years, subject to achievement of performance conditions over a three-year performance period including a three-year cumulative earnings per share target and revenue goal for individual divisions (starting with the FY2017/18 grants). If the primary condition is met in full, then the entire grant of PSUs will vest at the end of the vesting period. If the primary performance condition is not met, then the secondary performance conditions are considered. The secondary performance conditions consist of a series of one-year earnings per share targets and one-year revenue targets for individual divisions for set at the beginning of each year of the three-year performance period. The earnings per share and revenue targets are of equal weight in the grants for FY2017/18. Partial vesting occurs if one or more of the one-year earnings per share targets and one-year revenue targets for individual divisions are met.

14. SHARE CAPITAL *(Cont'd)*

The three-year cumulative goal for diluted earnings per share by year is as follows:

	Three-year cumulative goal for earnings per share
Fiscal years of 2015/16 through 2017/18	77.00 US cents
Fiscal years of 2016/17 through 2018/19	65.40 US cents
Fiscal years of 2017/18 through 2019/20	89.08 US cents

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

	Number of unvested units granted (thousands)		
	Restricted Stock Units	Performance Stock Units	Total
Unvested units outstanding, as of 31 March 2016	5,608	6,477	12,085
Units granted to Directors and employees during the year	3,305	3,504	6,809
Units vested to employees during the year	(1,391)	(2,043)	(3,434)
Forfeited during the year	(573)	(798)	(1,371)
Unvested units granted, as of 31 March 2017	6,949	7,140	14,089
Units granted to Directors and employees during the period	1,666	1,616	3,282
Units vested to Director and employees during the period	(1,285)	(1,801)	(3,086)
Forfeited during the period	(218)	(337)	(555)
Unvested units granted, as of 30 September 2017	**7,112**	**6,618**	**13,730**

The weighted average fair value of the unvested units granted during the period was HK$28.20 (US$3.62) (first half of FY2016/17: HK$18.74 (US$2.40)).

14. SHARE CAPITAL *(Cont'd)*

As of 30 September 2017, the number of unvested units outstanding under both the Share Scheme and the Stock Unit Plan on a combined basis was as follows:

Vesting year *	Number of unvested units granted (thousands) Restricted Stock Units	Performance Stock Units	Total
FY2017/18	5	–	5
FY2018/19	2,203	1,946	4,149
FY2019/20	3,261	3,089	6,350
FY2020/21	1,643	1,583	3,226
Total unvested units outstanding	**7,112**	**6,618**	**13,730**

* Shares are typically vested on 1 June of the year

15. OTHER INCOME AND GAINS, NET

	Six months ended 30 September 2017 US$'000	2016 US$'000
Gross rental income from investment property	**2,145**	2,002
Gains on investments, net	**73**	73
(Losses) / gains on disposal of property, plant and equipment and investment property (Note 23)	**(326)**	1,927
Fair value gains on other financial assets / liabilities	**567**	1,127
Fair value losses on structured forward currency exchange contracts (Note 7 & 23)	**(17,469)**	–
Gain on deemed disposal of previously 30% equity interests in HSC (Note 23 & 24)	**14,012**	–
Subsidies and other income	**2,360**	4,618
Other income and gains, net	**1,362**	9,747

16. SELLING AND ADMINISTRATIVE EXPENSES

	Six months ended 30 September	
	2017	2016
	US$'000	US$'000
Selling expenses	**51,505**	47,073
Administrative expenses	**184,234**	192,079
Legal and warranty	**357**	6,895
Net gains on realisation of other financial assets and liabilities and revaluation of monetary assets and liabilities (Note 18)	**(23,216)**	(17,601)
Selling and administrative expenses	**212,880**	228,446

Note: Selling and administrative expenses included operating lease payments for the first half of FY2017/18 of US$4.0 million (first half of FY2016/17: US$3.6 million).

17. FINANCE INCOME / (COSTS), NET

	Six months ended 30 September	
	2017	2016
	US$'000	US$'000
Interest income	**529**	570
Interest expense	**(2,657)**	(2,485)
Interest expense on convertible bonds (Note 20)	**(3,704)**	(3,611)
	(5,832)	**(5,526)**
Accrued interest on put option written to a non-controlling interest *	**(500)**	–
Net finance income / (costs) (Note 23)	**(6,332)**	(5,526)

* The interest was calculated on the effective interest method over the estimated gross obligation arising from the put option written to the seller related to the acquisition of Halla Stackpole Corporation. Details please refer to Note 24.

Borrowings are discussed in Note 10. Convertible bonds are discussed in Note 11.

18. EXPENSES BY NATURE

Operating profit was stated after crediting and charging the following:

	Six months ended 30 September 2017 US$'000	Six months ended 30 September 2016 US$'000
Depreciation		
Depreciation of property, plant and equipment (Note 3)	**69,698**	58,825
Less: amounts capitalised in assets under construction	**(794)**	(541)
Net depreciation (Note 23)	**68,904**	58,284
Engineering expenditure *		
Engineering expenditure	**84,010**	76,287
Capitalisation of engineering development costs (Note 5)	**(3,996)**	(3,347)
Net engineering expenditure	**80,014**	72,940
Employee compensation		
Wages and salaries	**390,957**	366,174
Severance costs	**–**	8,375
Share-based payments	**6,359**	4,782
Social security costs	**36,378**	32,258
Pension costs – defined benefit plans	**3,630**	2,271
Pension costs – defined contribution plans	**2,534**	2,421
	439,858	416,281
Less: amounts capitalised in assets under construction	**(3,306)**	(3,646)
	436,552	412,635
Other items:		
Cost of goods sold **	**1,150,454**	1,000,374
Auditors' remuneration	**1,369**	1,333
Amortisation of intangible assets (Note 5 & 23)	**19,840**	18,578
(Reversal of) / impairment of property, plant and equipment (Note 3 & 23)	**(202)**	2,406
Net gains on realisation of other financial assets and liabilities and revaluation of monetary assets and liabilities (Note 16)	**(23,216)**	(17,601)
(Written back) / impairment of trade receivables / bad debt expense	**(290)**	165

* Engineering expenditure as a percentage of sales was 5.5% in the first half of FY2017/18 (first half of FY2016/17: 5.6%).

** Cost of goods sold comprised materials, direct labour costs (including their social costs) and production overheads including operating lease payments of US$8.1 million (first half of FY2016/17: US$8.5 million).

19. INCOME TAX EXPENSE

The amount of taxation in the consolidated income statement represents:

	Six months ended 30 September	
	2017	2016
	US$'000	US$'000
Current income tax		
Charges for the period	**24,918**	24,441
Take backs from prior years	**(1,494)**	(1,671)
	23,424	22,770
Deferred income tax	**(3,915)**	(4,222)
Total income tax expense	**19,509**	18,548
Effective tax rate	**11.8%**	12.9%

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 FY2017/18 was 11.8% (first half of FY2016/17: 12.9%). If the non-cash gain on the deemed disposal of previously 30% equity interests in HSC is excluded, the effective tax rate would have been 13.0%. The Group's effective tax rate differed from the statutory tax rate of Hong Kong of 16.5% (first half of FY2016/17: 16.5%) as follows:

	Six months ended 30 September 2017		Six months ended 30 September 2016	
		US$'000		US$'000
Profit before income tax		**165,090**		144,194
Tax charged at Hong Kong profits tax rate	**16.5%**	**27,240**	16.5%	23,792
Effect of different tax rates in other countries				
– Countries with taxable profit	**1.7%**	**2,794**	0.2%	246
– Countries with taxable loss	**(2.0)%**	**(3,379)**	(2.8)%	(4,103)
Effect of income, net of expenses, not subject to tax	**(6.3)%**	**(10,329)**	(5.1)%	(7,309)
Take backs from prior years (current and deferred)	**(1.3)%**	**(2,187)**	(1.3)%	(1,801)
Withholding tax	**1.8%**	**3,013**	2.6%	3,728
Other taxes and timing differences, net of (tax loss recognition) and other (tax benefits)	**1.4%**	**2,357**	2.8%	3,995
	11.8%	**19,509**	12.9%	18,548

20. EARNINGS PER SHARE

Basic earnings per share

Basic earnings per share was calculated by dividing the profit attributable to shareholders by the weighted average number of ordinary shares in issue during the period excluding ordinary shares purchased by JEHL and held for the incentive share schemes.

	Six months ended 30 September	
	2017	2016
Profit attributable to shareholders (thousands US Dollar)	**140,463**	120,776
Weighted average number of ordinary shares in issue (thousands)	**861,259**	858,165
Basic earnings per share (US cents per share)	**16.31**	14.07
Basic earnings per share (HK cents per share)	**127.23**	109.19

Diluted earnings per share

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

	Six months ended 30 September	
	2017	2016
Profit attributable to shareholders (thousands US Dollar)	**140,463**	120,776
Adjustments for convertible bonds		
– Interest (thousands US Dollar) (Note 17)	**3,704**	3,611
– Deferred income tax effect (thousands US Dollar)	**(402)**	(386)
Adjusted profit attributable to shareholders (thousands US Dollar)	**143,765**	124,001
Weighted average number of ordinary shares issued and outstanding (thousands)	**861,259**	858,165
Adjustments for incentive shares granted		
– Incentive share schemes – Restricted Stock Units	**6,561**	6,131
– Incentive share schemes – Performance Stock Units	**1,259**	1,402
Adjustments for convertible bonds		
– Assumed conversion of convertible bonds	**40,725**	39,959
Weighted average number of ordinary shares (diluted) (thousands)	**909,804**	905,657
Diluted earnings per share (US cents per share)	**15.80**	13.69
Diluted earnings per share (HK cents per share)	**123.27**	106.23

21. INTERIM DIVIDEND

	Six months ended 30 September	
	2017	2016
	US$'000	US$'000
Interim, of 17 HK cents (2.18 US cents) per share, to be paid in January 2018 (first half of FY2016/17: 16 HK cents or 2.05 US cents)	**18,763** *	17,723

* Proposed dividend is calculated based on the total number of shares as of 30 September 2017. Actual dividend will be paid on 5 January 2018 to shareholders whose names appear on the Register of Shareholders of JEHL on 22 December 2017.

22. COMMITMENTS

	30 September	31 March
	2017	2017
	US$'000	US$'000
Capital commitments for property, plant and equipment		
Contracted but not provided for	**66,813**	43,299

23. CASH GENERATED FROM OPERATIONS

	Six months ended 30 September 2017 US$'000	2016 US$'000
Profit before income tax	**165,090**	144,194
Add: Depreciation of property, plant and equipment (Note 18)	**68,904**	58,284
Amortisation of intangible assets (Note 5 & 18)	**19,840**	18,578
Finance expense, net (Note 17)	**6,332**	5,526
Associates dividend receipts less share of profits	**65**	(1,266)
EBITDA*	**260,231**	225,316
Other non-cash items		
Losses / (gains) on disposal of property, plant and equipment and investment property (Note 15)	**326**	(1,927)
(Reversal of) / impairment of property, plant and equipment (Note 3 & 18)	**(202)**	2,406
Net realised and unrealised gains on financial assets / liabilities at fair value through profit and loss	**(215)**	(73)
Share-based compensation expense	**6,359**	4,782
Fair value losses on structured foreign currency contracts (Note 15)	**17,469**	–
Gain on deemed disposal of previously 30% equity interests in HSC (Note 15 & 24)	**(14,012)**	–
	9,725	5,188
EBITDA* net of other non-cash items	**269,956**	230,504
Change in working capital		
Increase in inventories	**(48,534)**	(17,179)
Decrease / (increase) in trade and other receivables	**6,335**	(24,329)
Decrease in other non-current assets	**322**	5,747
Decrease in trade payables, other payables and deferred income	**(9,133)**	(9,444)
(Decrease) / increase in provision and other liabilities	**(7,407)**	5,098
Increase in retirement benefit obligations **	**1,409**	130
Change in other financial assets / liabilities	**3,748**	380
	(53,260)	(39,597)
Cash generated from operations	**216,696**	190,907

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

** Net of defined benefit pension plan assets

24. BUSINESS COMBINATION

24.1 Business combination in the first half of FY2017/18

On 16 May 2017, the Group acquired an additional 50% equity interest in Halla Stackpole Corporation ("HSC"), a 30% associate previously held by the Group, from Halla Holdings Corporation (the "Seller") for a consideration of US$83.2 million (KRW93.9 billion). The Group's attributable interest in HSC increased from 30% to 80%.

HSC is a major manufacturer of powder metal components, primarily for automotive applications. It serves a blue-chip customer base comprised mainly of leading automotive original equipment manufacturers and their Tier 1 suppliers and is headquartered in Ochang, Korea.

Acquiring a substantial majority shareholding in HSC will enable the Group to manage and direct its powder metal operations on a more integrated global basis. Stackpole International is already a recognised market leader in the powder metal industry in North America and this complementary investment provides a platform for accelerating sales growth and strengthening the Group's position as a global supplier to key engine, transmission, suspension and steering applications that contribute to improved fuel economy, reduced emissions and increased passenger comfort.

The difference between the fair value and the Group's carrying amount of its 30% equity interests in HSC before the acquisition and the release of exchange reserve of US$14.0 million, were recognised in the Group's consolidated income statement as "Gain on deemed disposal of previously 30% equity interests in HSC" under "Other income and gains, net" (Note 15).

The acquired business contributed revenue of US$62.4 million and net profit of US$3.7 million to the Group for period from the date of acquisition to 30 September 2017.

If the acquisition had occurred on 1 April 2017, the Group's consolidated income statement for the first half of FY2017/18 would show pro forma revenue of US$1,544.2 million (HSC 1 month: US$11.8 million), EBITDA of US$262.1 million (HSC 1 month: US$1.9 million) and net profit of US$141.9 million (HSC 1 month: US$1.4 million).

24. BUSINESS COMBINATION *(Cont'd)*

24.1 Business combination in the first half of FY2017/18 *(Cont'd)*

Details of net assets acquired and goodwill are as follows:

	Six months ended 30 September 2017 US$'000
Purchase consideration	83,172
Fair value of equity interest held before the business combination	50,681
A call option written to the Group to acquire the remaining 20% interest	(2,404)
Total consideration	131,449
Non-controlling interest *	25,133
Fair value of net assets acquired – shown as below	(125,663)
Goodwill **	**30,919**

	Fair Value US$'000
Property, plant and equipment	69,001
Intangible assets	25,374
Deferred income tax assets	2,394
Other non-current assets	3,973
Inventories	11,640
Trade receivables and other receivables	47,191
Cash and cash equivalents	27,261
Trade payables and other payables	(23,016)
Current income tax liabilities	(1,817)
Borrowings	(20,984)
Retirement benefit obligations	(8,533)
Provision and other liabilities	(435)
Deferred income tax liabilities	(6,386)
Net assets acquired	125,663
Purchase consideration settled in cash	
Cash	83,172
Cash and cash equivalents, net of debt in subsidiaries acquired	(6,277)
Cash outflow on acquisition	**76,895**

* The Group recognised the non-controlling interest in HSC at the non-controlling interest's proportionate share of the fair values of Halla Stackpole's identifiable net assets acquired as set out above.

** None of the goodwill recognised is expected to be deductible for income tax purpose.

24. BUSINESS COMBINATION *(Cont'd)*

24.1 Business combination in the first half of FY2017/18 *(Cont'd)*

As of 30 September 2017, the Group has substantially completed the fair value assessments for net assets acquired (including intangible assets) from the business combination activities. The fair value of net assets stated above are on a provisional basis subject to the final valuation of certain assets and liabilities.

Pursuant to the Share Purchase Agreement in relation to the acquisition of a 50% equity interest in HSC, the Seller is granted a put option in which the Seller shall have the right to require the Group to acquire all of its rights in HSC, and the put option is exercisable at any time during a 4-year period immediately following the expiration of a 5-year period from the closing date of the acquisition ("Put Exercise Period").

The Group is also granted a call option in which the Group has the right to require the Seller to sell all of its rights to the Group, exercisable at any time during a 4-year period immediately following the expiry of the Put Exercise Period.

The exercise price of the options shall be based on EBITDA multiples, net of the net debt of HSC for the fiscal year immediately preceding the fiscal year when either option is exercised.

The estimated gross obligation arising from the put option written to the Seller was recognised when the contractual obligation to acquire the remaining 20% interest of HSC was established, even though the obligation is conditional on the option being exercised by the Seller. The liability as of 30 September 2017 was US$70.3 million (KRW80.8 billion). In subsequent periods, the remeasurement of the present value of the estimated gross obligation under the put option written to the non-controlling interests will be recognised in consolidated income statement.

The call option written to the Group was initially recognised at fair value and the amount of US$2.4 million is included in "Financial assets at fair value through profit and loss". Any changes of fair value in subsequent reporting periods will be recognised in the Group's consolidated income statement (30 September 2017: US$2.3 million).

24. BUSINESS COMBINATION *(Cont'd)*

24.2 Business combination in the first half of FY2016/17

On 18 May 2016, the Group acquired the entire share capital of AML Développement, the holding company of the AML Group for a consideration of US$72.3 million (EUR65 million).

AML Développement together with its subsidiaries ("AML") is a leading manufacturer of headlamp levelers, smart actuators and headlamp cleaning systems for the automotive industry and is headquartered in Le Bourget, France. Acquiring AML will complete Johnson Electric's product portfolio in the headlamp actuation segment. With AML's know-how and over 20 years of experience in the segment, the combined business will be able to offer solutions that improve visibility and enhance safety of drivers and other road users.

During the period, the Group has finalised the fair value assessments for the net assets acquired (including intangible assets) from this acquisition. On completion of the fair value assessments, adjustments made to the provisional calculation of identifiable assets and liabilities as of 30 September 2016 amounted to US$9.3 million, with an equivalent increase in the reported value of goodwill. The changes mainly represent finalisation of warranty liabilities in relation to claims existing before the acquisition, with the related deferred tax adjustments. The comparative consolidated balance sheet as of 31 March 2017 has been retrospectively restated to reflect the final allocation of fair values of the net assets acquired in the first half of FY2016/17.

Details of net assets acquired and goodwill are as follows:

	US$'000
Purchase consideration	72,347
Fair value of net assets acquired	(22,622)
Goodwill, as adjusted	49,725
Purchase consideration settled in cash	
Cash	72,347
Cash and cash equivalents, net of debt in subsidiaries acquired	(7,643)
Cash outflow on acquisition	64,704

25. RELATED PARTY TRANSACTION

25.1 Directors' remuneration

The remuneration of Directors for the first half of FY2017/18 was as follows:

	Six months ended 30 September	
	2017	2016
	US$'000	US$'000
Fees	**221**	219
Salary *	**930**	958
Discretionary bonus	**1,389**	319
Employer's contribution to retirement benefit scheme	**112**	108
	2,652	1,604

* Salary Included basic salaries, housing allowances and other benefits in kind.

25.2 Senior management compensation

Other than the Directors' remuneration disclosed above, emoluments paid to 8 members (first half of FY2016/17: 8) of senior management as set out in the section Profile of Directors and Senior Management of the Group's 2017 annual report were as follows:

	Six months ended 30 September	
	2017	2016
	US$'000	US$'000
Salaries, allowances and other benefits	**2,657**	2,655
Retirement scheme contributions	**254**	252
Share-based payment	**4,068**	3,069
Bonuses	**2,262**	1,051
	9,241	7,027

Except as disclosed above, the Group had no material related party transactions during the period.

26. FINANCIAL RISK MANAGEMENT

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

These condensed consolidated interim financial statements do not include all financial risk management information and disclosure required in the annual financial statement, and should be read in conjunction with the Group's annual financial statement as of 31 March 2017.

There have been no changes in the Group's risk management policies since 31 March 2017.

27. FAIR VALUE ESTIMATION

The fair value of the Group's assets and liabilities is classified into a 3 level hierarchy based on measurement 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 other financial assets and liabilities are traded in the market and the fair values are based on bank valuations. The Group's level 2 investment property is valued on an open market basis.

Level 3 : The Group's level 3 investment property is not traded actively in the market and the fair values are obtained by appraisals performed by independent, professional qualified valuers. The fair values of the Group's level 3 financial assets / liabilities at fair value through profit and loss are based on the valuations issued by investment banks, which have inputs that were not observable market data.

27. FAIR VALUE ESTIMATION *(Cont'd)*

The following table presents the Group's assets and liabilities that are measured at fair value as of 30 September 2017 and 31 March 2017.

	Level 1 US$'000	Level 2 US$'000	Level 3 US$'000	Total US$'000
As of 30 September 2017				
Assets				
Investment property				
– Commercial building	–	–	63,015	63,015
– Industrial property	–	–	26,520	26,520
– Residential property and car parks	–	91	5,535	5,626
Other financial assets				
– Derivatives used for hedging	–	149,000	–	149,000
– Derivatives held for trading	–	1,922	–	1,922
– Others	–	–	21	21
Financial assets at fair value through profit and loss				
– A call option written to the Group to acquire non-controlling interests	–	–	2,324	2,324
– Structured foreign currency contracts	–	–	2,155	2,155
Total assets	–	151,013	99,570	250,583
Liabilities				
Other financial liabilities				
– Derivatives used for hedging	–	89,867	–	89,867
– Derivatives held for trading	–	38	–	38
– Others	–	–	14	14
Financial liabilities at fair value through profit and loss				
– Structured foreign currency contracts	–	–	19,624	19,624
Total liabilities	–	89,905	19,638	109,543
As of 31 March 2017				
Assets				
Investment property				
– Commercial building	–	–	61,523	61,523
– Industrial property	–	–	26,236	26,236
– Residential property and car parks	–	91	5,535	5,626
Other financial assets				
– Derivatives used for hedging	–	209,836	1,128	210,964
– Derivatives held for trading	–	1,595	–	1,595
Total assets	–	211,522	94,422	305,944
Liabilities				
Other financial liabilities				
– Derivatives used for hedging	–	136,855	491	137,346
– Derivatives held for trading	–	12	–	12
Total liabilities	–	136,867	491	137,358

27. FAIR VALUE ESTIMATION *(Cont'd)*

There were no transfers of assets / liabilities between the 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 assets and liabilities classified as level 2 or 3 and the valuation process for assets and liabilities classified as level 3:

(i) Investment property

Level 2

Fair values of car parks are generally derived using the direct comparison method. This valuation method is based on comparing the property to be valued directly with other comparable properties in close proximity, which have recently transacted. The most significant input into this valuation approach is unit price per parking space.

Level 3

Fair values of commercial building, industrial property and residential property are derived using the income capitalisation and market comparison method. Income capitalisation method is based on the capitalisation of the net income and reversionary income potential by adopting appropriate capitalisation rates, which are derived from analysis of sale transactions and valuers' interpretation of prevailing investor requirements or expectations. The prevailing market rents adopted in the valuation have referenced to valuers' view of recent lettings, within the subject property and other comparable property. The market comparison method takes into account properties that are similar in nature in the general locality, which have recently transacted, with adjustments made on factors such as size, age, location and condition. The most significant input in this valuation approach is the price per square feet.

Discussion of valuation processes and results are held between the Group's senior management and valuers to validate the major inputs and validation process.

Significant inputs used to determine the fair value of investment property are as follows:

		As of 30 September 2017		As of 31 March 2017	
Property	Valuation method	Market rate / rent per month	Market yield	Market rate / rent per month	Market yield
Commercial	Market comparison	HK$4,350/sq.ft		HK$4,350/sq.ft	
Industrial	Income capitalisation	HK$4.2 to HK$7.0/sq.ft	9.0% to 10.0%	HK$4.2 to HK$7.0/sq.ft	9.0% to 10.0%
Residential	Market comparison	HK$18,794/sq.ft		HK$18,794/sq.ft	

Market rates / rents are estimated based on valuers' view of recent lettings, within the subject property and other comparable property. The higher the rents, the higher the fair value.

Market yields are estimated by valuers based on the risk profile of the property being valued. The lower the rates, the higher the fair value.

27. FAIR VALUE ESTIMATION *(Cont'd)*

(ii) Other financial assets / liabilities

The majority of the Group's other financial assets / liabilities are classified as level 2. The Group relies on bank valuations to determine the fair value of financial assets / liabilities which in turn are determined using discounted cash flow analysis. These valuations maximise the use of observable market data. Commodity price and foreign currency exchange prices are the key observable inputs in the valuation.

(iii) Financial assets / liabilities at fair value through profit and loss

The majority of the Group's financial assets / liabilities at fair value through profit and loss are structured foreign currency contracts with options features which are classified as level 3. The Group relies on bank valuations to determine the fair value of the instruments. Key observable inputs in the valuation are spot rate, strike rate, volatility, time to expiration and risk free rate.

The following table presents the changes in level 3 assets / (liabilities) for the first half of FY2017/18 and FY2016/17:

	Investment property											
	Commercial building		Industrial property		Residential property		Other financial assets / (liabilities)		Financial assets / (liabilities) at fair value through profit and loss		Total	
	Sep 17 US$'000	Sep 16 US$'000	**Sep 17 US$'000**	Sep 16 US$'000	**Sep 17 US$'000**	Sep 16 US$'000	**Sep 17 US$'000**	Sep 16 US$'000	**Sep 17 US$'000**	Sep 16 US$'000	**Sep 17 US$'000**	Sep 16 US$'000
As of 31 March	**61,523**	59,827	**26,236**	25,895	**5,535**	5,351	**637**	(4)	**–**	–	**93,931**	91,069
Currency translations	**–**	–	**284**	(201)	**–**	–	**–**	–	**(80)**	–	**204**	(201)
Business combination (note 24)	**–**	–	**–**	–	**–**	–	**–**	–	**2,404**	–	**2,404**	–
Capitalised expenditure	**1,492**	46	**–**	–	**–**	–	**–**	–	**–**	–	**1,492**	46
Disposal	**–**	–	**–**	–	**–**	–	**(66)**	(114)	**–**	–	**(66)**	(114)
Fair value gains / (losses)	**–**	–	**–**	–	**–**	–	**(564)**	231	**(17,469)**	–	**(18,033)**	231
As of 30 September	**63,015**	59,873	**26,520**	25,694	**5,535**	5,351	**7**	113	**(15,145)**	–	**79,932**	91,031
Change in unrealised gains / (losses) for the period included in income statement for assets held at balance sheet date	**–**	–	**–**	–	**–**	–	**7**	233	**(17,469)**	–	**(17,462)**	233
Total gains / (losses) for the period included in income statement under "Other income and gains, net"	**–**	–	**–**	–	**–**	–	**(59)**	231	**(17,469)**	–	**(17,528)**	231

28. FINANCIAL INSTRUMENTS BY CATEGORY

According to HKFRS 7 and HKFRS 9, financial assets represent assets with contractual rights to receive cash flows. Financial liabilities represent liabilities with contractual obligations to pay cash flows to one or more recipients. The financial instruments of the Group are classified into 2 categories disclosed as below:

	Financial assets / (liabilities) at amortised cost US$'000	Financial assets / (liabilities) at fair value US$'000	Total US$'000
As of 30 September 2017			
Assets as per balance sheet			
Other non-current assets	4,191	–	4,191
Other financial assets	–	150,943	150,943
Financial assets at fair value through profit and loss	–	4,479	4,479
Trade and other receivables excluding prepayments	597,123	–	597,123
Pledged deposits	5,097	–	5,097
Cash and cash equivalents	160,390	–	160,390
Total financial assets	766,801	155,422	922,223
Liabilities as per balance sheet			
Other financial liabilities	–	(89,919)	(89,919)
Financial liabilities at fair value through profit and loss	–	(19,624)	(19,624)
Trade payables	(307,331)	–	(307,331)
Other payables	(161,684)	–	(161,684)
Borrowings	(265,315)	–	(265,315)
Convertible bonds	(210,314)	–	(210,314)
Put option written to a non-controlling interest	(70,279)	–	(70,279)
Finance lease	(921)	–	(921)
Total financial liabilities	(1,015,844)	(109,543)	(1,125,387)
As of 31 March 2017			
Assets as per balance sheet			
Other non-current assets	2,550	–	2,550
Other financial assets	–	212,559	212,559
Trade and other receivables excluding prepayments	545,556	–	545,556
Pledged deposits	4,747	–	4,747
Cash and cash equivalents	127,689	–	127,689
Total financial assets	680,542	212,559	893,101
Liabilities as per balance sheet			
Other financial liabilities	–	(137,358)	(137,358)
Trade payables	(288,262)	–	(288,262)
Other payables	(143,605)	–	(143,605)
Borrowings	(176,361)	–	(176,361)
Convertible bonds	(207,610)	–	(207,610)
Finance lease	(1,545)	–	(1,545)
Total financial liabilities	(817,383)	(137,358)	(954,741)

29. EFFECT OF ADOPTING NEW, REVISED AND AMENDED HKFRS

In the first half of FY2017/18, the Group adopted the following revised and amended standards of HKFRS below, which are relevant to its operations and have an impact on the consolidated financial statements:

HKAS 12 (amendment)	Income taxes
Annual Improvement – HKFRS 12 (amendment)	Disclosure of interest in other entities

The adoption of such revised and amended standards did not have material impact on the condensed consolidated interim financial statements.

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 *CBE, FCA* *
Michael John Enright *
Joseph Chi-Kwong Yam
GBM, GBS, CBE, JP *
Christopher Dale Pratt *CBE* *

* *Independent Non-Executive Director*

Company Secretary

Lai-Chu Cheng

Auditor

PricewaterhouseCoopers

Registrars and Transfer Offices

Principal Registrar:
MUFG Fund Services (Bermuda) Limited
The Belvedere Building
69 Pitts Bay Road
Pembroke HM 08
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

Principal Bankers

The Hongkong and Shanghai Banking Corporation Limited
Commerzbank AG
Bank of China (Hong Kong) Limited
Mizuho Bank, Ltd.
The Bank of Tokyo-Mitsubishi UFJ, Ltd.
Hang Seng Bank Limited
Citibank, N.A.
JPMorgan Chase Bank, N.A.
BNP Paribas
Standard Chartered Bank
UniCredit Bank AG

Rating agencies

Moody's Investors Service
Standard & Poor's Ratings Services

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)
20 – 22 December 2017 (Wed – Fri)

Dividend (per Share)

Interim Dividend	: 17 HK cents
Payable on	: 5 January 2018 (Fri)

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

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