Johnson Electric Holdings Limited
Annual Report 2018

JOHNSON ELECTRIC
innovating motion

(Stock Code: **179**)

JOHNSON ELECTRIC 2018

CONTENTS

Employing
over 40,000 PEOPLE
including
1,600 ENGINEERS

Providing motion solutions to
over 2,500 CUSTOMERS

Operating in
22 COUNTRIES
across
4 CONTINENTS

Producing over
2.5 MILLION MOTORS and **ACTUATORS**
PER DAY

Generating
Total Sales Revenue of US$3.2 BILLION and
Net Income of US$264 MILLION

Filing over
750 PATENT APPLICATIONS

JOHNSON ELECTRIC AT A GLANCE

“ A global leader in the supply of precision motors, motion subsystems and related electro-mechanical components. ”

Johnson Electric: Innovating Motion since 1959

The Johnson Electric Group traces its origins to a business founded in Hong Kong by Mr. and Mrs. Wang Seng Liang in 1959 to manufacture small electric motors for toys. The business has since expanded its product range and geographic presence to become a global leader in the supply of precision motors, motion subsystems and related electro-mechanical components to the automotive industry and other industrial and consumer product applications.

Johnson Electric Group presently employs over 40,000 individuals in 22 countries spanning Asia, Europe, the Middle East, North America and South America. Johnson Electric Holdings Limited, the Group's parent company, is listed on The Stock Exchange of Hong Kong.

Washing Machine Drain Pump

Industry Products Group

Johnson Electric supplies advanced motion solutions and electro-mechanical components to approximately 2,000 industrial and commercial customers whose products are found in a remarkably diverse range of industrial, professional and consumer application segments.

The continuing proliferation of hardware devices and equipment that contain electric motors, solenoids, switches and other electro-mechanical components reflects a rapidly changing world where businesses and consumers are seeking products that are more energy efficient, smaller, lighter, more controllable and more connected than ever before. Among the application segments we serve are: heating and ventilation; electric and gas metering; power tools; lawn and garden equipment; white goods; small domestic appliances; food and beverage dispensing machines; window automation; printers and business machines; medical devices; bank/SIM cards; ATMs and Point of Sale equipment.

Many of the world's leading branded goods companies rely on Johnson Electric to solve their most complex motion problems and at a competitive total cost that enables them to be successful in their markets.

Motorised Window Shutter

Automotive Products Group

Johnson Electric develops and produces subsystems for automotive applications that require motors, actuators, pumps and related components. We supply over 500 customers spanning OEMs, Tier 1 and Tier 2 suppliers in the automotive industry and our products can be found in substantially all of the major passenger vehicle brands in the world.

Demand for our technology and motion solutions is growing due to increasingly stringent regulations on fuel emissions and fuel economy, as well as the ongoing adoption by mid-range and compact car models of the more advanced comfort and safety features of luxury vehicles.

Electric Parking Brake Actuator

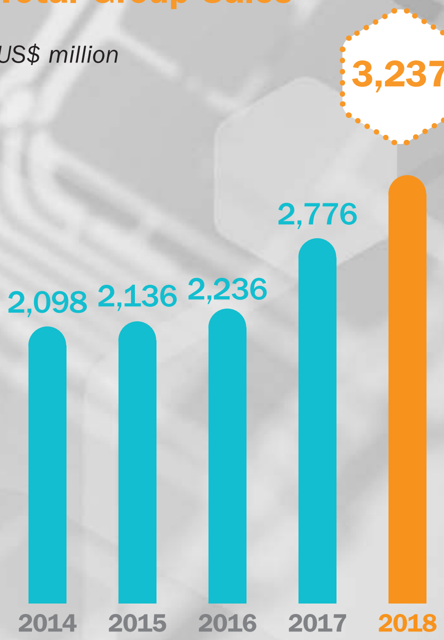
Johnson Electric's automotive products include: thermal management subsystems such as powertrain cooling fans, battery cooling fans for hybrid/electric vehicles, coolant valve actuators, and auxiliary electric water pumps; heating, ventilation and air-conditioning actuators; engine and transmission oil pumps; electric power steering motors; electric parking brake actuators and motors; headlamp actuators and levelers; washer pump systems and motors; window lift drives; sun-roof drives; power-lift-gate drives; electric door lock motors and actuators; seat adjust motors; transmission and driveline actuators; motors for turbo charger actuators; engine management motors and actuators; and powder metal components for engines, transmissions and suspensions.

Engine Coolant Valve Actuator

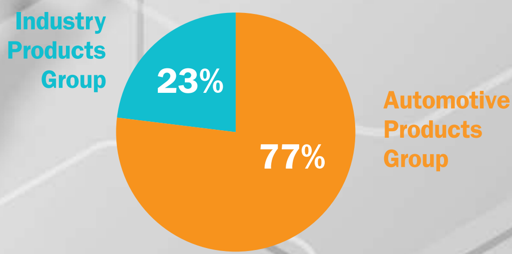
For vehicles in production today and for the next generation of conventional internal combustion engine, hybrid and all-electric vehicles under development, the imperative is for electro-mechanical components to be energy efficient, compact, lightweight and yet capable of withstanding extreme temperatures, shocks and vibrations for the lifetime of the car. Our ability to address these technical challenges and deliver reliable, cost-competitive products to automotive customers worldwide has made Johnson Electric a recognised leader in the market.

Total Group Sales

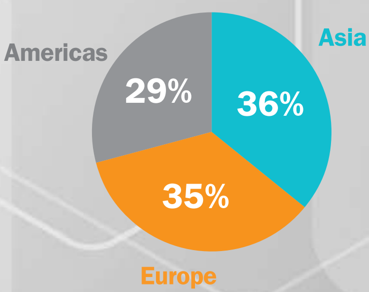
US$ million



Sales by Operating Division



Sales by Destination



VISION AND BUSINESS STRATEGIES

Johnson Electric's Vision

To Be The World's Definitive Provider of Innovative and Reliable Motion Systems.

Core Business Strategies

Focusing on serving customers whose products are aligned to key underlying trends that drive long-term consumer demand – including the imperatives to reduce emissions, lower fuel consumption, improve health and safety, and increase mobility and controllability.

Johnson Electric's core business is the supply of electro-mechanical motion systems and solutions to customers who value innovation and reliability. Within this defined market space, we target segments where secular "mega trends", regulatory change or technology advancements are driving demand.

Across a diverse range of industries and geographies we seek to work closely with our customers to understand their customers' requirements and key preferences. Whether those requirements are for better energy efficiency, a cleaner environment, support for ageing populations, improved security, superior product functionality or ease of use, Johnson Electric delivers.

Examples of our market leading technology and product innovations in these growth areas include: a unique range of motor subsystems that manage the flow of fuel, air and gas in automotive engines; electric relays that can remotely disconnect "smart" electricity meters; insulin delivery devices that integrate a miniature pump and motor; and a high precision shutter system that operates silently inside military-grade infrared cameras.

Electric Water Pump

Electric water pumps are becoming a key component in optimising performance of internal combustion engine vehicles and are a set for even more extensive use in hybrid and all-electric vehicles in the future. This is because conventional belt-driven mechanical water pumps are unable to control coolant volume on demand and therefore lack the precision and efficiency needed to meet the more complex cooling and performance requirements of the latest generation of passenger vehicles.

The number of electric water pumps operating in hybrid and all-electric vehicles will likely increase to four or five pumps per vehicle due to the specific temperature management requirements of the traction motor, power electronics and additional battery/electronics subsystems.

Demand for Johnson Electric's range of advanced electric water pump solutions – particularly in China – is growing rapidly and is set to become a major new source of revenue growth over the next decade.

Investing in technology innovation to provide unique motion solutions to customer problems.

Technology leadership and application-specific know-how are the drivers that make Johnson Electric a global leader in our industry. Over the past two decades, the Group has evolved from having a leading position in small precision motors to building the broadest set of engineered motor and motion system solutions available in the market today – incorporating DC & AC motors, stepper motors, actuators, solenoids, switches, relays, precision gears, powder metal components, pumps and flexible printed interconnects.

Dosing subsystem used in a handheld medication delivery device

Patient self-administration of medicine is increasingly viewed as an effective means to treat chronic conditions which in turn is influencing the design of medication delivery devices.

Johnson Medtech's innovative linear dosing subsystem supports ease of use by elderly and physically challenged people without applying too much force to inject medication. High precision and efficiency is achieved through a custom designed motor, gears and leadscrew subsystem; and sensors allow different speed settings that can be adjusted to suit the comfort of the user. This advanced dosing subsystem enables the end device to make use of electronic communication to other systems for better overall disease management and patient care.

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

In some instances this can mean differentiating our product offering using new technology (or a combination of technologies) to provide a unique motion solution to a customer's problem. In doing so, the ultimate objective is to help the customer differentiate their products in the marketplace – such as through lower energy consumption, lower weight, lower noise, or higher performance. In other situations, it can mean designing and delivering a solution that offers lower total transaction costs for a customer over their end-product's entire life-cycle.

Electric Power Steering BLDC Motor

Electric power steering has grown to become the dominant type of steering system in the automotive industry due to its favourable impact on fuel economy, greater control over driving dynamics, reduced noise levels and reduced assembly time.

Johnson Electric's BLDC motors for EPS applications span a wide range of power output; feature fail-safe designs; and also support autonomous driving functionality. And since the motor shaft is essentially connected directly to the steering wheel, the low torque ripple (reduced vibration effect) of our BLDC motor designs helps to ensure a superior driving experience – which in turn is underpinning Johnson Electric's increasing share in this growing market.

Building a global manufacturing footprint that provides greater customer responsiveness, improved cost competitiveness, and reduced exposure to foreign currency volatility, tariffs and single country risk.

The key goals of Johnson Electric's manufacturing strategy are to be global, flexible and cost competitive. In doing so, we aim to support our customers by being close to where they are operating and being able to ensure fast, reliable supplies and highly responsive levels of service.

To execute this strategy, the Group is progressively building out its operating footprint in the three main geographic regions of Asia, the Americas and Europe.

In addition to closer proximity to customers and faster delivery times, the direct benefits of this "in-region" manufacturing strategy include lower freight costs and inventory levels; reduced exposure to foreign exchange rate fluctuations; avoidance of tariffs and import duties; and an overall diversification of the Group's operating risk by not being overly reliant on any single country or factory.

Aligning design and production processes with the industrial logic of advanced automation to continuously reduce cycle times and improve product quality.

Johnson Electric grew from humble beginnings as a manufacturing enterprise by establishing simple yet effective processes to make quality products in the volumes required by our customers, delivered when they need them, and in the most cost-efficient manner.

As the size, scope and complexity of the Group's operations have grown, we are making significant investments in advanced automated manufacturing, standardisation of product design and the digitalisation of our business processes. This reflects the imperatives to ensure consistent quality of output everywhere we do business; flawlessly execute new product launches in high volumes across multiple regions; and adapt our business model to one where some of our more labour intensive assembly processes are increasingly performed by more capital intensive automation.

Fully automated assembly line for dishwasher drain pumps.

Making selective acquisitions that bring complementary technologies to the Group and strengthen our position in key markets.

In addition to capital investments in the business, Johnson Electric actively evaluates potential acquisitions that can add value to the Group. Among the characteristics that we look for in determining the attractiveness of acquisition candidates are complementary technology; end-market applications with favourable growth prospects; strong customer relationships; and cultural fit with Johnson Electric.

Over the past two decades, we have completed more than a dozen acquisitions of complementary businesses which have been successfully integrated into our core business.

Acquisition of Additional 50% Equity Interest in Halla Stackpole Corporation

In May 2017, Johnson Electric completed the acquisition of an additional 50% equity interest in Halla Stackpole Corporation ("HSC") – taking the Group's attributable interest in HSC to 80%.

Based in Ochang, Korea, HSC is a major manufacturer of powder metal components primarily for the automotive industry in Asia. 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. HSC employs over 500 individuals in two manufacturing facilities in Korea and China.

Developing and retaining a diverse and talented team of people who are committed to making our customers successful and to growing a world-class company that can share in that success.

We believe that to maintain Johnson Electric's competitive edge we must attract, select and retain talented and motivated employees from a diverse range of backgrounds. To succeed requires more than ensuring competitive compensation, benefit and incentive structures. It means implementing a range of talent management programs designed to match the right people to the right jobs; and offering our employees rewarding work at different phases of their careers.

SUSTAINABLE DEVELOPMENT GOALS

Johnson Electric is dedicated to socially responsible interactions with its customers, employees, suppliers, shareholders, business partners and local communities worldwide. The Group's commitment to social accountability includes policies and practices on a variety of issues such as human rights, non-discrimination, social responsibilities and environmental management.

In 2015, the United Nations adopted 17 Sustainable Development Goals to protect the planet and ensure prosperity for all. Johnson Electric has identified seven of these goals as areas where the Group has the potential to make the greatest impact.

RESPONSIBLE CONSUMPTION AND PRODUCTION

Johnson Electric takes a systemic approach to ensuring resource and energy efficient production and supply chain management. As a technology leader for low-weight, high-power density motion solutions we aim to help our customers achieve their own sustainability goals through the provision of energy-efficient products that reduce emissions and improve fuel consumption.

SUSTAINABLE CITIES AND COMMUNITIES

The quality and sustainability of urban living in the future will hinge on improved air quality and more efficient energy consumption. In addition to supporting the shift to cleaner modes of transportation, Johnson Electric's HVAC, window shutter and meter applications are directly targeted at smarter, energy-efficient homes and buildings.

CLIMATE ACTION

Our high-precision components for the automotive industry perform mission critical functions in reducing CO_2 emissions from internal combustion engines and are also enabling the transition to hybrid and all-electric vehicles.

Our Industry Products Group similarly offers motion solutions that reduce electricity consumption for hundreds of product applications.

INDUSTRY, INNOVATION AND INFRASTRUCTURE

Johnson Electric innovates to provide unique motion solutions to customer problems. The Group's industrial logic is driven by its need to be cost competitive and flexible to align with market needs. The Group is upgrading its technological capabilities with advanced automation and machine learning to deliver growth in productivity, higher product quality, and improved resource and energy efficiency.

PARTNERSHIPS FOR SUSTAINABILITY

Johnson Electric actively engages with customers, employees, suppliers and communities around the world to fulfil shared sustainability goals including responsible production and consumption, climate action, sustainable cities and communities, good health and well-being and quality education. Our employees are especially proactive in organising regular community outreach activities to engage with and support the local communities where we operate.

GOOD HEALTH AND WELL-BEING

Johnson Medtech designs and delivers innovative technology solutions that help improve patient well-being and achieve better clinical outcomes. Our medical applications include motorised instruments for minimally-invasive surgery, miniaturised precision drug delivery devices, and patient care and vital signs monitoring technology.

QUALITY EDUCATION

The Johnson Electric Technical College, operating in China and Mexico, targets underprivileged youth, providing a mix of general and technical education over a 3-year apprenticeship programme. The Group also partners with schools and universities to support the provision of quality technical and vocational education.

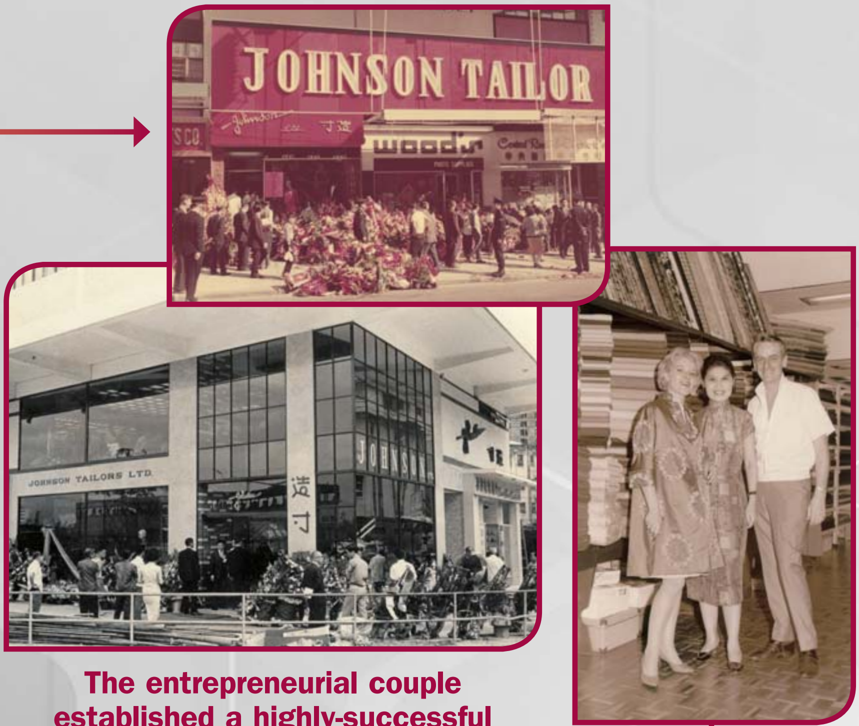
Celebrating Honorary Chairman

Madam Yik-Chun Koo Wang

100th Anniversary

Madam Yik-Chun Koo Wang was born in Wuxi, Jiangsu Province and by the age of 21 had already started her own garment business in Shanghai. Moving to Hong Kong in 1950, along with her husband Mr. Wang Seng Liang, she re-established the business and opened a couturier shop called Johnson Tailors. The "Johnson" name in Chinese stood for "the best workmanship in every inch of work". In 1959, spotting an opportunity to supply Hong Kong's thriving toy industry, Madam Koo and Mr. Wang co-founded a micro motor manufacturing company that would become Johnson Electric.

Mr. and Mrs. Wang Seng Liang came to Hong Kong in 1950



The entrepreneurial couple established a highly-successful garment business…

…then co-founded Johnson Electric in 1959

Madam Koo's philanthropic work has focused on supporting primary education in China

A proud mother to 5, grandmother to 14 and great grandmother to 17.

LETTER TO SHAREHOLDERS

Johnson Electric achieved record net income for the financial year 2017/18 – underpinned by strong organic revenue growth from both of our two operating divisions and by the positive impact of recent acquisitions.

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

Highlights of FY2017/18 Results

- For the financial year ended 31 March 2018, total sales amounted to US$3,237 million – an increase of 17% compared to the prior financial year. Excluding the effects of acquisitions and foreign currency movements, underlying sales increased by 8%
- EBITDA totalled US$520 million – an increase of 16%
- Operating profits increased by 13% to US$335 million or 10.4% of sales (compared to 10.6% of sales in FY2016/17)
- Net profit attributable to shareholders increased by 11% to US$264 million or 29.65 US cents per share on a fully diluted basis
- Capital expenditure totalled US$306 million – up 27% and indicative of the Group's strong order book of new business and major investments in advanced automation and technology
- As of 31 March 2018, cash reserves amounted to US$169 million and the Group's ratio of total debt to EBITDA was 0.9 times

Dividends

Given the substantial capital investment requirements of the business projected for the short to medium term, the Board considers it prudent to recommend maintaining a final dividend of 34 HK cents per share. Together with the interim dividend of 17 HK cents per share paid in January 2018, this amounts to a total dividend of 51 HK cents per share (FY2016/17: 50 HK cents per share).

Sales Performance

The Group's strong organic sales performance reflected the combination of an improving global economic environment, new product launches and market share gains in a number of key product applications.

Total Group sales amounted to US$3,237 million, an increase of 17% over the prior financial year. This figure included a full year sales contribution from AML Systems compared to a ten and a half month contribution in FY2016/17 following its acquisition. Halla Stackpole Corporation, which became a 80% owned subsidiary in May 2017, contributed sales of US$144 million. Excluding these acquisitions and the impact of foreign exchange rate movements, underlying total sales increased by 8%.

The Automotive Products Group ("APG"), the largest operating division, achieved sales of US$2,494 million including Halla Stackpole Corporation and AML Systems. Excluding acquisitions and currency effects, APG's sales increased by 8%.

Despite passenger vehicle production volume growth in Asia of 1% over the past financial year, APG grew sales in the region by 15% in constant currency terms and excluding acquisitions. Johnson Electric's strong market position in China continues to be the main driver of APG's growth in Asia, with numerous new product launches and new platform awards across a range of product applications including powertrain cooling, engine and transmission oil pumps, lighting subsystems and engine management actuators.

European passenger car production volumes grew by almost 2% during the period and total annualised levels reached a 10-year high as the region's gradual economic recovery boosted consumer confidence. APG's European sales mirrored the overall market by increasing 2% in constant currency terms. In contrast, APG sales in the Americas region comfortably outperformed the overall market with growth of 9% following the launch and ramp-up of new programmes in powertrain cooling and electric parking brake applications. After several years of uninterrupted volume growth, the North American light vehicle sector experienced a softening in demand in 2017 due to the combination of rising automotive financing costs, a switch in consumer sentiment away from traditional passenger cars and towards SUVs, and targeted reductions in rental fleet sales by some OEMs.

The Industry Products Group ("IPG") reported a 8% increase in sales to US$743 million – representing 23% of total Group sales. Divisional management has made excellent progress in implementing more focused go-to-market strategies that target segments and key customers where Johnson Electric's motion solutions and products are competitively advantaged. All geographic regions in IPG achieved higher year-on-year sales growth with standout performances from the floor care and printer application segments in Asia, the metering and lawn and garden application segments in Europe, and the lawn and garden and window automation application segments in the Americas.

Delivering Record Net Income

Gross profit increased by 6% to US$791 million – which as a percentage of sales represented a reduction from 26.9% to 24.4%. This was partly due to the negative impact of pricing pressure and higher raw material, 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 13% to US$335 million or 10.4% of sales (10.6% in the prior year). The slight decline in operating margins reflected the combined net negative pre-tax impact of US$18 million from two non-cash items: a valuation gain related to the acquisition of an additional 50% equity interest in Halla Stackpole Corporation; and a mark-to-market liability related to structured foreign exchange contracts that form part of the Group's long-term operational hedging activities.

Net profit attributable to shareholders increased by 11% to a record US$264 million.

Investing to Drive Growth and Transform the Business Model

There is little doubt that over the course of the next ten to twenty years, the automotive industry – by far the Group's largest end market – will undergo the greatest structural disruption in its recent history. Changes in technology, regulation and consumer preferences will reshape the industry landscape and upend many existing business models.

The precise nature, scope and timing of these changes, however, are the subject of considerable debate. Opinions diverge sharply when it comes to predicting how quickly internal combustion engines will be replaced by alternative types of propulsion, how widely consumers will adopt (and regulators may allow) autonomous driving, or how extensively shared mobility services will impact passenger vehicle sales globally.

For automotive components suppliers, this degree of disruptive change presents opportunities and challenges. In Johnson Electric's case, we see an exciting growth opportunity stemming from the market's need for innovative, cost-competitive solutions to reduce emissions, enable electrification and optimise thermal management. These imperatives are right in the sweet spot for our unique range of electric motors, actuators and pump technologies.

Meeting this strong and sustained demand for our products is requiring significant investment in new plant, tooling and automation equipment. And it is also presenting management with the welcome – though nonetheless non-trivial – challenge of simultaneously executing multiple new product launches across multiple geographies.

In parallel to the Group's progressive build-up of a larger, more automated and more global manufacturing footprint, the Digital Revolution is set to bring about a fundamental shift in the way we operate. Advances in sensors, machine vision, digital twin technology, machine learning and artificial intelligence will enable improved product quality, added speed and agility, reduced costs, increased customer satisfaction and new potential streams of revenue.

Taken together these changes will transform Johnson Electric as a business enterprise. Shareholders can expect to see the first stage of this transformation play out over the next three to five years as we invest to respond to the strong "pull" from the market for our products and we embrace digitalisation as the essential means to sustain our long-term competitiveness.

Outlook

Heading into the new 2018/19 financial year, the business is performing well in the context of a global economy that is expanding – but at growth rates still below pre-crisis averages. Very robust demand for our motion products and solutions continues and, barring rising protectionist sentiment boiling over into a major trade war, we anticipate organic sales growth for the current financial year to be similar to the level achieved in 2017/18.

At present, it is not possible to predict whether the on-going public trade dispute involving the US, China and the European Union will result in higher tariffs or other measures that could seriously threaten the global economic recovery. It is equally difficult to gauge the potential impact on Johnson Electric and its customers with any degree of precision. However, based purely on information currently available relating to the proposed additional Section 301 tariffs on products imported into the USA from China, it appears that these may apply to product lines that amount to less than 3 per cent of the Group's total annual sales.

In summary, I am excited by the growth trajectory of the business and optimistic that the investments we are making will position Johnson Electric for enduring success.

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

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

Hong Kong, 16 May 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL PERFORMANCE

US$ million	FY2017/18 [1]	FY2016/17
Sales	3,236.6	2,776.1
Gross profit	791.2	747.8
Gross margin	*24.4%*	*26.9%*
Profit attributable to shareholders	264.0	237.9
Diluted earnings per share (US cents)	29.65	26.91
EBITDA [2]	519.8	448.4
EBITDA margin	*16.1%*	*16.2%*
Free cash flow from operations [3]	88.2	160.1

US$ million	31 Mar 2018	31 Mar 2017
Cash	168.9	127.7
Total debt [4]	492.2	384.0
Net debt (total debt less cash)	323.3	256.3
Total equity	2,365.8	2,025.0
Market capitalisation [5]	3,236.1	2,565.6
Enterprise value [6]	3,626.7	2,854.7
EBITDA adjusted on a proforma basis [7]	521.8	450.5

Key Financial Ratios	31 Mar 2018	31 Mar 2017
Enterprise value to EBITDA [7]	7.0	6.3
Free cash flow [7] to total debt	18%	42%
Total debt to EBITDA [7]	0.9	0.9
Total debt and leases [8] to EBITDA [7]	1.1	1.0
Total debt to capital (total equity + total debt)	17%	16%

1 FY2017/18 includes 12 months' results of AML Systems ("AML") and 11 months' results of Halla Stackpole ("HSC"). FY2016/17 includes 10½ 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 borrowings plus convertible bonds (debt elements)

5 Outstanding number of shares multiplied by the closing share price (HK$29.45 per share as of 31 March 2018 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 adjusted to include 12 months' results of HSC (FY2017/18) and AML Systems (FY2016/17) 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

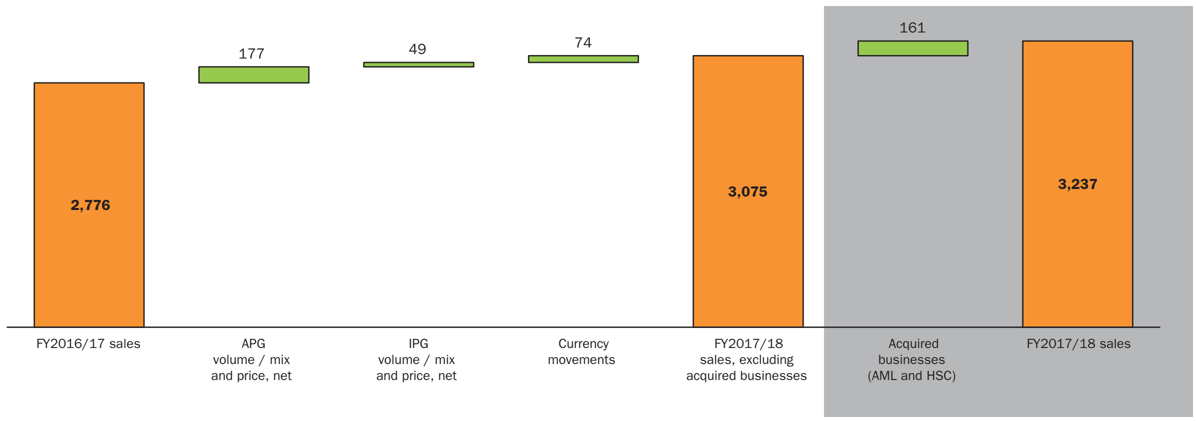
Sales

Sales increased US$460.5 million or 17% to US$3,236.6 million in FY2017/18 (FY2016/17: US$2,776.1 million). Excluding acquisitions and currency movements, sales increased by US$225.3 million or 8% compared to the prior year, as shown below:

US$ million	FY2017/18		FY2016/17		Change	
Automotive Products Group ("APG") sales						
– Excluding acquisitions and currency movements	2,267.6	72%	2,090.8	75%	176.8	8%
– Acquired businesses	161.2	5%	–	0%	161.2	
– Subtotal	2,428.8	77%	2,090.8	75%	338.0	16%
– Currency movements	64.9		n/a		64.9	
APG sales	2,493.7		2,090.8		402.9	19%
Industry Products Group ("IPG") sales						
– Excluding currency movements	733.8	23%	685.3	25%	48.5	7%
– Currency movements	9.1		n/a		9.1	
IPG sales	742.9		685.3		57.6	8%
Group sales						
– Excluding acquisitions and currency movements	3,001.4	95%	2,776.1	100%	225.3	8%
– Acquired businesses	161.2	5%	–	0%	161.2	
– Subtotal	3,162.6	100%	2,776.1	100%	386.5	14%
– Currency movements	74.0		n/a		74.0	
Group sales	**3,236.6**		**2,776.1**		**460.5**	**17%**

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 increased sales by US$225.3 million. Organic changes in the sales of the Automotive Products Group and the Industry Products Group are discussed on pages 18 to 20.

Newly acquired businesses increased sales by US$161.2 million. The addition of AML and HSC's businesses is further discussed, within the review of Johnson Electric's automotive business, on pages 18 to 19.

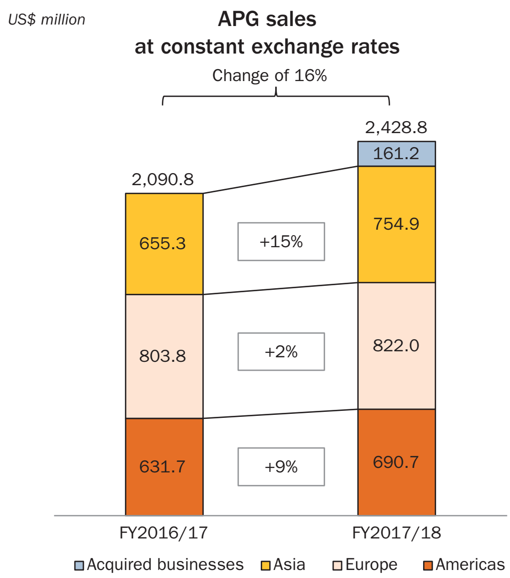
Currency movements had a positive impact on revenues of US$74.0 million due to the stronger Euro, Chinese Renminbi and Canadian Dollar versus US Dollar in FY2017/18 compared to FY2016/17. The Group's sales are largely denominated in the US Dollar, the Euro, the Chinese Renminbi and the Canadian Dollar. See Note 34.4 to the consolidated 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 increased by 16%, excluding currency movements.

Organic growth: APG's sales excluding currency effects and acquired businesses increased by 8%, compared to FY2016/17, while light vehicle production globally grew less than 1%. The market out-performance came from multiple product platforms as the industry increased its level of electrification to increase powertrain efficiency and reduce weight, while improving safety, reliability and comfort.

In Asia, sales increased by 15%, significantly outpacing the 1% growth in light vehicle production in the region as APG benefited from new products, the ramp-up of recent platform launches and market share gains, especially in China and Japan. This was reflected in increased sales of the Group's products for powertrain cooling, lighting, engine and transmission oil pumps, braking, engine emissions, valvetrain and power liftgate applications, slightly offset by reduced sales in the drivetrain and power steering segments.



Yearly trend in sales
(excluding acquired businesses and currency movements)

	APG sales growth/(decline)			
Year ended	Asia	Europe	Americas	Total
31 March 2018	15%	2%	9%	8%
31 March 2017	20%	2%	3%	9%
31 March 2016	4%	5%	4%	5%
31 March 2015	12%	5%	(8%)	4%

In Europe, sales increased by a little over 2%, slightly ahead of the less than 2% growth in light vehicle production in the region, as APG benefited from recent platform launches and the ramp-up of customer programs. The highest growth areas were engine and transmission oil pumps, thermal cooling (including engine coolant valves and brushless powertrain cooling fan modules), heating, ventilation and air-conditioning, lighting and window lift. This was slightly offset by reduced sales of products for seat and braking applications.

In the Americas, sales increased 9% despite a 2% drop in light vehicle production in the region, as sales of products for powertrain cooling, electric parking brake, engine air management, powder metal components and lighting systems benefited from customer growth and the ramp-up of customer programs. This was partially offset by a decline in sales of engine and transmission oil pumps in the region due to a change in product mix as Stackpole introduced new lower-cost, more efficient pumps, phasing out older, higher-cost models, although revenues are expected to increase in future periods as volumes grow.

Viewed by major product lines:

- The Stackpole business, primarily engaged in the manufacture and sale of engine and transmission oil pumps and powder metal components accounted for 20% (16% excluding the acquisition of Halla Stackpole) of the Group's sales for the FY2017/18 (FY2016/17: 17%). Excluding currency movements and acquisitions, Stackpole achieved 4% organic growth.

- 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 FY2017/18 (FY2016/17: 19%).

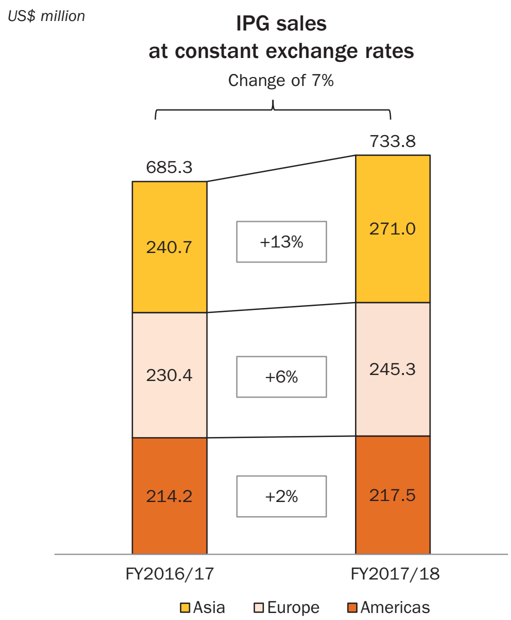
Newly acquired businesses increased APG's sales by US$161.2 million in FY2017/18, as follows:

- Underlying sales of AML grew by approximately 4%, excluding currency effects compared to FY2016/17 (combining 1½ months' pre-acquisition sales of US$17.2 million on a pro forma basis and 10½ 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 11 months since acquisition were US$144.0 million. Excluding currency effects, underlying sales for FY2017/18 (including 1 month's pre-acquisition sales on a pro forma basis) grew by approximately 9% compared to FY2016/17 (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 7% for FY2017/18 compared to the prior year.



In Asia, sales increased 13%, for a second successive year of growth, driven by increased share and new program wins at existing customers and extending the prior year's turnaround from the decline seen in earlier years. In Europe, sales increased 6% driven by the ramp-up of programs launched in the prior year. In the Americas, sales increased 2% to reverse the decline of the prior year, driven by the production launch of new programs.

Yearly trend in sales (excluding currency movements)

	IPG sales growth/(decline)			
Year ended	Asia	Europe	Americas	Total
31 March 2018	13%	6%	2%	7%
31 March 2017	3%	18%	(3%)	5%
31 March 2016	(17%)	8%	0%	(5%)
31 March 2015	(4%)	6%	12%	4%

IPG's "Solutions Business" unit is focused on selected global market segments and key accounts; all segments demonstrated year on year revenue growth. The largest revenue growth segment was key accounts followed by metering, lawn and garden equipment, heating, power tools and window motorisation. The key account revenue growth was driven by increased demand and our share of customers' business in the printer, floor care, point of sale and small domestic appliance segments. Metering growth was driven by the European rollout of smart meter programs for gas and electric utilities. The growth in the lawn segment was driven by demand for robotic lawn mowers. Heating segment growth was driven by European demand for improved energy efficiency. Window motorisation is a growing market trend in the USA, driven by a recent voluntary safety standard.

IPG's "Products Business" unit is focused on a large number of medium-sized accounts throughout the world, served through IPG's own sales teams as well as regional distributers. Global revenue growth resulted from strong performance in Asia and Europe and steady performance in the American Product Business unit. This growth was supported by an engineering focus on new products, production automation and cost reduction for motors, micro-switches, solenoids and flexible printed circuit products.

Profitability Review

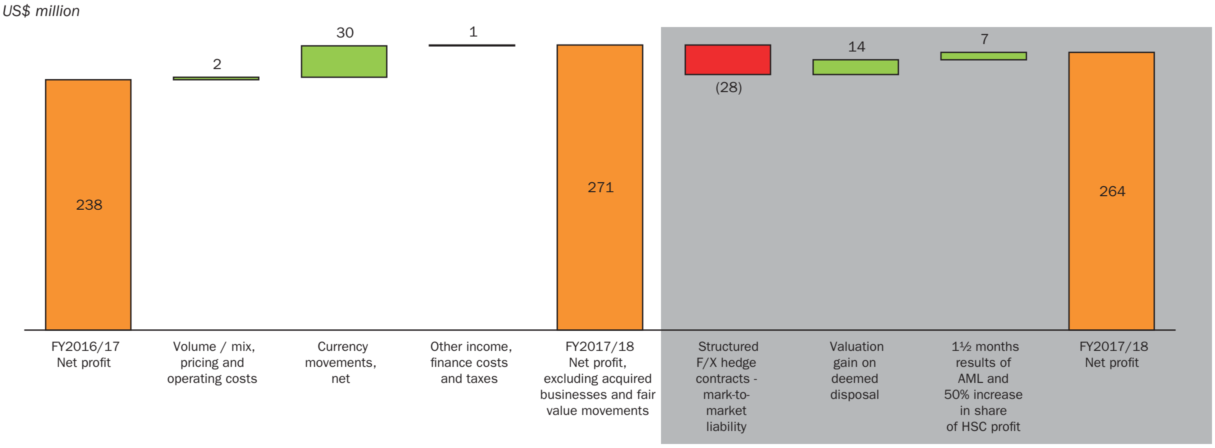
Profit attributable to shareholders was US$264.0 million in FY2017/18, up US$26.1 million from US$237.9 million in FY2016/17. Excluding the effects of acquisition of AML Systems and Halla Stackpole and unrealised losses on structured foreign currency contracts, profit for FY2017/18 was US$270.9 million.

US$ million	FY2017/18 [1]	FY2016/17	Increase / (decrease)
Sales	3,236.6	2,776.1	460.5
Gross profit	791.2	747.8	43.4
Gross margin %	*24.4%*	*26.9%*	
Other income and gains, net	6.2	19.1	(12.9)
Intangible assets amortisation expense	(40.7)	(37.1)	(3.6)
Intangible assets amortisation expense %	*1.3%*	*1.3%*	
Other selling and administrative expenses ("S&A")	(421.5)	(434.3)	12.8
Other S&A %	*13.0%*	*15.6%*	
Operating profit	335.2	295.5	39.7
Operating profit margin %	*10.4%*	*10.6%*	
Share of profit of associates	1.1	4.8	(3.7)
Net interest expense	(13.5)	(10.0)	(3.5)
Profit before income tax	322.8	290.3	32.5
Income tax expense	(48.6)	(43.8)	(4.8)
Effective tax rate	*15.0%*	*15.1%*	
Profit for the year	274.2	246.5	27.7
Non-controlling interests	(10.2)	(8.6)	(1.6)
Profit attributable to shareholders	264.0	237.9	26.1
Basic earnings per share (US cents)	30.64	27.71	2.93
Diluted earnings per share (US cents)	29.65	26.91	2.74

1 FY2017/18 includes 12 months' results of AML Systems and 11 months' results of Halla Stackpole and a valuation gain on a deemed disposal due to the acquisition of Halla Stackpole. FY2016/17 includes 10½ months' results of AML Systems

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

Profit Attributable to Shareholders



Volume / mix, pricing and operating costs: Profits in FY2017/18 benefited from increased volumes and cost reduction activities, offset by price reductions, wage inflation, mix changes and new product start-up costs in North America. The net effect of these changes increased net profit by US$2.4 million.

The gross profit margin decreased to 24.4% for FY2017/18, from 26.9% prior year for the reasons identified above. When adjusted for the currency hedges for export sales (reported in selling and administrative expenses), the gross margin would be 24.9% (FY2016/17: 27.8%).

Selling and administrative expense, as a percentage of sales, decreased to 13.0% from 15.6% in the prior year due to the combined impact of the Group's cost saving efforts and improved operating leverage as sales grew while selling and administrative costs shrank.

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. Including hedge contracts, currency movements increased net profit by US$29.8 million in FY2017/18.

Other income, finance costs and taxes: Other income, net interest and taxes increased profits for FY2017/18 by US$0.8 million.

- Other income increased, largely due to higher levels of government subsidies in the second half of FY2017/18 to support business growth. Other income in FY2016/17 included gains on disposal of property; there were no such gains on disposals in FY2017/18.
- Net interest expense, excluding interest attributable to acquisitions, increased slightly due to rising interest rates. Finance income and costs are analysed in Note 22 to the accounts.
- The effective tax rate decreased slightly to 15.0% for FY2017/18, from 15.1% for the prior year. Net deferred tax assets in the US were written down by US$2.5 million following the impact of US tax reforms that reduced the statutory rate from 35% to 21%. If the effect of US tax reform on deferred tax assets is excluded, the effective tax would have been 14.3%. Taxes are analysed further in Note 17 to the accounts.

Structured foreign currency hedge contracts – mark-to-market liability: Unrealised losses on structured foreign currency contracts decreased net profit for FY2017/18 by US$28.0 million, net of tax (US$31.9 million pre-tax). The Group entered into these contracts for economic hedging purposes to mitigate potential future risks from changes in currency exchange rates. The latest structured foreign currency contract was entered on 11 August 2017.

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

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

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

These structured contracts achieved rates that were not available at the time using plain vanilla contracts. However, 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 remeasurements recognised in the consolidated income statement in each accounting period 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 and will impact on cash flow at that time, accordingly. In terms of estimating future cash flow, the structured contract rates at maturity compared to spot rates as of 31 March 2018 would give rise to a cash flow benefit of approximately US$36 million (assuming minimum delivery for EUR and RMB contracts and a mixture of minimum and maximum delivery for CAD contracts depending on the contract delivery rate). See Note 8(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$6.0 million to the Group's net profit in the 11 months since its acquisition. The acquisition of an equity interest in Halla Stackpole also created a US$14.0 million non-cash valuation gain on the deemed disposal of the pre-existing 30% holding in Halla Stackpole, net of transaction costs.

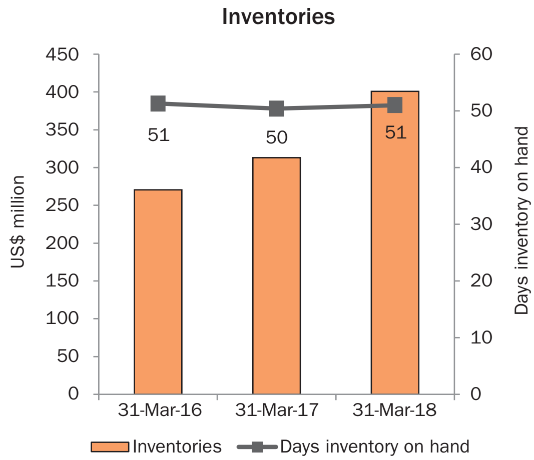
WORKING CAPITAL

US$ million	Balance sheet as of 31 Mar 2017	Currency translation	Acquisitions	Working capital changes per cash flow	All other	Balance sheet as of 31 Mar 2018
Inventories	313.1	20.4	11.6	55.7	–	400.8
Trade and other receivables	614.7	40.0	47.0	64.8	4.9	771.4
Other non-current assets	11.1	1.4	4.0	2.1	13.4	32.0
Trade payables, other payables and deferred income [1]	(569.2)	(42.4)	(23.2)	(48.9)	(26.9)	(710.6)
Retirement benefit obligations [1, 2]	(30.8)	(4.4)	(8.5)	(2.7)	13.5	(32.9)
Provisions and other liabilities [1]	(59.6)	(4.3)	(0.4)	17.2	1.7	(45.4)
Other financial assets / (liabilities), net [1]	75.2	1.6	–	(9.5)	30.4	97.7
Total working capital per balance sheet	354.5	12.3	30.5	78.7	37.0	513.0

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

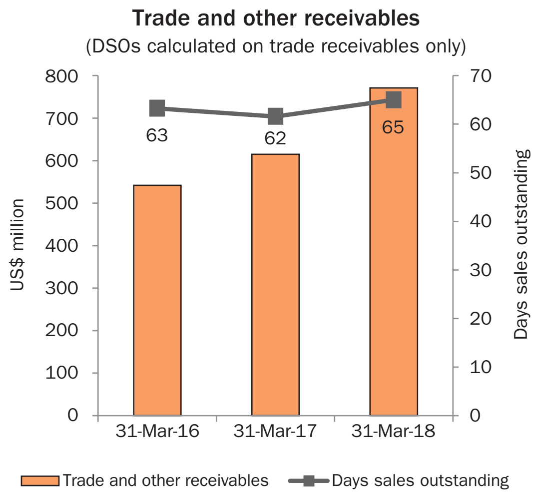
Inventories increased by US$87.7 million to US$400.8 million as of 31 March 2018 (31 March 2017, US$313.1 million) due to higher production volumes (including product launches and ramp-ups), the acquisition of Halla Stackpole and higher stocks of certain electronic components with long lead times.

Days inventory on hand, increased slightly to 51 days as of 31 March 2018 from 50 days as of 31 March 2017.



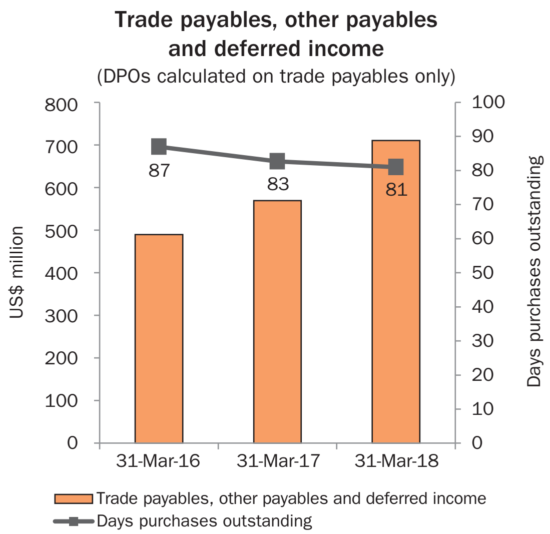
Trade and other receivables increased by US$156.7 million to US$771.4 million as of 31 March 2018 (31 March 2017, US$614.7 million) as higher sales volumes, the acquisition of Halla Stackpole increased trade receivables and VAT recoverable increased driven by higher volumes of purchases.

Days sales outstanding ("DSOs") increased to 65 days as of 31 March 2018 from 62 days as of 31 March 2017 due to an increase in the proportion of sales to customers with longer credit terms and the acquisition of Halla Stackpole. 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$141.4 million to US$710.6 million as of 31 March 2018 (31 March 2017, US$569.2 million) due to higher business volumes and the acquisition of Halla Stackpole, partly offset by the insourcing of some parts production.

Days purchases outstanding ("DPOs") decreased to 81 days as of 31 March 2018 from 83 days as of 31 March 2017 due to the seasonal effect on purchases of materials around the public holidays in China (celebrated in January 2017 and February 2018) and the insourcing of some parts production.



Retirement benefit obligations: The acquisition of Halla Stackpole, offset by gains made by the underlying pension scheme assets, increased retirement benefit obligations by US$2.1 million, net, to US$32.9 million as of 31 March 2018 (31 March 2017, US$30.8 million). The Group will make contributions of US$3.3 million to defined benefit retirement plans for FY2018/19 (FY2017/18: paid contributions of US$4.1 million to defined benefit retirement plans). For further details of retirement benefit obligations, see Note 15 to the accounts.

Provisions and other liabilities decreased by US$14.2 million to US$45.4 million as of 31 March 2018 (31 March 2017, US$59.6 million), largely due to the utilisation of warranty provisions. Provisions and other liabilities as of 31 March 2017 were revised to include a US$14.0 million adjustments to legal and warranty provisions related to AML during the remeasurement period (12 months from the date of acquisition). For further details of provision and other liabilities, see Note 16 to the accounts.

Other financial assets / (liabilities), net: The Group holds commodity and foreign currency contracts for hedge purposes to mitigate potential future risks from changes in commodity prices and currency exchange rates. Changes in the fair value of hedge contracts increased other financial assets / (liabilities), net, by US$22.5 million to a net financial asset of US$97.7 million as of 31 March 2018 (31 March 2017, US$75.2 million).

- The fair value of commodity contracts increased by US$21.6 million largely driven by a rise in mark-to-market rates for copper.

- Fair value gains on foreign currency forward contracts and cross-currency interest rate swaps increased in value by US$0.9 million, largely due to favourable changes in the mark-to-market value of Chinese Renminbi and Mexican Peso hedge contracts, offset by adverse changes in the mark-to-market value of Euro and Swiss Franc hedge contracts.

Spot rates / prices of significant items are shown in the table below:

	Spot rates as of 31 Mar 2018	Spot rates as of 31 Mar 2017	Strengthen /(weaken)
USD per EUR	1.23	1.07	(13%)
CHF per EUR	1.18	1.07	(9%)
RMB per USD	6.28	6.89	10%
CAD per USD	1.29	1.33	3%
HUF per EUR	312.39	308.48	(1%)
MXN per USD	18.27	18.71	2%
USD per metric ton of copper	6,685	5,849	14%
USD per ounce of silver	16.28	18.06	(10%)

Further details of the Group's hedging activities can be found in the Financial Management and Treasure Policy Section on pages 31 to 32 and in Note 7 to the accounts.

CASH FLOW

US$ million	FY2017/18 [1]	FY2016/17	Change
Operating profit [2]	336.2	296.9	39.3
Depreciation and amortisation	183.6	151.5	32.1
EBITDA	519.8	448.4	71.4
Other non-cash items	35.5	12.0	23.5
Working capital changes	(78.7)	(15.4)	(63.3)
Interest paid	(8.2)	(5.9)	(2.3)
Income taxes paid	(67.6)	(39.2)	(28.4)
Capital expenditure, net of subsidies	(305.8)	(240.2)	(65.6)
Proceeds from disposal of fixed assets	0.7	6.0	(5.3)
Capitalisation of engineering development costs	(8.7)	(6.7)	(2.0)
Interest received	1.2	1.1	0.1
Free cash flow from operations	**88.2**	**160.1**	**(71.9)**
Acquisitions and related costs	(104.8)	(94.6)	(10.2)
Acquisition of non-controlling interests	–	(19.3)	19.3
Dividends paid	(56.5)	(55.4)	(1.1)
Other investing activities	0.1	0.2	(0.1)
Other financing activities	(1.7)	(7.9)	6.2
Borrowing proceeds / (repayments)	101.6	(42.3)	143.9
Increase / (decrease) in cash (excluding currency movements)	26.9	(59.2)	86.1
Currency translation gains / (losses) on cash and cash equivalents	14.3	(6.4)	20.7
Net movement in cash	41.2	(65.6)	106.8

1 FY2017/18 includes 12 months' results of AML Systems and 11 months' results of Halla Stackpole. FY2016/17 includes 10½ months' results of AML Systems

2 Operating profit plus US$1.0 million dividend received from associate in FY2017/18 (FY2016/17: US$1.3 million)

The Group generated US$88.2 million free cash flow from operations in FY2017/18; a decrease of US$71.9 million from US$160.1 million in FY2016/17. This movement in operating cash flows includes the followings:

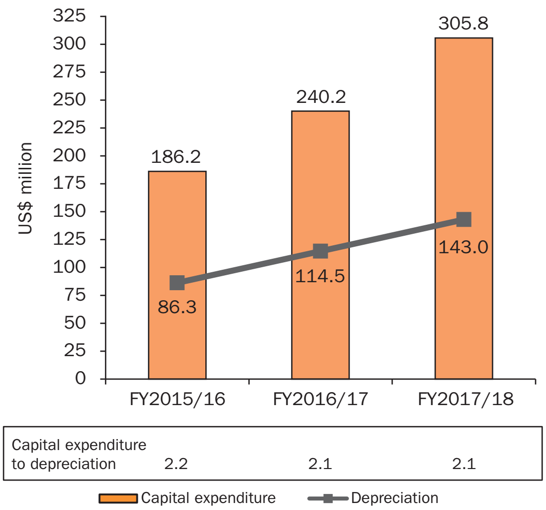
- **Working capital changes** of US$78.7 million, to support increased business volumes, as explained in the previous section.

- **Income taxes paid** increased US$28.4 million due to higher pre-tax profits year-on-year and the settlement of certain tax audits for prior years in Europe.

- **Capital expenditure** of US$305.8 million in FY2017/18. The Group continues to invest in new product launches; long-term technology / testing development; enhanced automation to standardise operating processes, further improve product quality and reliability and mitigate rising labour costs in China; and on-going replacement of assets.

- **Proceeds from disposal of fixed assets** of US$0.7 million in FY2017/18 (FY2016/17: US$6.0 million, largely from the disposal of property).

Capital expenditure and depreciation



The net movement in cash includes the following:

- **Acquisitions and related costs:** In May 2017, the Group acquired a controlling interest in Halla Stackpole for cash outlay of US$76.9 million plus transaction costs of US$0.8 million. This acquisition increased the Group's equity interest in Halla Stackpole from 30% to 80%. Halla Stackpole manufactures powder metal components, largely for the Korean automotive market. Additionally in FY2017/18, in relation to the earlier acquisition of Stackpole, the Group paid US$27.1 million for Stackpole's Ancaster facilities.

  In FY2016/17, the Group acquired AML systems for US$64.7 million and paid US$29.9 million for Stackpole's Mississauga and Stratford facilities and related items.

- **Acquisition of non-controlling interests:** In FY2016/17, 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. There were no such transactions in FY2017/18.

- **Dividends** are discussed in the Financial Management and Treasury Policy Section on 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 and Poor's (S&P) Ratings Services for independent long-term credit ratings. As of 31 March 2018, 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 for the foreseeable future.

Net Debt and Credit lines

US$ million	31 Mar 2018	31 Mar 2017	Change
Cash	168.9	127.7	41.2
Borrowings	(279.2)	(176.4)	(102.8)
Convertible bonds	(213.0)	(207.6)	(5.4)
Net debt	(323.3)	(256.3)	(67.0)
Available unutilised credit lines	905.6	758.9	146.7

Cash increased by US$41.2 million to US$168.9 million as of 31 March 2018 as explained on pages 27 to 28.

US$ million	31 Mar 2018	31 Mar 2017
RMB	50.9	40.4
EUR	48.8	35.3
USD	33.1	28.7
KRW	12.6	–
CAD	0.4	9.4
Others	23.1	13.9
Total	168.9	127.7

Borrowings increased by US$102.8 million to US$279.2 million as of 31 March 2018 (31 March 2017, US$176.4 million) due to the acquisition of a controlling interest in Halla Stackpole and the high rate of organic business growth. Further information on borrowings can be found in Note 13 to the accounts.

Convertible bonds: In April 2014, the Company issued convertible bonds with 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 31 March 2018, the carrying value of these bonds was US$213.0 million. Further information on the convertible bonds can be found in Note 14 to the accounts.

Borrowings and Convertible Bonds

US$ million	Total debt	Swap contracts	Total after effect of swaps	%
USD	413.5	(125.0)	288.5	57%
HKD	19.9	(19.9)	–	0%
EUR	0.2	160.8	161.0	32%
CAD	58.6	–	58.6	11%
Total	492.2	15.9	508.1	100%

Balance Sheet presentation:

Borrowings – current	126.1
Borrowings – noncurrent	153.1
Convertible bonds	213.0
Gross debt	492.2
Swap contracts (Other financial liabilities)	15.9
Total debt including swap contracts	508.1

Gearing:

- The Group's total debt to capital ratio was 17% as of 31 March 2018, up from 16% as of 31 March 2017, due to the acquisition of Halla Stackpole.

- Total debt to EBITDA ratio remained flat at 0.9 (31 March 2018 adjusted to include 12 months of Halla Stackpole. 31 March 2017 adjusted to include 12 months of AML Systems).

- Interest coverage (defined as EBITDA adjusted as above, divided by gross interest expense) was 35 times for FY2017/18, compared to 40 times for FY2016/17.

- Free cash flow from operations as a percentage of gross debt decreased to 18% for FY2017/18 from 42% for FY2016/17. This was due to the combined effects of an increase in borrowings and a decrease in free cash flow, explained earlier.

Available credit lines – The Group had US$906 million available unutilised credit lines as of 31 March 2018, as follows:

- Of US$255 million committed revolving credit facilities provided by certain of its principal bankers, US$238 million remained unutilised. These facilities have expiry dates ranging from September 2018 to February 2020;

- US$506 million of uncommitted and unutilised revolving credit facilities, provided by its principal bankers; and

- US$162 million of uncommitted and unutilised trade receivable financing lines.

Dividends

The Board has recommended a final dividend of 34 HK cents per share for FY2017/18 (FY2016/17: 34 HK cents per share) equivalent to US$37.4 million, to be paid in August 2018. The Company paid 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.

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 have varying maturities, ranging from 1 to 84 months as of 31 March 2018, to match the underlying cash flows of the business and included:

- Forward sales of the Euro ("EUR") and the Japanese Yen ("JPY") to hedge export sales denominated in these currencies;
- Forward sales of 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"), the Israeli Shekel ("ILS") and the Serbian Dinar ("RSD") to hedge production conversion costs and other operating costs denominated in these currencies.

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

	FY2017/18	FY2016/17
USD	37%	37%
EUR	29%	30%
RMB	21%	19%
CAD	9%	11%
KRW	2%	0%
Others	2%	3%

The Group also hedges its net investment in its European operations to protect itself from exposure to future changes in currency exchange rates.

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 10 to 36 months.
- Price risk due to copper, silver and aluminium is reduced by hedging through appropriate financial instruments with varying maturities ranging from 1 to 51 months as of 31 March 2018. 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 exchange contracts and raw material commodity contracts can be found in Note 7 to the accounts.

ENTERPRISE RISK MANAGEMENT

The Group identifies, mitigates and manages its exposure to risk and uncertainty through proactive oversight and robust business processes. Management monitors these business processes, testing them periodically to ensure their continued effectiveness.

Existing and emerging risks are analysed and tracked on a quarterly basis by the Group's Enterprise Risk Management Steering Committee. This is led by the Group's Chief Executive and comprises the Chief Financial Officer, the Senior Vice Presidents of Human Resources, Supply Chain Services, Global Manufacturing and Corporate Engineering and key senior leaders from the Legal and Intellectual Property, Internal Audit and Environment, Health and Safety departments.

The principal risks and uncertainties facing the Group can be categorised as follows:

Principal risks and uncertainties [1]

Strategic risks	**Commercial risks**	**Operational risks**	**Financial risks**
Macroeconomic changes	Pricing and volume	Contract performance	Liquidity and capital access
Market competition and market disruption	Warranty sharing	Intellectual property	Foreign exchange
Disruptive digitalisation	Non-payment by customers	Supply chain	Interest rates
Reputation		Warranty and product liability	Commodity prices
Mergers and acquisitions		Human resources	
		IT vulnerability	
		Environment, health and safety	

1 This list is not exclusive and comprehensive as the nature, severity and frequency of risks changes over time due to the complexity of the Group's business environment and global operations. The Group may be exposed to new emerging risks or to other existing risks that are not significant at the moment but that may become significant in the future.

The nature of these risks and the Group's policies for managing its exposure to them is set out below:

Nature of risk	How we respond
Strategic risks	
Macroeconomic changes – The Group's business is sensitive to the global economic and socio-political environment. Further, the financial performance of the Group's Automotive and Industry Product Groups depends on conditions in the industries in which they operate. Production and sales in these industries are cyclical and sensitive to the general economic conditions and other factors including interest rates, consumer credit and consumer preferences.	• Ensuring that the operational footprint can respond quickly and cost effectively to changes in the market and capacity utilisation. • Seeking organic and acquisition related growth, across all regions, to mitigate the potential impact of an economic downturn in any particular region. • Diversifying customer and product portfolios through internal development and acquisition to mitigate the adverse impact of economic downturn or market changes in a particular industry.
Market competition and market disruption – The Group must compete on both price and product technology as large, multinational and smaller, regional or niche competitors attempt to increase market share. In addition, some of the Group's market segments face the risk of rapid disruption from new technologies, new business models and regulatory changes.	• Developing cost-effective solutions and managing technological competitiveness though innovation and intellectual property in order to be the definitive supplier of motion solutions to its customers. • Diversifying customer and product portfolios through internal development and acquisition to mitigate the adverse impact or exploit the favourable impact of technology, business model or regulatory changes in a particular industry.
Disruptive digitalisation – The current trend of increasing automation, artificial intelligence and data exchange in manufacturing technologies to create the smart factory will give rise to challenges in implementation including controlling investment, resolving IT security and reliability issues, maintaining the integrity of production and managing disruption to the workforce as required skill-sets change and as some positions are eliminated through automation.	• Strategic planning and risk assessment, aligned to a technology roadmap that considers the converging capabilities of robotic process automation and cyber-physical systems, advanced analytics and artificial intelligence and growth in the internet of things. • Closely monitored and controlled capital expenditure to create the smart factory, with appropriate safeguards to mitigate the related operational, financial, regulatory, organisational and technological risks.
Reputation – The Group may lose potential business if its character or quality is called into question.	• Continuously improving engineering, manufacturing processes and quality standards to maintain the Group's position as the "safe choice" for customers. • Ensuring that a strong tone at the top is reflected in business practices. High integrity, sound ethics and good business practices are expected to be followed by employees at all levels of Johnson Electric's global organisation, with zero tolerance for non-compliance.
Mergers and acquisitions – Should suitable opportunities occur, the Group makes acquisitions (such as HSC and AML) that can complement its strategy, broaden its technology offering and accelerate growth. The Group faces risks in integrating such newly acquired businesses, including the integration of business models, product portfolios, operations, systems, employees and business cultures. Depending on the size and complexity of such acquired businesses, the Group may not be able to take advantage of synergies quickly.	• Prior to acquiring new business, the Group carries out a comprehensive appraisal to establish its commercial potential and fit with the Group's strategy and product portfolio, to evaluate the assets and liabilities that will be acquired and to identify potential issues. • The Group stipulates procedures and post-acquisition support to ensure that integration is smooth. The HSC and AML acquisitions are further discussed in Note 28 to the financial statements.

Nature of risk	How we respond
Commercial risks	
Pricing and volumes – In the markets where the Group sells its products, there is intense competitive pressure to reduce prices as both large, multinational and smaller, niche competitors attempt to expand their market share. Additionally, volumes may fluctuate as the Group's customers are also subject to competitive pressures.	• Continuously seeking productivity and efficiency improvements. • Ensuring the suitability of the operational footprint to respond quickly and cost effectively to changes in the market and in capacity utilisation. • Formal, disciplined review and approval of quotations.
Warranty sharing – The Group's customers operate in competitive markets and may vary warranty periods offered to end-customers to increase the attractiveness of their product. Consequently, the Group may be exposed to the risk of increased costs of warranty sharing.	• Managing customer relationships, including contract terms and conditions, in accordance with industry standards. • Considering potential warranty risks at the design stage in product development.
Non-payment by customers [1] – Possible non-payment due to customer-related problems such as insolvency or bankruptcy.	• Actively managing customer credit risk and maintaining a low tolerance for delinquent payments.
Operational risks	
Contract performance – Potential losses arising from failure in contract performance or onerous contract terms.	• Managing customer relationships, including contract terms and conditions, in accordance with industry standards.
Intellectual property – The Group's business is dependent on its ability to enforce its patents against infringement and to protect its trade secrets, know-how and other intellectual property. Potential risks relating to this include the substantial cost of protecting its intellectual property rights and the legal cost of defending claims of infringement.	• Protecting the Group's proprietary position by safeguarding trade secrets and know-how and by filing patent applications for technologies and process improvements that are important to the development of the Group's business. • Enforcement action against infringement by competitors. • Patent searches to avoid infringing others' intellectual property.
Supply chain – If the Group experienced a prolonged shortage of critical components, without being able to procure replacement for such items, it would be unable to meet its production schedules and could miss customer delivery deadlines and expectations.	• Ensuring supply chain resilience, including supplier continuity, quality and reliability. • Continuously seeking opportunities to insource the supply chain to assure supply.

1 The performance of the Group's credit risk management is discussed in the Working Capital Section on page 25 and in Note 10 to the financial statements.

Nature of risk	How we respond
Operational risks	
Warranty and product liability – The Group manufactures complex products through its Automotive and Industry Product Groups and is exposed to potential warranty and product liability claims arising from alleged or actual defects in products. Risks arising from this include customer dissatisfaction and potential liabilities for the cost of replacing faulty products, product recalls and lawsuits.	• Continuously improving engineering and manufacturing processes and quality standards to reduce the likelihood of quality issues. • Product safety reviews, to ensure that products fail safe and meet the highest market standards. • Continuously seeking opportunities to insource the supply chain to ensure that components meet the Group's rigorous quality requirements.
Human resources [1] – The Group's business success depends on attracting and retaining qualified personnel and on maintaining an established workforce.	• Attracting and retaining high-calibre management and other key personnel. • Building effective networks of employees and partners including maintaining good labour relationships. • Minimising the impact of unexpected staff turnover through succession planning and standardisation of work procedures.
IT vulnerability – Potential breach of IT security (by external or internal elements) causing critical data to be lost, corrupted, made inaccessible, or accessed by unauthorised users compromising proprietary information.	• IT security protocols enabled through software and business processes include data backup, virus and malware protection, firewalls, identity management and building employee awareness. • Monitoring of threat levels and identification of emerging security issues.
Environment, health and safety ("EHS") [2] – EHS laws and regulations may result in increasing costs of compliance or potential fines and penalties in the event of non-compliance. Incidents causing lost hours by injuries and damage to the Group's facilities may give rise to compensation claims and lawsuits, loss of reputation and adverse impact on the environment and on the communities in which the Group operates.	• Meeting or exceeding requirements on environmental responsibility, employee safety and energy efficiency.
Financial risks [3]	
Liquidity and capital access, Foreign exchange, Interest rates and Commodity price risks.	• Maintaining investment grade credit ratings. • Ensuring that the combination of cash on hand, available credit lines and expected future operating cash flows is sufficient to satisfy current and planned cash needs. • Applying appropriate strategies to manage foreign exchange risk, commodity price risk and interest rate risk.

1 The Group's policies on investing in people are further discussed on pages 37 to 41.
2 The Group's EHS management is further discussed on pages 41 to 43.
3 A detailed discussion of the nature of financial risks and the Group's financial management and treasury policies for managing its exposure to these risks are set out on pages 29 to 32.

SOCIAL AND ENVIRONMENTAL RESPONSIBILITY

Johnson Electric is dedicated to socially responsible interactions with its stakeholders including shareholders, customers, employees, suppliers, business partners and local communities worldwide. The Group's commitment to sustainability includes policies and practices on a variety of issues such as human rights, non-discrimination, responsible consumption and production as well as environmental management.

Relationships with customers and suppliers

Customers: Johnson Electric believes that making customers successful is vital to delivering sustainable business growth and profitability. This is a key part of the Group's core values, internally referred to as "MARBLE" [1].

The Group creates solutions that bring benefits to the end-user of a product and that meet the business needs of its direct customers. An intensive two-way dialogue between the Group's sales and engineering and its customers allows it to listen to customers' needs while sharing knowledge of the Group's products and capabilities. A disciplined development path with rigorous reviews and testing from concept to start of production ensures that the Group's products meet safety, quality and performance requirements at a competitive cost.

The Group ensures manufacturing excellence, with consistent quality and performance achieved across its facilities worldwide. The Group's global manufacturing footprint and logistics know-how, together with a high degree of vertical integration of components, tooling, semi-automated and automated production lines provides its customers with a safe-choice solution.

Suppliers: The Group's engagement with suppliers is driven by its focus on "Innovation" and "Safe Choice". These core values are incorporated in the Group's supplier selection process, performance monitoring and throughout the business engagement with suppliers. Robust supplier qualification procedures before ordering regular supplies from any supplier ensure that the Group has the right supplier to source the right item. These procedures include due consideration of cost, quality, environmental awareness, ethical behaviour and social responsibility.

Suppliers are contractually required to be certified with international accreditations such as ISO9001, ISO14001, ISO/TS16949 and ISO13485 and are encouraged to be in compliance with various environmental and conflict minerals requirements. To ensure that suppliers are committed to ethical practices in dealings with the Group, every supplier is required to comply with and sign up to Johnson Electric's Code of Ethics and Business Conduct policies, which prohibit offering of gifts, certificates, loans, hospitality, service or favour in an improper manner. Suppliers are also required to comply with the US Foreign Corrupt Practices Act, the UK Bribery Act 2010 and the Criminal Law of the PRC.

The Group's purchase terms and conditions require suppliers to adhere to directives set by the International Labour Organisation's "ILO Declaration on Fundamental Principles on Business and Human Rights at Work" and the United Nations' "UN Guiding Principles on Business and Human

1 "MARBLE" stands for Make customers successful; Attract and develop great people; Reach higher; Believe in practical solutions; Lead by example; and Excel in execution. Please see page 39 for further information.

Rights", which adhere to the principles of the freedom of association, right of collective bargaining, abolition of child labour and the elimination of forced or compulsory labour or discrimination at work. Compliance with these laws and directives is periodically monitored through self-declarations and on-site audits. Furthermore, the Group's Supplier Performance Rating System enables it to continuously gauge and calibrate suppliers' ability to meet the above requirements.

Investing in people

Johnson Electric endeavours to cultivate an environment where employees can benefit from three key value propositions.

ONE JOHNSON AROUND THE WORLD

We are a truly global team bound together by our shared values. We recognise that the talent and diversity of our people drive business results.

WE MAKE THINGS HAPPEN

We thrive on innovation and excel in execution. We are committed to making our customers successful and our world a better place.

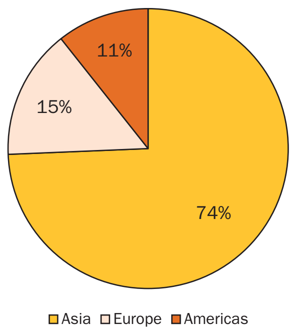
RIGHT PEOPLE, RIGHT JOBS

We are highly selective. We believe that hiring the right people and putting them in the right jobs maximises the success of our people and the business.

These value propositions are supported by a three-pronged people strategy to attract and develop the **Right People**, put them in the **Right Jobs** and provide them with the **Right Environment** to excel at what they do. Together, they contribute to fulfilling Johnson Electric's people vision to become "One Johnson around the world, a great company and a great place to work!"

As of 31 March 2018, the Group's total global headcount stood at over 40,000 across Asia, Europe and the Americas.

Workforce by Region



Human Resources Policy

Johnson Electric is committed to respecting the labour and human rights of all its employees. Global policies relating to these aspects are in place and diligently adhered to. They include:

- **Equal employment opportunity:** Johnson Electric is committed to treating all applicants and employees in a fair and non-discriminatory manner without regard to age, disability, marital status, race or colour, national origin, veteran status, religion, sex, sexual orientation, or any other legal protected status.

- **Open communication:** Johnson Electric is committed to maintaining open two-way communication throughout the Group, keeping employees informed of current happenings and fostering an environment where employees are comfortable voicing their opinions, ideas, suggestions and concerns.

- **Harassment free workplace:** Johnson Electric is committed to providing a workplace in which the dignity of every individual is respected.

- **Workplace violence and weapons:** Johnson Electric's objective is to provide a safe work environment that is free from violent acts and threats of violence.

- **Code of ethics and business conduct:** This guides every employee in the use of good judgment and ethical decision-making, ensuring employees uphold Johnson Electric's belief in conducting our business lawfully and ethically. Globally, every manager is required to declare annually that they have read and conformed to the requirements of the Code of Ethics and Business Conduct. For more details of the whistleblower policy, please refer to page 52 for further information.

Every year, the Group's regional and country Human Resources teams acknowledge and certify their full compliance to the Human Resources policies and to relevant labour laws and regulations. Additionally, the Group's subsidiaries around the world set their labour standards in line with local governmental requirements, so that the employment conditions fully comply with the relevant labour laws and regulations.

MARBLE Values and Imperatives

Johnson Electric prides itself on a set of shared core values and commitments that together form the foundation to everything the Group does. The first initial of each of these values spell the word "MARBLE" – the acronym that Johnson Electric employees use internally when referring to these values.

- **Make customers successful:** Providing "Safe Choice" solutions and delivering what our customers need, when they need it, is the primary goal of Johnson Electric. We are committed to making our customers successful in their business, as the basis for long-term success in our business.

- **Attract and develop great people:** Johnson Electric aims to offer its people a superior career development experience that rewards results, enterprise, coaching and teamwork. We recognise that our business thrives on the diversity of our people and their ideas.

- **Reach higher:** Johnson Electric people set stretch goals for themselves to drive business growth and personal career fulfilment. We know from experience that bold thinking and bold action will bring about extraordinary results. We make Johnson Electric a great company and a great place to work.

- **Believe in practical solutions:** Johnson Electric is driven by shop-floor practicality and a positive "can do" mindset. We seek to turn innovative ideas into cash flow by working quickly as a team and refusing to be stalled by complexity.

- **Lead by example:** Johnson Electric believes that good corporate citizenship requires uncompromising standards of integrity, openness and fairness. We are committed to demonstrating leadership wherever we do business through the promotion of a safe and healthy environment for our people and the local community.

- **Excel in execution:** Johnson Electric's customers expect the highest standards of quality and performance. We work not only to meet those expectations but also to exceed them through continuous cycles of learning. We have fun at work and celebrate success.

A group-wide "Living MARBLE" program recognises employees who exemplify the MARBLE values. Since its inception in 2014, the program has made awards to over 800 employees whose role-model behaviour illustrates the MARBLE values in action, including 250 awards made during FY2017/18.

Talent Management

Johnson Electric is highly selective in its hiring decisions, to recruit great people who will excel in its culture and make things happen. Johnson Electric thrives on innovation and never stops investing in the next generation of engineers, to bring new ideas and insights. It is also Johnson Electric's ambition to become the employer of choice for engineers.

The Group's talent management is overseen by a Corporate Human Capital Committee ("HCC") comprising the most senior executives in the Group. The HCC is committed to building succession plans for mission critical roles, increasing talent pipeline and assessing organisational effectiveness.

The HCC has established a people calibration process; a formal system to evaluate, define and assess each employee's capability. This forms the backbone of a sustainable leadership pipeline. Succession planning reviews are conducted twice a year. Each session pursues employee development, strong succession management and employee capability to underpin the Group's overall strategy. This regular review accelerates the readiness of high potential employees and ensures that emerging requirements are considered when the business model changes.

To enhance and broaden career opportunities for Johnson Electric people, the Group fosters a culture of "promoting from within". An internal talent management program, "My Career In Motion", was launched in March 2018 to empower employees to take greater accountability for their career growth and development by working in partnership with their managers and human resources. At the heart of this program is a self-nomination process that encourages employees to apply for open positions for which they are qualified.

The Group also places great local accountability in building talent for the future. Part of local management's role is to uncover and develop talent, guide and shape meaningful career experience, and ensure Johnson Electric's success through its employees everywhere.

Compensation and Rewards

The Group maintains a global compensation structure to ensure competitive pay levels and benefit offerings in each market in which it operates. Annual incentive pay is tied to the achievement of revenue, profitability and liquidity goals and is an important component of compensation for more than 80% of staff-level employees, including all management staff.

Additionally, the Group's long-term incentive share scheme forms a critical part of the competitive compensation package for senior executives, encouraging retention while aligning rewards to shareholder value. The scheme includes not only time-vested restricted stock units, but also a high proportion of performance stock units which vest only if stringent financial conditions are achieved.

Growth and development

The Johnson Electric Learning Institute, established in 2016, provides a global direction for all employee learning and development activities in the Group. A Steering Committee comprising representatives from all regions meets once a month to guide and shape policies and practices. This is supported by a strong network of learning and development teams in each location to deliver local learning programs in response to business priorities and organisation talent needs.

Johnson Electric's 70/20/10 learning and development model unlocks people's full potential through formal and informal learning. Under this self-directed, self-paced approach, 70% of employees' learning is acquired through real-life and on-the-job experiences; 20% is acquired through interactions with others including feedback, social learning, coaching, mentoring and collaborative learning; and 10% is acquired from attending formal training. Our wide variety of development channels includes stretch assignments and international secondments that provide employees with opportunities to gain global exposure and broaden their horizons. The Group also offers just-in-time classroom and eLearning programs to grow employees' soft and technical skills. The Group's learning and development activities are facilitated by its "Learning In Motion" hub. Launched in 2018, this global learning platform makes over 200 courses available to Johnson Electric employees, covering key business and soft-skill areas and allowing employees to learn anytime, anywhere, on any device, at their own pace.

In FY2017/18, Johnson Electric employees received over 200,000 training hours, excluding on-the-job experience.

Additionally, operating from campuses in China and Mexico, the Johnson Electric Technical College ("JETC"), targets underprivileged youth and provides a way for the new generation to choose engineering as a viable career option and join the Group's workforce upon graduation. Founded in Shajing, China in 2004, JETC provides a mix of general and technical education to youth over a three-year course. Since its foundation, JETC has accepted 1,079 students, including a further intake of 92 expected to join in China and Mexico later in 2018.

In Serbia, Johnson Electric provides training schemes in partnership with a local secondary mechanical school and with the University of Niš. Students participating in these schemes spend 2 days a week in the factory, following detailed programs based on the JETC concept, bringing together theory and practical experience. In FY2017/18, 23 secondary school students and 5 master's degree students were accepted onto these schemes.

Environmental, Health and Safety

The Group takes practical steps to protect the environment and the health and safety of employees wherever it operates around the world. Johnson Electric believes that excellent EHS performance will contribute to the sustainable growth of the Group for generations to come. Specific EHS goals include no harm to people working for Johnson Electric and no damage to the environment wherever the Group operates.

The Group takes a proactive approach to addressing and managing EHS related issues with a progressive EHS management structure; resources devoted to reaching clear, defined EHS objectives; and an EHS management system to monitor and control EHS risks and track critical measurable factors worldwide. The Chief Executive and the Executive Committee receive reports on key EHS performance indicators on a regular basis.

All locations, worldwide, are required to apply this EHS management system and comply with Johnson Electric's global EHS standards as well as local regulations. Most of the Group's operating facilities are certified under the internationally recognised ISO14001 and / or OHSAS 18001 standards on environment management and occupational health and safety management. Additionally, the Group's largest site in Shenzhen, China is certified under the ISO50001 standard on energy management.

Major EHS achievements in FY2017/18 include:

Certification of environmental management systems: The Chennai plant in India obtained ISO14001: 2015 certification. The Arujá plant in Brazil, the Bedzin plant in Poland and the Ózd plant in Hungary obtained ISO14001 certification. Sites with existing certifications under ISO14001 are now focusing on the transition to the ISO14001: 2015 standard.

Energy management and energy saving: The Group's factories constantly pursue energy savings. From around the world, projects resulting in a significant reduction in carbon emissions included:

- Improvements to hydraulic presses by installing frequency conversion control and the replacement of some hydraulic presses with more energy efficient electrical injection molding machines
- The replacement of electrostatic epoxy powder collectors with more energy efficient units
- More efficient usage of compressed air through the use of electro-magnetic valves and automatic air controls to optimise flow as well as heat exchangers to use of waste heat from compression
- Improvements to nitrogen injection and heat treatment furnaces
- Modernisation of facilities including more efficient air-conditioning units, updates to lighting control systems, replacement of neon lights with LED lights, installation of solar energy collectors
- The factory in Shanghai, China achieved ISO50001 certification for its energy management system

Material and resource management: Manufacture of the Group's products consumes raw materials such as steel, copper, aluminium and plastic resins. The Group recycles scrap from production processes to recover as much of these valuable resources as possible. This scrap may be sold for further recycling (e.g. steel, copper, plastic and wood) or recovered through collection for reuse as raw material (e.g. aluminium scraps and epoxy powder).

Waste and wastewater management: Projects to reduce waste and wastewater in the Group's factories included:

- The construction of treatment facilities for wastewater from production processes in Niš, Serbia and Shajing, China
- Reduced usage of oil and oil filter paper in magnet pressing machines in Nanjing, China
- The replacement of cardboard packaging with reusable packaging in Ri-Yong, China and Chennai, India

Brownfield Remediation: To support Stackpole's expansion in Mississauga, Canada, the Group has remediated a brownfield site. 31,000 tonnes of soil contaminated with heavy metals and petroleum hydrocarbons by previous industrial land users was removed for certified treatment and safe disposal.

Chemical Safety: The Group constantly seeks, to identify, consolidate and reduce or eliminate the use of chemicals in all sites; especially potentially hazardous chemicals. Projects to improve chemical safety included:

- In Shajing, China methanol has been replaced completely by a non-hazardous solvent for the cleaning of production equipment. Additionally, laser etching technology has replaced some printing processes to further reduce the use of solvents
- In Murten, Switzerland a water-based ecologically friendly solvent was put into use for manual washing stations
- In the Isle of Wight, United Kingdom the number of chemicals in use in the factory was reduced by 40%

Employee and Community Engagement

Employee engagement

Employee communications: Open and honest communication is a fundamental part of Johnson Electric's pledge to employees, inseparably linked to the high performance engagement culture that the Group constantly seeks to instil. The Group utilises a variety of channels for this, including:

- **JE In Motion:** A digital two-way communication platform for management and employees to post and share multimedia news with all employees, globally, or with targeted groups, who can respond, comment and contribute ideas to facilitate knowledge sharing and team collaboration.
- **Regular all-staff meetings:** These meetings, held in every Johnson Electric location, provide updates on business performance and developments on key projects. Other means to ensure employees' alignment with Johnson Electric's strategy and direction include newsletters, open forums and employee contests.
- **Employee survey:** This survey measures employees' level of engagement and provides a confidential route for employee feedback. Follow up actions ensure that employees' voices are heard and responded to at both corporate and team levels.
- **One Johnson Global Celebration:** This annual event brings all Johnson Electric employees around the globe together on a common theme, celebrating "One Johnson around the world". The theme for 2017's celebration was Industrial Logic, exploring key concepts of the evolution of industry towards automation and digitisation.

Employee health and wellbeing: Every June is designated as safety month across the entire Group. Activities organised at both global and site level aim to raise plant and office workers' awareness of safety risks. Additionally, sites apply their creative talents to organise additional activities throughout the year at local level, to ensure employees enjoy a safe work environment at all of our premises and to encourage employees to take care of their general health and wellbeing. Activities ranged from sports teams and events to weight challenges, flu vaccination programmes and assorted talks on health issues, work life balancing and other topics.

Community engagement

Johnson Electric's community engagement runs on the flagship theme of "**technical education**", which comprises two main initiatives:

- **Johnson Electric Technical College (JETC):** The JETC, discussed on page 41, serves a dual purpose, providing the Group with a stream of well-educated future employees, and giving back to society by supporting underprivileged youngsters in China and Mexico to obtain a quality general and technical education. Additionally, in Serbia, the Group provides a local technical high school with access to Johnson Electric's facilities and staff, using similar concepts to JETC, to assist students in receiving a quality education.

- **Junior Engineer:** This global community outreach programme is a simple but effective initiative to encourage an early interest in science, technology, engineering and mathematics subjects by enabling children between 6 and 12 to build and race 4-wheel drive cars powered by Johnson Electric motors. Debuted in 2016, the programme has expanded to include 29 Johnson Electric locations, benefitting nearly 1,000 children in FY2017/18.

Additionally, around the world, local sites partnered with local non-governmental organisations (NGOs) to take part in charitable activities and actions including health education, poverty action, children, elderly, underprivileged groups, animals, environmental protection, community order, etc.

For example, employees in Shajing, China can join an employee volunteer team that carries out regular voluntary activities in the local community. During FY2017/18, their activities included setting up a Johnson Electric branch of the Bao'an Municipal Library, visiting the elderly, cleaning up illegal ads on the streets, caring for the homeless by helping them find rescue stations, keeping shared bicycles in order and maintaining train stations' order during the peak time of workers returning to the district from their hometowns after major festivals.

Johnson Electric's commitment to social responsibility is reflected in the accolades received around the world during the year, including:

- Springfield, USA – "Strength" award from the YMCA ABC (After Breast Cancer) Awareness Program

- Hong Kong – Caring Company award from The Hong Kong Council of Social Service; and Outstanding Fundraiser Award from Oxfam

- Shajing, China – Excellent Volunteer Contribution Award of XinQiao Street and Excellent Volunteer Group of XinQiao Street from XinQiao Volunteer Federation

- Bedzin, Poland – Business Fair Play 2017 from the Polish Chamber of Commerce

Sustainability Report

For further information of Johnson Electric's sustainability policies and activities please refer to the Group's Sustainability Report.

CORPORATE GOVERNANCE REPORT

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.

BOARD OF DIRECTORS

The board of directors of the Company ("Board") currently consists of three executive directors and seven non-executive directors (of whom five are independent) ("Directors").

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

In accordance with Rule 13.51(B)(1) of the Listing Rules, the Company is required to disclose changes in information of Directors of the Company subsequent to the date of the Interim Report 2017. Mr. Christopher Dale Pratt ceased to be a Director of PureCircle Limited with effect from 5 March 2018. The annual basic salary of Mr. Austin Jesse Wang has been revised to US$375,000 with effect from 1 April 2018 whilst his annual discretionary bonus remains to be determined with reference to the Company's performance and profitability.

THE BOARD AT WORK

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

The Company seeks to provide its independent non-executive directors with extensive exposure and access to its operations and management. The board meeting agendas are structured to address the broad spectrum of key governance issues on a regular and systematic basis. Forming part of the continuous professional development program for Directors, visits to the Group's principal operating facilities are arranged and relevant subject area experts are invited to address the Board from time to time.

The Board recognises the importance and benefits of conducting regular evaluations of its performance to ensure the effectiveness of its functioning. On an annual basis, a board effectiveness survey is sent to each Director in order to enable the performance of the Board to be evaluated. Responses to the survey are analysed and discussed at the Board meeting. Suggestions made by the Directors have been implemented to further improve the performance of the Board.

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

The Group's Executive Vice Presidents attend board meetings to advise on strategic planning, corporate governance, enterprise risk management, statutory compliance, internal controls, mergers and acquisitions, financial, tax and accounting matters.

Under the Company's Bye-law 109(A), one-third of the directors except the director holding office as executive chairman, who have served longest on the Board since their last election, shall retire from office and be eligible for re-election at each annual general meeting. As such, except for the executive chairman, no director has a term of appointment longer than three years.

COMMITTEES

The monitoring and assessment of certain governance matters are delegated to four committees which operate under defined terms of reference and are required to report to the Board on a regular basis. The composition of the committees during FY2017/18 and up to the date of this report is set out in the table below.

Directors	Audit Committee	Remuneration Committee	Nomination and Corporate Governance Committee	Board Committee
Executive Directors				
Patrick Shui-Chung Wang			M	M
Winnie Wing-Yee Wang		M		M
Non-Executive Director				
Peter Kin-Chung Wang	M			
Independent Non-Executive Directors				
Peter Stuart Allenby Edwards			C	
Patrick Blackwell Paul	C		M	
Michael John Enright	M	C		
Joseph Chi-Kwong Yam		M		
Christopher Dale Pratt	M	M		

C – Chairman

M – Member

Audit Committee

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

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

Four committee meetings were held in FY2017/18 to discuss and review relevant matters together with senior management and the independent auditor, including the following:

1. The FY2016/17 annual results and interim results for FY2017/18, to ensure that the related disclosures in the financial statements were complete, accurate and fair and complied with accounting standards, the Listing Rules and legal requirements, and to submit the same to the Board for approval;

2. The work done by the external auditor, the relevant fees and terms of engagement and appropriate actions required on any significant control weaknesses;

3. The external auditor's independence, including consideration of their provision of non-audit services;

4. The Internal Audit Department's staffing and team competencies, its internal audit plan and budget for approval, its report on work performed and the status of open issues for remedial action;

5. The overall adequacy and effectiveness of internal controls;

6. The Group's enterprise risk management activity, namely the processes by which risks are assessed and registered and by which such risks are addressed for mitigation and management;

7. The status and adequacy of the Group's insurance coverage;

8. The status of the Group's global tax position and any fiscal audits by the various jurisdictions;

9. The status of litigation;

10. Information technology management and security controls;

11. The revised standard operating procedures on hedging and derivatives for approval; and

12. Sustainability reporting.

Remuneration Committee

The Remuneration Committee consists of three independent non-executive directors and one executive director. The current members are Prof. Michael John Enright (Committee Chairman), Mr. Joseph Chi-Kwong Yam, Mr. Christopher Dale Pratt and Ms. Winnie Wing-Yee Wang.

The Committee determines the compensation structure and rewards for the Chief Executive and other executive directors and monitors the policies being applied in remunerating the senior management on behalf of the Board.

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

At Johnson Electric, remuneration and incentive schemes are linked to the achievement of annual and long term performance goals. By providing total compensation at competitive industry levels, for on-target performance, the Group seeks to attract, motivate and retain the key executives essential to its long term success. To this end, the Committee directs the management in the engagement of outside remuneration experts and stays abreast of remuneration practices among comparable companies around the world. Senior management incentive schemes include an equity component that is designed to align the long term interest of management with those of shareholders.

All global staff positions, including senior management, are governed by an evaluation methodology which takes into account management / technical know-how, problem solving and accountability. Individual senior management remuneration acknowledges scope of responsibilities, contribution and performance. The base salary takes into account factors such as contribution to the business, employee retention and market remuneration. Annual incentives, when payable, are performance-based, and include Company's and Group's financial objectives as well as individual objectives which may be non-financial. The Johnson Electric Restricted and Performance Stock Unit Plan for senior management provides for the grant of JEHL Restricted Stock Units ("RSUs") and Performance Stock Units ("PSUs"). Vesting of these is subject to attainment of service milestones in the case of RSUs and, in the case of PSUs, the attainment over time of identified group wide financial goals. RSUs and PSUs are used to retain and motivate senior staff and are designed to maximise long term shareholder value.

In determining the level of remuneration and fees paid to non-executive directors for the Board approval, a review of current practices in leading Hong Kong public companies and comparable companies elsewhere in the world is regularly conducted with the aid of an independent consultant. Board remuneration consists of an annual retainer with additional fees payable for committee memberships. Executive directors are not eligible for any remuneration or fees for board activities.

The Remuneration Committee reviews the overall remuneration program of the Company over the short, medium and long term while addressing the goals of management development and retention and the enhancement of shareholder value.

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

Five committee meetings were held in FY2017/18. During the financial year, the Committee addressed the following:

1. Review of the Executive Directors and Senior Executive Compensation and Benefits;

2. Long-Term Incentive Share Scheme Awards;

3. Annual Incentive Plan Measurement;

4. UK and Canada defined benefit retirement plans; and

5. Review of Succession Planning.

Nomination and Corporate Governance Committee

The Nomination and Corporate Governance Committee comprises two independent non-executive directors and one executive director. The current members are Mr. Peter Stuart Allenby Edwards (Committee Chairman), Mr. Patrick Blackwell Paul and Dr. Patrick Shui-Chung Wang.

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

The Board has adopted a Board Diversity Policy. The Committee monitors the implementation of this policy and has responsibility for leading the process for Board appointments and for identifying and nominating, for approval by the Board, candidates for appointment to the Board. Selection of candidates is based on a range of perspectives, including but not limited to, cultural and educational background, professional experience and qualifications, skills, functional expertise, knowledge, gender and age. The candidates are considered against objective criteria, having due regard for the benefits of diversity on the Board. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

In reviewing Board composition, the Committee considers the benefits of all aspects of diversity including, but not limited to those described above, in order to maintain an appropriate range and balance of skills, experience and diversity of perspectives appropriate to the requirements of the Group's business globally.

In accordance with the Bye-laws of the Company, every newly appointed director is subject to re-election at the next annual general meeting.

Two committee meetings were held in FY2017/18. The following is a summary of work performed by the Committee during the financial year:

1. Consideration and recommendation of the retiring directors for re-election at the Annual General Meeting;

2. Review of the structure, size and composition of the Board;

3. Consideration of the independence of all independent non-executive directors;

4. Review and approval of the corporate governance report and information for the Annual Report and the Interim Report;

5. Review of the Group's report on compliance with laws and regulations in the countries in which it operates;

6. Review of the training of Directors and senior management;

7. Update on the latest development on the Listing Rules; and

8. Review of compliance certificate assurance.

Board Committee

The Board Committee comprises two executive directors, Dr. Patrick Shui-Chung Wang and Ms. Winnie Wing-Yee Wang. Its primary function is to undertake and supervise the day to day management and operating affairs of the Group. It exercises leadership and develops and keeps under review strategy and business development initiatives of the Group and supervises their implementation. The Committee's authority and duties are set out in the terms of reference and a summary of which are available on the Group's website.

Attendance of Directors at Various Meetings

The Board held four board meetings in FY2017/18 and the average attendance rate was 95%. Details of the attendance of individual directors at board meetings, committee meetings and the annual general meeting during FY2017/18 are set out in the table below:

Directors	Number of meetings attended/held Board Meeting	Audit Committee Meeting	Remuneration Committee Meeting	Nomination and Corporate Governance Committee Meeting	Annual General Meeting
Executive Directors					
Patrick Shui-Chung Wang *(Chairman and Chief Executive)*	4/4	–	–	2/2	1/1
Winnie Wing-Yee Wang *(Vice-Chairman)*	4/4	–	5/5	–	1/1
Austin Jesse Wang	4/4	–	–	–	0/1
Non-Executive Directors					
Yik-Chun Koo Wang *(Honorary Chairman)*	2/4	–	–	–	0/1
Peter Kin-Chung Wang	4/4	2/4	–	–	0/1
Independent Non-Executive Directors					
Peter Stuart Allenby Edwards	4/4	–	–	2/2	0/1
Patrick Blackwell Paul	4/4	4/4	–	2/2	0/1
Michael John Enright	4/4	4/4	5/5	–	1/1
Joseph Chi-Kwong Yam	4/4	–	5/5	–	1/1
Christopher Dale Pratt	4/4	3/4	4/5	–	1/1
Average attendance rate	95%	81%	95%	100%	50%
Date of meetings	17/05/2017 15/09/2017 08/11/2017 27/03/2018	15/05/2017 24/07/2017 06/11/2017 22/01/2018	12/04/2017 16/05/2017 19/05/2017 07/11/2017 26/03/2018	17/05/2017 27/03/2018	12/07/2017

INTERNAL CONTROL AND ENTERPRISE RISK MANAGEMENT

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

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

The internal control and enterprise risk management system is established to ensure reasonable, but not absolute, assurance against material misstatement or loss and to manage, but not to eliminate, risks of failure in achieving the Group's objectives.

Following a risk-based approach, the Group's Internal Audit Department independently reviews and tests the controls over various operations and activities and evaluates their adequacy, effectiveness and compliance. Audit findings and recommendations are reported to the Audit Committee, senior management, and the external auditor. In addition, progress on audit recommendations implementation is followed up on a regular basis and discussed with the Audit Committee.

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

To supplement the above, under the Integrity and Ethics Policy, employees can report any ethical misconduct, impropriety or fraud cases within the Group to the Johnson Electric Whistleblower Hotline anonymously, or in writing in confidence without the fear of recrimination.

Based on the results of evaluations and representations made by the management, the Group's Internal Audit Department and the external auditor in FY2017/18, the Audit Committee is satisfied that:

- There is an ongoing process for identifying, evaluating and managing the significant risks faced by the Group that threaten the achievement of its business objectives; and

- An appropriate, effective and adequate system of internal control and enterprise risk management has been in place in FY2017/18, and up to the date of approval of the Annual Report.

AUDITOR

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

During FY2017/18 and FY2016/17, the services (and associated remuneration) provided to the Group by PricewaterhouseCoopers were as follows:

US$ million	FY2017/18	FY2016/17
Audit	2.73	2.68
Taxation services	1.10	0.74
Other advisory services	0.28	0.34

Included above are US$0.5 million of contracted fees for work to be performed subsequent to 31 March.

DIRECTORS' AND AUDITOR'S RESPONSIBILITIES FOR ACCOUNTS

The Directors are responsible for the preparation of accounts for each financial period which give a true and fair view of the state of affairs of the Group and of the results and cash flows for that period. In preparing these accounts for the year ended 31 March 2018, the Directors have selected suitable accounting policies and applied them consistently, made judgements and estimates that are prudent and reasonable, and have prepared the accounts on a going concern basis. The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group.

The responsibility of the external auditor to the shareholders is set out in the Auditor's Report on pages 70 to 77.

CORPORATE GOVERNANCE CODE

During the year ended 31 March 2018, the Company complied with the code provisions set out in the Corporate Governance Code contained in Appendix 14 of the Listing Rules, 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.

CONTINUOUS PROFESSIONAL DEVELOPMENT

On appointment to the Board, each Director receives an induction package covering the Group's businesses and operations, and the statutory and regulatory obligations of being a director to ensure sufficient awareness of responsibilities under the Listing Rules and other relevant regulatory requirements. Thereafter, the Company provides the Directors with regular updates relating to the Group's business and the business environment in which the Group operates.

All Directors have complied with the code provision in relation to continuous professional development. This has involved various forms of activities including attending presentations given by external professional advisors and reading materials relevant to the Company's business, director's duties and responsibilities.

The Company continuously updates Directors on the latest developments regarding the Listing Rules and other applicable regulatory requirements, to ensure compliance and enhance their awareness of good corporate governance practices.

SHAREHOLDERS' RIGHTS

Convening a Special General Meeting

Pursuant to Section 74 of the Bermuda Companies Act 1981, shareholder(s) holding at the date of the deposit of the requisition not less than one-tenth of the paid-up capital of the Company carrying the right of voting at general meetings of the Company shall have the right to submit a written requisition requiring a special general meeting ("SGM") to be called by the Board. The written requisition (i) must state the purposes of the SGM, and (ii) must be signed by the requisitionists and deposited at the registered office of the Company for attention of the Company Secretary of the Company, and may consist of several documents in like form, each signed by one or more requisitionists. Such requisitions will be verified with the Company's share registrars and upon their confirmation that the requisition is proper and in order, the Company Secretary will ask the Board to convene a SGM by serving sufficient notice to all shareholders. On the contrary, if the requisition has been verified as not in order, the requisitionists will be advised of this outcome and accordingly, the SGM will not be convened as requested.

If the Board does not within 21 days from the date of the deposit of the requisition proceed duly to convene a SGM, the requisitionists or any of them representing more than one-half of the total voting rights of all of them may convene a SGM, but any SGM so convened shall not be held after expiration of three months from the said date of deposit of the requisition. A SGM convened by the requisitionists shall be convened in the same manner, as nearly as possible, as that in any SGM to be convened by the Board.

Putting Forward Proposals at General Meetings

Pursuant to Sections 79 and 80 of the Bermuda Companies Act 1981, either any number of shareholders representing not less than one-twentieth of the paid-up capital of the Company carrying the right of voting at general meetings of the Company, or not less than 100 shareholders, can request the Company in writing to (a) give to shareholders entitled to receive notice of the next annual general meeting notice of any resolution which may properly be moved and is intended to be moved at that meeting; and (b) circulate to shareholders entitled to have notice of any general meeting sent to them any statement of not more than 1,000 words with respect to the matter referred to in any proposed resolution or the business to be dealt with at that meeting. The requisition signed by all the requisitionists must be deposited at the registered office of the Company with a sum reasonably sufficient to meet the Company's relevant expenses and not less than six weeks before the meeting in case of a requisition requiring notice of a resolution or not less than one week before the meeting in case of any other requisition.

Proposing a Person for Election as a Director

The procedures for proposing candidate(s) for election as director(s) at a general meeting are set out in the Shareholder Information under the Investor Relations section of the website of the Group.

Enquiries to the Board

Shareholders may send their enquiries and concerns, in written form, to the Board by addressing them to the Company Secretary at 12 Science Park East Avenue, 6/F., Hong Kong Science Park, Shatin, New Territories, Hong Kong. Shareholders may also make enquiries to the Board at the general meetings of the Company. In addition, shareholders can contact Computershare Hong Kong Investor Services Limited, the share registrar of the Company in Hong Kong, if they have any enquiries about their shareholdings and entitlements to dividend.

Constitutional Documents

There was no significant change to the Company's constitutional documents during FY2017/18.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted procedures governing directors' securities transactions in compliance with the Model Code as set out in Appendix 10 of the Listing Rules. Specific confirmation has been obtained from all Directors to confirm compliance with the Model Code throughout the year ended 31 March 2018.

COMMUNICATIONS WITH SHAREHOLDERS

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

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

The Board has adopted a set of Internal Control and Reporting Measures in respect of Inside Information which provides guidance to Directors and management in handling and disseminating inside information. The Media and Investor Communication Policy adopted by the Group sets out guidelines to all staff to ensure inside information of the Group is to be handled in compliance with the legal requirement.

REPORT OF THE DIRECTORS

The Directors have pleasure in submitting their report together with the audited financial statements for the year ended 31 March 2018.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are shown in Note 38 to the financial statements.

BUSINESS REVIEW

The business review of the Group for the year ended 31 March 2018 are provided in the Letter to Shareholders and Management's Discussion and Analysis sections respectively from pages 12 to 15 and pages 16 to 44 of this Annual Report.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2018 are set out in the consolidated income statement on page 80 of the financial statements.

The Directors declared an interim dividend of 17 HK cents (2.18 US cents) per share, totalling US$18.8 million which was paid on 5 January 2018.

The Board recommends the payment of a final dividend of 34 HK cents (4.36 US cents) per share, totalling US$37.4 million, payable on 13 August 2018.

DISTRIBUTABLE RESERVES

As of 31 March 2018, the distributable reserves of the Company available for distribution as dividends amounted to US$1,819.5 million, comprising retained earnings of US$1,762.4 million and contributed surplus of US$57.1 million.

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

(i) The Company is, or would after the payment be, unable to pay its liabilities as they become due; or

(ii) The realisable value of the Company's assets would thereby be less than its liabilities.

DONATIONS

During the year, the Group made donations of US$0.2 million (FY2016/17: US$0.2 million).

CONVERTIBLE BONDS

On 2 April 2014, the Group issued convertible bonds ("CB") in an aggregate principal amount of US$200 million with a cash coupon rate of 1% per annum, and a 7 year life with a 5 year put option. Further information on the CB can be found in Note 14 to the financial statements.

DIRECTORS

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

Yik-Chun Koo Wang
Patrick Shui-Chung Wang *JP*
Winnie Wing-Yee Wang
Austin Jesse Wang
Peter Kin-Chung Wang
Peter Stuart Allenby Edwards
Patrick Blackwell Paul *CBE, FCA*
Michael John Enright
Joseph Chi-Kwong Yam *GBM, GBS, CBE, JP*
Christopher Dale Pratt *CBE*

In accordance with Bye-law 109(A) of the Company's Bye-laws, Mr. Austin Jesse Wang, Mr. Peter Kin-Chung Wang and Mr. Joseph Chi-Kwong Yam shall retire from office by rotation and being eligible, offer themselves for re-election.

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

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

The Company is managed through the Board which currently comprises ten directors. As of the date of this report, three of the directors are executive and seven of the directors are non-executive, of whom five are independent. Their details are set out in the Profile of Directors and Senior Management section on pages 184 to 187.

DISCLOSURE OF INTERESTS

Directors

As of 31 March 2018, the interests of each Director and Chief Executive of the Company in the shares of the Company or any of the Company's associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept under Section 352 of the SFO were as follows:

	Shares of HK$0.05 each of the Company			
Name	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)	0.058
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 year, the Directors and Chief Executive (including their spouses and children under 18 years of age) had any interests in, or had been granted, or exercised, any rights to subscribe for shares of the Company or its associated corporations required to be disclosed pursuant to the SFO.

Substantial Shareholders

As of 31 March 2018, 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	61,294,737	6.97
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 31 March 2018, 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 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 year ended 31 March 2018, 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 year	1,671	1,616	3,287
Shares vested to Directors and employees during the year	(1,297)	(1,801)	(3,098)
Forfeited during the year	(299)	(395)	(694)
Unvested units granted, as of 31 March 2018	7,024	6,560	13,584
Forfeited in FY2018/19	(8)	–	(8)
Unvested units granted, as of the date of this report	7,016	6,560	13,576

As of the date of this report, the number of unvested units granted 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
FY2018/19	2,178	1,928	4,106
FY2019/20	3,219	3,061	6,280
FY2020/21	1,619	1,571	3,190
Unvested units granted, as of the date of this report	7,016	6,560	13,576

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 18 to the financial statements, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares during the year ended 31 March 2018.

JOHNSON ELECTRIC GROUP TEN-YEAR SUMMARY

A summary of the results and of the assets and liabilities of the Group for the previous ten financial years are set out on pages 182 to 183.

PRE-EMPTIVE RIGHTS

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

MAJOR SUPPLIERS AND CUSTOMERS

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

PERMITTED INDEMNITY PROVISION

During the financial year and up to the date of this report, subject to the applicable laws, the directors of the Company and its subsidiaries are entitled to be indemnified pursuant to the provisions in force for the benefit of directors against liabilities incurred in the execution and discharge of their duties in accordance with the respective articles of associations or constitutional documents of the Company and its subsidiaries.

PUBLIC FLOAT

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

SENIOR MANAGEMENT

The profile of the senior management is set out in the Profile of Directors and Senior Management section on pages 187 to 189.

CORPORATE GOVERNANCE

Principal corporate governance practices as adopted by the Company are set out in the Corporate Governance Report on pages 45 to 57.

AUDITOR

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

On behalf of the Board

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

Hong Kong, 16 May 2018

FINAL DIVIDEND

The Board will recommend at the Annual General Meeting to be held on 12 July 2018 (Thursday) a final dividend of 34 HK Cents equivalent to 4.36 US Cents per share (2017: 34 HK Cents or 4.36 US Cents) payable on 13 August 2018 (Monday) to persons who are registered shareholders of the Company on 2 August 2018 (Thursday), making a total distribution of 51 HK Cents equivalent to 6.54 US Cents per share for the year ended 31 March 2018 (2017: 50 HK Cents or 6.41 US Cents).

CLOSING REGISTER OF SHAREHOLDERS

ATTENDING ANNUAL GENERAL MEETING

The Register of Shareholders of the Company will be closed from 9 July 2018 (Monday) to 12 July 2018 (Thursday) inclusive, during which no transfer of shares will be registered.

In order to qualify for attending and voting at the Annual General Meeting, 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 6 July 2018 (Friday).

FINAL DIVIDEND

The Register of Shareholders of the Company will be closed from 31 July 2018 (Tuesday) to 2 August 2018 (Thursday) inclusive, during which no transfer of shares will be registered.

In order to qualify for the proposed final 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 30 July 2018 (Monday). Shares of the Company will be traded ex-dividend as from 27 July 2018 (Friday).

CONSOLIDATED FINANCIAL STATEMENTS

CONTENTS

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF JOHNSON ELECTRIC HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

Opinion

What we have audited

The consolidated financial statements of Johnson Electric Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 78 to 181, which comprise:

- the consolidated balance sheet as at 31 March 2018;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated cash flow statement for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

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

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarised as follows:
- Goodwill impairment
- Deferred tax assets and income taxes
- Warranty and claims

Key Audit Matters	How our audit addressed the Key Audit Matter
Goodwill impairment (Refer to Note 5 Intangible Assets and Note 35(a) Accounting Estimates and Judgements) The Group had a goodwill balance of US$789.9 million as of 31 March 2018. Goodwill has been allocated to a group of cash generating units ("CGUs") for the purpose of performing the goodwill impairment assessment. The recoverable amount of the underlying CGUs is supported by value-in-use calculations which are based on future discounted cash flows. Management concluded that the goodwill was not impaired. We focused on this area as the assessment involved significant judgements, including the sales growth rate, perpetual growth rate, operating margin and discount rates applied to the estimates of the recoverable amount.	We evaluated management's future cash flow forecasts and the process by which they were prepared, tested the mathematical accuracy of the underlying value-in-use calculations and agreed them to financial budgets and forecasts. We also compared historic actual results to those budgeted and forecasted to assess the quality of management's forecasting. We assessed the key assumptions used in the calculations, comprising sales growth rates, perpetual growth rate, operating margin and discount rates. When evaluating these key assumptions, we considered external industry outlook reports and economic growth forecasts from a number of sources and compared the discount rate to the cost of capital of the Company and comparable entities. We made use of our internal valuation experts when assessing these inputs. We evaluated the reasonableness of management's forecast performance and assessed management's sensitivity analysis around the key assumptions, to ascertain the extent to which adverse changes, both individually or in aggregate, would result in the goodwill being impaired. We found the Group's judgements and assumptions used in the impairment assessments to be supported by available evidence.

Key Audit Matters	How our audit addressed the Key Audit Matter
Deferred tax assets and income taxes (Refer to Notes 17 Taxation and Note 35(b) Accounting Estimates and Judgements) The Group has recognised US$44.3 million deferred tax assets and US$46.9 million current income tax liabilities on the balance sheet. The recognition of deferred tax assets involves judgement by management as to the likelihood of the realisation of these deferred tax assets. The expectation that these assets will be realised is dependent on a number of factors, including appropriate taxable temporary timing differences, and whether there will be sufficient taxable profits in future periods to support such recognition. We focused on this area because of the inherent uncertainties involved in forecasting future taxable profits. The Group has a wide geographic footprint and is subject to tax laws in a number of jurisdictions. Tax provisioning requires subjective judgements to be made by management about the expected ultimate settlement, if any, of anticipated tax audit issues.	We evaluated management's assessment as to whether there will be sufficient taxable profits in future periods to support the recognition of deferred tax assets by evaluating their forecasts, the process by which they were prepared, testing the underlying calculations and comparing them to the latest financial budgets and forecasts. We also assessed whether the tax losses could be carried forward and utilised before their expiry dates. We held meetings with the Group's management to understand tax developments and related tax risks, and the status of any tax audits. We used our tax specialists to assist us in assessing the appropriateness of management's judgements regarding the level of the tax provisions made in accordance with local tax rules. We found the Group's judgements and assumptions used in the recognition of deferred tax assets and income tax liabilities were supported by available evidence.

Key Audit Matters	How our audit addressed the Key Audit Matter
Warranty and claims (Refer to Note 16 Provision and Other Liabilities and Note 35(c) Accounting Estimates and Judgements) The Group generally offers warranties for its motors and other products. The warranty and claims provision of US$40.4 million was based on the estimated costs of warranty claims against products sold by the Group. Management uses historical warranty claims experience as well as recent trends to determine the level of provisioning. Where specific claims have been brought against the Group, the level of provision is made based on the consideration of the merits of a warranty claim against the Group, the existence of any obligation under the warranty commitment and legal advice if appropriate. We focused on this area as the estimation and timing of costs to be incurred in respect of future warranty claims requires significant and complex judgements.	We evaluated the Group's methodology and assumptions used for recognising warranty and claims provisions, which contained a general element based on percentage of claims relative to sales levels, and specific elements for known warranty issues or claims against the Group. Our work included testing the input data and underlying mathematical accuracy of the model. We assessed forecast warranty claims by comparing the level of warranty claims made in prior years and performing sensitivity analysis of the management analysis on the warranty claims' trends. Based on the work performed, we found the Group's judgements used in connection with the provisions made were supported by available evidence.

Other Information

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors and the Audit Committee of the Company for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is John J. Ryan.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 16 May 2018

CONSOLIDATED BALANCE SHEET

As of 31 March 2018

	Note	2018 US$'000	2017 US$'000
Non-current assets			
Property, plant and equipment	3	**1,115,354**	799,406
Investment property	4	**99,199**	93,385
Intangible assets	5	**1,178,636**	1,086,072
Investment in associates	6	**3,448**	39,799
Other financial assets	7	**111,437**	159,370
Financial assets at fair value through profit and loss	8	**7,241**	–
Defined benefit pension plan assets	15	**21,783**	9,352
Deferred income tax assets	17	**44,272**	54,320
Other non-current assets		**31,962**	11,055
		2,613,332	2,252,759
Current assets			
Inventories	9	**400,765**	313,115
Trade and other receivables	10	**771,412**	614,651
Other financial assets	7	**40,361**	53,189
Financial assets at fair value through profit and loss	8	**63**	–
Income tax recoverable		**7,404**	2,523
Pledged deposits	11	**–**	4,747
Cash and cash equivalents	11	**168,942**	127,689
		1,388,947	1,115,914
Current liabilities			
Trade payables	12	**357,315**	288,262
Other payables and deferred income		**334,060**	265,654
Current income tax liabilities		**46,869**	48,241
Other financial liabilities	7	**12,200**	28,015
Financial liabilities at fair value through profit and loss	8	**78**	–
Borrowings	13	**126,110**	26,128
Retirement benefit obligations	15	**492**	474
Provisions and other liabilities	16	**39,546**	52,756
		916,670	709,530
Net current assets		**472,277**	406,384
Total assets less current liabilities		**3,085,609**	2,659,143

	Note	2018 US$'000	2017 US$'000
Non-current liabilities			
Other payables and deferred income		**19,196**	15,321
Other financial liabilities	7	**41,946**	109,343
Financial liabilities at fair value through profit and loss	8	**36,660**	–
Borrowings	13	**153,056**	150,233
Convertible bonds	14	**213,018**	207,610
Deferred income tax liabilities	17	**116,410**	105,093
Put option written to a non-controlling interest	28	**79,451**	–
Retirement benefit obligations	15	**54,206**	39,656
Provisions and other liabilities	16	**5,861**	6,892
		719,804	634,148
NET ASSETS		**2,365,805**	2,024,995
Equity			
Share capital – Ordinary shares (at par value)	18	**5,670**	5,670
Shares held for incentive share schemes (at purchase cost)	18	**(55,219)**	(64,813)
Reserves	19	**2,347,995**	2,051,333
		2,298,446	1,992,190
Non-controlling interests		**67,359**	32,805
TOTAL EQUITY		**2,365,805**	2,024,995

The notes on pages 86 to 181 form an integral part of these consolidated financial statements.

Approved by the Board of Directors on 16 May 2018.

Patrick Shui-Chung Wang *JP*
Director

Winnie Wing-Yee Wang
Director

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2018

	Note	2018 US$'000	2017 US$'000
Sales	2	**3,236,560**	2,776,101
Cost of goods sold		**(2,445,328)**	(2,028,334)
Gross profit		**791,232**	747,767
Other income and gains, net	20	**6,197**	19,091
Selling and administrative expenses	21	**(462,231)**	(471,344)
Operating profit		**335,198**	295,514
Share of profit of associates	6	**1,147**	4,756
Finance income	22	**1,161**	1,132
Finance costs	22	**(14,692)**	(11,090)
Profit before income tax		**322,814**	290,312
Income tax expense	17	**(48,548)**	(43,806)
Profit for the year		**274,266**	246,506
Profit attributable to non-controlling interests		**(10,219)**	(8,586)
Profit attributable to shareholders		**264,047**	237,920
Basic earnings per share for profit attributable to the shareholders for the year (expressed in US cents per share)	24	**30.64**	27.71
Diluted earnings per share for profit attributable to the shareholders for the year (expressed in US cents per share)	24	**29.65**	26.91

The notes on pages 86 to 181 form an integral part of these consolidated financial statements.

Please see Note 25 for details of dividend.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2018

	Note	2018 US$'000	2017 US$'000
Profit for the year		**274,266**	246,506
Other comprehensive income / (expenses)			
Items that will not be recycled to profit and loss:			
Defined benefit plans			
– remeasurements	15 & 19	**12,931**	(7,795)
– deferred income tax effect	17 & 19	**(1,992)**	996
Long service payment			
– remeasurements	15 & 19	**585**	308
– deferred income tax effect	17 & 19	**(98)**	(67)
Investment property			
– deferred income tax effect	17 & 19	**–**	(1,547)
Share of other comprehensive expenses of associates	6 & 19	**–**	(2,394)
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	19	**30,427**	40,741
– transferred to inventory and subsequently recognised in income statement	19	**(5,007)**	18,511
– deferred income tax effect	17 & 19	**(4,194)**	(9,777)
Total items that will not be recycled to profit and loss directly		**32,652**	38,976
Items that will be recycled to profit and loss:			
Hedging instruments			
– forward foreign currency exchange contracts			
– fair value gains / (losses), net	19	**61,855**	(4,727)
– transferred to income statement	19	**(15,242)**	(13,675)
– deferred income tax effect	17 & 19	**(12,875)**	4,045
– net investment hedge			
– fair value (losses) / gains, net	19	**(41,622)**	16,550
Release of exchange reserve of an associate upon business combination	28	**(469)**	–
Currency translations of subsidiaries		**138,244**	(78,914)
Currency translations of associates	19	**159**	87
Total items that will be recycled to profit and loss directly		**130,050**	(76,634)
Other comprehensive income / (expenses) for the year, net of tax		**162,702**	(37,658)
Total comprehensive income for the year, net of tax		**436,968**	208,848
Total comprehensive income attributable to:			
Shareholders		**422,260**	202,527
Non-controlling interests			
Share of profits for the year		**10,219**	8,586
Currency translations		**4,489**	(2,265)
		436,968	208,848

The notes on pages 86 to 181 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2018

		Attributable to shareholders of JEHL					
	Note	Share capital US$'000	Other reserves * US$'000	Retained earnings US$'000	Total US$'000	Non-controlling interests US$'000	Total equity US$'000
As of 31 March 2017		(59,143)	(14,789)	2,066,122	1,992,190	32,805	2,024,995
Profit for the year		–	–	264,047	264,047	10,219	274,266
Other comprehensive income / (expenses):							
Hedging instruments							
– raw material commodity contracts							
– fair value gains, net	19	–	30,427	–	30,427	–	30,427
– transferred to inventory and subsequently recognised in income statement	19	–	(5,007)	–	(5,007)	–	(5,007)
– deferred income tax effect	17 & 19	–	(4,194)	–	(4,194)	–	(4,194)
– forward foreign currency exchange contracts							
– fair value gains, net	19	–	61,855	–	61,855	–	61,855
– transferred to income statement	19	–	(15,242)	–	(15,242)	–	(15,242)
– deferred income tax effect	17 & 19	–	(12,875)	–	(12,875)	–	(12,875)
– net investment hedge							
– fair value losses, net	19	–	(41,622)	–	(41,622)	–	(41,622)
Defined benefit plans							
– remeasurements	15 & 19	–	–	12,931	12,931	–	12,931
– deferred income tax effect	17 & 19	–	–	(1,992)	(1,992)	–	(1,992)
Long service payment							
– remeasurements	15 & 19	–	–	585	585	–	585
– deferred income tax effect	17 & 19	–	–	(98)	(98)	–	(98)
Release of exchange reserve of an associate upon business combination	28	–	(469)	–	(469)	–	(469)
Currency translations of subsidiaries	19	–	133,755	–	133,755	4,489	138,244
Currency translations of associates	19	–	159	–	159	–	159
Total comprehensive income for FY2017/18		–	146,787	275,473	422,260	14,708	436,968
Transactions with shareholders:							
Appropriation of retained earnings to statutory reserve	19	–	8,600	(8,600)	–	–	–
Incentive share schemes							
– shares vested	18 & 19	9,594	(9,594)	–	–	–	–
– value of employee services	19 & 27	–	12,685	–	12,685	–	12,685
Dividend declared to non-controlling shareholders of a subsidiary		–	–	–	–	(5,228)	(5,228)
Non-controlling interest arising on business combination	28	–	–	–	–	25,074	25,074
Put option written to a non-controlling interest	28	–	(72,191)	–	(72,191)	–	(72,191)
FY2016/17 final dividend paid	19	–	–	(37,735)	(37,735)	–	(37,735)
FY2017/18 interim dividend paid	19	–	–	(18,763)	(18,763)	–	(18,763)
Total transactions with shareholders		9,594	(60,500)	(65,098)	(116,004)	19,846	(96,158)
As of 31 March 2018		**(49,549) ****	**71,498**	**2,276,497**	**2,298,446**	**67,359**	**2,365,805**

* Other reserves mainly represent capital reserve, exchange reserve, share-based employee compensation reserve, hedging 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$(49.5) million is comprised by share capital of US$5.7 million and shares held for incentive share schemes of US$(55.2) million.

The notes on pages 86 to 181 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2017

	Note	Attributable to shareholders of JEHL					
		Share capital US$'000	Other reserves * US$'000	Retained earnings US$'000	Total US$'000	Non-controlling interests US$'000	Total equity US$'000
As of 31 March 2016		(69,780)	16,912	1,895,446	1,842,578	42,174	1,884,752
Profit for the year		–	–	237,920	237,920	8,586	246,506
Other comprehensive income / (expenses):							
Hedging instruments							
– raw material commodity contracts							
– fair value gains, net	19	–	40,741	–	40,741	–	40,741
– transferred to inventory and subsequently recognised in income statement	19	–	18,511	–	18,511	–	18,511
– deferred income tax effect	17 & 19	–	(9,777)	–	(9,777)	–	(9,777)
– forward foreign currency exchange contracts							
– fair value losses, net	19	–	(4,727)	–	(4,727)	–	(4,727)
– transferred to income statement	19	–	(13,675)	–	(13,675)	–	(13,675)
– deferred income tax effect	17 & 19	–	4,045	–	4,045	–	4,045
– net investment hedge							
– fair value gains, net	19	–	16,550	–	16,550	–	16,550
Defined benefit plans							
– remeasurements	15 & 19	–	–	(7,795)	(7,795)	–	(7,795)
– deferred income tax effect	17 & 19	–	–	996	996	–	996
Long service payment							
– remeasurements	15 & 19	–	–	308	308	–	308
– deferred income tax effect	17 & 19	–	–	(67)	(67)	–	(67)
Investment property							
– revaluation surplus realised upon disposal	19	–	(31)	31	–	–	–
– deferred income tax effect	17 & 19	–	(1,547)	–	(1,547)	–	(1,547)
Share of other comprehensive expenses of associates	6 & 19	–	–	(2,394)	(2,394)	–	(2,394)
Currency translations of subsidiaries	19	–	(76,649)	–	(76,649)	(2,265)	(78,914)
Currency translations of associates	19	–	87	–	87	–	87
Total comprehensive income / (expenses) for FY2016/17		–	(26,472)	228,999	202,527	6,321	208,848
Transactions with shareholders:							
Appropriation of retained earnings to statutory reserve	19	–	2,928	(2,928)	–	–	–
Incentive share schemes							
– shares vested	18 & 19	10,637	(10,637)	–	–	–	–
– value of employee services	19 & 27	–	12,376	–	12,376	–	12,376
Acquisition of non-controlling interests		–	(9,896)	–	(9,896)	(9,416)	(19,312)
Dividend paid to non-controlling shareholders of a subsidiary		–	–	–	–	(6,274)	(6,274)
FY2015/16 final dividend paid	19	–	–	(37,672)	(37,672)	–	(37,672)
FY2016/17 interim dividend paid	19	–	–	(17,723)	(17,723)	–	(17,723)
Total transactions with shareholders		10,637	(5,229)	(58,323)	(52,915)	(15,690)	(68,605)
As of 31 March 2017		(59,143)	(14,789)	2,066,122	1,992,190	32,805	2,024,995

* Other reserves mainly represent capital reserve, exchange reserve, share-based employee compensation reserve, hedging reserve, property revaluation reserve, equity component of convertible bonds (net of taxes), statutory reserve and goodwill on consolidation.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 March 2018

	Note	2018 US$'000	2017 US$'000
Cash flows from operating activities			
Earnings before interest, taxes, depreciation and amortisation	27	**519,857**	448,353
Other non-cash items	27	**35,469**	12,024
Change in working capital	27	**(78,735)**	(15,357)
Cash generated from operations	27	**476,591**	445,020
Interest paid		**(8,158)**	(5,867)
Income taxes paid		**(67,632)**	(39,208)
Net cash generated from operating activities		**400,801**	399,945
Investing activities			
Purchase of property, plant and equipment and capitalised expenditure of investment property, net of subsidies		**(305,824)**	(240,242)
Proceeds from disposal of property, plant and equipment and investment property	27	**739**	6,019
Capitalised expenditure of engineering development	5 & 23	**(8,726)**	(6,729)
Finance income received		**1,161**	1,132
		(312,650)	(239,820)
Business combination and acquisition			
– acquisition of subsidiary *	28	**(77,689)**	(64,704)
– leased properties and related items **		**(27,088)**	(29,887)
Proceeds from sale of financial assets at fair value through profit and loss		**145**	249
Net cash used in investing activities		**(417,282)**	(334,162)

* 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 28.

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

** In FY2017/18, Stackpole acquisition of two previously leased properties of US$27.1 million (FY2016/17: Stackpole acquisition of three previously leased properties and related items of US$29.9 million).

	Note	2018 US$'000	2017 US$'000
Financing activities			
Proceeds from bank borrowings		**132,290**	10,520
Repayments of bank borrowings and finance leases		**(32,367)**	(54,481)
Dividends paid to shareholders		**(56,498)**	(55,395)
Dividends paid to non-controlling interests		**–**	(6,274)
Acquisition of non-controlling interests		**–**	(19,312)
Net cash generated from / (used in) financing activities		**43,425**	(124,942)
Net increase / (decrease) in cash and cash equivalents		**26,944**	(59,159)
Cash and cash equivalents at beginning of the year		**127,689**	193,325
Currency translations on cash and cash equivalents		**14,309**	(6,477)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		**168,942**	127,689

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	949	271	–	–	1,220
Cash flows					
– inflow from financing activities	108,034	24,256	–	–	132,290
– outflow from financing activities	(30,270)	(435)	–	(1,662)	(32,367)
– outflow from operating activities	–	–	(2,000)	–	(2,000)
Non-cash changes					
– finance costs	–	–	7,408	117	7,525
– reclassification	21,269	(21,269)	–	–	–
As of 31 March 2018	126,110	153,056	213,018	–	492,184

The notes on pages 86 to 181 form an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION AND BASIS OF PREPARATION

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 consolidated financial statements are presented in US Dollars, unless otherwise stated and have been approved for issue by the Board of Directors on 16 May 2018. They have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRS") using the historical cost convention, as modified by the revaluation of financial assets and financial liabilities (including derivative instruments) at fair value through profit and loss, and investment property, which are carried at fair value.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 35.

The principal accounting policies applied in the preparation of these consolidated financial statements are set out in Note 34. In FY2017/18, the Group adopted new / revised standards and interpretations of HKFRS effective for the first time in FY2017/18. The effects of adopting the new / revised HKFRSs are disclosed in Note 36.

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:

	2018 **US$'000**	2017 US$'000
Operating profit presented to management	**329,001**	276,423
Other income and gains, net (Note 20)	**6,197**	19,091
Operating profit per consolidated income statement	**335,198**	295,514

Sales from external customers by business unit were as follows:

	2018 **US$'000**	2017 US$'000
Automotive Products Group ("APG")	**2,493,619**	2,090,815
Industry Products Group ("IPG")	**742,941**	685,286
	3,236,560	2,776,101

The Stackpole business, primarily engaged in the manufacture and sale of engine and transmission oil pumps and powder metal components accounted for 20% (16% excluding the acquisition of Halla Stackpole) of the Group's sales for FY2017/18 (FY2016/17: 17%).

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 FY2017/18 (FY2016/17: 19%).

2. SEGMENT INFORMATION *(Cont'd)*

Sales by geography

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

	2018 US$'000	2017 US$'000
Europe *	**1,132,545**	1,021,088
North America **	**876,300**	818,460
People's Republic of China ("PRC")	**856,858**	690,882
Asia (excluding PRC)	**316,476**	206,362
South America	**44,139**	30,228
Others	**10,242**	9,081
	3,236,560	2,776,101

* Included in Europe were sales to external customers in Germany of US$217.9 million and France of US$142.7 million for FY2017/18 (FY2016/17: US$223.3 million and US$130.7 million respectively).

** Included in North America were sales to external customers in USA of US$729.6 million for FY2017/18 (FY2016/17: US$703.5 million).

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

Segment assets

For FY2017/18, the additions to non-current assets (other than deferred tax assets, other financial assets and defined benefit pension plan assets) were US$341.6 million (FY2016/17: US$244.5 million) excluding the additions from acquisitions.

The non-current assets (other than goodwill, deferred tax assets, other financial assets and defined benefit pension plan assets) by geographic location as of 31 March 2018 and 31 March 2017 were as follows:

	2018 US$'000	2017 US$'000
Hong Kong ("HK") / PRC	**619,880**	447,596
Canada	**454,280**	393,682
Switzerland	**150,465**	140,100
Others	**414,028**	326,759
	1,638,653	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
As of 31 March 2016						
Cost	235,754	863,685	153,380	300,767	144,617	1,698,203
Accumulated depreciation and impairment	(127,679)	(564,501)	(200)	(239,405)	(98,929)	(1,030,714)
Net book amount	108,075	299,184	153,180	61,362	45,688	667,489
FY2016/17						
As of 31 March 2016	108,075	299,184	153,180	61,362	45,688	667,489
Currency translations	(3,909)	(14,254)	(6,671)	(3,484)	(1,168)	(29,486)
Business combination and acquisition	31,343	5,867	3,004	1,165	861	42,240
Buyout of a finance leased property	(3,644)	–	–	–	–	(3,644)
Additions	11,037	35,150	175,424	15,844	7,102	244,557
Transfer	28,969	93,436	(152,042)	21,778	7,859	–
Disposals	(2,320)	(1,041)	–	(215)	(127)	(3,703)
Provision for impairment (Note 23 & 27)	(235)	(99)	(1,116)	(1,112)	(3)	(2,565)
Depreciation (Note 23)	(11,954)	(64,899)	–	(27,207)	(11,422)	(115,482)
As of 31 March 2017	157,362	353,344	171,779	68,131	48,790	799,406
As of 31 March 2017						
Cost	289,148	931,827	173,086	307,835	153,899	1,855,795
Accumulated depreciation and impairment	(131,786)	(578,483)	(1,307)	(239,704)	(105,109)	(1,056,389)
Net book amount	157,362	353,344	171,779	68,131	48,790	799,406

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

3. PROPERTY, PLANT AND EQUIPMENT *(Cont'd)*

	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
FY2017/18						
As of 31 March 2017	157,362	353,344	171,779	68,131	48,790	799,406
Currency translations	12,309	34,721	14,151	8,213	2,524	71,918
Business combination and acquisition **	37,289	50,096	6,774	460	1,470	96,089
Additions	5,882	62,524	201,702	22,702	7,157	299,967
Transfer	8,677	125,348	(181,883)	39,455	8,403	–
Disposals	–	(647)	–	(514)	(119)	(1,280)
Provision for impairment (Note 23 & 27)	–	(5,381)	–	(689)	(10)	(6,080)
Depreciation (Note 23)	(13,097)	(82,439)	–	(35,621)	(13,509)	(144,666)
As of 31 March 2018	**208,422**	**537,566**	**212,523**	**102,137**	**54,706**	**1,115,354**
As of 31 March 2018						
Cost	351,128	1,267,685	219,237	393,585	180,282	2,411,917
Accumulated depreciation and impairment	(142,706)	(730,119)	(6,714)	(291,448)	(125,576)	(1,296,563)
Net book amount	**208,422**	**537,566**	**212,523**	**102,137**	**54,706**	**1,115,354**

* Other assets comprise computers, furniture and fixtures, motor vehicles and aircraft. Where such assets require some degree of assembly or installation, they are first recorded in assets under construction and are then transferred to other assets once they are ready for use.

** This includes acquisition of Halla Stackpole of US$69.0 million (see Note 28) and Stackpole's subsequent acquisition of two previously leased properties of US$27.1 million.

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

The Group begins depreciating an item of property, plant and equipment when it is available for use. Depreciation of property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Leasehold land	Shorter of lease term or useful life
Buildings on leasehold land	Shorter of lease term or useful life
Buildings on freehold land	10 to 50 years *
Machinery, equipment, moulds and tools	2 to 12 years
Furniture and fixtures and computers	3 to 10 years
Motor vehicles	3 to 7 years
Aircraft	25 years

* 50 years for buildings in Hungary, Germany and Switzerland

4. INVESTMENT PROPERTY

	2018 US$'000	2017 US$'000
At beginning of the year	**93,385**	91,530
Currency translations	**714**	(435)
Fair value gains (Note 20 & 27)	**1,625**	1,218
Capitalised expenditure	**3,475**	1,438
Disposals	**–**	(366)
At end of the year	**99,199**	93,385

The Group's investment property portfolio in HK/PRC was valued on an open market basis as of 31 March 2018. The appraisals were performed by independent, professionally qualified valuers, Chung, Chan & Associates, Chartered Surveyors.

As of 31 March 2018, the Group's investment property portfolio has tenancies expiring in the period from October 2018 to June 2027 (31 March 2017: from October 2018 to May 2027).

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
As of 31 March 2016							
Cost	692,328	171,677	28,192	104,032	290,089	4,579	1,290,897
Accumulated amortisation and impairment	–	(95,418)	(11,615)	(25,634)	(73,001)	(1,824)	(207,492)
Net book amount	692,328	76,259	16,577	78,398	217,088	2,755	1,083,405
FY2016/17							
As of 31 March 2016	692,328	76,259	16,577	78,398	217,088	2,755	1,083,405
Currency translations	(22,407)	(2,157)	(1,066)	(2,425)	(7,578)	(157)	(35,790)
Business combination	51,659 *	3,792	866	–	12,490	–	68,807
Additions (Note 23)	–	–	6,729	–	–	–	6,729
Amortisation (Note 23 & 27)	–	(13,243)	(3,888)	(2,407)	(17,328)	(213)	(37,079)
As of 31 March 2017	721,580	64,651	19,218	73,566	204,672	2,385	1,086,072
As of 31 March 2017							
Cost	721,580	170,025	36,120	100,646	292,011	4,310	1,324,692
Accumulated amortisation and impairment	–	(105,374)	(16,902)	(27,080)	(87,339)	(1,925)	(238,620)
Net book amount	721,580	64,651	19,218	73,566	204,672	2,385	1,086,072
FY2017/18							
As of 31 March 2017	721,580	64,651	19,218	73,566	204,672	2,385	1,086,072
Currency translations	34,638	2,506	2,167	2,763	9,950	915	52,939
Business combination (Note 28)	33,728	–	–	–	25,374	–	59,102
Additions (Note 23)	–	–	8,726	–	–	12,476	21,202
Amortisation (Note 23 & 27)	–	(13,583)	(5,412)	(2,449)	(19,019)	(216)	(40,679)
As of 31 March 2018	**789,946**	**53,574**	**24,699**	**73,880**	**220,977**	**15,560**	**1,178,636** **
As of 31 March 2018							
Cost	789,946	177,058	49,422	104,710	331,588	17,900	1,470,624
Accumulated amortisation and impairment	–	(123,484)	(24,723)	(30,830)	(110,611)	(2,340)	(291,988)
Net book amount	**789,946**	**53,574**	**24,699**	**73,880**	**220,977**	**15,560**	**1,178,636**

* 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 28.

** Total intangible assets by underlying currencies as of 31 March 2018 and 31 March 2017 are disclosed on the next page.

5. INTANGIBLE ASSETS *(Cont'd)*

Total intangible assets as of 31 March 2018 and 31 March 2017 were denominated in the following underlying currencies.

	2018 US$'000	2017 US$'000
In CAD	**481,746**	479,106
In CHF	**439,906**	437,195
In USD	**83,964**	83,652
In EUR	**87,467**	75,376
In KRW	**61,868**	–
In RMB	**15,560**	2,385
In GBP	**8,125**	8,358
Total intangible assets	**1,178,636**	1,086,072

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

Amortisation is calculated using the straight-line method to allocate the cost over the estimated useful life. The estimated useful life for amortisation purposes is:

Technology, patents and engineering development	4 to 20 years
Brands	25 years / indefinite
Client relationships	15 to 20 years
Land use rights	Shorter of remaining lease term or useful life

Impairment tests for brand with an indefinite useful life

As of 31 March 2018, the carrying amount of the brand name "Stackpole", considered to have an indefinite useful life, was US$41.0 million (31 March 2017: US$39.7 million).

In accordance with the Group's accounting policy on asset impairment, the carrying amount of the brand is reviewed and tested for impairment at least annually. The results of the review and test indicated that no impairment charge was necessary as of 31 March 2018.

Impairment testing for the brand is based on its fair value less cost of disposal (level 3 of the HKFRS 13 fair value hierarchy). Key assumptions include a royalty rate of 0.75% (31 March 2017: 0.75%) and a 2% perpetual growth rate (31 March 2017: 2%) for extrapolating cash flows over 5 years.

5. INTANGIBLE ASSETS *(Cont'd)*

Impairment test for goodwill

Goodwill of the Group is managed at segment level for the purpose of testing goodwill impairment in accordance with HKAS 36 "Impairment of Assets". Goodwill is tested annually for impairment or more frequently if events or changes in circumstances indicate a potential impairment. The impairment test for goodwill is carried out by comparing the recoverable amount (i.e. higher of value-in-use and the fair value less costs of disposal) of the segment assets to the carrying amount of those assets as of the balance sheet date.

For the years ended 31 March 2018 and 2017, the recoverable amount of the Group is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on the financial budget and future forecast respectively.

Forecast profitability is based on past performance and expected future changes in costs and sales prices. Cash flow projections are based on long-range financial forecasts using an estimated sales growth rate of 6% until 2023 and a 2% perpetual growth rate thereafter (FY2016/17: 6% and 2% respectively) and operating margin of 10% (FY2016/17: 10%). Future cash flows are discounted at a pre-tax rate of 9% (equivalent to post-tax weighted average cost of capital of 8%) (FY2016/17: pre-tax rate of 9%).

There was no evidence of impairment arising from tests of reasonable variations of the key assumptions used for the value-in-use calculations.

6. INVESTMENT IN ASSOCIATES

	2018 **US$'000**	2017 US$'000
At beginning of the year	**39,799**	37,897
Currency translations	**158**	88
Share of associates' profit for the year	**1,147**	4,756
Share of other comprehensive expenses of associates (Note 19)	**–**	(2,394)
Dividends received	**(1,014)**	(548)
Acquisition of an associate	**(36,642)**	–
At end of the year	**3,448**	39,799

Details of associate are shown in Note 38.

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. For details please refer to Note 28.

The remaining investment in associate represents the 49% equity interest in Shenzhen SMART Micromotor Co Ltd ("SMART"), which is accounted for using the equity method.

7. OTHER FINANCIAL ASSETS AND LIABILITIES

	2018 Assets US$'000	2018 (Liabilities) US$'000	2018 Net US$'000	2017 Assets US$'000	2017 (Liabilities) US$'000	2017 Net US$'000
Cash flow hedge						
– raw material commodity contracts (Note a (i))	**29,316**	**(917)**	**28,399**	14,916	(8,094)	6,822
– forward foreign currency exchange contracts (Note a (ii))	**108,089**	**(28,731)**	**79,358**	160,476	(129,252)	31,224
Net investment hedge (Note b)						
– forward foreign currency exchange contracts to hedge European subsidiaries	**10,743**	**(5,003)**	**5,740**	32,106	–	32,106
– cross currency interest rate swaps	**–**	**(19,417)**	**(19,417)**	3,029	–	3,029
Fair value hedge (Note c)						
– forward foreign currency exchange contracts to hedge CAD intercompany loan interest	**1,404**	**–**	**1,404**	437	–	437
– cross currency interest rate swaps	**–**	**(73)**	**(73)**	–	–	–
Held for trading (Note d)	**2,246**	**(5)**	**2,241**	1,595	(12)	1,583
Total (Note e)	**151,798**	**(54,146)**	**97,652**	212,559	(137,358)	75,201
Current portion	**40,361**	**(12,200)**	**28,161**	53,189	(28,015)	25,174
Non-current portion	**111,437**	**(41,946)**	**69,491**	159,370	(109,343)	50,027
Total	**151,798**	**(54,146)**	**97,652**	212,559	(137,358)	75,201

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 on the following page are designated as cash flow hedges. Gains and losses initially recognised in the hedging reserve will be transferred to the 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.

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

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

(i) Raw material commodity contracts *(Cont'd)*

As of 31 March 2018, 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	28,425 metric ton	165.9	5,837	6,685	6,750	1 – 51	25,956
Silver commodity	430,000 oz	7.1	16.55	16.28	16.71	1 – 30	68
Aluminium commodity	475 metric ton	1.0	2,072	1,997	2,011	1 – 12	(29)
Iron ore commodity	153,500 metric ton	7.3	48	63	59	10 – 36	1,725
Coking coal commodity	43,500 metric ton	6.6	152	189	168	13 – 36	679
Total							28,399

(ii) Forward foreign currency exchange contracts

The EUR, RMB, HUF, PLN, CAD, RSD, ILS, JPY, CHF and MXN forward foreign currency exchange contracts as per the table on the following page 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 the majority of its operating expenses (including conversion costs) in domestic currencies in China, Hungary, Poland, Switzerland, Mexico, Serbia and Israel, 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 purchases 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).

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

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

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

As of 31 March 2018, 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 575.9	1.42	1.23	1.34	1 – 84	816.8	46,286
Buy RMB forward	USD	RMB 6,862.6	6.69	6.28	6.48	1 – 69	1,026.2	32,227
Buy HUF forward	EUR	HUF 42,348.4	333.61	312.39	317.44	1 – 60	156.2	7,959
Buy PLN forward	EUR	PLN 596.6	4.64	4.20	4.45	1 – 60	158.4	6,797
Sell CAD forward	USD	CAD 223.0	1.25	1.29	1.28	5 – 45	178.4	3,892
Buy RSD forward	EUR	RSD 3,985.0	124.15	118.35	121.28	1 – 24	39.5	934
Buy ILS forward	USD	ILS 2.5	3.50	3.51	3.50	1 – 2	0.7	(1)
Sell JPY forward	USD	JPY 108.0	114.76	106.84	105.66	1 – 6	0.9	(81)
Buy CHF forward	EUR	CHF 145.5	1.11	1.18	1.17	1 – 18	161.9	(9,154)
Buy MXN forward	USD	MXN 2,365.4	19.34	18.27	20.97	1 – 72	122.3	(9,501)
Total								79,358

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

(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 operations.

As of 31 March 2018, 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 133.0	1.38	1.23	1.34	6 – 81	183.7	5,740
Cross currency interest rate swaps (pay EUR, receive USD)	USD	EUR 130.6	1.11	1.23	1.26	34 – 46	145.0	(19,417)

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

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

(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 are recognised in the income statement.

As of 31 March 2018, 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)
Fair value hedge contracts								
Sell CAD forward	USD	CAD 57.3	1.25	1.29	1.29	1 – 19	45.9	1,404
Cross currency interest rate swaps (pay USD, receive HKD)	USD	HKD 156.5	7.83	7.85	7.85	5	20.0	(73)

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

(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 31 March 2018, 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 1,799.2	78.91	65.27	71.87	1 - 56	22.8	2,235
Buy HKD structured forward	USD	HKD 86.4	7.85	7.85	7.85	1 - 11	11.0	6
Total								2,241

* 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 FY2017/18 was a net gain of US$23.9 million (FY2016/17: net gain of US$1.8 million).

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

(g) As of 31 March 2018, the balance in the exchange reserve for continuing hedges that are accounted for as a net investment hedge was US$15.5 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 31 March 2018 would result in approximately US$230 million cash flow benefit (31 March 2017: US$211 million).

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

	2018			2017		
	Assets US$'000	(Liabilities) US$'000	Net US$'000	Assets US$'000	(Liabilities) US$'000	Net US$'000
Fair value of a call option related to the acquisition of Halla Stackpole (Note a)	2,511	-	2,511	–	–	–
Structured foreign currency contracts (Note b)	4,793	(36,738)	(31,945)	–	–	–
Total	7,304	(36,738)	(29,434)	–	–	–
Current portion	63	(78)	(15)	–	–	–
Non-current portion	7,241	(36,660)	(29,419)	–	–	–
Total	7,304	(36,738)	(29,434)	–	–	–

Note:

(a) Fair value of a call option related to the acquisition of Halla Stackpole
The Group has been 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 28.

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

(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 year, 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 EUR, 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 year 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 the next page.

The Group considers these contracts as economic hedges, since the contracts are able to mitigate the risk of foreign exchange movements in 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 the remaining maturity periods is summarised below:

	Sell EUR (EUR million)	Buy RMB (RMB million)	Sell CAD (CAD million)
Hedge – by plain vanilla	575.9	6,862.6	223.0
Economic hedge – by structured forward			
– minimum possible hedge	174.8	208.0	41.9
– maximum possible hedge	346.6	416.0	87.6
Hedged %*			
– Plain vanilla	53%	42%	45%
– Plain vanilla and structured forward – minimum	69%	44%	53%
– Plain vanilla and structured forward – maximum	84%	45%	63%

* The hedged % is based on actual requirements in FY2017/18 and therefore does not factor in future growth.

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

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

As of 31 March 2018, 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)	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	28 – 77	(28,013)
Sell EUR (for net investment)	Reduction of notional amount	USD	EUR 50.0	EUR 100.0	1.36 – 1.40	1.38	57 – 81	(8,457)
Sell CAD	Reduction of notional amount	USD	CAD 41.9	CAD 87.6	1.25 – 1.30	1.27	1 – 21	(204)
Buy RMB	Reduction of notional amount	USD	RMB 208.0	RMB 416.0	8.00 – 8.01	8.00	46 – 62	4,729
Total								(31,945)

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

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

Sensitivity

As of 31 March 2018, a 1% change in the exchange rate for EUR, RMB and CAD respectively against the USD will have the following impact to the Group's income statement:

	Profit before income tax increase / (decrease)		
	EUR contracts	RMB contracts	CAD contracts
Increase by 1%	US$(4.1) million	US$(0.3) million	US$(0.4) million
Decrease by 1%	US$4.5 million	US$0.3 million	US$1.0 million

Due to the non-linear characteristics of these structured foreign exchange contracts, the incremental fair value change due to the fluctuation of the foreign currency will decrease (i.e. the fair value change of a 2% change in exchange rate is less than twice of 1% change in exchange rate).

Estimate of future cash flow

In terms of estimating future cash flow, the structured contract rates at maturity compared to spot rates as of 31 March 2018 would give rise to a cash flow benefit of approximately US$36 million (assuming minimum delivery for EUR and RMB contracts and a mixture of minimum and maximum delivery for CAD contracts depending on the contract delivery rate).

9. INVENTORIES

	2018 US$'000	2017 US$'000
Raw materials	**206,832**	140,670
Finished goods	**193,933**	172,445
	400,765	313,115

The Group's inventories were valued at the lower of actual cost on a first-in-first-out basis (FIFO) or net realisable value.

10. TRADE AND OTHER RECEIVABLES

	2018 US$'000	2017 US$'000
Trade receivables – gross	**641,837**	520,620
Less: impairment of trade receivables	**(500)**	(4,736)
Trade receivables – net	**641,337**	515,884
Prepayments and other receivables	**130,075**	98,767
	771,412	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:

	2018 US$'000	2017 US$'000
0 – 30 days	**315,339**	249,578
31 – 90 days	**289,748**	246,235
Over 90 days	**36,750**	24,807
Total	**641,837**	520,620

10. 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:

	2018	2017
	US$'000	US$'000
Current	**593,672**	481,825
1 – 30 days overdue	**36,251**	25,937
31 – 90 days overdue	**7,800**	7,782
Over 90 days overdue	**4,114**	5,076
Total	**641,837**	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.

The carrying amount of the Group's trade receivables was denominated in the following currencies:

	2018	2017
	US$'000	US$'000
RMB	**193,812**	129,207
USD	**190,386**	172,398
EUR	**183,107**	163,069
CAD	**44,276**	43,861
Others	**30,256**	12,085
Total	**641,837**	520,620

Ageing of overdue trade receivables but not impaired

The Group has credit policies in place to review the credit worthiness of all existing and potential customers. As of 31 March 2018, trade receivables of US$47.7 million (31 March 2017: US$34.1 million) were overdue but not impaired. Management assessed the credit quality of this US$47.7 million by reference to the repayment history and current financial position of the customers. Management believes that no provision for impairment is necessary and these balances are expected to be fully recovered.

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

Ageing of overdue trade receivables but not impaired *(Cont'd)*

The ageing of these overdue trade receivables but not impaired was as follows:

	2018 US$'000	2017 US$'000
1 – 30 days overdue	**36,251**	25,591
31 – 90 days overdue	**7,800**	7,782
Over 90 days overdue	**3,614**	686
Total	**47,665**	34,059

Impairment of trade receivables

As of 31 March 2018, trade receivables of US$0.5 million (31 March 2017: US$4.7 million) were impaired. The ageing of these receivables was as follows:

	2018 US$'000	2017 US$'000
1 – 30 days overdue	**–**	347
Over 90 days overdue	**500**	4,389
Total	**500**	4,736

Movements on the impairment of trade receivables were as follows:

	2018 US$'000	2017 US$'000
At beginning of the year	**4,736**	2,073
Currency translations	**315**	(74)
Receivables written off during the year as uncollectible	**(57)**	(448)
(Written back of impairment) / impairment of trade receivables / bad debt expense (Note 23)	**(4,494)**	3,185
At end of the year	**500**	4,736

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

11. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	2018	2017
	US$'000	US$'000
Cash at bank and in hand	**154,736**	119,840
Short term bank deposits	**14,206**	7,849
Total cash and cash equivalents	**168,942**	127,689
Pledged deposits	**–**	4,747

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

	2018	2017
	US$'000	US$'000
RMB	**50,895**	40,353
EUR	**48,814**	35,295
USD	**33,102**	28,689
KRW	**12,604**	–
CAD	**395**	14,142
Others	**23,132**	13,957
Total	**168,942**	132,436

12. TRADE PAYABLES

	2018 US$'000	2017 US$'000
Trade payables	**357,315**	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:

	2018 US$'000	2017 US$'000
0 – 60 days	**274,047**	220,081
61 – 90 days	**58,405**	45,520
Over 90 days	**24,863**	22,661
Total	**357,315**	288,262

The carrying amount of the Group's trade payables was denominated in the following currencies:

	2018 US$'000	2017 US$'000
RMB	**132,232**	108,720
USD	**101,093**	80,143
EUR	**88,719**	70,384
HKD	**20,812**	20,052
CAD	**3,144**	4,150
Others	**11,315**	4,813
Total	**357,315**	288,262

13. BORROWINGS

	2018 US$'000	2017 US$'000
Loans based on trade receivables (Note a)	**76,000**	61,710
Loan from International Finance Corporation ("IFC") (Note b)	**74,385**	74,279
Other borrowings – Non-current	**40,670**	30,254
– Current	**88,111**	10,118
Total borrowings (Note c)	**279,166**	176,361
Current borrowings	**126,110**	26,128
Non-current borrowings	**153,056**	150,233

Note:

(a) Subsidiary companies have borrowed US$76.0 million based on trade receivables in the USA, Hong Kong and Europe as of 31 March 2018 (31 March 2017: US$61.7 million). These loans are placed such that the interest expense will match the geography of the operating income as follows:

- Unsecured borrowings in the USA of US$46.0 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$30.0 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 year (31 March 2017: US$16.0 million (EUR15.0 million)).

(b) Loan from IFC – US$74.4 million (principal US$75.0 million less US$0.6 million transaction costs) was drawn down in January 2016. This is an 8-year loan for projects in Serbia, Mexico, Brazil and India with quarterly repayments beginning from April 2019 and with final maturity date of 15 January 2024.

(c) Total borrowing increased by US$102.8 million due to the acquisition of a controlling interest in HSC and the need to fund organic business growth.

13. BORROWINGS *(Cont'd)*

The maturity of borrowings was as follows:

	Bank borrowings		Other loans	
	2018 US$'000	2017 US$'000	**2018 US$'000**	2017 US$'000
Less than 1 year	**124,776**	25,510	**1,334**	618
1 – 2 years	**58,332**	31,200	**31,296**	480
2 – 5 years	**2,488**	35,000	**45,371**	53,743
Over 5 years	**–**	–	**15,569**	29,810
	185,596	91,710	**93,570**	84,651

As of 31 March 2018, the interest rate charged on outstanding balances ranged from 0.6% to 6.0% per annum (31 March 2017: 0.5% to 6.0% per annum) and the weighted average effective interest rate of the borrowings was approximately 1.6% (31 March 2017: 0.6%). Interest expense is disclosed in Note 22.

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 31 March 2018, 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.

The carrying amounts of the borrowings were denominated in the following currencies:

	2018 US$'000	2017 US$'000
USD	**200,452**	151,418
CAD	**58,587**	8,619
HKD	**19,944**	–
EUR	**183**	16,324
Total borrowings	**279,166**	176,361

14. CONVERTIBLE BONDS

	2018	2017
	US$'000	US$'000
Convertible Bonds (Liability component)	**213,018**	207,610

JEHL issued convertible bonds with an aggregate principal amount of US$200 million on 2 April 2014. These convertible bonds bear interest as a 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 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 31 March 2018.

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 conversion price was not adjusted for the interim dividend for FY2017/18 since this event fell below the 1% threshold for adjustment as per the terms and conditions of the Bond Offering. The effect of this interim dividend will be accumulated and included in the next adjustment to the conversion price.

The fair value of the liability component of the Group's convertible bonds was approximately equal to its carrying value as of 31 March 2018. The fair values of convertible bonds are within level 2 of the fair value hierarchy.

15. RETIREMENT BENEFIT OBLIGATIONS

	Defined benefit pension plans US$'000	Defined contribution pension plans and long service payment US$'000	Total US$'000
FY2016/17			
As of 31 March 2016	19,581	4,009	23,590
Currency translations	(833)	12	(821)
Business combination	1,879	–	1,879
Charges	3,798	4,592	8,390
Utilisations	(4,647)	(5,100)	(9,747)
Remeasurements (Note 19) *	7,795	(308)	7,487
As of 31 March 2017	27,573	3,205	30,778
Retirement benefit obligations:			
Current portion	–	474	474
Non-current portion	36,925	2,731	39,656
Defined benefit pension plan assets:			
Non-current portion	(9,352)	–	(9,352)
As of 31 March 2017	27,573	3,205	30,778
FY2017/18			
As of 31 March 2017	27,573	3,205	30,778
Currency translations	4,369	67	4,436
Business combination (Note 28)	8,533	–	8,533
Charges	7,066	5,781	12,847
Utilisations	(4,961)	(5,202)	(10,163)
Remeasurements (Note 19) *	(12,931)	(585)	(13,516)
As of 31 March 2018	**29,649** **	**3,266**	**32,915**
Retirement benefit obligations:			
Current portion	–	492	492
Non-current portion	51,432	2,774	54,206
Defined benefit pension plan assets:			
Non-current portion	(21,783)	–	(21,783)
As of 31 March 2018	**29,649**	**3,266**	**32,915**

* Remeasurements represent actuarial (gains) and losses.

** The retirement benefit obligations were mainly denominated in CHF, GBP, EUR, CAD and KRW as of 31 March 2018. These retirement benefit obligations of US$29.6 million (31 March 2017: US$27.6 million) comprised gross present value of obligations of US$182.2 million (31 March 2017: US$161.9 million) less fair value of plan assets of US$152.6 million (31 March 2017: US$134.3 million).

15. RETIREMENT BENEFIT OBLIGATIONS *(Cont'd)*

15.1 Defined benefit pension plans

The Group operates defined benefit pension plans in various countries, providing benefits to members in the form of a guaranteed level of pension payable for life. These defined benefit plans are valued by independent external actuaries using the projected unit credit method.

The Group's defined benefit plans provide pensions to employees after meeting specific retirement ages / periods of service. Pensions are based on specific pension rates applied to each participating employee's years of service. The assets of funded plans are held independently of the Group's assets in separate trustee administered funds.

The amounts recognised in the balance sheet were determined as follows:

	2018 **US$'000**	2017 US$'000
Present value of obligations that are funded	**155,227**	147,007
Present value of obligations that are unfunded	**27,042**	14,922
Gross present value of obligations	**182,269**	161,929
Less : Fair value of plan (assets)	**(152,620)**	(134,356)
Total retirement benefit obligations – net liability	**29,649**	27,573
Represented by:		
Defined benefit pension plan (assets)	**(21,783)**	(9,352)
Retirement benefit obligations	**51,432**	36,925

15. RETIREMENT BENEFIT OBLIGATIONS *(Cont'd)*

15.1 Defined benefit pension plans *(Cont'd)*

The movement of the retirement benefit obligations was as follows:

	Present value of obligations US$'000	Fair value of plan (assets) US$'000	Total net liability US$'000
As of 31 March 2016	149,734	(130,153)	19,581
Current service cost	4,669	–	4,669
Interest cost / (income)	2,594	(2,472) *	122
Past service cost	(993)	–	(993)
Net cost / (income) to the income statement (Note 23)	6,270	(2,472)	3,798
Remeasurements:			
– Losses from change in financial assumptions	8,782	–	8,782
– Experience losses	11,385	37	11,422
– Return on plan assets, excluding amounts included in interest income	–	(12,409)	(12,409)
Losses / (gains) recognised in equity (Note 19)	20,167	(12,372)	7,795
Currency translations	(10,013)	9,180	(833)
Contributions by plan participants	2,328	(2,328)	–
Contributions by employer	–	(3,819)	(3,819)
Business combination	1,879	–	1,879
Benefits paid	(8,436)	7,608	(828)
As of 31 March 2017	161,929	(134,356)	27,573
As of 31 March 2017	161,929	(134,356)	27,573
Current service cost	6,715	–	6,715
Interest cost / (income)	2,975	(2,624) *	351
Net cost / (income) to the income statement (Note 23)	9,690	(2,624)	7,066
Remeasurements:			
– Gains from change in demographic assumptions	(970)	–	(970)
– Gains from change in financial assumptions	(7,110)	–	(7,110)
– Experience gains	(1,211)	(39)	(1,250)
– Return on plan assets, excluding amounts included in interest income	–	(3,601)	(3,601)
Gains recognised in equity (Note 19)	(9,291)	(3,640)	(12,931)
Currency translations	12,964	(8,595)	4,369
Contributions by plan participants	2,529	(2,529)	–
Contributions by employer	–	(4,118)	(4,118)
Business combination	10,820	(2,287)	8,533
Benefits paid	(6,372)	5,529	(843)
As of 31 March 2018	**182,269**	**(152,620)**	**29,649**

* The interest income on plan assets was calculated at discount rates shown on the next page.

15. RETIREMENT BENEFIT OBLIGATIONS *(Cont'd)*

15.1 Defined benefit pension plans *(Cont'd)*
The principal actuarial assumptions used were as follows:

	2018 Percentage	2017 Percentage
Discount rate	**1.0% – 4.2%**	0.5% – 3.5%
Future pension obligation growth rate	**0% – 2.6%**	0% – 2.7%

Future pension obligation growth rate is primarily related to the statutory inflation rates.

Sensitivity analysis
The sensitivity of the defined benefit obligations to changes in the weighted principal assumptions was:

	Impact on defined benefit obligations	
	Increase in assumption	Decrease in assumption
Discount rate – change by 0.5%	Decrease by 6.2%	Increase by 6.8%
Future pension growth rate – increase by 0.25%	Increase by 1.4%	Decrease by 1.3%

This is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability recognised in the balance sheet.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous year.

During the year, the present value of funded defined benefit obligations increased due to the effect of currency translations and the acquisition of HSC, partially offset by remeasurement gains. These remeasurement gains arose from changes in financial assumptions due to changes in the discount rates as follow:

	2018 Percentage	2017 Percentage
Switzerland	**1.0%**	0.5%
United Kingdom	**2.6%**	2.6%
Canada	**3.4%**	3.5%
Germany	**2.1%**	1.7%

15. RETIREMENT BENEFIT OBLIGATIONS *(Cont'd)*

15.1 Defined benefit pension plans *(Cont'd)*

The weighted average duration of the defined benefit obligations is 17.4 years (31 March 2017: 18.4 years).

The expected maturity of undiscounted pension benefits as of 31 March 2018 and 31 March 2017 was:

	2018 US$'000	2017 US$'000
Less than 1 year	**4,615**	4,192
1 – 2 years	**5,254**	4,476
2 – 5 years	**15,121**	11,961
Over 5 years	**281,290**	254,632
	306,280	275,261

Plan assets

Plan assets comprised the following:

	2018		2017	
	US$'000	**Percentage**	US$'000	Percentage
Quoted				
Equities				
Asia	**1,190**	**1%**	4,066	3%
Europe	**13,354**	**9%**	16,534	12%
Americas	**1,855**	**1%**	7,808	6%
Global	**26,084**	**17%**	19,598	14%
Bonds				
Asia	**2,560**	**2%**	–	–
Europe	**48,192**	**32%**	34,978	26%
Americas	**18,380**	**12%**	1,272	1%
Global	**11,296**	**7%**	29,298	22%
Others				
Europe	**7,453**	**5%**	5,586	4%
Global	**13,104**	**9%**	7,720	6%
	143,468	**95%**	126,860	94%
Unquoted				
Property investment – Europe	**8,863**	**5%**	5,010	4%
Property investment – Global	**–**	**–**	2,125	2%
Others – Europe	**289**	**0%**	361	0%
	9,152	**5%**	7,496	6%
	152,620	**100%**	134,356	100%

15. RETIREMENT BENEFIT OBLIGATIONS *(Cont'd)*

15.1 Defined benefit pension plans *(Cont'd)*

Plan assets *(Cont'd)*

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

Asset-liability matching has been undertaken to reduce risk.

For the pension plan in Switzerland, Swiss law prescribes ranges of percentages within which the assets have to be invested (bank, shares, bonds, real estate, etc.). This is to ensure a segregation of risk.

For the pension plan in the United Kingdom, the trustees of the scheme invest the assets in line with the statement of investment principles, which was established taking into consideration the liabilities of the scheme and the investment risk that the trustees are willing to accept. The trustees are required to carry out regular scheme funding valuations and establish a schedule of contributions and a recovery plan if there is a shortfall in the scheme.

The Group expects to make contributions of US$3.3 million to post-employment benefit plans for fiscal year FY2018/19 (FY2017/18: US$3.9 million).

15.2 Defined contribution pension plans

The largest defined contribution schemes are in Hong Kong where the Group operates two defined contribution schemes. These comply with all the respective requirements under the Occupational Retirement Schemes Ordinance ("ORSO") and the Mandatory Provident Fund ("MPF") Ordinance. All scheme assets are held separately from the Group in independently administered funds. Contributions to the MPF Scheme follow the MPF Ordinance while contributions made by the employer to the ORSO Scheme range between 5% and 12% of basic salary depending on level and years of service.

If employees leave the ORSO scheme prior to the contributions fully vesting, these may be forfeited and the charge to income statement reduced accordingly. There were no forfeited contributions as of 31 March 2018 (31 March 2017: nil).

The Group also operates other defined contribution retirement schemes which are available to certain employees in the United States of America, PRC, the United Kingdom and France.

Contributions made by the Group are charged to the income statement as incurred. The charge to the income statement for all defined contribution plans for FY2017/18 was US$5.8 million (FY2016/17: US$4.6 million) as shown in Note 23.

16. PROVISIONS AND OTHER LIABILITIES

	Legal and warranty US$'000	Severance US$'000	Finance lease liability US$'000	Others US$'000	Total US$'000
FY2016/17					
As of 31 March 2016	23,652	8,999	6,473	159	39,283
Currency translations	(911)	(311)	(45)	6	(1,261)
Business combination (Note 28)	18,343 *	–	–	–	18,343
Buyout of finance lease	–	–	(3,644)	–	(3,644)
Charges	19,870	8,893	440	4,187	33,390
Utilisations	(13,448)	(10,400)	(1,679)	(936)	(26,463)
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
FY2017/18					
As of 31 March 2017	47,506	7,181	1,545	3,416	59,648
Currency translations	3,433	636	–	93	4,162
Business combination (Note 28)	435	–	–	–	435
Charges / (take backs)	6,001	(1,309)	117	(1,278)	3,531
Utilisations	(17,016)	(2,221)	(1,662)	(1,470)	(22,369)
As of 31 March 2018	**40,359**	**4,287**	**–**	**761**	**45,407**
Current portion	34,498	4,287	–	761	39,546
Non-current portion	5,861	–	–	–	5,861
As of 31 March 2018	**40,359**	**4,287**	**–**	**761** **	**45,407**

* 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 28.

** Mainly represents provision for an onerous lease contract.

17. TAXATION

17.1 Income tax expense

The amount of taxation in the consolidated income statement represents:

	2018 US$'000	2017 US$'000
Current income tax		
Charges for the year	**56,742**	47,375
(Reduction) / addition for tax of prior years	**(1,373)**	5,152
	55,369	52,527
Deferred income tax (Note 17.2)	**(6,821)**	(8,721)
Total income tax expense	**48,548**	43,806
Effective tax rate	**15.0%**	15.1%

Tax has been provided at the applicable rates on the estimated assessable profit in the respective countries of operations for the year. The overall global effective tax rate for FY2017/18 was 15.0% (FY2016/17: 15.1%). Net deferred tax assets in the US were written down by US$2.5 million following the impact of US tax reforms that reduced the statutory rate from 35% to 21%. If the effect of US tax reform on deferred tax assets is excluded, the effective tax would have been 14.3%. The Group's effective tax rate differed from the statutory tax rate of Hong Kong of 16.5% (FY2016/17: 16.5%) as follows:

	2018		2017	
		US$'000		US$'000
Profit before income tax		**322,814**		290,312
Tax charged at Hong Kong profits tax rate	**16.5%**	**53,264**	16.5%	47,901
Effect of different tax rates in other countries				
– Countries with taxable profit	**2.4%**	**7,700**	1.7%	4,893
– Countries with taxable loss	**(1.7)%**	**(5,521)**	(2.6)%	(7,480)
Effect of income, net of expenses, not subject to tax	**(5.3)%**	**(17,117)**	(5.6)%	(16,383)
(Reductions) / addition of tax for prior years (current and deferred)	**(0.9)%**	**(2,823)**	1.4%	4,009
Withholding tax	**2.3%**	**7,529**	2.5%	7,242
Other taxes and timing differences, net of (tax loss recognition) and other (tax benefits)	**1.7%**	**5,516**	1.2%	3,624
	15.0%	**48,548**	15.1%	43,806

17. TAXATION *(Cont'd)*

17.2 Deferred income tax

Deferred tax assets and liabilities are offset when the deferred income taxes relate to the same fiscal authority and when there is a legally enforceable right to offset current tax assets against current tax liabilities. Income tax expense is discussed in Note 17.1.

The following amounts, determined after appropriate offsetting within a tax jurisdiction, are shown in the consolidated balance sheet:

	2018 **US$'000**	2017 US$'000
Deferred income tax assets	**44,272**	54,320
Deferred income tax liabilities	**(116,410)**	(105,093)
Deferred income tax liabilities, net	**(72,138)**	(50,773)

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

	2018 **US$'000**	2017 US$'000
Gross deferred income tax assets	**96,838**	111,940
Gross deferred income tax liabilities	**(168,976)**	(162,713)
Deferred income tax liabilities, net	**(72,138)**	(50,773)

17. TAXATION *(Cont'd)*

17.2 Deferred income tax *(Cont'd)*

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

	Accrued liabilities		Accelerated tax depreciation		Tax losses		Fair value (gains) / losses		Others		Total	
	2018 US$'000	2017 US$'000	**2018 US$'000**	2017 US$'000	**2018 US$'000**	2017 US$'000	**2018 US$'000**	2017 US$'000	**2018 US$'000**	2017 US$'000	**2018 US$'000**	2017 US$'000
Defered income tax assets												
At beginning of the year	**27,156**	18,962	**8,106**	8,116	**24,688**	23,056	**26,797**	27,101	**25,193**	24,139	**111,940**	101,374
Currency translations	**1,561**	(571)	**794**	(366)	**341**	(420)	**28**	(9)	**1,069**	(547)	**3,793**	(1,913)
Business combination	**2,712**	5,119	**179**	319	**-**	–	**-**	–	**-**	571	**2,891** *	6,009
Credited / (charged) to income statement	**(3,983)**	3,646	**89**	37	**5,850**	2,052	**397**	402	**(1,256)**	153	**1,097**	6,290
Credited / (charged) to equity	**-**	–	**-**	–	**-**	–	**(22,884)**	(697)	**1**	877	**(22,883)**	180
Assets at end of the year	**27,446**	27,156	**9,168**	8,106	**30,879**	24,688	**4,338**	26,797	**25,007**	25,193	**96,838**	111,940
Defered income tax (liabilities)												
At beginning of the year	**(2,719)**	(1,830)	**(21,390)**	(22,918)	**-**	–	**(111,419)**	(108,938)	**(27,185)**	(22,525)	**(162,713)**	(156,211)
Currency translations	**(355)**	126	**(944)**	629	**-**	–	**(4,074)**	2,884	**(880)**	376	**(6,253)**	4,015
Business combination	**-**	–	**(531)**	(571)	**-**	–	**(5,854)**	(5,373)	**(3,073)**	(474)	**(9,458)** *	(6,418)
Credited / (charged) to income statement	**(221)**	(1,015)	**(4,050)**	1,470	**-**	–	**7,465**	6,590	**2,530**	(4,614)	**5,724**	2,431
Credited / (charged) to equity	**-**	–	**-**	–	**-**	–	**5,815**	(6,582)	**(2,091)**	52	**3,724**	(6,530)
(Liabilities) at end of the year	**(3,295)**	(2,719)	**(26,915)**	(21,390)	**-**	–	**(108,067)**	(111,419)	**(30,699)**	(27,185)	**(168,976)**	(162,713)
Deferred income tax assets / (liabilities), net	**24,151**	24,437	**(17,747)**	(13,284)	**30,879**	24,688	**(103,729)**	(84,622)	**(5,692)**	(1,992)	**(72,138)**	(50,773)

* Taking into consideration the offsetting of balances within the same tax jurisdiction, the deferred income tax assets and deferred income tax liabilities acquired from business combination were US$2.4 million and US$(9.0) million respectively. Details please see Note 28.

Deferred income tax liabilities of US$4.3 million (FY2016/17: US$2.6 million) have not been recognised in respect of the withholding or other tax payable on the unremitted profits of certain subsidiaries where JEHL controls the dividend policy and it has been determined that these undistributed profits will not be distributed in the foreseeable future.

17. TAXATION *(Cont'd)*

17.2 Deferred income tax *(Cont'd)*

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

Accrued liabilities:

Certain tax authorities do not allow accrued liabilities as deductions against current taxable profit, which gives rise to a different basis for calculating accounting and taxable profit.

Accelerated tax depreciation:

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

Tax losses:

This represents the value of current tax losses that can be offset against future taxable profits to reduce future taxation charges. As of 31 March 2018, the Group's subsidiaries in USA, Canada, UK and Japan had accumulated net operating losses carried forward of US$39.7 million, US$72.0 million, US$1.5 million and US$6.5 million respectively (31 March 2017: US$47.3 million, US$17.5 million, US$1.4 million and US$3.8 million respectively) to offset future taxable income.

Fair value (gains) / losses:

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

Others:

This mainly represents other timing differences arising from taxation on profit distribution from foreign subsidiaries, goodwill from past acquisitions, timing differences arising from deduction of expenses and adjustments from past reorganisations.

17. TAXATION *(Cont'd)*

17.2 Deferred income tax *(Cont'd)*

The recoverability of the deferred tax assets and liabilities was as follows:

	2018 US$'000	2017 US$'000
Deferred income tax assets:		
Deferred income tax assets to be recovered after more than twelve months	**69,135**	79,517
Deferred income tax assets to be recovered within twelve months	**27,703**	32,423
Deferred income tax assets	**96,838**	111,940
Deferred income tax liabilities:		
Deferred income tax liabilities to be settled after more than twelve months	**(153,805)**	(149,105)
Deferred income tax liabilities to be settled within twelve months	**(15,171)**	(13,608)
Deferred income tax liabilities	**(168,976)**	(162,713)
Deferred income tax liabilities, net	**(72,138)**	(50,773)

The movement on the deferred income tax account, net was as follows:

	2018 US$'000	2017 US$'000
At beginning of the year, net (liability)	**(50,773)**	(54,837)
Currency translations	**(2,460)**	2,102
Business combination	**(6,567)**	(409)
Transfer to income statement (Note 17.1)	**6,821**	8,721
Charged to equity	**(19,159)**	(6,350)
At end of the year, net (liability)	**(72,138)**	(50,773)

17. TAXATION *(Cont'd)*

17.2 Deferred income tax *(Cont'd)*

The deferred income tax credited / (charged) to equity during the year was as follows:

	2018 US$'000	2017 US$'000
Net fair value gains of hedging instruments (Note 19)	**(17,069)**	(5,732)
Remeasurements of defined benefit plans (Note 19)	**(1,992)**	996
Remeasurements of long service payment (Note 19)	**(98)**	(67)
Investment property (Note 19)	**–**	(1,547)
	(19,159)	(6,350)

Deferred income tax assets are recognised for tax losses carried forward to the extent that it is probable that future taxable profit or temporary differences will be available against which the unused tax losses can be utilised.

The movement in the Group's unrecognised tax losses for FY2017/18 and FY2016/17 is presented below:

	2018 US$'000	2017 US$'000
At beginning of the year	**83,497**	105,056
Currency translations	**198**	1,482
(Utilised / recognised) during the year	**(20,756)**	(21,557)
Addition / (reduction) for tax positions of prior years	**2,601**	(1,484)
At end of the year	**65,540**	83,497

Deferred income tax assets in respect of tax losses amounting to US$65.5 million (FY2016/17: US$83.5 million) have not been recognised primarily due to the uncertainty over the availability of future profit generation or temporary differences in the legal entities where such losses were incurred.

17. TAXATION *(Cont'd)*

17.2 Deferred income tax *(Cont'd)*

The ageing of unrecognised tax losses by expiry date is as follows:

	2018 US$'000	2017 US$'000
Less than 1 year	**–**	13
1 – 2 years	**6,800**	2,245
2 – 5 years	**4,617**	14,385
5 – 20 years	**23,509**	30,513
Unlimited	**30,614**	36,341
	65,540	83,497

Deferred income tax assets have not been recognised with respect to other deductible temporary differences amounting to US$1.0 million (FY2016/17: US$0.9 million) for which no taxable profit or temporary differences will be available to offset the deductible temporary difference.

18. 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	–	3,098	3,098
As of 31 March 2018	**878,845**	**(16,544)**	**862,301**

As of 31 March 2018, 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 shares 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 (Note 19)	–	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 (Note 19)	–	9,594	9,594
As of 31 March 2018	**5,670**	**(55,219)**	**(49,549)**

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 FY2017/18 for cancellation (FY2016/17: nil).

18. SHARE CAPITAL *(Cont'd)*

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 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.

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
Fiscal years of 2018/19 through 2020/21	104.46 US cents

18. SHARE CAPITAL *(Cont'd)*

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 year	1,671	1,616	3,287
Units vested to Directors and employees during the year	(1,297)	(1,801)	(3,098)
Forfeited during the year	(299)	(395)	(694)
Unvested units granted, as of 31 March 2018	**7,024**	**6,560**	**13,584**

The weighted average fair value of the unvested units granted during the year was HK$28.21 (US$3.62) (FY2016/17: HK$18.74 (US$2.40)).

As of 31 March 2018, the number of unvested units outstanding under both the Share Scheme and the Stock Unit Plan on a combined basis was as follows:

	Number of unvested units granted (thousands)		
Vesting year *	Restricted Stock Units	Performance Stock Units	Total
FY2018/19	2,182	1,928	4,110
FY2019/20	3,221	3,061	6,282
FY2020/21	1,621	1,571	3,192
Total unvested units granted	**7,024**	**6,560**	**13,584**

* Shares are typically vested on 1 June of the year

19. RESERVES

	Note	Capital reserve US$'000	Goodwill on consolidation US$'000	Exchange reserve US$'000	Share-based employee compensation reserve US$'000	Hedging reserve US$'000	Miscellaneous reserves * US$'000	Retained earnings US$'000	Total US$'000
As of 31 March 2017		15,736	(233,885)	99,439	20,270	36,720	46,931	2,066,122	2,051,333
Hedging instruments									
– raw material commodity contracts									
– fair value gains, net		–	–	–	–	30,427	–	–	30,427
– transferred to inventory and subsequently recognised in income statement		–	–	–	–	(5,007)	–	–	(5,007)
– deferred income tax effect	17	–	–	–	–	(4,194)	–	–	(4,194)
– forward foreign currency exchange contracts									
– fair value gains, net		–	–	–	–	61,855	–	–	61,855
– transferred to income statement		–	–	–	–	(15,242)	–	–	(15,242)
– deferred income tax effect	17	–	–	–	–	(12,875)	–	–	(12,875)
– net investment hedge									
– fair value losses, net		–	–	(41,622)	–	–	–	–	(41,622)
Defined benefit plans									
– remeasurements	15	–	–	–	–	–	–	12,931	12,931
– deferred income tax effect	17	–	–	–	–	–	–	(1,992)	(1,992)
Long service payment									
– remeasurements	15	–	–	–	–	–	–	585	585
– deferred income tax effect	17	–	–	–	–	–	–	(98)	(98)
Release of exchange reserve of an associate upon business combination	28	–	–	(469)	–	–	–	–	(469)
Currency translations of subsidiaries		–	–	132,493	–	1,262	–	–	133,755
Currency translations of associates		–	–	159	–	–	–	–	159
Net income recognised directly in equity		–	–	90,561	–	56,226	–	11,426	158,213
Profit for the year		–	–	–	–	–	–	264,047	264,047
Total comprehensive income for the year		–	–	90,561	–	56,226	–	275,473	422,260
Appropriation of retained earnings to statutory reserve		–	–	–	–	–	8,600	(8,600)	–
Incentive share schemes									
– shares vested	18	488	–	–	(10,082)	–	–	–	(9,594)
– value of employee services	27	–	–	–	12,685	–	–	–	12,685
Put option written to a non-controlling interest	28	–	–	–	–	–	(72,191)	–	(72,191)
FY2016/17 final dividend paid		–	–	–	–	–	–	(37,735)	(37,735)
FY2017/18 interim dividend paid		–	–	–	–	–	–	(18,763)	(18,763)
		488	–	90,561	2,603	56,226	(63,591)	210,375	296,662
As of 31 March 2018		**16,224**	**(233,885)**	**190,000**	**22,873**	**92,946**	**(16,660)**	**2,276,497**	**2,347,995**
Final dividend proposed	25	–	–	–	–	–	–	37,360	37,360
Other		16,224	(233,885)	190,000	22,873	92,946	(16,660)	2,239,137	2,310,635
As of 31 March 2018		**16,224**	**(233,885)**	**190,000**	**22,873**	**92,946**	**(16,660)**	**2,276,497**	**2,347,995**

* Miscellaneous reserves mainly represent property revaluation reserve, equity component of convertible bonds (net of tax), statutory reserve and reserve arising from put option written to a non-controlling interest.

19. RESERVES *(Cont'd)*

	Note	Capital reserve US$'000	Goodwill on consolidation US$'000	Exchange reserve US$'000	Share-based employee compensation reserve US$'000	Hedging reserve US$'000	Miscellaneous reserves * US$'000	Retained earnings US$'000	Total US$'000
As of 31 March 2016		16,751	(233,885)	159,048	17,516	2,005	55,477	1,895,446	1,912,358
Hedging instruments									
– raw material commodity contracts									
– fair value gains, net		–	–	–	–	40,741	–	–	40,741
– transferred to inventory and subsequently recognised in income statement		–	–	–	–	18,511	–	–	18,511
– deferred income tax effect	17	–	–	–	–	(9,777)	–	–	(9,777)
– forward foreign currency exchange contracts									
– fair value losses, net		–	–	–	–	(4,727)	–	–	(4,727)
– transferred to income statement		–	–	–	–	(13,675)	–	–	(13,675)
– deferred income tax effect	17	–	–	–	–	4,045	–	–	4,045
– net investment hedge									
– fair value gains, net		–	–	16,550	–	–	–	–	16,550
Defined benefit plans									
– remeasurements	15	–	–	–	–	–	–	(7,795)	(7,795)
– deferred income tax effect	17	–	–	–	–	–	–	996	996
Long service payment									
– remeasurements	15	–	–	–	–	–	–	308	308
– deferred income tax effect	17	–	–	–	–	–	–	(67)	(67)
Investment property									
– revaluation surplus realised upon disposal		–	–	–	–	–	(31)	31	–
– deferred income tax effect	17	–	–	–	–	–	(1,547)	–	(1,547)
Share of other comprehensive expenses of associates	6	–	–	–	–	–	–	(2,394)	(2,394)
Currency translations of subsidiaries		–	–	(76,246)	–	(403)	–	–	(76,649)
Currency translations of associates		–	–	87	–	–	–	–	87
Net income / (expenses) recognised directly in equity		–	–	(59,609)	–	34,715	(1,578)	(8,921)	(35,393)
Profit for the year		–	–	–	–	–	–	237,920	237,920
Total comprehensive income / (expenses) for the year		–	–	(59,609)	–	34,715	(1,578)	228,999	202,527
Appropriation of retained earnings to statutory reserve		–	–	–	–	–	2,928	(2,928)	–
Incentive share schemes									
– shares vested	18	(1,015)	–	–	(9,622)	–	–	–	(10,637)
– value of employee services	27	–	–	–	12,376	–	–	–	12,376
Acquisition of non-controlling interests		–	–	–	–	–	(9,896)	–	(9,896)
FY2015/16 final dividend paid		–	–	–	–	–	–	(37,672)	(37,672)
FY2016/17 interim dividend paid		–	–	–	–	–	–	(17,723)	(17,723)
		(1,015)	–	(59,609)	2,754	34,715	(8,546)	170,676	138,975
As of 31 March 2017		15,736	(233,885)	99,439	20,270	36,720	46,931	2,066,122	2,051,333
Final dividend proposed	25	–	–	–	–	–	–	37,600	37,600
Other		15,736	(233,885)	99,439	20,270	36,720	46,931	2,028,522	2,013,733
As of 31 March 2017		15,736	(233,885)	99,439	20,270	36,720	46,931	2,066,122	2,051,333

* Miscellaneous reserves mainly represent property revaluation reserve, equity component of convertible bonds (net of tax) and statutory reserve.

20. OTHER INCOME AND GAINS, NET

	2018 US$'000	2017 US$'000
Gross rental income from investment property	**4,095**	3,595
Gains on investments, net	**145**	134
(Losses) / gains on disposal of property, plant and equipment and investment property (Note 27)	**(541)**	1,950
Fair value gains on investment property (Note 4 & 27)	**1,625**	1,218
Fair value gains on other financial assets / liabilities	**1,149**	2,745
Fair value losses on structured forward currency exchange contracts	**(32,185)**	–
Gain on deemed disposal of previously 30% equity interests in HSC (Note 27 & 28)	**14,012**	–
Subsidies and other recoveries	**17,897**	9,449
Other income and gains, net	**6,197**	19,091

21. SELLING AND ADMINISTRATIVE EXPENSES

	2018 US$'000	2017 US$'000
Selling expenses	**105,309**	100,124
Administrative expenses	**387,228**	382,399
Legal and warranty	**6,001**	19,870
Net gains on realisation of other financial assets and liabilities and revaluation of monetary assets and liabilities (Note 23)	**(36,307)**	(31,049)
Selling and administrative expenses	**462,231**	471,344

Note: Selling and administrative expenses included operating lease payments for FY2017/18 of US$7.4 million (FY2016/17: US$7.5 million).

22. FINANCE INCOME / (COSTS), NET

	2018 **US$'000**	2017 US$'000
Interest income	**1,161**	1,132
Interest expense	**(6,158)**	(3,867)
Interest expense on convertible bonds (Note 24)	**(7,408)**	(7,223)
	(12,405)	(9,958)
Accrued interest on put option written to a non-controlling interest *	**(1,126)**	–
Net finance costs (Note 27)	**(13,531)**	(9,958)

* The interest was calculated by 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. For details please refer to Note 28.

Borrowings are discussed in Note 13. Convertible bonds are discussed in Note 14.

23. EXPENSES BY NATURE

Operating profit was stated after crediting and charging the following:

	2018 US$'000	2017 US$'000
Depreciation		
Depreciation of property, plant and equipment (Note 3)	**144,666**	115,482
Less: amounts capitalised in assets under construction	**(1,700)**	(1,023)
Net depreciation (Note 27)	**142,966**	114,459
Engineering expenditure *		
Engineering expenditure	**177,047**	152,601
Capitalisation of engineering development costs (Note 5)	**(8,726)**	(6,729)
Net engineering expenditure	**168,321**	145,872
Employee compensation		
Wages and salaries	**808,556**	736,524
Share-based payments	**12,685**	12,376
Social security costs	**92,892**	77,519
Pension costs – defined benefit plans (Note 15.1)	**7,066**	3,798
Pension costs – defined contribution plans (Note 15.2)	**5,794**	4,614
	926,993	834,831
Less: amounts capitalised in assets under construction	**(6,841)**	(6,566)
	920,152	828,265
Other items:		
Cost of goods sold **	**2,445,328**	2,028,334
Auditors' remuneration	**2,729**	2,682
Amortisation of intangible assets (Note 5 & 27)	**40,679**	37,079
Impairment of property, plant and equipment (Note 3 & 27)	**6,080**	2,565
Net gains on realisation of other financial assets and liabilities and revaluation of monetary assets and liabilities (Note 21)	**(36,307)**	(31,049)
(Written back of impairment) / impairment of trade receivables / bad debt expense (Note 10)	**(4,494)**	3,185

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

** Cost of goods sold comprised materials, direct labour costs (including their social costs) and production overheads including operating lease payments of US$15.4 million (FY2016/17: US$15.0 million).

24. 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 year excluding ordinary shares purchased by JEHL and held for the incentive share schemes.

	2018	2017
Profit attributable to shareholders (thousands US Dollar)	**264,047**	237,920
Weighted average number of ordinary shares in issue (thousands)	**861,775**	858,666
Basic earnings per share (US cents per share)	**30.64**	27.71
Basic earnings per share (HK cents per share)	**239.26**	214.99

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.

	2018	2017
Profit attributable to shareholders (thousands US Dollar)	**264,047**	237,920
Adjustments for convertible bonds		
– Interest (thousands US Dollar) (Note 22)	**7,408**	7,223
– Deferred income tax effect (thousands US Dollar)	**(803)**	(773)
Adjusted profit attributable to shareholders (thousands US Dollar)	**270,652**	244,370
Weighted average number of ordinary shares issued and outstanding (thousands)	**861,775**	858,666
Adjustments for incentive shares granted		
– Incentive share schemes – Restricted Stock Units	**6,752**	6,430
– Incentive share schemes – Performance Stock Units	**3,680**	3,011
Adjustments for convertible bonds		
– Assumed conversion of convertible bonds	**40,725**	39,959
Weighted average number of ordinary shares (diluted) (thousands)	**912,932**	908,066
Diluted earnings per share (US cents per share)	**29.65**	26.91
Diluted earnings per share (HK cents per share)	**231.50**	208.81

25. DIVIDEND

	2018 US$'000	2017 US$'000
Interim, of 17 HK cents (2.18 US cents) per share, paid in January 2018 (FY2016/17: 16 HK cents or 2.05 US cents)	**18,763**	17,723
Final, proposed, of 34 HK cents (4.36 US cents) per share, to be paid in August 2018 (FY2016/17: 34 HK cents or 4.36 US cents) (Note 19)	**37,360** *	37,600
	56,123	55,323

* Proposed dividend is calculated based on the total number of shares as of 31 March 2018. Actual dividend will be paid on 13 August 2018 to shareholders whose names appear on the Register of Shareholders of JEHL on 2 August 2018.

Total dividend per share for the year is 51 HK cents (FY2016/17 was 50 HK cents).

At a meeting held on 16 May 2018 the Directors recommended a final dividend of 34 HK cents (4.36 US cents) per share to be paid out in August 2018. The recommended final dividend will be reflected as an appropriation of retained earnings for FY2018/19.

Dividends for the periods FY2009/10 through FY2017/18 are shown in the table below:

	Interim HK cents per share	Final HK cents per share	Total HK cents per share	Total dividend US$'000
FY2009/10 *	–	20.0	20.0	23,659
FY2010/11 *	12.0	24.0	36.0	42,488
FY2011/12 *	12.0	28.0	40.0	46,118
FY2012/13 *	12.0	32.0	44.0	50,396
FY2013/14 *	12.0	34.0	46.0	52,648
FY2014/15	14.0	34.0	48.0	53,290
FY2015/16	15.0	34.0	49.0	54,117
FY2016/17	16.0	34.0	50.0	55,323
FY2017/18	17.0	34.0 **	51.0	56,123

* The interim and final dividends per share for prior periods have been adjusted to reflect the impact of the 1 for 4 share consolidation in FY2014/15.

** Final dividend for FY2017/18 has been recommended by the Board of Directors and is subject to shareholder approval.

26. COMMITMENTS

26.1 Capital commitments

	2018 **US$'000**	2017 US$'000
Capital commitments for property, plant and equipment		
Contracted but not provided for	**98,097**	43,299

26.2 Operating lease commitments

(i) The Group's future aggregate minimum lease payments under non-cancellable operating leases as of 31 March 2018 and 31 March 2017 were as follows:

	2018		2017	
	Land and buildings US$'000	**Others US$'000**	Land and buildings US$'000	Others US$'000
Less than 1 year	**22,415**	**2,161**	19,220	2,572
1 – 5 years	**57,945**	**4,361**	49,573	4,465
Over 5 years	**21,404**	**–**	32,413	260
	101,764	**6,522**	101,206	7,297

(ii) The Group's future aggregate minimum lease rental receivables under non-cancellable operating leases on land and buildings as of 31 March 2018 and 31 March 2017 were as follows:

	2018 **US$'000**	2017 US$'000
Less than 1 year	**1,276**	1,175
1 – 5 years	**5,074**	4,852
Over 5 years	**5,772**	4,313
	12,122	10,340

27. CASH GENERATED FROM OPERATIONS

	2018 US$'000	2017 US$'000
Profit before income tax	**322,814**	290,312
Add: Depreciation of property, plant and equipment (Note 23)	**142,966**	114,459
Amortisation of intangible assets (Note 5 & 23)	**40,679**	37,079
Finance expense, net (Note 22)	**13,531**	9,958
Associates dividend receipts less share of profits	**(133)**	(3,455)
EBITDA*	**519,857**	448,353
Other non-cash items		
Losses / (gains) on disposal of property, plant and equipment and investment property (Note 20)	**541**	(1,950)
Impairment of property, plant and equipment (Note 3 & 23)	**6,080**	2,565
Net realised and unrealised gains on financial assets / liabilities at fair value through profit and loss	**(145)**	(132)
Share-based compensation expense (Note 19)	**12,685**	12,376
Fair value gains on investment property (Note 4 & 20)	**(1,625)**	(1,218)
Fair value losses on structured foreign currency contracts	**31,945**	–
Gain on deemed disposal of previously 30% equity interests in HSC (Note 20 & 28)	**(14,012)**	–
Acquisition transaction costs	**–**	383
	35,469	12,024
EBITDA* net of other non-cash items	**555,326**	460,377
Change in working capital		
Increase in inventories	**(55,732)**	(44,350)
Increase in trade and other receivables	**(64,801)**	(60,152)
(Increase) / decrease in other non-current assets	**(2,112)**	3,140
Increase in trade payables, other payables and deferred income	**48,908**	64,747
Increase / (decrease) in retirement benefit obligations **	**2,684**	(1,357)
(Decrease) / increase in provision and other liabilities	**(17,176)**	8,606
Change in other financial assets / liabilities	**9,494**	14,009
	(78,735)	(15,357)
Cash generated from operations	**476,591**	445,020

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

** Net of defined benefit pension plan assets

27. CASH GENERATED FROM OPERATIONS *(Cont'd)*

In the cash flow statement, proceeds from disposal of property, plant and equipment and investment property comprise:

	2018 US$'000	2017 US$'000
Net book amount	**1,280**	4,069
(Losses) / gains on disposal of property, plant and equipment and investment property (Note 20)	**(541)**	1,950
Proceeds from disposal of property, plant and equipment and investment property	**739**	6,019

28. BUSINESS COMBINATION

28.1 Business combination in 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 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 a related exchange reserve of US$14.0 million, was 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 20).

Acquisition transaction costs of US$1.1 million were incurred (US$0.8 million in FY2016/17 and US$0.3 million in FY2017/18) and recognised in the income statement within selling and administrative expenses.

The acquired business contributed revenue of US$144.0 million and net profit of US$6.0 million to the Group for period from the date of acquisition to 31 March 2018.

If the acquisition had occurred on 1 April 2017, the Group's consolidated income statement for FY2017/18 would show pro forma revenue of US$3,248.3 million (HSC 1 month: US$11.8 million), EBITDA of US$521.8 million (HSC 1 month: US$2.0 million) and net profit of US$265.4 million (HSC 1 month: US$1.4 million).

28. BUSINESS COMBINATION *(Cont'd)*

28.1 Business combination in FY2017/18 *(Cont'd)*

Details of net assets acquired and goodwill are as follows:

	2018 **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 *	**25,074**
Fair value of net assets acquired – shown as below	**(122,795)**
Goodwill **	**33,728**

	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	47,043
Cash and cash equivalents	27,261
Trade payables and other payables	(23,250)
Current income tax liabilities	(1,728)
Borrowings	(20,984)
Retirement benefit obligations	(8,533)
Provision and other liabilities	(435)
Deferred income tax liabilities	(8,961)
Net assets acquired	122,795
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.

28. BUSINESS COMBINATION *(Cont'd)*

28.1 Business combination in FY2017/18 *(Cont'd)*

As of 31 March 2018, 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 opposite 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 was granted a put option in which the Seller has 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 31 March 2018 was US$79.5 million (KRW84.5 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 the consolidated income statement.

The call option written to the Group is recognised at its fair value of US$2.4 million and is included in "Financial assets at fair value through profit and loss". Any changes in fair value in subsequent reporting periods will be recognised in the Group's consolidated income statement (31 March 2018: US$2.5 million).

28. BUSINESS COMBINATION *(Cont'd)*

28.2 Business combination in 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 year, 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 31 March 2017 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 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

29. BENEFITS AND INTERESTS OF DIRECTORS AND SENIOR MANAGEMENT COMPENSATION

29.1 Directors' remuneration

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

Name of Director	Fees US$'000	Salary * US$'000	Discretionary bonus US$'000	Share-based payment US$'000	Employer's contribution to retirement benefit scheme US$'000	**Total US$'000**
Yik-Chun Koo Wang	125	–	–	–	–	**125**
Patrick Shui-Chung Wang	–	922	1,005	–	111	**2,038**
Winnie Wing-Yee Wang	–	650	283	–	78	**1,011**
Austin Jesse Wang	–	294	102	168	35	**599**
Peter Kin-Chung Wang	48	–	–	–	–	**48**
Peter Stuart Allenby Edwards	44	–	–	–	–	**44**
Patrick Blackwell Paul	65	–	–	–	–	**65**
Michael John Enright	60	–	–	–	–	**60**
Joseph Chi-Kwong Yam	44	–	–	–	–	**44**
Christopher Dale Pratt	56	–	–	–	–	**56**
	442	1,866	1,390	168	224	**4,090**

The remuneration of Directors for FY2016/17 was as follows:

Name of Director	Fees US$'000	Salary * US$'000	Discretionary bonus US$'000	Share-based payment US$'000	Employer's contribution to retirement benefit scheme US$'000	Total US$'000
Yik-Chun Koo Wang	116	–	–	–	–	116
Patrick Shui-Chung Wang	–	922	223	–	111	1,256
Winnie Wing-Yee Wang	–	650	65	–	78	793
Austin Jesse Wang	–	310	32	–	32	374
Peter Kin-Chung Wang	41	–	–	–	–	41
Peter Stuart Allenby Edwards	48	–	–	–	–	48
Patrick Blackwell Paul	67	–	–	–	–	67
Michael John Enright	62	–	–	–	–	62
Joseph Chi-Kwong Yam	47	–	–	–	–	47
Christopher Dale Pratt	58	–	–	–	–	58
	439	1,882	320	–	221	2,862

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

29. BENEFITS AND INTERESTS OF DIRECTORS AND SENIOR MANAGEMENT COMPENSATION *(Cont'd)*

29.2 Senior management compensation

Other than the directors' remuneration disclosed above, emoluments paid to 8 (FY2016/17: 8) senior management as set out in the section Profile of Directors and Senior Management on pages 187 to 189 were as follows:

	2018 US$'000	2017 US$'000
Salaries, allowances and other benefits	**5,318**	5,298
Retirement scheme contributions	**509**	503
Share-based payment	**4,069**	3,068
Bonuses	**2,261**	1,052
	12,157	9,921

Remuneration bands

	Number of individuals	
	2018	2017
US$1,026,001 – US$1,154,000 (HK$8,000,001 – HK$9,000,000)	**–**	1
US$1,154,001 – US$1,282,000 (HK$9,000,001 – HK$10,000,000)	**1**	6
US$1,410,001 – US$1,538,000 (HK$11,000,001 – HK$12,000,000)	**5**	–
US$1,538,001 – US$1,666,000 (HK$12,000,001 – HK$13,000,000)	**1**	1
US$2,051,001 – US$2,179,000 (HK$16,000,001 – HK$17,000,000)	**1**	–

29. BENEFITS AND INTERESTS OF DIRECTORS AND SENIOR MANAGEMENT COMPENSATION *(Cont'd)*

29.3 Five highest individuals compensation

Of the five highest paid individuals of the Group, 1 is a director of the Group whose remuneration is included in Note 29.1 (FY2016/17: 1 director in the five highest paid individuals). The compensation paid to the remaining 4 (FY2016/17: 4) highest paid employees were as follows:

	2018 US$'000	2017 US$'000
Salaries, allowances and other benefits	**2,811**	2,819
Retirement scheme contributions	**264**	284
Share-based payment	**2,212**	1,572
Bonuses	**1,362**	624
	6,649	5,299

Remuneration bands

	Number of individuals	
	2018	2017
US$1,154,001 – US$1,218,000 (HK$9,000,001 – HK$9,500,000)	**–**	1
US$1,218,001 – US$1,282,000 (HK$9,500,001 – HK$10,000,000)	**–**	2
US$1,410,001 – US$1,474,000 (HK$11,000,001 – HK$11,500,000)	**1**	–
US$1,474,001 – US$1,538,000 (HK$11,500,001 – HK$12,000,000)	**1**	–
US$1,538,001 – US$1,602,000 (HK$12,000,001 – HK$12,500,000)	**1**	–
US$1,602,001 – US$1,666,000 (HK$12,500,001 – HK$13,000,000)	**–**	1
US$2,115,001 – US$2,179,000 (HK$16,500,001 – HK$17,000,000)	**1**	–

30. RELATED PARTY TRANSACTION

Details of substantial shareholders are shown in Disclosure of Interest in the Report of the Directors. Except as disclosed in Note 29, the Group had no material related party transactions during the year.

31. 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. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

Risk management is carried out by the Group's Treasury department, from the corporate headquarters in Hong Kong. Group Treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units.

31.1 Market risk

(a) Foreign exchange risk

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

For FY2017/18, of the sales, 37% (FY2016/17: 37%) were in USD, 29% (FY2016/17: 30%) in EUR, 21% (FY2016/17: 19%) in RMB with the rest being in other currencies including CAD, KRW and JPY.

The major currencies used for commodity purchases, production overhead costs and selling and administrative expenses are USD, HKD, RMB, EUR, HUF, MXN, CHF, PLN, ILS, CAD and RSD.

Open foreign exchange exposures are hedged with forward foreign currency exchange contracts, with a view to reducing the net exposure to currency fluctuation. As of 31 March 2018, forward foreign currency exchange contracts had durations of up to 84 months.

The Group's most significant currency exposures relate to RMB and EUR. As of 31 March 2018, if USD had weakened / strengthened by 5% against RMB with all other variables held constant, post-tax profit for the year would be 1.0% (FY2016/17: 0.1%) higher / lower. If USD had weakened / strengthened by 5% against EUR with all other variables held constant, post-tax profit for the year would be 1.0% (FY2016/17: 0.4%) higher / lower. The above sensitivity ignores the potential impact of cash flow hedges.

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

31.1 Market risk *(Cont'd)*

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

The Group has operations in Europe and its net assets value is exposed to foreign exchange risk denominated in Euro. This exposure is hedged with forward foreign exchange contracts and cross currency interest rate swaps with durations up to 81 months at the year end.

(b) Interest rate risk

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

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

Cash and cash equivalents as of 31 March 2018 were US$168.9 million (31 March 2017: US$127.7 million) bearing interest at a weighted average rate of approximately 0.6% (31 March 2017: 0.5%). Other than cash and cash equivalents, the Group has no significant interest-bearing assets. Borrowings as of 31 March 2018 were US$279.2 million (31 March 2017: US$176.4 million) bearing interest at a weighted average rate of approximately 1.6% (31 March 2017: 0.6%). A 0.25% increase / decrease in interest rate would decrease / increase the profit by US$0.7 million (31 March 2017: US$0.4 million).

(c) Commodity price risk

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 10 to 36 months as of 31 March 2018. Price risk due to copper, silver and aluminium is reduced by hedging through appropriate financial instruments with varying maturities ranging from 1 to 51 months as of 31 March 2018. The Group also manages these commodity prices by way of incorporating appropriate clauses in certain customer contracts to pass changes in raw material costs onto these customers.

The Group's most significant commodity price risk exposure relates to copper. A 10% increase / decrease in the copper price would increase / decrease the equity by US$19.2 million (31 March 2017: US$20.3 million), representing the change in fair value of copper hedging contracts at the balance sheet date.

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

31.2 Credit and customer collection risk

The Group's credit and customer collection risk mainly arises from trade and other receivables. The Group has no significant concentrations of credit risk. The Group normally grants credit terms ranging from 30 to 105 days to trade customers. It has a policy in place to evaluate customers' credit risk by considering their current financial position and past repayment history. Management reviews the collectability of the overdue accounts receivable according to the Group's credit and provision for doubtful debt policies. The Group's customer credit management has resulted in a continuing low rate of bad debt.

The Group manages its deposits with banks and financial institutions and transactions involving derivative financial instruments by monitoring credit ratings and limiting the aggregate risk to any individual counterparty. The majority of the Group's cash and cash equivalents are held with, and transactions involving derivative financial instruments were made with, major financial institutions (e.g. the Group's principal bankers) with strong investment grade credit ratings.

31.3 Liquidity risk

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 for the foreseeable future. Available credit lines include financing of trade receivables by subsidiary companies in USA, Europe and Hong Kong, guaranteed by JEHL.

The Group had cash and cash equivalents of US$168.9 million as of 31 March 2018 (31 March 2017: US$127.7 million), which constitute 4% (31 March 2017: 4%) of its total assets.

As of 31 March 2018, the Group had US$906 million (31 March 2017: US$759 million) available unutilised credit lines, as follows:

- Of US$255 million (31 March 2017: US$255 million) committed revolving credit facilities provided by certain of its principal bankers, US$238 million (31 March 2017: US$243 million) remained unutilised. These facilities have expiry dates ranging from September 2018 to February 2020;

- US$506 million (31 March 2017: US$376 million) of uncommitted and unutilised revolving credit facilities, provided by its principal bankers; and

- US$162 million (31 March 2017: US$140 million) of uncommitted and unutilised trade receivable financing lines.

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

31.3 Liquidity risk *(Cont'd)*

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

	Less than 1 year US$'000	1 – 2 years US$'000	2 – 5 years US$'000	Over 5 years US$'000
As of 31 March 2018				
Borrowings	128,734	91,698	51,257	15,179
Convertible bonds	2,000	219,620	–	–
Other financial assets and liabilities				
– Raw material commodity contracts	(6,953)	(8,783)	(12,663)	–
– Forward foreign exchange contracts				
– Net settled	(2,163)	(1,255)	(16,002)	(87)
– Gross settled:				
– inflow	(574,543)	(572,538)	(828,337)	(186,653)
– outflow	557,141	538,844	736,728	162,664
– Net investment hedge				
– inflow	(56,153)	(54,072)	(176,578)	(52,020)
– outflow	46,915	43,078	185,598	49,232
– Fair value hedge				
– inflow	(50,907)	(14,953)	–	–
– outflow	50,068	14,260	–	–
Financial assets / liabilities at fair value through profit and loss				
– inflow	(26,000)	(9,000)	(164,195)	(173,464)
– outflow	25,515	8,893	146,895	155,786
Trade and other payables	553,508	–	–	–
As of 31 March 2017				
Borrowings	94,271	2,315	36,554	54,053
Convertible bonds	2,000	2,000	221,620	–
Other financial assets and liabilities				
– Raw material commodity contracts	(1,314)	(559)	(4,724)	(225)
– Forward foreign exchange contracts				
– Net settled	6,501	8,933	34,347	–
– Gross settled:				
– inflow	(633,901)	(500,219)	(869,681)	(168,257)
– outflow	604,287	471,923	754,555	139,433
– Net investment hedge				
– inflow	(53,914)	(55,027)	(200,195)	–
– outflow	40,559	40,559	176,803	–
– Fair value hedge				
– inflow	(20,254)	–	–	–
– outflow	19,750	–	–	–
Finance lease	1,400	262	–	–
Trade and other payables	431,867	–	–	–

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

31.4 Capital risk management

As of 31 March 2018, the Group's total debt to capital ratio was 17% compared to 16% as of 31 March 2017.

Total debt to capital ratio as of 31 March 2018 and 31 March 2017 was as follows:

	2018 US$'000	2017 US$'000
Borrowings – current (Note 13)	**126,110**	26,128
Borrowings – non-current (Note 13)	**153,056**	150,233
Convertible bonds (Note 14)	**213,018**	207,610
Total debt	**492,184**	383,971
Total equity	**2,365,805**	2,024,995
Total capital (equity + debt)	**2,857,989**	2,408,966
Total debt to capital ratio	**17%**	16%

The net cash position as of 31 March 2018 and 31 March 2017 was as follows:

	2018 US$'000	2017 US$'000
Total debt	**(492,184)**	(383,971)
Cash and cash equivalents (Note 11)	**168,942**	127,689
Net debt (total debt less cash)	**(323,242)**	(256,282)

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 for the foreseeable future.

32. FAIR VALUE ESTIMATION

The fair value of the Group's assets and liabilities is classified into a 3 levels 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.

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

The following table presents the Group's assets and liabilities that are measured at fair value as of 31 March 2018 and 31 March 2017.

	Level 1 US$'000	Level 2 US$'000	Level 3 US$'000	Total US$'000
As of 31 March 2018				
Assets				
Investment property				
– Commercial building	–	–	64,998	64,998
– Industrial property	–	–	27,101	27,101
– Residential property and car parks	–	91	7,009	7,100
Other financial assets				
– Derivatives used for hedging	–	149,552	–	149,552
– Derivatives held for trading	–	2,240	6	2,246
Financial assets at fair value through profit and loss				
– A call option written to the Group to acquire non-controlling interests	–	–	2,511	2,511
– Structured foreign currency contracts	–	–	4,793	4,793
Total assets	–	151,883	106,418	258,301
Liabilities				
Other financial liabilities				
– Derivatives used for hedging	–	54,141	–	54,141
– Derivatives held for trading	–	5	–	5
Financial liabilities at fair value through profit and loss				
– Structured foreign currency contracts	–	–	36,738	36,738
Total liabilities	–	54,146	36,738	90,884
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

32. 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 year.

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 31 March 2018		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$5,295/sq.ft		HK$4,350/sq.ft	
Industrial	Income capitalisation	HK$4.6 to HK$7.0/sq.ft	9.0% to 9.8%	HK$4.2 to HK$7.0/sq.ft	9.0% to 10.0%
Residential	Market comparison	HK$24,038/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.

32. 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 rates, strike rates, volatility, time to expiration and risk free rate.

The following table presents the changes in level 3 assets / (liabilities) for 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	
	2018 US$'000	2017 US$'000	**2018 US$'000**	2017 US$'000	**2018 US$'000**	2017 US$'000	**2018 US$'000**	2017 US$'000	**2018 US$'000**	2017 US$'000	**2018 US$'000**	2017 US$'000
At beginning of the year	**61,523**	59,827	**26,236**	25,895	**5,535**	5,351	**637**	(4)	**–**	–	**93,931**	91,069
Currency translations	**–**	–	**714**	(435)	**–**	–	**–**	–	**200**	–	**914**	(435)
Business combination (Note 28)	**–**	–	**–**	–	**–**	–	**–**	–	**2,404**	–	**2,404**	–
Capitalised expenditure	**3,475**	1,438	**–**	–	**–**	–	**–**	–	**–**	–	**3,475**	1,438
Disposal	**–**	–	**–**	–	**–**	–	**(112)**	(644)	**240**	–	**128**	(644)
Fair value gains / (losses)	**–**	258	**151**	776	**1,474**	184	**(519)**	1,285	**(32,278)**	–	**(31,172)**	2,503
At end of the year	**64,998**	61,523	**27,101**	26,236	**7,009**	5,535	**6**	637	**(29,434)**	–	**69,680**	93,931
Change in unrealised gains / (losses) for the year included in income statement for assets held at balance sheet date	**–**	258	**151**	776	**1,474**	184	**24**	–	**(32,038)**	–	**(30,389)**	1,218
Total gains / (losses) for the year included in income statement under "Other income and gains, net"	**–**	258	**151**	776	**1,474**	184	**(519)**	648	**(32,278)**	–	**(31,172)**	1,866

33. 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 the 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 31 March 2018			
Assets as per balance sheet			
Other non-current assets	4,308	–	4,308
Other financial assets	–	151,798	151,798
Financial assets at fair value through profit and loss	–	7,304	7,304
Trade and other receivables excluding prepayments	677,140	–	677,140
Cash and cash equivalents	168,942	–	168,942
Total financial assets	850,390	159,102	1,009,492
Liabilities as per balance sheet			
Other financial liabilities	–	(54,146)	(54,146)
Financial liabilities at fair value through profit and loss	–	(36,738)	(36,738)
Trade payables	(357,315)	–	(357,315)
Other payables	(196,193)	–	(196,193)
Borrowings	(279,166)	–	(279,166)
Convertible bonds	(213,018)	–	(213,018)
Put option wrtitten to a non-controlling interest	(79,451)	–	(79,451)
Total financial liabilities	(1,125,143)	(90,884)	(1,216,027)
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)

34. PRINCIPAL ACCOUNTING POLICIES

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

34.1 Consolidation

The consolidated financial statements include the financial statements of JEHL and all of its subsidiaries made up to 31 March 2018.

34.2 Subsidiaries

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets and liabilities measured initially at their fair values at the acquisition date and the equity interests issued by the Group. Acquisition transaction costs are expensed as incurred. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

In JEHL's balance sheet, investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment.

The excess of the consideration transferred, the amount recognised for non-controlling interest and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets acquired, the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains/losses on transactions between Group companies are eliminated.

When the Group ceases to have control, any retained interest in the entity is remeasured to its fair value at the date when control is lost. Gains and losses arising on disposal is recognised in income statement. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are reclassified to profit and loss.

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

34.3 Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associate are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit and loss of the investee after the date of acquisition less dividends received. The Group's investment in associates includes goodwill identified on acquisition.

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

The Group's share of post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other long term unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

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

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

34.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in US Dollars, which is JEHL's functional and the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges or qualifying net investment hedges. The foreign exchange gains and losses are recognised within "selling and administrative expenses" in the income statement.

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency at the year end closing rate for assets and liabilities and at average exchange rates for the year for the income statement items. All resulting exchange differences are recognised in other comprehensive income. On consolidation, exchange differences arising from the translation of the net investment in foreign entities are taken to other comprehensive income. When a foreign operation is partially disposed of or sold, such exchange differences (that were recorded in equity) are transferred out of the exchange reserve and are recognised in the income statement as part of the gain or loss on disposal.

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

34.4 Foreign currency translation *(Cont'd)*

(d) Exchange rates

The following table summarises the exchange rates which are frequently used on the consolidated financial statements.

		Closing rate		Average rate for the year	
		2018	2017	**2018**	2017
1 foreign currency unit to USD:					
Swiss Franc	CHF	**1.045**	0.999	**1.031**	1.013
Euro	EUR	**1.231**	1.067	**1.171**	1.098
British Pound	GBP	**1.408**	1.247	**1.327**	1.308
1 USD to foreign currency:					
Canadian Dollar	CAD	**1.292**	1.335	**1.282**	1.312
Hong Kong Dollar	HKD	**7.847**	7.769	**7.809**	7.759
Hungarian Forint	HUF	**253.807**	289.017	**264.550**	283.286
Israeli Shekel	ILS	**3.509**	3.632	**3.529**	3.794
Indian Rupee	INR	**65.274**	64.935	**64.475**	67.069
Japanese Yen	JPY	**106.838**	111.982	**110.865**	107.991
Mexican Peso	MXN	**18.272**	18.709	**18.505**	19.242
Polish Zloty	PLN	**3.415**	3.946	**3.606**	3.964
Chinese Renminbi	RMB	**6.279**	6.889	**6.628**	6.728
Serbian Dinar	RSD	**96.154**	116.279	**102.041**	112.360

34.5 Property, plant and equipment

Property, plant and equipment other than investment property (Note 34.6) and leasehold land classified as finance lease are stated at cost less accumulated depreciation and accumulated impairment losses. Freehold land is not amortised. No depreciation is provided for assets under construction.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its estimated recoverable amount if this is lower.

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

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

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

The depreciation policy is set out in Note 3.

34.6 Investment property

Property that is held for long term rental yields or for capital appreciation or both, and that is not occupied by the companies in the Group, is classified as investment property.

Investment property is measured initially at its cost, including related transaction costs. After initial recognition, investment property is carried at fair value. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. These valuations are reviewed annually determined by external appraisers. Changes in fair values are recognised in the income statement within other income and gains, net.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

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

34.7 Intangible assets

(a) Goodwill

Goodwill arising on the acquisition of subsidiaries is initially measured at cost and it represents the excess of the cost of acquisition over the net fair value of the Group's share of the net identifiable assets and the non-controlling interest of the acquired subsidiary. Goodwill on acquisitions of subsidiaries is included in intangible assets.

The policy for impairment tests of goodwill is set out in Note 5.

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

34.7 Intangible assets *(Cont'd)*

(b) Brands with an indefinite useful life
Brands that have an indefinite useful life are not subject to amortisation and are tested annually for impairment.

The policy for impairment tests of brands with an indefinite useful life is set out in Note 5.

(c) Land use rights
Up-front prepayments made for land use rights are expensed in the income statement on a straight-line basis over the period of the lease, or, when there is impairment, the impairment is expensed in the income statement.

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

(e) Other Intangible assets
Patents, technology, brands, client relationships that are acquired by the Group are stated in the balance sheet at fair value at the date of acquisition less accumulated amortisation and impairment losses.

The policy for amortisation of intangible assets is set out in Note 5.

34.8 Impairment of investments in subsidiaries, associates and non-financial assets

Assets that have an indefinite useful life (e.g. goodwill) and assets that are not subject to amortisation and depreciation are tested annually for impairment. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount (the higher of an asset's fair value less costs to sell and the value in use). For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

Impairment testing of investments in subsidiaries or associates is required if the carrying amount of the investment exceeds the carrying amount of the investee's net assets including goodwill.

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

34.9 Financial assets

The Group's financial assets only comprise debt instruments, and it classifies its financial assets (not part of a hedging relationship) in the following categories: those to be measured at amortised cost, and those to be measured subsequently at fair value.

(a) Financial assets at amortised cost

A financial asset is classified as measured at 'amortised cost' only if both of the following criteria are met: the objective is to hold the asset to collect the contractual cash flows; and the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. A gain or loss is recognised in profit and loss when the financial asset is derecognised or impaired and through the amortisation process using the effective interest rate method.

(b) Financial assets at fair value

If either of the two criteria above are not met, a financial asset is classified as measured at 'fair value through profit and loss'. The subsequent unrealised and realised fair value changes are recognised in profit and loss.

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial assets. Transaction costs of financial assets carried at fair value through profit or loss are expensed in the income statement.

The financial asset is classified as a non-current asset when the remaining maturity of the instrument is more than 12 months, and is classified as a current asset when the remaining maturity of the instrument is less than 12 months.

34.10 Other financial assets and liabilities

(a) Other financial assets and liabilities related to hedging activities

Other financial assets and liabilities are forward and swap contracts related to hedging activities.

Hedging instruments are initially recognised at fair value on the date a contract is entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss depends on the nature of the item being hedged:

- Hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge); or
- Hedges of a net investment in a foreign operation (net investment hedge); or
- Hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge).

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

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

(a) Other financial assets and liabilities related to hedging activities *(Cont'd)*

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

Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments to ensure that an economic relationship exists between the hedged item and hedging instrument. The Group enters into hedge relationships where the critical terms of the hedging instrument match exactly with the terms of the hedged item, and so a qualitative assessment of effectiveness is performed.

(i) Cash flow hedge

A cash flow hedge of the Group hedges a particular risk associated with a highly probable forecast transaction. The effective portion of changes in the fair value of financial instruments designated and qualified as cash flow hedges are recognised in hedging reserve within equity.

Ineffectiveness is recognised on a cash flow hedge where the cumulative change in the value of the hedging instrument exceeds on an absolute basis the change in value of the hedged item attributable to the hedged risk.

When a hedging instrument expires, or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative deferred gain or loss and deferred costs of hedging in equity at that time remains in equity until the forecast transaction occurs, resulting the recognition of a non-financial asset such as inventory.

When the forecast transaction is no longer expected to occur, the cumulative gain or loss and deferred costs of hedging that were reported in equity are immediately reclassified to profit or loss.

The policy for recognition of hedging gain or loss is set out in Note 7.

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

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

(a) Other financial assets and liabilities related to hedging activities *(Cont'd)*

(ii) Net investment hedge
A net investment hedge of the Group hedges net investments in foreign operations. Any unrealised and realised gain or loss of the hedging instrument is recognised in other comprehensive income within exchange reserve.

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

(iii) Fair value hedge
A fair value hedge of the Group hedges the CAD intercompany loan interest balance. Unrealised and realised gain or loss of the hedging instrument is recognised in the income statement to offset the loss or gain on the CAD intercompany loan interest balance attributable to the risk being hedged.

(b) Financial instruments held for trading that do not qualify for hedge accounting
Financial instruments designated as held for trading do not qualify for hedge accounting and are accounted for at fair value through profit and loss. Changes in the fair value of these financial instruments are recognised immediately in the income statement within other income and gains, net.

The fair values of various financial instruments used for hedging purposes are disclosed in Note 7. Movements in the hedging reserve in shareholders' equity are shown in Note 19. The full fair value of a hedging financial instrument is classified as a non-current asset or liability when the remaining maturity of the hedge item is more than 12 months, and is classified as a current asset or liability when the remaining maturing of the hedge item is less than 12 months.

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

34.11 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost, calculated on a first-in-first-out basis, comprises materials, direct labour and an appropriate proportion of all production overhead expenditure. The value calculated approximates the weighted-average actual cost. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

34.12 Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts dues according to the original terms of receivables; that is, the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the original effective interest rate. The impairment charge is recognised within "selling and administrative expenses" in the income statement. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries are credited in the income statement.

34.13 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits with banks that are readily convertible into known amounts of cash and which are subject to an insignificant risk of change in value, and with original maturities of three months or less.

34.14 Trade, other payables and deferred income

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. Trade and other payables with obligations to pay within 12 months are classified as current liabilities. Trade and other payables with obligations to pay for at least 12 months after the end of reporting period are classified as non-current liabilities.

The Group's other payables are mainly accrued expenses and payroll.

Any contribution towards the cost of the assembly line and tools and moulds, received from the customer, is recorded as deferred income in the balance sheet and then recognised as income on a straight-line basis over the terms of the agreement with the customer. Amount being released to income statement for the 12 months after the end of reporting period is classified as current liabilities. Amount being released to income statement over 12 months after the end of reporting period is classified as non-current liabilities.

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

34.15 Borrowings

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

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the end of reporting period.

34.16 Convertible bonds

Convertible bonds are accounted for as the aggregate of (i) a liability component and (ii) an equity component.

At initial recognition, the fair value of the liability component of the convertible bonds is determined using a market interest rate for an equivalent non-convertible bond. The remainder of the proceeds is allocated to the conversion option as an equity component, recognised in shareholder's equity in other reserve.

The liability component is subsequently carried at amortised cost, calculated using the effective interest method, until extinguished on conversion or maturity.

34.17 Current and deferred income tax

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

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

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

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

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

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

Deferred income tax liability is recognised in respect of the undistributed profits of subsidiaries which is expected to be distributed in the foreseeable future.

The policy for offsetting deferred income tax assets and liabilities is set out in Note 17.

34.18 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any Group company purchases JEHL's equity share capital, the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity until the shares are vested, cancelled or reissued. Where such shares are subsequently sold or reissued, any consideration received (net of any directly attributable incremental transaction costs and the related income tax effects) is included in equity attributable to JEHL's shareholders.

34.19 Employee compensation

(a) Pension obligations

Group companies operate various pension schemes. The schemes are generally funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations. The Group has both defined contribution and defined benefit plans.

(i) Defined contribution plan

For defined contribution plans, the Group and the employees pay fixed contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. Contributions are recognised as employee compensation when they are due and are reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions.

(ii) Defined benefit plan

Defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. The Group's long service payment is a kind of defined benefit plan.

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

34.19 Employee compensation *(Cont'd)*

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

(ii) Defined benefit plan *(Cont'd)*

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension liability.

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

Past-service costs are recognised immediately in the income statement.

(b) Share-based compensation

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

For share-based compensation settled by equity, shares granted to eligible employees for their services are charged as an expense based on the share price at the grant date.

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

The grant by the Company of shares over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period, with a credit to equity in the parent entity accounts.

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

34.19 Employee compensation *(Cont'd)*

(c) Profit sharing and bonus plans

The Group recognise charges for profit sharing and bonus plans due wholly within twelve months after balance sheet date when it has a legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

34.20 Judgmental accruals, valuation allowances and provisions

Judgmental accruals, valuation allowances and provisions are recognised when the company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made.

34.21 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to future operating costs are recognised in the income statement over the period necessary to match them with the costs that they are intended to compensate. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in income statement in the period in which they become receivable.

Government grants relating to assets are included in liabilities as deferred government grants and are credited to the income statement on a straight-line basis over the expected lives of the related assets.

34.22 Revenue recognition

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

(a) Sales of goods

Revenue from the sales of goods is recognised on the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to the customer and title has passed.

(b) Interest income

Interest income is recognised when it is earned on a time-proportion basis using the effective interest method.

(c) Rental income

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

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

34.23 Leases

HKAS 17 defines a lease as being an agreement whereby the lessor conveys to the lessee in return for a payment, or series of payments, the right to use an asset for an agreed period of time.

(a) Finance leases as the lessee

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

Each lease payment is allocated between interest charged to the financial statement and reduction of liabilities based on the interest rate implied in the lease contracts. The corresponding rental obligations, net of finance charges, are included in other short term and other long term payables. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

(b) Operating leases as the lessee

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

34.24 Dividend distribution

Dividend distribution to JEHL's shareholders is recognised as a liability in the Group's and JEHL's financial statements in the period in which the dividends are approved by JEHL's shareholders or directors, where appropriate.

34.25 Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the company. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably. A contingent liability is not recognised but is disclosed in the notes to the accounts. When a change in the probability of an outflow occurs so that the outflow is probable (more likely than not), it will then be recognised as a liability on the balance sheet.

35. ACCOUNTING ESTIMATES AND JUDGEMENTS

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

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a risk of causing a material adjustment to the carrying amounts of assets and liabilities with the next financial year are addressed below.

(a) Assessment of impairment for goodwill and brands with an indefinite useful life

The Group tests annually whether goodwill and brands with an indefinite useful life have suffered any impairment and when there is indication that they may be impaired, in accordance with the accounting policy stated in Note 5. In respect of brands with an indefinite useful life, the recoverable amount is based on its fair value less cost of disposal. For goodwill, the recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates (Note 5).

(b) Income taxes and deferred tax assets

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues when management assesses that it is probable such issues will impact the current and deferred income tax assets and liabilities.

Deferred tax assets are recognised, particularly in respect of the tax losses, to the extent that it is probable that future taxable profit or taxable temporary differences will be available against which the deferred tax assets can be utilised. It involves significant judgement when determining probable future taxable profits and temporary differences for the realisation of the deferred tax assets.

35. ACCOUNTING ESTIMATES AND JUDGEMENTS *(Cont'd)*

(c) Warranty and claims

The Group generally offers warranties for its motors and other products. Provisions for estimated expenses related to product warranty are made at the time products are sold. These estimates are established using historical information about the nature, frequency and average cost of warranty claim settlements as well as product manufacturing and industry developments and recoveries from third parties. On specific claims brought against the Group by customers, a provision is made based on the consideration of the merits of a warranty claim against the Group, the existence of any obligation under the warranty commitment and legal advice if appropriate. These warranty and claims typically arise in the normal course of business and may include, but not be limited to, commercial or contractual disputes with our customers and suppliers, intellectual property matters, personal injury, product liability, environmental and employment claims.

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

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

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

(e) Fair value of other financial assets/liabilities and financial assets/liabilities at fair value through profit and loss

The fair value of other financial assets/liabilities and financial assets/liabilities at fair value through profit and loss is determined using various valuation techniques such as discounted cash flow analysis. Copper, silver, aluminium, iron ore and coking coal prices and foreign currency exchange price are the key inputs in the valuation.

35. ACCOUNTING ESTIMATES AND JUDGEMENTS *(Cont'd)*

(f) Fair value of investment property

The Group's investment property is revalued at the balance sheet date on the open market value basis by independent professional valuers. Such valuations are based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. In making the judgement on whether such valuations and assumptions made by the valuers are reasonable, the Group considers information from comparable current prices in an active market for similar property, capitalisation rates, terminal yield, rental income from current leases and assumptions about rental from future leases and the reversionary income potential and uses assumptions that are mainly based on market conditions existing at each balance sheet date. The main assumptions have been disclosed in Note 32.

(g) Business combination

The recognition of business combination requires the excess of the purchase price of acquisitions over the net book value of assets acquired to be allocated to the assets and liabilities of the acquired entity. The Group makes judgements and estimates to determine the fair value of acquired assets and the liabilities at the acquisition date.

36. EFFECT OF ADOPTING NEW, REVISED AND AMENDED HKFRS

Standards, interpretations and amendments to published standards effective in FY2017/18 which are relevant to the Group

In 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:

HKFRS 12 (amendments)	Annual Improvements 2014-2016 Cycle
HKAS 7 (amendments)	Disclosure Initiative
HKAS 12 (amendments)	Recognition of Deferred Tax Assets for Unrealised Losses

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

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

Standards and amendments to published standards that are not effective in FY2017/18

Certain new standards and amendments to existing standards have been published that are mandatory for the Group's accounting periods beginning on or after 1 April 2018 or later periods, which the Group has not early adopted, are as follows:

Annual Improvements 2014-2016 Cycle	Improvements to HKFRSs [1]
Annual Improvements 2015-2017 Cycle	Improvements to HKFRSs [4]
HKAS 40 (amendment)	Transfer of investment property [1]
HKFRS 2 (amendment)	Classification and measurement of share-based payment transaction [1]
HKFRS 4 (amendment)	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts [2]
HKFRS 9	Financial instruments [3]
HKFRS 10 (amendment) and HKAS 28 (amendment)	Sale or contribution of assets between an investor and its associate or joint venture [5]
HKFRS 15	Revenue from contracts with customer [1]
HKFRS 16	Leases [4]
HK(IFRIC) 22	Foreign currency transactions and advance consideration [1]
HK(IFRIC) 23	Uncertainty over income tax treatments [4]

Note:
(1) Effective for annual periods beginning on or after 1 January 2018
(2) Effective for annual periods beginning on or after 1 January 2018 or when the entity first applies HKFRS 9
(3) Effective for annual periods beginning on or after 1 January 2018, except for the 2010 version of HKFRS 9 and the new requirements for hedge accounting issued in 2013, which the Group early adopted
(4) Effective for annual periods beginning on or after 1 January 2019
(5) To be determined

The Group is in the process of making an assessment of the impact of these amendments to existing standards, new standards and new interpretations in the period of initial application. In addition to the above, there are a number of minor amendments to HKAS/HKFRS under the annual improvement project of HKICPA. Other than HKFRS 16 "Leases", the Group has analysed these amendments and these amendments are not likely to have a significant impact on the Group's financial statements.

37. JEHL COMPANY BALANCE SHEET

37.1 JEHL company balance sheet

	2018 US$'000	2017 US$'000
Non-current assets		
Interest in subsidiaries	**1,560,172**	1,477,172
Other financial assets	**5,252**	24,516
	1,565,424	1,501,688
Current assets		
Amounts due from subsidiaries	**528,064**	593,747
Other financial assets	**5,491**	10,619
Other receivables	**3,671**	2,463
Cash and cash equivalents	**46**	56
	537,272	606,885
Current liabilities		
Amounts due to a subsidiary	**1**	1
Other payables	**1,643**	1,565
	1,644	1,566
Non-current liabilities		
Other financial liabilities	**24,419**	–
Financial liabilities at fair value through profit and loss	**8,275**	–
Borrowings	**74,385**	74,279
Convertible bonds	**213,018**	207,610
Deferred income tax liabilities	**835**	1,638
	320,932	283,527
NET ASSETS	**1,780,120**	1,823,480
Equity		
Share capital – Ordinary shares (at par value)	**5,670**	5,670
Shares held for incentive share schemes (at purchase cost)	**(55,219)**	(64,813)
Reserves	**1,829,669**	1,882,623
TOTAL EQUITY	**1,780,120**	1,823,480

Approved by the Board of Directors on 16 May 2018.

Patrick Shui-Chung Wang *JP*
Director

Winnie Wing-Yee Wang
Director

37. JEHL COMPANY BALANCE SHEET *(Cont'd)*

37.2 JEHL reserves

The reserve movements of JEHL for FY2017/18 and FY2016/17 are set below:

	Contributed surplus US$'000	Share-based employee compensation reserve US$'000	Hedging reserve US$'000	Other reserve US$'000	Retained earnings US$'000	Total US$'000
As of 31 March 2016	57,621	17,516	25,061	955	1,731,046	1,832,199
Hedging instruments						
– fair value gains, net	–	–	16,550	–	–	16,550
– transferred to income statement	–	–	(6,476)	–	–	(6,476)
Incentive share schemes						
– shares vested	(1,015)	(9,622)	–	–	–	(10,637)
– value of employee services	–	12,376	–	–	–	12,376
Profit for the year	–	–	–	–	94,006	94,006
FY2015/16 final dividend paid	–	–	–	–	(37,672)	(37,672)
FY2016/17 interim dividend paid	–	–	–	–	(17,723)	(17,723)
As of 31 March 2017	56,606	20,270	35,135	955	1,769,657	1,882,623
Final dividend proposed	–	–	–	–	37,600	37,600
Other	56,606	20,270	35,135	955	1,732,057	1,845,023
As of 31 March 2017	56,606	20,270	35,135	955	1,769,657	1,882,623
Hedging instruments						
– fair value losses, net	–	–	(41,622)	–	–	(41,622)
– transferred to income statement	–	–	(7,190)	–	–	(7,190)
Incentive share schemes						
– shares vested	488	(10,082)	–	–	–	(9,594)
– value of employee services	–	12,685	–	–	–	12,685
Profit for the year	–	–	–	–	49,265	49,265
FY2016/17 final dividend paid	–	–	–	–	(37,735)	(37,735)
FY2017/18 interim dividend paid	–	–	–	–	(18,763)	(18,763)
As of 31 March 2018	**57,094**	**22,873**	**(13,677)**	**955**	**1,762,424**	**1,829,669**
Final dividend proposed	–	–	–	–	37,360	37,360
Other	57,094	22,873	(13,677)	955	1,725,064	1,792,309
As of 31 March 2018	**57,094**	**22,873**	**(13,677)**	**955**	**1,762,424**	**1,829,669**

38. PRINCIPAL SUBSIDIARIES AND ASSOCIATES

The following list contains particulars of subsidiaries and associates of the Group that in the opinion of the directors, materially affect the results and assets of the Group:

Name	Principal activities	Place of incorporation/ establishment and operation	Issued and paid up capital	Effective shareholding by JEHL	Effective shareholding by subsidiary
Subsidiaries					
AML Automotive Active Modules (Wuxi) Co., Ltd.* (formerly known as "AML Automotive Active Lighting Module (Wuxi) Co., Ltd.")	Manufacturing	China	RMB27,244,529	–	100%
AML Systems SAS	Manufacturing, sales and marketing, R&D and licensing	France	EUR9,015,000	–	100%
Changchun Ri Yong JEA Gate Electric Co., Ltd.#	Manufacturing, sales and marketing	China	RMB10,000,000	–	70%
Chengdu Ri Yong JEA Gate Electric Co Ltd #	Manufacturing, sales and marketing	China	RMB20,000,000	–	70%
Easy Fortune (H.K.) Ltd.	Property investment	British Virgin Islands	US$50,000	–	100%
Gate do Brasil Ltda.	Manufacturing, sales and marketing	Brazil	BRL129,943,887.27	–	100%
Harbour Sky (BVI) Ltd.	Property investment	British Virgin Islands	US$50,000	–	100%
Halla Stackpole (Beijing) Automotive Co Ltd #	Manufacturing, R&D, sales and marketing	China	US$14,000,000	–	80%
Halla Stackpole Corporation #	Manufacturing, sales and marketing, R&D, licensing	Korea	KRW37,800,000,000	–	80%

* Wholly foreign owned enterprises
\# Equity joint ventures

38. PRINCIPAL SUBSIDIARIES AND ASSOCIATES *(Cont'd)*

Name	Principal activities	Place of incorporation/ establishment and operation	Issued and paid up capital	Effective shareholding by JEHL	Effective shareholding by subsidiary
Subsidiaries					
Hwa Sun (Guangdong) Co Ltd *	Manufacturing, sales and marketing	China	US$15,200,000	–	100%
Hwa Sun (Jiangmen) Co Ltd *	Manufacturing, sales and marketing	China	RMB79,927,920	–	100%
Johnson Electric Asia Pacific Limited	Provision of service	Hong Kong	HK$2	–	100%
Johnson Electric Asti S.r.l.	Manufacturing, sales and marketing, R&D, licensing	Italy	EUR2,600,000	–	100%
Johnson Electric (Beihai) Co Ltd *	Manufacturing, sales and marketing	China	US$12,000,000	–	100%
Johnson Electric Doo Niš	Manufacturing	Serbia	RSD1,371,076,608.42	–	100%
Johnson Electric Germany GmbH & Co. KG	Manufacturing, sales and marketing, R&D, licensing	Germany	EUR15,338,800	–	100%
Johnson Electric Group Mexico, S. de R.L. de C.V.	Manufacturing	Mexico	MXN257,331,893	–	100%
Johnson Electric (Guangdong) Co., Ltd. *	Manufacturing, sales and marketing, R&D	China	US$4,250,000	–	100%
Johnson Electric Hungary Kft.	Manufacturing, R&D, provision of service	Hungary	EUR160,130	–	100%
Johnson Electric Industrial Manufactory, Limited	Manufacturing, sales and marketing	Hong Kong	HK$3,010,609,091	100%	–

* Wholly foreign owned enterprises
\# Equity joint ventures

38. PRINCIPAL SUBSIDIARIES AND ASSOCIATES *(Cont'd)*

Name	Principal activities	Place of incorporation/ establishment and operation	Issued and paid up capital	Effective shareholding by JEHL	Effective shareholding by subsidiary
Subsidiaries					
Johnson Electric International AG	Sales and marketing, R&D, provision of service, licensing	Switzerland	CHF12,002,112	–	100%
Johnson Electric International France S.a.r.l.	Sales and marketing	France	EUR100,000	–	100%
Johnson Electric International (IT) S.r.l.	Sales and marketing	Italy	EUR3,700,000	–	100%
Johnson Electric International Limited	Provision of service, investment holding	Hong Kong	HK$80,000,000	–	100%
Johnson Electric International Netherlands B.V.	Sales and marketing	Netherlands	EUR135,000	–	100%
Johnson Electric International (UK) Limited	Licensing, sales and marketing, R&D	United Kingdom	GBP488,187,878	–	100%
Johnson Electric (Jiangmen) Co Ltd *	Manufacturing, sales and marketing, R&D	China	RMB100,000	–	100%
Johnson Electric Nanjing Co., Ltd. *	Manufacturing, sales and marketing, R&D	China	US$6,100,000	–	100%
Johnson Electric North America, Inc.	Sales and marketing	United States of America	US$120,000	–	100%
Johnson Electric PC UK Limited (formerly "Johnson Electric Birmingham Limited")	Manufacturing	United Kingdom	GBP1	–	100%
Johnson Electric Poland Sp.z o.o.	Manufacturing	Poland	PLN41,651,000	–	100%

* Wholly foreign owned enterprises
\# Equity joint ventures

38. PRINCIPAL SUBSIDIARIES AND ASSOCIATES *(Cont'd)*

Name	Principal activities	Place of incorporation/ establishment and operation	Issued and paid up capital	Effective shareholding by JEHL	Effective shareholding by subsidiary
Subsidiaries					
Johnson Electric Private Limited	Manufacturing, sales and marketing	India	INR1,044,096,500	–	100%
Johnson Electric Saint Remy SAS (formerly known as "Gate France SAS")	Manufacturing, sales and marketing	France	EUR382,000	–	100%
Johnson Electric Services Italia S.r.l.	Provision of service	Italy	EUR10,000	–	100%
Johnson Electric (Shanghai) Company Limited *	Sales and marketing	China	US$200,000	–	100%
Johnson Electric (Shenzhen) Co., Ltd. *	R&D	China	HK$30,000,000	–	100%
Johnson Electric Switzerland AG	Manufacturing, R&D	Switzerland	CHF5,000,000	–	100%
Johnson Electric Technology Service (Shenzhen) Co Ltd *	Provision of service	China	US$130,000	–	100%
Johnson Electric Trading Mexico, S. de R.L. de C.V.	Sales and marketing	Mexico	MXN39,222,400	–	100%
Johnson Electric World Trade Limited	Provision of service, sales and marketing	Hong Kong	HK$100,000	100%	–
Johnson Medtech (HK) Limited	Manufacturing, sales and marketing, R&D	Hong Kong	HK$1	–	100%
Johnson Medtech LLC	Sales and marketing, R&D	United States of America	US$1,000,000	–	100%

* Wholly foreign owned enterprises
\# Equity joint ventures

38. PRINCIPAL SUBSIDIARIES AND ASSOCIATES *(Cont'd)*

Name	Principal activities	Place of incorporation/ establishment and operation	Issued and paid up capital	Effective shareholding by JEHL	Effective shareholding by subsidiary
Subsidiaries					
Johnson Medtech (Shenzhen) Co Ltd *	Manufacturing, sales and marketing	China	US$2,100,000	–	100%
M.M.A. (Manufactura de Motores Argentinos) S.r.l.	Manufacturing, sales and marketing	Argentina	ARS3,880,000	–	100%
Nanomotion Ltd.	Manufacturing, sales and marketing, R&D	Israel	US$904,371.75	–	100%
Parlex Pacific Limited	Manufacturing, sales and marketing, R&D	Hong Kong	HK$10,000	–	100%
Parlex (Shanghai) Electronics Co., Ltd. *	Manufacturing, sales and marketing, R&D	China	US$15,000,000	–	100%
Parlex USA LLC	Manufacturing, sales and marketing, R&D	United States of America	US$88,319,640	–	100%
Saia-Burgess Automotive Actuators LLC	Manufacturing, sales and marketing, R&D	United States of America	US$8,000,000	–	100%
Saia-Burgess LLC	Manufacturing, sales and marketing, R&D	United States of America	US$12,600,126	–	100%
Shanghai Malu Ri Yong JEA Gate Electric Co Ltd #	Manufacturing, sales and marketing, R&D	China	RMB85,000,000	–	70%
Stackpole Automotive Engineered Products (Changzhou) Co Ltd *	Manufacturing, sales and marketing	China	US$20,000,000	–	100%
Stackpole International Engineered Products, Ltd.	Manufacturing, sales and marketing, R&D	Canada	CAD129,963,738	–	100%

* Wholly foreign owned enterprises
\# Equity joint ventures

38. PRINCIPAL SUBSIDIARIES AND ASSOCIATES *(Cont'd)*

Name	Principal activities	Place of incorporation/ establishment and operation	Issued and paid up capital	Effective shareholding by JEHL	Effective shareholding by subsidiary
Subsidiaries					
Stackpole International Global Holding, Co., S.A.	Investment holding	Luxembourg	CAD8,401,525	–	100%
Stackpole International Otomotiv Urunleri Limited Sirketi	Manufacturing, sales and marketing	Turkey	TRY39,865,350	–	100%
Stackpole International Powder Metal, Ltd.	Manufacturing, sales and marketing, R&D	Canada	CAD211,982,801	–	100%
Stackpole Powertrain International GmbH	Sales and marketing, R&D	Germany	EUR25,000	–	100%
V Motor (China) Ltd *	Sales and marketing	China	US$6,000,000	–	100%
Wuhan Ri Yong JEA Gate Electric Co., Ltd #	Manufacturing, sales and marketing	China	RMB20,000,000	–	70%
Yantai Ri Yong JEA Gate Electric Co., Ltd #	Manufacturing, sales and marketing	China	RMB20,000,000	–	70%
Zhengzhou Ri Yong JEA Gate Electric Co., Ltd #	Manufacturing, sales and marketing	China	RMB5,000,000	–	70%
Associate					
Shenzhen SMART Micromotor Co Ltd #	Manufacturing, sales and marketing	China	US$2,100,000	–	49%

* Wholly foreign owned enterprises
\# Equity joint ventures

JOHNSON ELECTRIC GROUP TEN-YEAR SUMMARY

US$ million	2018	2017	2016
Consolidated income statement			
Sales	**3,236.6**	2,776.1	2,235.9
Earnings before interest and tax (EBIT) [1]	**336.3**	300.3	209.8
Profit before income tax	**322.8**	290.3	206.6
Income tax (expense) / income	**(48.6)**	(43.8)	(23.9)
Discontinued operations	**–**	–	–
Profit for the year	**274.2**	246.5	182.7
Non-controlling interests	**(10.2)**	(8.6)	(10.0)
Profit attributable to shareholders	**264.0**	237.9	172.7
Consolidated balance sheet			
Fixed assets	**1,214.6**	892.8	759.0
Goodwill and intangible assets	**1,178.6**	1,076.7	1,083.4
Cash and cash equivalents	**168.9**	127.7	193.3
Other current and non-current assets	**1,440.1**	1,257.5	1,113.7
Total assets	**4,002.2**	3,354.7	3,149.4
Equity attributable to shareholders	**2,298.4**	1,992.2	1,842.6
Non-controlling interests	**67.4**	32.8	42.2
Total equity	**2,365.8**	2,025.0	1,884.8
Total debt [2]	**492.2**	384.0	422.5
Other current and non-current liabilities	**1,144.2**	945.7	842.1
Total equity and liabilities	**4,002.2**	3,354.7	3,149.4
Per share data [3]			
Basic earnings per share – continuing operations (US cents)	**30.6**	27.7	20.1
Dividend per share (US cents)	**6.5**	6.4	6.3
Closing stock price (HKD)	**29.5**	23.2	24.0
Other information			
Free cash flow from operations [4]	**88.2**	160.1	70.8
Earnings before interest, tax, depreciation and amortisation (EBITDA)	**519.8**	448.4	321.9
EBITDA to sales %	**16.1%**	16.2%	14.4%
Capital expenditure (CAPEX)	**305.8**	240.2	186.2
CAPEX to sales %	**9.4%**	8.7%	8.3%
Market Capitalisation	**3,236.1**	2,565.6	2,643.3
Enterprise Value (EV)	**3,626.7**	2,854.7	2,914.7
EV / EBITDA [5]	**7.0**	6.3	7.9
Ratios			
EBIT to sales %	**10.4%**	10.8%	9.4%
Return on average total equity % [6]	**12.5%**	12.6%	9.7%
Free cash flow from operations to debt %	**18%**	42%	17%
Total debt to EBITDA (times) [5]	**0.9**	0.9	1.1
Total debt to capital %	**17%**	16%	18%
Interest coverage (times) [7]	**22.9**	27.1	22.3

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

2 Total debt calculated as borrowings plus convertible bonds

3 Per share data had been adjusted to reflect the impact of 1 for 4 share consolidation on 15 July 2014

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

5 When calculating EV / EBITDA and Total debt to EBITDA, where a business is acquired part way through the year, we adjust EBITDA to include 12 months for that year on a pro forma basis. EBITDA for FY2011/12 excluded non-recurring items

6 Return on average total equity is calculated as profit for the year over average total equity during the year

7 Interest coverage (times) is calculated by EBIT / interest expense

2015	2014	2013	2012	2011	2010 *	2009
2,136.1	2,097.6	2,059.7	2,140.8	2,104.0	1,741.0	1,828.2
243.5	233.9	213.2	221.6	235.8	110.5	47.0
249.0	243.0	218.0	220.5	226.4	103.8	37.4
(29.2)	(28.1)	(21.1)	(31.6)	(36.1)	(16.4)	0.4
–	–	–	–	–	–	(31.1)
219.8	214.9	196.9	188.9	190.3	87.4	6.7
(8.9)	(7.0)	(5.6)	(2.2)	(8.6)	(10.4)	(4.1)
210.9	207.9	191.3	186.7	181.7	77.0	2.6
492.6	460.6	425.6	433.1	457.5	440.6	428.3
595.6	650.7	621.5	757.8	774.7	699.9	662.1
773.2	644.0	480.9	385.1	354.7	367.1	302.0
986.6	745.4	715.9	704.0	755.5	623.2	557.5
2,848.0	2,500.7	2,243.9	2,280.0	2,342.4	2,130.8	1,949.9
1,862.3	1,732.3	1,568.5	1,461.6	1,362.2	1,121.7	964.4
38.6	34.0	30.3	25.9	60.1	51.5	33.7
1,900.9	1,766.3	1,598.8	1,487.5	1,422.3	1,173.2	998.1
291.3	116.9	125.0	205.4	313.7	408.7	528.9
655.8	617.5	520.1	587.1	606.4	548.9	422.9
2,848.0	2,500.7	2,243.9	2,280.0	2,342.4	2,130.8	1,949.9
24.1	23.4	21.4	20.7	19.9	8.4	3.7
6.2	5.9	5.6	5.1	4.6	2.6	–
27.3	28.7	23.1	19.3	18.2	20.6	6.0
155.8	231.1	111.9	166.0	169.6	215.1	168.5
335.5	321.8	304.3	314.3	322.5	197.9	136.2
15.7%	15.3%	14.8%	14.7%	15.3%	11.4%	7.4%
119.9	92.2	82.6	91.3	85.6	38.0	62.8
5.6%	4.4%	4.0%	4.3%	4.1%	2.2%	3.4%
3,032.5	3,282.2	2,646.2	2,229.5	2,134.4	2,426.3	704.3
2,589.3	2,789.1	2,320.5	2,075.6	2,153.4	2,519.4	964.9
7.7	8.7	7.6	6.3	6.7	12.7	7.1
11.4%	11.2%	10.4%	10.4%	11.2%	6.3%	2.6%
12.0%	12.8%	12.8%	13.0%	14.7%	8.1%	0.6%
53%	198%	90%	81%	54%	53%	32%
0.9	0.4	0.4	0.7	1.0	2.1	3.9
13%	6%	7%	12%	18%	26%	35%
28.8	127.8	79.0	32.1	18.2	12.4	3.0

* Historical data for FY2009/10 had been restated for the adoption of HKAS 12 (amendment) – deferred tax related to investment properties. Historical data for FY2008/09 had not been restated in this summary.

PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Yik-Chun Koo Wang

Non-Executive Director

Honorary Chairman

Yik-Chun Koo Wang, age 100, is the Honorary Chairman of the Company and co-founder of the Group. She was the Vice-Chairman of the Group from 1984 to 1996 and was actively involved in the development of the Group in its early stages. Madam Wang is also the Honorary Chairlady of Tristate Holdings Limited.

Patrick Shui-Chung Wang *JP*

Chairman and Chief Executive

Member of Nomination and Corporate Governance Committee

Patrick Shui-Chung Wang, age 67, obtained his Bachelor of Science and Master of Science degrees in Electrical Engineering and received an Honorary Doctorate of Engineering from Purdue University in Indiana, United States. He joined the Group in 1972 and became a director of the Group in 1976 and Managing Director in 1984. In 1996, he was elected Chairman and Chief Executive of the Company. He also serves on the board of directors of various subsidiaries of the Company. Dr. Wang is an Independent Non-executive Director, the Chairman of the Remuneration Committee, a member of the Audit Committee and a member of the Nomination Committee of VTech Holdings Limited. He is also a non-executive director of Tristate Holdings Limited. He is a member of the Hong Kong Sanatorium & Hospital's Clinical Governance Committee. He is a son of the Honorary Chairman, Madam Yik-Chun Koo Wang.

Winnie Wing-Yee Wang

Vice-Chairman

Member of Remuneration Committee

Winnie Wing-Yee Wang, age 71, obtained her Bachelor of Science degree from Ohio University in the United States. She joined the Group in 1969. She became a director and Executive Director of the Group in 1971 and 1984 respectively and was elected the Vice-Chairman in 1996. She also serves on the board of directors of various subsidiaries of the Company. Ms. Wang is a non-executive director of Tristate Holdings Limited. She is a sister of the Chairman and Chief Executive, Dr. Patrick Shui-Chung Wang.

Austin Jesse Wang

Executive Director

Austin Jesse Wang, age 37, graduated from the Massachusetts Institute of Technology with Master of Engineering and Bachelor of Science degrees in Computer Science and Electrical Engineering. He joined the Group in 2006 and became a director of the Company in 2009. He also serves on the board of directors of various subsidiaries of the Company. He has previously worked as a consulting engineer in the computing industry. Mr. Wang is the son of the Chairman and Chief Executive, Dr. Patrick Shui-Chung Wang.

Peter Kin-Chung Wang

Non-Executive Director

Member of Audit Committee

Peter Kin-Chung Wang, age 64, has been a Non-Executive Director of the Group since 1982. He obtained a Bachelor of Science degree in Industrial Engineering from Purdue University in Indiana, United States and a Master of Business Administration degree from Boston University in Massachusetts, United States. He is the Chairman and Chief Executive Officer of Tristate Holdings Limited and the Chairman and Managing Director of Hua Thai Manufacturing Public Company Limited which was formerly listed on The Stock Exchange of Thailand. Mr. Wang won the Young Industrialist Award of Hong Kong in 1998. In 2005, he received the Outstanding Industrial Engineer Award from the School of Industrial Engineering of Purdue University. He is a member of the Anhui Provincial Committee of Chinese People's Political Consultative Conference, the honorary chairman of the Hong Kong Garment Manufacturers Association, a general committee member of the Textile Council of Hong Kong Limited and a director of The Federation of Hong Kong Garment Manufacturers. He is a brother of the Chairman and Chief Executive, Dr. Patrick Shui-Chung Wang.

Peter Stuart Allenby Edwards

Independent Non-Executive Director

Chairman of Nomination and Corporate Governance Committee

Peter Stuart Allenby Edwards, age 69, has been an Independent Non-Executive Director of the Company since 1995. He is a solicitor and was Senior Partner of Johnson, Stokes & Master until he retired in 1996. Mr. Edwards was the Chairman of the Hong Kong Branch of the International Fiscal Association, the Chairman of the Revenue Law Committee of the Hong Kong Law Society and a member of the Joint Liaison Committee on Taxation which advises the Government of the Hong Kong Special Administrative Region. He is also a member of the International Academy of Estate and Trust Law, an honorary lecturer in law at the University of Hong Kong and a director of a number of investment and holding companies. He is a director of Martin Currie Asia Unconstrained Trust plc.

Patrick Blackwell Paul *CBE, FCA*

Independent Non-Executive Director

Chairman of Audit Committee and Member of Nomination and Corporate Governance Committee

Patrick Blackwell Paul, age 70, has been an Independent Non-Executive Director of the Company since 2002. He had been the Chairman and Senior Partner of PricewaterhouseCoopers in Hong Kong from 1994 to 2001. He is an independent non-executive director of The Hongkong and Shanghai Hotels, Ltd. and Pacific Basin Shipping Limited. His civic commitments include chairing the Supervisory Board of the British Chamber of Commerce in Hong Kong.

Michael John Enright

Independent Non-Executive Director

Chairman of Remuneration Committee and Member of Audit Committee

Michael John Enright, age 59, has been an Independent Non-Executive Director of the Company since 2004. He obtained his Bachelor of Arts (in Chemistry), Master of Business Administration, and Doctor of Philosophy (in Business Economics) degrees all from Harvard University. He was formerly a professor at the Harvard Business School. Prof. Enright is currently a professor at the University of Hong Kong School of Business and a director at Enright, Scott & Associates, a Hong Kong-based consulting firm.

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

Independent Non-Executive Director

Member of Remuneration Committee

Joseph Chi-Kwong Yam, age 69, has been an Independent Non-Executive Director of the Company since 2010. He graduated from the University of Hong Kong with first class honours in 1970. Over the years, he has received a number of honorary doctorate degrees and professorships from universities in Hong Kong and overseas. Mr. Yam was awarded the highest honour of the Grand Bauhinia Medal by the Government of the Hong Kong Special Administrative Region in 2009. He was the Chief Executive of the Hong Kong Monetary Authority from 1993 to 2009. Mr. Yam was appointed in 2011 a member of the Board of Directors, the Corporate Culture and Responsibility Committee and the Risk Committee of UBS Group AG and retired in 2017. He is a non-official member of the Executive Council of the Government of the Hong Kong Special Administrative Region and a Distinguished Research Fellow of Lau Chor Tak Institute of Global Economics and Finance at The Chinese University of Hong Kong. Mr. Yam is a Board member and Chairman of Compensation & Assessment Committee of UnionPay International Co., Ltd. He is also a member of the advisory committees of a number of academic and private institutions focusing on finance.

Christopher Dale Pratt *CBE*
Independent Non-Executive Director
Member of Audit Committee and Remuneration Committee
Christopher Dale Pratt, age 61, has been an Independent Non-Executive Director of the Company since 2014. He obtained his honours degree in Modern History from Oxford University. He joined the Swire group in 1978 and over the next 35 years worked in various of the group's businesses in Hong Kong, Australia and Papua New Guinea. From 2006 until his retirement in 2014, he served as Chairman of Cathay Pacific Airways Limited, Hong Kong Aircraft Engineering Company Limited, John Swire & Sons (H.K.) Limited, Swire Pacific Limited and Swire Properties Limited. He was also a Director of Swire Beverages, Air China Limited and The Hongkong and Shanghai Banking Corporation Limited. Mr. Pratt was appointed in 2014 an Independent Non-Executive Director of PureCircle Limited and retired in March 2018. Mr. Pratt is currently an Independent Non-Executive Director of Noble Group Limited and Grosvenor Group Limited. He is also a senior advisor to Morgan Stanley Asia Limited. He was appointed a Commander of the Order of the British Empire (CBE) in 2000.

SENIOR MANAGEMENT

Tung-Sing Choi
Senior Vice President,
Global Manufacturing
Tung-Sing Choi, age 68, is responsible for the global manufacturing management of the Group. He joined the Group in 1968 and has more than 40 years of experience in motor component manufacturing, motor assembly processes and the utilisation of machines and fixtures.

James Randolph Dick
Chief Information Officer
Senior Vice President, Industry Products Group
James Randolph Dick, age 64, holds a Bachelor of Science in Electrical and Electronic Engineering from the University of Paisley in Scotland. He is responsible for developing responses to macro market issues and for building the information technology infrastructure in support of the Group's digital transformation strategy. He also leads the global business of the Industry Products Group. He joined Johnson Electric in 1999. He has 40 years of experience in high technology management throughout the world. Prior to joining the Group, he held executive positions with Xerox in the United States, IBM in Europe and with Astec (BSR) Plc, an Emerson company, based in Hong Kong.

Michael Philip Gannon

Senior Vice President,
Human Resources

Michael Philip Gannon, age 63, holds a Bachelor of Industrial Administration degree from Kettering University and a Master of Business Administration (Accounting) from the University of Michigan. He joined the Group in 2013 and is responsible for global human resources, training and development and environment and health and safety. Prior to joining the Group, he worked in the United States and Europe for General Motors, Delphi and Nexteer Automotive, where he held positions in human resources, business strategy and operations. Most recently, he was Senior Vice President of global human resources and Chief Operations Officer of the Saginaw division for Nexteer Automotive.

Robert Allen Gillette

Senior Vice President,
Supply Chain Services

Robert Allen Gillette, age 52, holds a Bachelor of Science degree in Electrical Engineering from Washington University in Missouri, United States and a Master of Business Administration concentrating in Operations and Finance from Vanderbilt University in Tennessee, United States. He is responsible for providing leadership and strategic direction in supply chain management for all business units of the Group. Prior to joining the Group in 2007, he worked for Emerson Electric where he held various operations, marketing and supply chain positions in North America and Asia.

Christopher John Hasson

Executive Vice President

Christopher John Hasson, age 55, was educated at the University of Manchester and London Business School (Corporate Finance and Accounting). He is responsible for corporate business development, mergers and acquisitions, corporate strategic planning and for supervision of the legal and company secretarial functions. Prior to joining the Group in 2002, he was a partner at The Boston Consulting Group.

Kam-Chin Ko

Senior Vice President,
Automotive Products Group

Kam-Chin Ko, age 52, holds a Master of Science degree in Manufacturing System Engineering from the University of Warwick in the United Kingdom and a Doctor of Engineering from the Hong Kong Polytechnic University in Hong Kong. He is responsible for the business and strategic objectives for sales, business development and engineering of Automotive Products Group globally. He joined the Group in 1988 and in previous positions led Components & Services and the Corporate Engineering functions. He is a member of The Institute of Engineering and Technology and a member of the Institute of Industrial Engineers.

Yue Li

Senior Vice President, Corporate Engineering

Yue Li, age 58, obtained a Bachelor of Science degree from Tsinghua University in the PRC and also a Doctor of Philosophy degree from the University of Wisconsin-Madison in Wisconsin, United States. He is responsible for overall corporate technology, engineering operations and Value Innovation Programs. Prior to joining the Group in 2004, he worked for Emerson Electric in St. Louis as director of new products, for Carrier Corporation in Syracuse as director of power electronics and motor technologies and for Emergency One Inc. in Florida as vice president of product management.

Jeffrey L. Obermayer

Executive Vice President and Chief Financial Officer

Jeffrey L. Obermayer, age 63, has a Bachelor of Science degree (Hons.) in Business Administration and a Master of Science degree in Accounting from the Illinois State University in Illinois, United States. He also holds a Master of Business Administration degree from the Northwestern University in Illinois, United States. He is a member of the American Institute of Certified Public Accountants, the Institute of Management Accountants and the Institute of Internal Auditors. Prior to joining the Group in 2010, he had 28 years of experience with BorgWarner Inc. in the United States and Germany, where he held a variety of senior executive positions in finance, business development, treasury and enterprise risk management, capital markets, pension plans and accounting. Prior to his last position there as Vice President & Controller, Principal Accounting Officer, he was Vice President & Treasurer. He also worked with Arthur Andersen & Co. in Chicago, United States.

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

Annual General Meeting (AGM)

12 July 2018 (Thu)

Register of Shareholders

Closure of Register (both dates inclusive)
For attending AGM : 9 – 12 July 2018 (Mon – Thu)
For final dividend : 31 July – 2 August 2018 (Tue – Thu)

Dividend (per Share)

Interim Dividend	: 17 HK cents
Paid on	: 5 January 2018 (Fri)
Final Dividend	: 34 HK cents
Payable on	: 13 August 2018 (Mon)

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