NOTES TO THE ACCOUNTS

1. General information

The principal operations of Johnson Electric Holdings Limited (the Company) and its subsidiaries (together the Group) are the manufacture, sale and trading of motors, electromechanical components, motion systems and sub-systems and materials. The Group has global reach, with manufacturing plants and sales operations throughout the world.

The Company is a limited liability company incorporated in Bermuda. The address of its registered office is Canon's Court, 22 Victoria Street, Hamilton HM12, Bermuda.

The Company has its primary listing on The Stock Exchange of Hong Kong Limited.

These consolidated financial statements are presented in thousands of units of US dollars (US$'000), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 8th June 2007.

2. Principal accounting policies

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

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (HKFRS). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss, and investment properties, which are carried at fair value.

The preparation of financial statements in conformity with HKFRS requires the use of certain accounting estimates. It also requires management to exercise judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 4.

In 2006/07, the Group adopted the new/revised standards and interpretations of HKFRS. The effect of adopting the new HKFRS is disclosed in note 42.

2.1 CONSOLIDATION

The consolidated financial statements include the financial statements of the Company and all its subsidiaries made up to 31st March 2007.

2.2 SUBSIDIARIES

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

2. Principal accounting policies *(Cont'd)*

2.2 SUBSIDIARIES *(Cont'd)*

Subsidiaries are fully consolidated from the date on which control is transferred to the Group.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interests. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the profit and loss accounts.

All significant intercompany transactions and balances within the Group are eliminated on consolidation.

In the Company's balance sheet the investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

Minority interests represent the interests of outside equity holders in the operating results and net assets of subsidiaries.

2.3 JOINTLY CONTROLLED ENTITIES

Jointly controlled entities are all entities in which the Group and other parties undertake an economic activity which is subject to joint control and none of the participating parties has unilateral control over the economic activity. Investments in jointly controlled entities are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investment in jointly controlled entities includes goodwill (net of any accumulated impairment loss) identified on acquisition.

The Group's share of its jointly controlled entities' post-acquisition profits or losses is recognised in the profit and loss account, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in a jointly controlled entity equals or exceeds its interest in the jointly controlled entity, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the jointly controlled entity.

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

2. Principal accounting policies *(Cont'd)*

2.4 ASSOCIATED COMPANIES

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

The Group's share of its associates' post-acquisition profits or losses is recognised in the profit and loss account, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

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

2.5 SEGMENT REPORTING

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

2.6 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 the Company's functional and 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. 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 profit and loss account, except when deferred in equity as qualifying cash flow hedges or qualifying net investment hedges.

Translation differences on non-monetary items, such as equity instruments held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation differences on non-monetary items, such as equities classified as available-for-sale financial assets, are included in the fair value reserve in equity.

2. Principal accounting policies *(Cont'd)*

2.6 FOREIGN CURRENCY TRANSLATION *(Cont'd)*

(c) Group companies

The results and financial position of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each profit and loss account are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(iii) all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to equity holders' equity. When a foreign operation is sold, such exchange differences are recognised in the profit and loss account as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

2.7 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment other than investment properties (note 2.8) 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. All repairs and maintenance are charged in the profit and loss account during the financial period in which they are incurred.

2. Principal accounting policies *(Cont'd)*

2.7 PROPERTY, PLANT AND EQUIPMENT *(Cont'd)*

Depreciation of property, plant and equipment is calculated using the straight-line method. This distributes their cost or revalued amounts over their estimated useful lives, on the following bases:

Buildings on leasehold land	The unexpired term of lease
Buildings situated on freehold land	25 to 50 years
Plant and machinery, equipment, and tools and moulds	2 to 15 years
Furniture and fixtures, motor vehicles and computers	3 to 10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Gains or losses arising from the disposal of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amounts of those assets and are recognised as income or expense in the profit and loss account.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

2.8 INVESTMENT PROPERTIES

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

Investment property comprises land held under operating leases and buildings held under finance leases. Land held under operating leases are classified and accounted for as investment property when the rest of the definition of investment property is met. The operating lease is accounted for as if it were a finance lease.

Investment property is measured initially at its cost, including related transaction costs.

After initial recognition, investment property is carried at fair value. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. These valuations are reviewed annually by external valuers. Investment property that is being redeveloped for continuing use as investment property, or for which the market has become less active, continues to be measured at fair value.

The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions.

2. Principal accounting policies *(Cont'd)*

2.8 INVESTMENT PROPERTIES *(Cont'd)*

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed in the profit and loss account during the financial period in which they are incurred.

Changes in fair values are recognised in the profit and loss account.

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 as a revaluation of property, plant and equipment under HKAS 16. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in the profit and loss account.

2.9 LEASEHOLD LAND AND LAND USE RIGHTS

The up-front prepayments made for leasehold land and land use rights are accounted for as operating leases. They are expensed in the profit and loss account on a straight-line basis over the periods of the lease, or when there is impairment, the impairment is expensed in the profit and loss account.

2.10 INTANGIBLES

(a) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate/jointly controlled entity at the date of acquisition.

Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates and jointly controlled entities is included in investments in associates and jointly controlled entities. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill will not reverse. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

Goodwill previously eliminated against reserve prior to 2001 will not be restated or recognised in profit and loss account upon disposal or impairment of an interest in a subsidiary.

(b) Intangible assets (other than goodwill)

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

2. Principal accounting policies *(Cont'd)*

2.10 INTANGIBLES *(Cont'd)*

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

Research and development costs are expensed as incurred and are only recognised as an intangible asset where the technical feasibility and intention of completing the product under development has been demonstrated and the resources are available to do so, costs are identifiable and there is an ability to sell or use the asset that will generate probable future economic benefits. Such development costs are recognised as an asset and amortised on a straight-line basis to reflect the pattern in which the related economic benefits are recognised. Development costs that do not meet the above criteria are expensed as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

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

Patents	3 to 20 years
Technology	15 to 20 years
Brands	25 years
Client relationships	5 to 25 years
Research and development costs	3 to 8 years

2.11 IMPAIRMENT OF INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND NON-FINANCIAL ASSETS

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

2.12 FINANCIAL ASSETS

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date.

2. Principal accounting policies *(Cont'd)*

2.12 FINANCIAL ASSETS *(Cont'd)*

(a) Other financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within twelve months of the balance sheet date.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable. They are included in current assets, except for maturities greater than twelve months after the balance sheet date. These are classified as non-current assets. Loans and receivables are included in trade and other receivables in the balance sheet (note 2.15).

(c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within twelve months of the balance sheet date.

Regular purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the profit and loss account. Financial assets are not recognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category are presented in the profit and loss account within other (losses)/gains – net, in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the profit and loss account as part of other income when the Group's right to receive payments is established.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences on monetary securities are recognised in profit or loss; translation differences on non-monetary securities are recognised in equity. Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognised in equity.

2. Principal accounting policies *(Cont'd)*

2.12 FINANCIAL ASSETS *(Cont'd)*

When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the profit and loss account as gains and losses from investment securities.

Interest on available-for-sale securities calculated using the effective interest method is recognised in the profit and loss account as part of other income. Dividends on available-for-sale equity instruments are recognised in the profit and loss account as part of other income when the Group's right to receive payments is established.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group established fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis and option pricing models, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the profit and loss account – is removed from equity and recognised in the profit and loss account. Impairment losses recognised in the profit and loss account on equity instruments are not reversed through the profit and loss account.

2.13 DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designed as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either:

(a) hedges of the fair value of recognised liabilities (fair value hedge);

(b) hedges of a particular risk associated with a recognised liability or a highly probable forecast transaction (cash flow hedge); or

(c) hedges of a net investment in a foreign operation (net investment hedge).

2. Principal accounting policies *(Cont'd)*

2.13 DERIVATIVE FINANCIAL INSTRUMENTS AND 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 derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The fair values of various derivative instruments used for hedging purposes are disclosed in Note 14. Movements on the hedging reserve in shareholders' equity are shown in Note 25. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedge item is more than 12 months. Trading derivatives are classified as a current asset or liability.

(a) Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the profit and loss account, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The Group applies only fair value hedge accounting for hedging fixed interest risk on borrowings. The gain or loss relating to the effective portion of interest rate swaps hedging fixed rate borrowings is recognised in the profit and loss account within finance costs. The gain or loss relating to the ineffective portion is recognised in the profit and loss account within other gains/(losses) – net. Changes in the fair value of the hedge fixed rate borrowings attributable to interest rate risk are recognised in the profit and loss account within finance costs.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedge item for which the effective interest method is used is amortised to profit or loss over the period to maturity.

(b) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the profit and loss account within other gains/(losses) – net.

Amounts accumulated in equity are recycled in the profit and loss account in the periods when the hedged item affects profit or loss (for example, when the forecast sale that is hedged takes place). The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in the profit and loss account within finance costs. The gain or loss relating to the effective portion of forward foreign exchange contracts hedging export sales is recognised in the profit and loss account within sales. The gain or loss relating to the ineffective portion is recognised in the profit and loss account within other gains/(losses) – net. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory or fixed assets), the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset. The deferred amounts ultimately recognised in cost of goods sold in case of inventory, or in depreciation in case of fixed assets.

2. Principal accounting policies *(Cont'd)*

2.13 DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES *(Cont'd)*

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

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the profit and loss account. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the profit and loss account within other gains/(losses) – net.

(c) Net investment hedge

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss of the hedging instrument relating to the effective portion of the hedge is recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the profit and loss account within other gains/(losses) – net.

Gains and losses accumulated in equity are included in the profit and loss account when the foreign operation is partially disposed of or sold.

(d) Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting and are accounted for at fair value through profit or loss. Changes in the fair value of these derivative instruments that do not qualify for hedge accounting are recognised immediately in the profit and loss account within other gains/(losses) – net.

2.14 STOCKS AND WORK IN PROGRESS

Stocks and work in progress are stated at the lower of cost and net realisable value. Cost, calculated on a weighted average basis, comprises materials, direct labour and an appropriate proportion of all production overhead expenditure. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Costs of inventories include the transfer from equity of any gains/losses on qualifying cash flow hedges relating to purchases of raw materials.

2.15 TRADE AND OTHER RECEIVABLES

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the profit and loss account. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against selling and administrative expenses in the profit and loss account.

2. Principal accounting policies *(Cont'd)*

2.16 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 within three months of maturity at acquisition.

2.17 SHARE CAPITAL

Ordinary shares are classified as equity.

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

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

2.18 TRADE PAYABLES

Trade payables are recognised initially at fair value and subsequently measured at amortised cost.

2.19 BORROWINGS

Borrowings are initially recognised at fair value, net of transaction costs incurred. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability, including fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the profit and loss account over the period of the borrowings using the effective interest method.

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

2.20 DEFERRED INCOME TAX

Deferred income tax is provided in full, 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, deferred income tax is only accounted for if it arises from the initial recognition of an asset or liability in a transaction or event that affects either accounting or taxable profit or loss at the time of such a transaction.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

2. Principal accounting policies *(Cont'd)*

2.20 DEFERRED INCOME TAX *(Cont'd)*

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

Deferred income tax is also provided where applicable on temporary differences arising on investments in subsidiaries, associates, and jointly controlled entities, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

2.21 EMPLOYEE BENEFITS

(a) Pension obligations

Group companies operate various pension schemes. The schemes are generally funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations. The Group has both defined benefit and defined contribution plans. A defined contribution plan is a pension plan under which the Group and/or the employees pay fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan. Typically, defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses and past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension liability.

In prior years, actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions in excess of the greater of 10% of the value of plan assets or 10% of the defined benefit obligation are charged or credited to the consolidated profit and loss account over the employees' expected average remaining working lives. With effect from 1st April 2006, the Group adopted retrospectively the alternative recognition policy in Amendment to HKAS 19 under which actuarial gains and losses are charged or credited to equity in the consolidated statement of recognised income and expense in the period in which they arise.

Past-service costs are recognised immediately in the profit and loss account, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

2. Principal accounting policies *(Cont'd)*

2.21 EMPLOYEE BENEFITS *(Cont'd)*

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

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due and are reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(b) Share-based compensation

The Group operates a number of equity-settled, share-based compensation plans. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each balance sheet date, the entity revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision of original estimates, if any, in the profit and loss account, with a corresponding adjustment to equity.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

(c) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

(d) Profit sharing and bonus plan

Provisions for profit sharing and bonus plans due wholly within twelve months after balance sheet date are recognised when the Group has a legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

2.22 PROVISIONS

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the company expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

2. Principal accounting policies *(Cont'd)*

2.23 REVENUE RECOGNITION

(a) Sales of goods

Revenue from the sale of goods is recognised on the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and title has passed.

(b) Interest income

Interest income is recognised when it is earned on a time-proportion basis using the effective interest method.

(c) Gross earnings from investments in finance leases

Gross earnings from investments in finance leases are recognised on the basis as set out in note 2.24(a).

(d) Rental income

Rental income is recognised on a straight-line basis over the period of the lease.

(e) Royalty income

Royalty income is recognised on an accrual basis.

2.24 LEASES

(a) Finance leases as the lessor

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.

When assets are leased out under a finance lease, the present value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income.

Lease income is recognised over the term of the lease using the net investment method, which reflects a constant periodic rate of return.

When assets are leased out under an operating lease, the asset is included in the balance sheet based on the nature of the asset.

Lease income is recognised over the term of the lease on straight-line basis.

(b) Finance leases as the lessee

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.

2. Principal accounting policies *(Cont'd)*

2.24 LEASES *(Cont'd)*

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

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 the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other short-term and other long-term payables. The interest element of the finance cost is charged to the profit and loss account over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

(c) 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 charged to the profit and loss account on a straight-line basis over the lease term.

2.25 DIVIDEND DISTRIBUTION

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

2.26 CONTINGENT LIABILITIES

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the company. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the accounts. When a change in the probability of an outflow occurs so that the outflow is probable, it will then be recognised as a provision.

3. Financial risk management

3.1 FINANCIAL RISK FACTORS

The Group's activities expose to a variety of financial risks: foreign exchange risk, credit risk, liquidity risk, interest rate risk and price risk. The Group's overall risk management programme 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.

3. Financial risk management *(Cont'd)*

3.1 FINANCIAL RISK FACTORS *(Cont'd)*

Risk management is carried out by a central treasury department (Group Treasury) according to the Group policy, Group Treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units.

(a) Foreign exchange risk

The Group operates globally and is thus exposed to foreign exchange risk. To manage the foreign exchange risk, forward currency and options contracts are used with a view to reducing the net exposure to currency fluctuations.

(b) Credit risk

The Group has no significant concentrations of credit risk. It has policies in place to evaluate the credit risk of customers. The Group normally grants credit term ranging from 30 to 90 days to its trade customers.

(c) Liquidity risk

The Group follows a policy of prudence in managing its cash balances and maintains a reasonable level of liquidity.

(d) Interest rate risk

The Group's current borrowings are mainly on floating rate basis and interest rate exposure is closely monitored by the management.

(e) Price risk

The Group is exposed to commodity price risk, mainly due to fluctuations in steel and copper prices. The price risk due to steel and copper is reduced through contracts with our suppliers and hedging through derivatives market respectively.

4. Accounting estimates and judgements

Estimates and judgements are made based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

4.1 ACCOUNTING ESTIMATES AND ASSUMPTIONS

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 significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 2.10. The recoverable amounts are determined based on value-in-use calculations. In assessing the value in use, management considers changes in economic conditions and makes assumptions regarding estimated future cashflows and other factors. These calculations require the use of estimates (note 9).

4. Accounting estimates and judgements *(Cont'd)*

4.1 ACCOUNTING ESTIMATES AND ASSUMPTIONS *(Cont'd)*

(b) Income taxes

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 during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

(c) Warranty claims

The Group generally offers warranties for its motors and other products. Management uses historical warranty claims experience as well as recent trends to determine the need for warranty provisions.

(d) Useful lives of property, plant and equipment

The Group's management determine the estimated useful lives, residual values and related depreciation charges for the property, plant and equipment with 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 charge where useful lives are different to previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives; actual residual values may differ from estimated residual values. Periodic review could result in a change in depreciable lives and residual values and therefore depreciation expense in the future periods.

5. Segment information

Primary reporting format – business segments

Turnover of the Group consists of sales of goods.

The principal operations of the Group are the manufacture, sale, and trading of motors, electromechanical components, motion systems and sub-systems, and materials. The Group has changed the primary reporting segments to align with its internal reporting structure. The manufacturing segment comprised automotive products group (APG), industry products group (IPG) and other products manufactured by the Group. The trading segment is principally engaged in trading of goods not manufactured by the Group.

5. Segment information *(Cont'd)*

Primary reporting format – business segments *(Cont'd)*

The segment results for the year ended 31st March are as follows:

	Manufacturing 2007 US$'000	Trading 2007 US$'000	Group 2007 US$'000
Sales	1,989,907	96,721	**2,086,628**
Operating profit	161,700	2,445	**164,145**
Finance costs	(27,906)	(2)	**(27,908)**
Share of losses of jointly controlled entities/ associated companies	(302)	–	**(302)**
Profit before income tax	133,492	2,443	**135,935**
Income tax expenses	(22,143)	(789)	**(22,932)**
Profit for the year	**111,349**	**1,654**	**113,003**
Attributable to:			
Equity holders of the Company			**109,696**
Minority interests			**3,307**
			113,003
Total assets			
Segment assets	1,948,076	37,150	**1,985,226**
Associated companies	2,364	–	**2,364**
Deferred income tax assets and income tax recoverable	32,735	–	**32,735**
	1,983,175	**37,150**	**2,020,325**
Total liabilities			
Segment liabilities	940,104	15,092	**955,196**
Deferred income tax liabilities and income tax payable	101,202	537	**101,739**
	1,041,306	**15,629**	**1,056,935**
Other information			
Restructuring provisions	12,245	–	**12,245**
Capital expenditure	76,189	594	**76,783**
Addition of property, plant and equipment from the acquisition of subsidiaries	10,029	–	**10,029**
Depreciation on property, plant and equipment	70,706	118	**70,824**
Amortisation charge on leasehold land and land use rights	689	–	**689**
Amortisation charge on intangibles	17,105	92	**17,197**

5. Segment information *(Cont'd)*

Primary reporting format – business segments *(Cont'd)*

	Manufacturing 2006 US$'000	Trading 2006 US$'000	Group 2006 US$'000
Sales	1,460,574	65,754	1,526,328
Operating profit/(loss)	122,998	(1,527)	121,471
Finance costs	(7,616)	(2)	(7,618)
Share of profits of jointly controlled entities/ associated companies	2,398	–	2,398
Profit before income tax	117,780	(1,529)	116,251
Income tax expenses	(21,618)	(266)	(21,884)
Profit for the year	96,162	(1,795)	94,367
Attributable to:			
Equity holders of the Company			93,990
Minority interests			377
Profit for the year			94,367
Total assets			
Segment assets	1,929,082	29,818	1,958,900
Jointly controlled entities	16,494	–	16,494
Associated companies	2,271	–	2,271
Deferred income tax assets and income tax recoverable	36,273	105	36,378
	1,984,120	29,923	2,014,043
Total liabilities			
Segment liabilities	1,038,859	12,962	1,051,821
Deferred income tax liabilities and income tax liabilities	106,499	(81)	106,418
	1,145,358	12,881	1,158,239
Other information			
Restructuring provisions	17,248	–	17,248
Capital expenditure	65,577	86	65,663
Addition of property, plant and equipment from the acquisition of subsidiaries	143,425	–	143,425
Depreciation on property, plant and equipment	55,588	62	55,650
Amortisation charge on leasehold land and land use rights	318	–	318
Amortisation charge on intangibles	7,828	–	7,828

5. Segment information *(Cont'd)*

Secondary reporting format – geographical segments

In presenting information on the basis of geographical segments, sales are attributed to the region from which the customer order originated. Segment assets and capital expenditure are based on the location of the assets.

	Sales		**Capital expenditure**		**Segment assets**	
	2007	2006	**2007**	2006	**2007**	2006
	US$'000	US$'000	**US$'000**	US$'000	**US$'000**	US$'000
Asia	**686,181**	510,969	**54,206**	47,307	**728,358**	766,790
America	**504,685**	396,181	**3,851**	4,208	**229,174**	243,411
Europe	**895,762**	619,178	**18,726**	14,148	**1,027,694**	948,699
	2,086,628	1,526,328	**76,783**	65,663	**1,985,226**	1,958,900

6. Property, plant and equipment

Group

	Freehold land and buildings US$'000	Plant and machinery US$'000	Assets under construction US$'000	Other assets* US$'000	Total US$'000
At 1st April 2005					
Cost	82,000	406,898	11,908	188,144	688,950
Accumulated depreciation	(36,199)	(293,381)	–	(115,255)	(444,835)
Net book amount	45,801	113,517	11,908	72,889	244,115
Year ended 31st March 2006					
Opening net book amount	45,801	113,517	11,908	72,889	244,115
Exchange differences	(194)	(2,336)	(1,151)	493	(3,188)
Acquisition of subsidiaries	66,175	49,404	6,463	21,082	143,124
Additions	5,443	22,512	20,698	15,835	64,488
Transfer	3,283	6,262	(19,777)	10,232	–
Transfer to investment properties	(296)	–	–	–	(296)
Disposals	(4,142)	(2,823)	(129)	(2,552)	(9,646)
Provision for impairment (note 29)	(1,393)	(3,011)	–	–	(4,404)
Depreciation	(5,070)	(27,953)	–	(22,627)	(55,650)
Closing net book amount	109,607	155,572	18,012	95,352	378,543
At 1st April 2006					
Cost	166,203	518,977	18,012	292,321	995,513
Accumulated depreciation	(56,596)	(363,405)	–	(196,969)	(616,970)
Net book amount	109,607	155,572	18,012	95,352	378,543
Year ended 31st March 2007					
Opening net book amount	**109,607**	**155,572**	**18,012**	**95,352**	**378,543**
Exchange differences	5,251	3,736	259	2,298	11,544
Acquisitions of subsidiaries (note 40)	3,107	3,879	24	1,549	8,559
Additions	13,651	25,978	12,027	24,172	75,828
Transfer	1,133	2,620	(9,514)	5,761	–
Transfer to investment properties	(575)	–	–	–	(575)
Disposals	(795)	(3,628)	(4,704)	(2,584)	(11,711)
Provision for impairment (note 29)	(95)	(1,250)	–	–	(1,345)
Depreciation	(7,164)	(33,708)	–	(29,952)	(70,824)
Closing net book amount	**124,120**	**153,199**	**16,104**	**96,596**	**390,019**
At 31st March 2007					
Cost	**192,850**	**552,892**	**16,104**	**314,762**	**1,076,608**
Accumulated depreciation	**(68,730)**	**(399,693)**	**–**	**(218,166)**	**(686,589)**
Net book amount	**124,120**	**153,199**	**16,104**	**96,596**	**390,019**

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

* Other assets comprise equipment, furniture and fixtures, motor vehicles, moulds and tools.

7. Investment properties

Group

	2007	2006
	US$'000	US$'000
At beginning of the year	**17,202**	8,356
Fair value gains (note 26)	**1,769**	5,671
Transfer from property, plant and equipment and leasehold land		
– Costs	**575**	807
– Revaluation surplus (note 25)	**4,662**	2,368
At end of the year	**24,208**	17,202

The investment properties were revalued on an open market value basis as at 31st March 2007 by an independent, professionally qualified valuer, DTZ Debenham Tie Leung Limited, Registered Professional Surveyors.

The Group leases out its investment properties under operating leases of 1 year or more.

The Group's interests in investment properties at their net book values are analysed as follows:

	2007	2006
	US$'000	US$'000
In Hong Kong:		
On medium-term lease (between 10 to 50 years)	**24,208**	17,202

8. Leasehold land and land use rights

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

Group

	2007 **US$'000**	2006 US$'000
In Hong Kong:		
On medium-term lease (between 10 to 50 years)	**18,910**	20,857
Outside Hong Kong:		
On medium-term lease (between 10 to 50 years)	**5,895**	4,498
	24,805	25,355

	2007 **US$'000**	2006 US$'000
At beginning of the year	**25,355**	27,877
Exchange differences	**112**	(371)
Additions	**955**	1,175
Transfer to investment properties	**–**	(511)
Acquisition of subsidiaries (note 40)	**1,470**	301
Amortisation of prepaid operating lease payment	**(689)**	(318)
Disposals	**(2,398)**	(2,798)
At end of the year	**24,805**	25,355

9. Intangibles

Group

	Goodwill US$'000	Patents US$'000	Technology US$'000	Brands US$'000	Client relationships US$'000	Development costs US$'000	Total intangibles US$'000
At 1st April 2005							
Cost	41,377	3,342	–	–	–	4,866	49,585
Accumulated amortisation and impairment	–	(1,752)	–	–	–	(2,634)	(4,386)
Net book amount	41,377	1,590	–	–	–	2,232	45,199
Year ended 31st March 2006							
Opening net book amount, as restated	41,377	1,590	–	–	–	2,232	45,199
Exchange differences	(6,436)	(97)	(1,909)	(859)	(1,414)	(43)	(10,758)
Acquisition of subsidiaries	331,690	5	130,144	53,245	88,936	–	604,020
Additions	–	157	–	–	–	802	959
Amortisation	–	(529)	(3,430)	(838)	(1,958)	(1,073)	(7,828)
Closing net book amount	366,631	1,126	124,805	51,548	85,564	1,918	631,592
At 1st April 2006							
Cost	366,631	3,407	128,235	52,386	87,522	5,625	643,806
Accumulated amortisation and impairment	–	(2,281)	(3,430)	(838)	(1,958)	(3,707)	(12,214)
Net book amount	366,631	1,126	124,805	51,548	85,564	1,918	631,592
Year ended 31st March 2007							
Opening net book amount	**366,631**	**1,126**	**124,805**	**51,548**	**85,564**	**1,918**	**631,592**
Exchange differences	23,165	(86)	7,925	3,652	6,388	92	41,136
Acquisition of subsidiaries	1,865	120	–	–	–	–	1,985
Adjustment to goodwill	9,079	–	–	–	–	–	9,079
Acquisition of further interest in subsidiary	275	–	–	–	–	–	275
Additions	–	–	–	–	278	6	284
Amortisation	–	(475)	(8,671)	(2,129)	(5,060)	(862)	(17,197)
Closing net book amount	**401,015**	**685**	**124,059**	**53,071**	**87,170**	**1,154**	**667,154**
At 31st March 2007							
Cost	401,015	3,441	136,160	56,038	94,188	5,723	696,565
Accumulated amortisation and impairment	–	(2,756)	(12,101)	(2,967)	(7,018)	(4,569)	(29,411)
Net book amount	**401,015**	**685**	**124,059**	**53,071**	**87,170**	**1,154**	**667,154**

9. Intangibles *(Cont'd)*

Impairment test for goodwill

Goodwill is allocated to the Group's cash generating units (CGUs) as follows:

	2007 Total US$'000	2006 Total US$'000
Manufacturing	**396,308**	361,864
Trading	**4,707**	4,767
	401,015	366,631

In accordance with HKAS 36 "Impairment of Assets", and following the allocation of goodwill to CGUs, the impairment test for goodwill was carried out by comparing the recoverable amounts to the carrying amounts as at the balance sheet date. The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering FY 2007/08. Cashflows from FY 2008 onwards are projected based on conservative financial forecasts using the estimated growth rates for manufacturing and trading CGUs and are extrapolated using the estimated growth rates in the range of 0% to 3%. Management determined forecast profitability based on past performance and its expectation for the future changes in costs and sales prices. Future cashflows are discounted at 8.4%. The discount rates used are pre-tax and reflect specific risks relating to the relevant CGUs. There was no evidence of impairment arising from tests of reasonable variations of the assumptions used.

10. Subsidiaries

Company

	2007 US$'000	2006 US$'000
Unlisted shares, at cost	**1,002,405**	1,008,580
Amounts due from subsidiaries	**641,884**	462,831
	1,644,289	1,471,411
Amounts due to subsidiaries	**(521,585)**	(457,531)
	1,122,704	1,013,880
Less: current portion (note (a))	**(6,564)**	–
Long term portion (note (b))	**1,116,140**	1,013,880

Notes:

(a) The amounts are unsecured, interest-free and repayable on demand.

(b) The amounts are unsecured, interest-free and have no fixed terms of repayment except for amounts totalling US$113,735,000 (2006: US$7,016,000) which bear interest at 3% to 4% per annum (2006: 3% per annum).

Details of principal subsidiaries are shown in note 44.

11. Jointly controlled entities

In 2006, the Group had a 50% interest in two jointly controlled entities, Shanghai Ri Yong-JEA Gate Electric Co., Ltd. and CJ Electric Systems Co. Ltd. During the year the Group has acquired an additional 10% share of Shanghai Ri Yong-JEA Gate Electric Co., Ltd., now becomes a subsidiary of the Group. The Group has also disposed of its interest in CJ Electric Systems Co. Ltd. At 31st March 2007, and the Group now has no interest in jointly controlled entities.

The Group's share of the assets is as follows:

	2007	2006
	US$'000	US$'000
Assets		
Non-current assets	–	5,538
Current assets	–	17,494
	–	23,032
Liabilities		
Current liabilities	–	6,538
	–	6,538
Net assets	–	16,494

Share of profit/(loss) from jointly controlled entities up to the date of disposal recognised in the profit and loss account is as follows:

Income	**2,779**	19,642
Expenses	**(2,927)**	(18,069)
(Loss)/profit after income tax	**(148)**	1,573

12. Associated companies

Group

	2007	2006
	US$'000	US$'000
At beginning of the year	**2,271**	3,193
Share of associated companies' results		
– (loss)/profit before income tax	**(127)**	932
– income tax expense	**(27)**	(107)
Exchange difference	**82**	(15)
Transfer associates to subsidiaries	**–**	(3,799)
Acquisition of associate by a subsidiary	**165**	457
Acquisition of subsidiaries	**–**	1,610
At end of the year	**2,364**	2,271

Details of principal associated companies are shown in note 44.

13. Available-for-sale financial assets

	Group		**Company**	
	2007	2006	**2007**	2006
	US$'000	US$'000	**US$'000**	US$'000
At beginning of the year	**5,294**	6,743	**5,294**	6,612
Additions	**17**	45	**17**	45
Disposals	**(701)**	(867)	**(701)**	(736)
Net gains/(losses) transfer to equity (note 25)	**521**	(627)	**521**	(627)
At end of the year	**5,131**	5,294	**5,131**	5,294

There were no impairment provisions on available-for-sale financial assets in 2007 or 2006.

Available-for-sale financial assets include the following:

	Group and Company	
	2007	2006
	US$'000	US$'000
Unlisted securities		
– Unlisted equity investments	**5,131**	5,294

14. Derivative financial instruments

Group

	Assets		Liabilities	
	2007	2006	**2007**	2006
	US$'000	US$'000	**US$'000**	US$'000
Interest-rate swaps – held for trading	**176**	654	**–**	–
Cross currency interest rate swaps				
– net investment hedge	**–**	–	**19,272**	–
– cash flow hedge	**4,404**	–	**–**	–
Forward foreign exchange contracts				
– cash flow hedges	–	–	**432**	371
– held for trading	**–**	–	**–**	208
Commodity contracts				
– copper hedging contracts	**4,883**	7,097	**–**	–
– held for trading	**–**	238	**266**	–
Total	**9,463**	7,989	**19,970**	579
Less: non-current portion	**–**	–	**(19,272)**	–
Current portion	**9,463**	7,989	**698**	579

Company

	Assets		Liabilities	
	2007	2006	**2007**	2006
	US$'000	US$'000	**US$'000**	US$'000
Cross currency interest rate swaps				
– net investment hedge	**–**	–	**19,272**	–
– cash flow hedge	**4,404**	–	**–**	–
Total	**4,404**	–	**19,272**	–
Less: non-current portion	**–**	–	**(19,272)**	–
Current portion	**4,404**	–	**–**	–

15. Stocks and work in progress

Group

	2007	2006
	US$'000	US$'000
Raw materials	**139,933**	129,616
Work in progress	**14,545**	14,579
Finished goods	**96,692**	89,184
	251,170	233,379

16. Trade and other receivables

	Group		Company	
	2007	2006	**2007**	2006
	US$'000	US$'000	**US$'000**	US$'000
Trade receivables	**408,178**	375,558	**–**	–
Less: provision for impairment of receivables	**(9,472)**	(8,612)	**–**	–
Trade receivables – net	**398,706**	366,946	**–**	–
Prepayments and other receivables	**60,153**	51,223	**45**	54
Investments in finance leases (note 17)	**–**	8	**–**	–
	458,859	418,177	**45**	54

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

The trade and other receivables include trade receivables of US$408,178,000 (2006: US$375,558,000). The Group normally grants credit terms ranging from 30 to 90 days to its trade customers. The ageing analysis of trade receivables based on invoice date was as follows:

Group

	2007	2006
	US$'000	US$'000
0-60 days	**326,703**	284,475
61-90 days	**35,693**	41,226
Over 90 days	**45,782**	49,857
Total	**408,178**	375,558

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

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

Group

	2007	2006
	US$'000	US$'000
US dollars	**171,391**	167,162
Euro	**180,906**	161,831
RMB	**24,644**	11,993
Others	**31,237**	34,572
Total	**408,178**	375,558

17. Investments in finance leases

Group

	2007 US$'000	2006 US$'000
Non-current receivables		
Finance leases – gross receivables	–	209
Unearned finance income	–	(57)
	–	152
Current receivables		
Finance leases – gross receivables	–	16
Unearned finance income	–	(8)
	–	8

The Group has entered into agreements with its employees whereby certain leasehold property assets of the Group which are located in Hong Kong are leased to these employees. Under the terms of these agreements, substantially all the risks and rewards of ownership of the assets are transferred to the employees. Consequently, these transactions are accounted for as finance leases. At 31st March 2007, all lease contracts have been terminated.

18. Other financial assets at fair value through profit or loss

Group

	2007 US$'000	2006 US$'000
Listed securities:		
– Equity securities – US	–	2
Market value of listed securities	–	2
Unlisted securities	**5,135**	2,705

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

	2007 US$'000	2006 US$'000
Designated as fair value through profit or loss on initial recognition	**5,135**	2,707
	5,135	2,707
Less: non-current portion	**(4,140)**	–
Current portion	**995**	2,707

Other financial assets at fair value through profit or loss are presented within the section on operating activities as part of changes in working capital in the cash flow statement (note 39).

19. Bank balances and cash

	Group		Company	
	2007	2006	**2007**	2006
	US$'000	US$'000	**US$'000**	US$'000
Cash at bank and in hand	**120,057**	67,228	**484**	651
Short-term bank deposits	**29,225**	171,282	**–**	360
	149,282	238,510	**484**	1,011

The effective interest rate on short-term bank deposits was 4.34% (2006: 4.32%); these deposits have an average maturity of 12 days (2006: 30 days).

The bank balances and cash above represents the cash and cash equivalents included in the cash flow statement.

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

Group

	2007	2006
	US$'000	US$'000
US dollars	**68,306**	171,887
Euro	**37,313**	34,287
RMB	**22,155**	20,531
Others	**21,508**	11,805
Total	**149,282**	238,510

20. Trade and other payables

	Group		Company	
	2007	2006	**2007**	2006
	US$'000	US$'000	**US$'000**	US$'000
Trade payables	**182,976**	194,925	**–**	–
Accrued expenses and sundry payables	**115,079**	80,155	**8,581**	303
	298,055	275,080	**8,581**	303

20. Trade and other payables *(Cont'd)*

The trade and other payables include trade payables of US$182,976,000 (2006: US$194,925,000). The ageing analysis of trade payables based on invoice date was as follows:

	2007	2006
	US$'000	US$'000
0-60 days	**148,275**	151,055
61-90 days	**11,454**	15,652
Over 90 days	**23,247**	28,218
Total	**182,976**	194,925

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

Group

	2007	2006
	US$'000	US$'000
US dollars	**41,150**	62,960
Euro	**67,222**	77,392
RMB	**25,255**	19,822
Others	**49,349**	34,751
Total	**182,976**	194,925

21. Borrowings

	Group		**Company**	
	2007	2006	**2007**	2006
	US$'000	US$'000	**US$'000**	US$'000
Non-Current				
Bank borrowings (note)	**550,304**	520,723	**523,304**	520,718
Other loans	**2,596**	2,470	**–**	–
	552,900	523,193	**523,304**	520,718
Current				
Bank borrowings	**20,177**	184,710	**–**	–
Other loans	**438**	210	**–**	–
	20,615	184,920	**–**	–

21. Borrowings *(Cont'd)*

The maturity of borrowings is as follows:

	Group				Company	
	Bank loans		Other loans		Bank loans	
	2007	2006	**2007**	2006	**2007**	2006
	US$'000	US$'000	**US$'000**	US$'000	**US$'000**	US$'000
Within one year	**20,177**	184,710	**438**	210	**–**	–
In the second year	**6,000**	5	**377**	364	**–**	–
In the third to fifth year (note)	**544,304**	520,718	**1,094**	1,059	**523,304**	520,718
After the fifth year	**–**	–	**1,125**	1,047	**–**	–
	570,481	705,433	**3,034**	2,680	**523,304**	520,718

Interest is charged on the outstanding balances at 1.95% to 5.93% per annum (2006: 1.5% to 6.875% per annum).

The carrying amounts of the above loans approximate their fair value as at 31st March 2007.

Note:

At 31st March 2007, the Group had a five-year loan in the amount of US$525,000,000 which is wholly repayable on the final maturity date of 31st March 2011.

USD258,964,000 out of USD525,000,000 was swapped into CHF339,000,000 under a cross currency interest rate swap with the same maturity date on 31st March 2011.

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

	Group		Company	
	2007	2006	**2007**	2006
	US$'000	US$'000	**US$'000**	US$'000
Hong Kong dollar	**12,194**	9,710	**–**	–
US dollar	**558,070**	124,209	**523,304**	–
Euro	**2,768**	42,481	**–**	–
Swiss Francs	**–**	520,718	**–**	520,718
Other currencies	**483**	10,995	**–**	–
	573,515	708,113	**523,304**	520,718

22. Provisions and other liabilities

Group

	Other pension costs US$'000	Restructuring US$'000	Retirement benefit obligations US$'000	Finance lease liabilities US$'000	Warranty US$'000	Sundries US$'000	Total US$'000
At 1st April 2005	2,443	2,891	14,206	–	7,357	–	26,897
Exchange differences	(26)	–	(1,188)	–	(444)	–	(1,658)
Acquisition of subsidiaries	701	–	22,353	8,787	–	978	32,819
Provisions	348	17,248	3,652	–	12,889	26	34,163
Utilised	(274)	(7,890)	(2,911)	(126)	(7,194)	–	(18,395)
Net income recognised in equity	–	–	(5,777)	–	–	–	(5,777)
At 31st March 2006	3,192	12,249	30,335	8,661	12,608	1,004	68,049
Less: non-current portion	(3,192)	–	(30,335)	(8,368)	–	(1,004)	(42,899)
Current	–	12,249	–	293	12,608	–	25,150
At 1st April 2006	3,192	12,249	30,335	8,661	12,608	1,004	68,049
Exchange differences	22	847	3,156	–	(647)	–	3,378
Provisions	104	12,245	4,352	–	17,172	106	33,979
Utilised	(2,083)	(16,316)	(7,935)	(565)	(13,053)	–	(39,952)
Net income recognised in equity	–	–	(1,798)	–	–	–	(1,798)
At 31st March 2007	**1,235**	**9,025**	**28,110**	**8,096**	**16,080**	**1,110**	**63,656**
Less: non-current portion	**(1,055)**	**–**	**(28,110)**	**(7,842)**	**–**	**(1,110)**	**(38,117)**
Current portion	**180**	**9,025**	**–**	**254**	**16,080**	**–**	**25,539**

22.1 RESTRUCTURING

Restructuring provisions are related to the closure of plants. The provision represents mainly asset write-offs, severance payments and provisions for other shutdown costs.

Details of the provision for restructuring cost is as follows:

	2007 US$'000	2006 US$'000
Asset write-offs (including provision for impairment)	**170**	2,763
Other costs	**8,855**	9,486
	9,025	12,249

22. Provisions and other liabilities *(Cont'd)*

22.2 RETIREMENT BENEFIT PLANS AND OBLIGATIONS

Defined benefit pension plans

The Group's defined benefit plans provide employees coverage related to old age pension, early retirement pension, disability pension and widow pension. Defined benefit plans in Europe are valued by independent external actuaries.

The Group's defined benefit plans provide pensions to employees after meeting certain age/service conditions. Pensions are based on specific pension rates applied to the employees' years of service and pensionable earnings.

The assets of the funded plans are held independently of the Group assets in separate trustee administered funds. The Group's major plans were valued by qualified actuaries as at 31st March 2007 and 31st March 2006 using the project unit credit method to account for the Group's pension accounting costs.

(I) The amounts recognised as a net liability in the balance sheet are determined as follows:

	2007	2006	2005	2004
	US$'000	US$'000	US$'000	US$'000
Present value of defined benefit obligations	**145,026**	132,738	14,206	13,742
Fair value of plan assets	**(116,916)**	(102,403)	–	–
	28,110	30,335	14,206	13,742

(a) Present value of defined benefit obligations

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

	2007	2006
	US$'000	US$'000
At beginning of the year	**132,738**	14,206
Current service cost (note II below)	**4,474**	2,973
Interest cost (note II below)	**4,962**	2,456
Contributions by plan participants	**2,370**	1,001
Actuarial (gains)/losses (note III below)	**(1,284)**	759
Exchange differences	**12,173**	(2,880)
Benefits paid	**(10,011)**	(1,956)
Acquisition of subsidiaries	**–**	116,179
Settlement	**(396)**	–
At end of the year	**145,026**	132,738

22. Provisions and other liabilities *(Cont'd)*

22.2 RETIREMENT BENEFIT PLANS AND OBLIGATIONS *(Cont'd)*

Defined benefit pension plans *(Cont'd)*

(I) (Cont'd)

(b) Fair value of plan assets

The movement in the fair value of plan assets of the year is as follows:

	2007	2006
	US$'000	US$'000
At beginning of the year	**102,403**	–
Expected return on plan assets (note II below)	**5,084**	1,777
Actuarial gains (note III below)	**514**	6,536
Exchange differences	**9,017**	(1,684)
Employer contributions	**5,924**	1,321
Employee contributions	**2,370**	1,001
Benefits paid	**(8,396)**	(375)
Acquisitions of subsidiaries	**–**	93,827
At end of the year	**116,916**	102,403

The actual return on plan assets was US$5,598,000 (2006: US$ 8,313,000).

Plan Assets

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

Over the past 2 years, our weighted average rate of return for our defined benefits pension plan was 5.8% per annum.

Plan assets are comprised as follows:

	2007		2006	
	US$'000	**Percentage**	US$'000	Percentage
Equity	**62,010**	**53%**	52,922	52%
Debt	**40,707**	**35%**	34,622	34%
Others (mainly property investment)	**14,199**	**12%**	14,859	14%
	116,916	**100%**	102,403	100%

22. Provisions and other liabilities *(Cont'd)*

22.2 RETIREMENT BENEFIT PLANS AND OBLIGATIONS *(Cont'd)*

Defined benefit pension plans *(Cont'd)*

(I) *(Cont'd)*

(b) Fair value of plan assets *(Cont'd)*

Experience adjustments are as follows:

	2007	2006	2005	2004
	US$'000	US$'000	US$'000	US$'000
Experience adjustments on plan liabilities	**397**	482	–	–
Experience adjustments on plan assets	**–**	–	–	–

The expected return on plan assets was determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the balance sheet date. Expected returns on equity and property investments reflect long-term real rates of return experienced in the respective markets.

Expected contributions to post-employment benefit plans for the year ending 31st March 2008 are US$4,198,000.

(c) The defined benefit obligations are analysed as follows:

	2007	2006
	US$'000	US$'000
Present value of funded obligations	**116,807**	112,159
Present value of unfunded obligations	**28,219**	20,579
Present value of funded/unfunded obligations	**145,026**	132,738

(II) The amounts recognised in the profit and loss account are as follows:

	2007	2006
	US$'000	US$'000
Current service cost (note I above)	**4,474**	2,973
Interest cost (note I above)	**4,962**	2,456
Expected return on plan assets (note I above)	**(5,084)**	(1,777)
Expensed in profit and loss account for pensions benefits	**4,352**	3,652
Expensed in profit and loss account for post-employment medical benefits	**–**	367
Total expenses, included in staff costs	**4,352**	4,019

22. Provisions and other liabilities *(Cont'd)*

22.2 RETIREMENT BENEFIT PLANS AND OBLIGATIONS *(Cont'd)*

Defined benefit pension plans *(Cont'd)*

(III) The amounts recognised through equity are as follows:

	2007	2006
	US$'000	US$'000
Actuarial gains on obligation (note I above)	**1,284**	(759)
Actuarial gains on plan assets (note I above)	**514**	6,536
Gross actuarial gains	**1,798**	5,777
Less: deferred income tax on actuarial gains	**(950)**	(1,058)
Total gains, included in equity	**848**	4,719

The principal actuarial assumptions used were as follows:

	2007	2006
	Percentage	Percentage
Discount rate	**3% – 5.1%**	3% – 4.25%
Expected return on plan assets	**0% – 7%**	0% – 7%
Future salary increases	**0% – 3%**	0% – 3%
Future pension increases	**0% – 3.2%**	0% – 3%

Mortality rates

Assumptions regarding future mortality experience are set based on advice, published statistics and experience in each territory.

The life expectancy in years of a pensioner retiring at age 65 on the balance sheet date is as follows:

	2007	2006
Male	**16.8**	16.9
Female	**20.6**	20.7

22. Provisions and other liabilities *(Cont'd)*

22.3 FINANCE LEASE LIABILITIES

Properties, plant and equipment includes the following amounts where the Group is a lessee under a finance lease:

	2007	2006
	US$'000	US$'000
Cost – capitalised finance leases	**10,915**	11,513
Accumulated depreciation	**(637)**	(2,073)
Net book amount	**10,278**	9,440

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

The exposure of the Group's borrowings to interest-rate changes and the periods in which the borrowings reprice are as follows:

	2007	2006
Building capital lease	**11.69%**	11.69%
Laser equipment lease	**N/A**	8.42%

Gross finance lease obligation – minimum lease payments:

	2007	2006
	US$'000	US$'000
Not later than 1 year	**1,188**	1,279
Later than 1 year and not later than 5 years	**5,075**	6,558
Later than 5 years	**8,604**	8,604
	14,867	16,441
Future finance charges on finance leases	**(6,771)**	(7,780)
Present value of finance lease liabilities	**8,096**	8,661

The present value of finance lease liabilities is as follows:

Not later than 1 year	**254**	293
Later than 1 year and not later than 5 years	**1,751**	2,277
Later than 5 years	**6,091**	6,091
	8,096	8,661

23. Deferred income tax

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

	2007	2006
	US$'000	US$'000
At beginning of the year	**(55,407)**	7,421
Exchange differences	**(3,916)**	1,271
Acquisition of subsidiaries	**–**	(67,846)
Transfer to profit and loss account (note 32)	**4,074**	6,396
Tax charged to equity	**(1,368)**	(2,649)
At end of the year	**(56,617)**	(55,407)

23. Deferred income tax *(Cont'd)*

The movement in deferred tax assets/(liabilities) during the year is as follows:

	Provisions		Accelerated tax depreciation		Impairment of assets		Tax losses		Fair value gain		Others		Total	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006
	US$'000	US$'000	**US$'000**	US$'000	**US$'000**	US$'000	**US$'000**	US$'000	**US$'000**	US$'000	**US$'000**	US$'000	**US$'000**	US$'000
At beginning of the year, as previously reported	**7,458**	(3,904)	**(26,506)**	(21,414)	**3,905**	2,630	**28,994**	29,946	**(66,316)**	(1,376)	**(2,942)**	1,539	**(55,407)**	7,421
Increase in deferred income tax assets/liabilities														
Exchange differences	**203**	(64)	**(625)**	–	**–**	14	**1,129**	507	**(4,478)**	–	**(145)**	–	**(3,916)**	457
Credited/(charged) to profit and loss account	**968**	–	**(1,122)**	–	**–**	1,865	**–**	–	**–**	–	**–**	–	**(154)**	1,865
Taxation charged to equity	**–**	(1,058)	**–**	–	**–**	–	**–**	–	**(1,368)**	(1,591)	**–**	–	**(1,368)**	(2,649)
Acquisitions of subsidiaries	**–**	–	**–**	(8,421)	**–**	–	**–**	3,165	**–**	(64,939)	**–**	–	**–**	(70,195)
	1,171	(1,122)	**(1,747)**	(8,421)	**–**	1,879	**1,129**	3,672	**(5,846)**	(66,530)	**(145)**	–	**(5,438)**	(70,522)
Decrease in deferred income tax assets/liabilities														
Exchange differences	**–**	–	**–**	459	**–**	–	**–**	–	**–**	1,087	**–**	(732)	**–**	814
Credited/(charged) to profit and loss account	**–**	9,375	**–**	2,870	**–**	–	**(3,710)**	(4,624)	**4,455**	503	**3,483**	(3,593)	**4,228**	4,531
Taxation charged to equity	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–
Acquisitions of subsidiaries	**–**	3,109	**–**	–	**–**	(604)	**–**	–	**–**	–	**–**	(156)	**–**	2,349
	–	12,484	**–**	3,329	**–**	(604)	**(3,710)**	(4,624)	**4,455**	1,590	**3,483**	(4,481)	**4,228**	7,694
At end of the year	**8,629**	7,458	**(28,253)**	(26,506)	**3,905**	3,905	**26,413**	28,994	**(67,707)**	(66,316)	**396**	(2,942)	**(56,617)**	(55,407)
Shown as:														
Deferred income tax assets	**9,194**	9,058	**(7,151)**	(6,014)	**3,905**	3,905	**24,139**	26,041	**–**	–	**831**	(328)	**30,918**	32,662
Deferred income tax liabilities	**(565)**	(1,600)	**(21,102)**	(20,492)	**–**	–	**2,274**	2,953	**(67,707)**	(66,316)	**(435)**	(2,614)	**(87,535)**	(88,069)
	8,629	7,458	**(28,253)**	(26,506)	**3,905**	3,905	**26,413**	28,994	**(67,707)**	(66,316)	**396**	(2,942)	**(56,617)**	(55,407)
Additional information – Gross analysis:														
Gross deferred income tax assets	**9,194**	9,058	**–**	–	**3,905**	3,905	**26,413**	28,994	**–**	–	**831**	(328)	**40,343**	41,629
Gross deferred income tax liabilities	**(565)**	(1,600)	**(28,253)**	(26,506)	**–**	–	**–**	–	**(67,707)**	(66,316)	**(435)**	(2,614)	**(96,960)**	(97,036)
	8,629	7,458	**(28,253)**	(26,506)	**3,905**	3,905	**26,413**	28,994	**(67,707)**	(66,316)	**396**	(2,942)	**(56,617)**	(55,407)

23. Deferred income tax *(Cont'd)*

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

	2007 US$'000	2006 US$'000
Fair value reserves in shareholders' equity:		
– hedging reserve	**398**	(1,177)
– other reserve	**(816)**	(414)
Actuarial gain of defined benefit plan	**(950)**	(1,058)
	(1,368)	(2,649)

Deferred income tax assets are recognised for tax losses carried forward to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised. The Group has unrecognised tax losses of US$10,192,000 (2006: US$12,718,000) to carry forward against future taxable income.

The table above describes component parts of the deferred income tax assets and liabilities which are shown on the balance sheet.

Provision:
Certain tax authorities do not allow accounting provisions as charges against taxable profit, which gives rise to a different basis for calculating accounting and taxable profit

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

Impairment of assets:
The extent to which a change in value resulting from the reassessment of an asset's economic worth is not allowable as a current year charge against taxable profit

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

Fair value gain:
The extent to which a change in value resulting from the reassessment of an asset's economic worth is not treated as a current year taxable income

Others:
These represent all other differences between the bases of valuation of assets and liabilities for accounting and taxation purposes which give rise to a difference in accounting and taxable profit.

24. Share capital

	Number of shares (thousands)	Ordinary shares US$'000	Share premium US$'000	Treasury shares US$'000	Total US$'000
As at 1st April 2005	3,673,789	5,925	77,855	–	83,780
Treasury share purchased	(2,480)	–	–	(2,368)	(2,368)
As at 1st April 2006	3,671,309	5,925	77,855	(2,368)	81,412
Treasury shares vested	680	–	–	650	650
As at 31st March 2007	**3,671,989**	**5,925**	**77,855**	**(1,718)**	**82,062**

The total authorised number of ordinary shares is 7,040,000,000 shares (2006: 7,040,000,000) with a par value of HK$0.0125 per share (2006: HK$0.0125 per share). All issued shares are fully paid.

Under the long term incentive share scheme, the Company has granted 1,650,000 shares during the year, the valuation is based on the market value on date of grant. Movements of the long term incentive shares are set out in the reserves movement under note 25.

Share Option

Share options granted to employees as at 31st March 2007 under a share option scheme approved at an Annual General Meeting of the Group held on 29th July 2002 are as follows:

Held at 1/4/2006	Granted during the year	Forfeited during the year	Held at 31/03/2007	Subscription price per share (HK$)	Date of grant	Exercisable from	Exercisable until
550,000	–	(100,000)	450,000	8.02	17/09/2002	01/08/2004	16/09/2012
550,000	–	(100,000)	450,000	8.02	17/09/2002	01/08/2005	16/09/2012
50,000	–	(50,000)	–	9.40	10/07/2003	01/07/2005	09/07/2013
50,000	–	(50,000)	–	9.40	10/07/2003	01/07/2006	09/07/2013
475,000	–	(100,000)	375,000	9.65	31/07/2003	01/07/2005	30/07/2013
475,000	–	(100,000)	375,000	9.65	31/07/2003	01/07/2006	30/07/2013
100,000	–	–	100,000	11.95	06/10/2003	01/10/2005	05/10/1013
100,000	–	–	100,000	11.95	06/10/2003	01/10/2006	05/10/1013
50,000	–	–	50,000	8.77	07/05/2004	01/05/2006	06/05/2014
50,000	–	–	50,000	8.77	07/05/2004	01/05/2007	06/05/2014
100,000	–	–	100,000	7.40	28/12/2004	01/01/2007	27/12/2014
100,000	–	–	100,000	7.40	28/12/2004	01/01/2008	27/12/2014
2,650,000	–	(500,000)	2,150,000				

24. Share capital *(Cont'd)*

No share option was exercised during the year (2006: Nil).

The fair value of options granted or forfeited, net, during the year ended 31st March 2007 was determined using the Binomial valuation model, and the credit to the profit and loss account was US$93,000 (credit for year ended 31st March 2006: US$210,000). The significant inputs into the model were dividend yield of 1.5%, sub optimal early exercise factor of 1.5, withdrawal rate of 5% post the vesting period, volatility of 40% and the risk-free rate is varied depending on the grant date.

The aggregate fair value of US$588,000 (2006: US$681,000) of the above options granted are recognised, together with a corresponding increase in equity, over their vesting period for the relevant directors and senior executives in accordance with the Group's accounting policy pursuant to HKFRS 2 "Share-based Payments".

25. Reserves

Group

	Contributed surplus US$'000	Capital reserve US$'000	Goodwill on consolid-ation US$'000	Exchange reserve US$'000	Share option reserve US$'000	Share-based employee benefit reserve US$'000	Hedging reserve US$'000	Other reserve US$'000	Retained earnings US$'000	Total US$'000
At 1st April 2005, as restated	15,499	38,917	(233,885)	9,028	891	–	–	925	907,744	739,119
Exchange differences	–	32	–	(7,391)	–	–	–	–	–	(7,359)
Fair value losses on available-for-sale financial assets	–	–	–	–	–	–	–	(627)	–	(627)
Actuarial gains of defined benefit plan	–	–	–	–	–	–	–	–	5,777	5,777
Deferred income tax effect on actuarial gains of defined benefit plan	–	–	–	–	–	–	–	–	(1,058)	(1,058)
Fair value gains:										
– hedging instrument	–	–	–	–	–	–	6,724	–	–	6,724
– deferred income tax on fair value gains	–	–	–	–	–	–	(1,177)	–	–	(1,177)
Revaluation surplus:										
– on transfer from property, plant and equipment and leasehold land to investment properties	–	–	–	–	–	–	–	2,368	–	2,368
– deferred income tax on revaluation surplus	–	–	–	–	–	–	–	(414)	–	(414)
Net income/(expense) recognised directly in equity	–	32	–	(7,391)	–	–	5,547	1,327	4,719	4,234
Profit for the year	–	–	–	–	–	–	–	–	93,990	93,990
Total recognised income for the period	**–**	**32**	**–**	**(7,391)**	**–**	**–**	**5,547**	**1,327**	**98,709**	**98,224**
2004/05 Final dividend paid	–	–	–	–	–	–	–	–	(51,810)	(51,810)
2005/06 Interim dividend paid	–	–	–	–	–	–	–	–	(21,195)	(21,195)
Share option scheme:										
– value of employee services	–	–	–	–	(210)	–	–	–	–	(210)
	–	32	–	(7,391)	(210)	–	5,547	1,327	25,704	25,009
At 31st March 2006	**15,499**	**38,949**	**(233,885)**	**1,637**	**681**	**–**	**5,547**	**2,252**	**933,448**	**764,128**
Final dividend proposed	–	–	–	–	–	–	–	–	40,035	40,035
Other	15,499	38,949	(233,885)	1,637	681	–	5,547	2,252	893,413	724,093
At 31st March 2006	**15,499**	**38,949**	**(233,885)**	**1,637**	**681**	**–**	**5,547**	**2,252**	**933,448**	**764,128**
Company and subsidiaries	15,499	38,949	(233,885)	1,637	681	–	5,547	2,252	924,451	755,131
Jointly controlled entities	–	–	–	–	–	–	–	–	7,544	7,544
Associated companies	–	–	–	–	–	–	–	–	1,453	1,453
At 31st March 2006	**15,499**	**38,949**	**(233,885)**	**1,637**	**681**	**–**	**5,547**	**2,252**	**933,448**	**764,128**

25. Reserves *(Cont'd)*

Group

	Contributed surplus US$'000	Capital reserve US$'000	Goodwill on consolid-ation US$'000	Exchange reserve US$'000	Share option reserve US$'000	Share-based employee benefit reserve US$'000	Hedging reserve US$'000	Other reserve US$'000	Retained earnings US$'000	Total US$'000
At 1st April 2006	15,499	38,949	(233,885)	1,637	681	–	5,547	2,252	933,448	764,128
Exchange differences	–	–	–	40,799	–	–	–	–	–	40,799
Fair value gains on available-for-sale financial assets	–	–	–	–	–	–	–	521	–	521
Actuarial gains of defined benefit plan	–	–	–	–	–	–	–	–	1,798	1,798
Deferred income tax effect on actuarial gains of defined benefit plan	–	–	–	–	–	–	–	–	(950)	(950)
Fair value losses:										
– hedging instrument	–	–	–	–	–	–	(2,273)	–	–	(2,273)
– deferred income tax on fair value losses	–	–	–	–	–	–	398	–	–	398
Revaluation surplus:										
– on transfer from property, plant and equipment and leasehold land to investment properties	–	–	–	–	–	–	–	4,662	–	4,662
– deferred income tax on revaluation surplus	–	–	–	–	–	–	–	(816)	–	(816)
Net income/(expense) recognised directly in equity	–	–	–	40,799	–	–	(1,875)	4,367	848	44,139
Profit for the year	–	–	–	–	–	–	–	–	109,696	109,696
Total recognised income for the period	**–**	**–**	**–**	**40,799**	**–**	**–**	**(1,875)**	**4,367**	**110,544**	**153,835**
2005/06 Final dividend paid	–	–	–	–	–	–	–	–	(40,035)	(40,035)
2006/07 Interim dividend paid	–	–	–	–	–	–	–	–	(21,195)	(21,195)
Long-term incentive share scheme:										
– share vested	–	–	–	–	–	(650)	–	–	–	(650)
– value of employee services	–	–	–	–	–	2,613	–	–	–	2,613
Share option scheme:										
– value of employee services	–	–	–	–	(93)	–	–	–	–	(93)
	–	–	–	40,799	(93)	1,963	(1,875)	4,367	49,314	94,475
At 31st March 2007	**15,499**	**38,949**	**(233,885)**	**42,436**	**588**	**1,963**	**3,672**	**6,619**	**982,762**	**858,603**
Final dividend proposed	–	–	–	–	–	–	–	–	40,035	40,035
Other	15,499	38,949	(233,885)	42,436	588	1,963	3,672	6,619	942,727	818,568
At 31st March 2007	**15,499**	**38,949**	**(233,885)**	**42,436**	**588**	**1,963**	**3,672**	**6,619**	**982,762**	**858,603**
Company and subsidiaries	15,499	38,949	(233,885)	42,436	588	1,963	3,672	6,619	981,463	857,304
Associated companies	–	–	–	–	–	–	–	–	1,299	1,299
At 31st March 2007	**15,499**	**38,949**	**(233,885)**	**42,436**	**588**	**1,963**	**3,672**	**6,619**	**982,762**	**858,603**

25. Reserves *(Cont'd)*

Company

	Contributed surplus US$'000	Share option reserve US$'000	Share-based employee benefit reserve US$'000	Other reserve US$'000	Retained earnings US$'000	Total US$'000
At 1st April 2005, as restated	95,273	891	–	925	369,207	466,296
Share option scheme:						
– value of employee services	–	(210)	–	–	–	(210)
Fair value loss on available-for-sale financial assets	–	–	–	(627)	–	(627)
Profit for the year	–	–	–	–	25,352	25,352
Dividend	–	–	–	–	(73,005)	(73,005)
At 31st March 2006	95,273	681	–	298	321,554	417,806
Long-term incentive share scheme:						
– share vested	–	–	(650)	–	–	(650)
– value of employee services	–	–	2,613	–	–	2,613
Share option scheme:						
– value of employee services	–	(93)	–	–	–	(93)
Fair value gain on available-for-sale financial assets	–	–	–	521	–	521
Profit for the year	–	–	–	–	140,582	140,582
Dividend	–	–	–	–	(61,230)	(61,230)
At 31st March 2007	**95,273**	**588**	**1,963**	**819**	**400,906**	**499,549**

Distributable reserves of the Company at 31st March 2007 amounted to US$496,179,000 (2006: US$416,827,000).

26. Other income and gains

	2007	2006
	US$'000	US$'000
Interest income	**6,862**	6,025
Gross earnings from investments in finance leases	**–**	7
Gross rental income from investment properties	**3,526**	1,344
Royalty income	**–**	108
Fair value gains on investment properties	**1,769**	5,671
	12,157	13,155

27. Selling and administrative expenses

	2007	2006
	US$'000	US$'000
Selling expenses	**137,829**	97,582
Administrative expenses	**210,165**	153,947
	347,994	251,529

28. Restructuring provisions

Restructuring provisions are related to closure of certain plants in Europe, US and China. The costs incurred during the year represent mainly asset write-offs, severance payments and provisions for other shutdown costs.

	2007	2006
	US$'000	US$'000
Asset write-offs (including provision for impairment)	**1,004**	3,154
Other costs	**11,241**	14,094
Total provisions	**12,245**	17,248

29. Expenses by nature

Operating profit is stated after crediting and charging the following:

	2007 US$'000	2006 US$'000
Depreciation		
Depreciation on property, plant and equipment	**70,824**	55,650
Less: amounts capitalised on assets under construction	**(499)**	(1,256)
	70,325	54,394
Employee benefit expense	**360,313**	229,221
Less: amounts capitalised on assets under construction	**(1,241)**	(1,640)
	359,072	227,581
Cost of goods sold*	**1,574,401**	1,149,235
Auditors' remuneration	**1,955**	1,879
Amortisation on leasehold land and land use rights (note 8)	**689**	318
Amortisation of intangibles (note 9)	**17,197**	7,828
Impairment of property, plant and equipment (note 6)	**1,345**	4,404
(Gains)/losses on disposals of property, plant and equipment	**(961)**	2,667
(Gains)/losses on other financial assets at fair value through profit or loss	**(100)**	144
Net foreign exchange (gains)/losses (note 33)	**(672)**	1,151
Provision for impairment of trade receivables	**742**	455

**Note:* Cost of goods sold include material, production overhead and direct labour costs.

30. Employee benefit expense

	2007 US$'000	2006 US$'000
Wages and salaries	**319,811**	206,946
Social security costs	**29,831**	15,078
Pension costs – defined contribution plans	**6,319**	3,178
Pension costs – defined benefit plans	**4,352**	4,019
	360,313	229,221

30. Employee benefit expense *(Cont'd)*

30.1 PENSIONS – DEFINED CONTRIBUTION PLANS

The Group operates two defined contribution schemes in Hong Kong which comply with all the respective requirements under the Occupational Retirement Schemes Ordinance ("ORSO") and the Mandatory Provident Fund ("MPF") Ordinance. All the assets under the schemes are held separately from the Group under independently administered funds. Contributions to the MPF Scheme follow the MPF Ordinance while contributions made by the employer to the ORSO Scheme are based on 5% of the basic salary of the employees.

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

Contributions are charged to profit and loss account as incurred and may be reduced by contributions forfeited from those employees who leave the ORSO scheme prior to vesting fully in the contributions.

During the year, no forfeited contributions were used, in the prior year, forfeited contributions totalling US$1,100,000 were used to offset the contribution during the year. At 31st March 2007, the balance of the forfeited contributions was US$523,000 (2006: US$371,000).

30.2 PENSIONS – DEFINED BENEFIT PLANS

The Group's major plans were valued by qualified actuaries as at 31st March 2007 and 31st March 2006 using the projected unit credit method to account for the Group's pension accounting costs.

30.3 DIRECTORS' EMOLUMENTS

The remuneration of every Director for the year ended 31st March 2007 is set out below:

Name of Director	Fees US$'000	Salary US$'000	Other benefits* US$'000	Employer's contribution to pension scheme US$'000	Total US$'000
Yik-Chun Koo Wang	–	72	–	–	72
Patrick Shui-Chung Wang	–	600	–	48	648
Winnie Wing-Yee Wang	–	377	123	30	530
Richard Li-Chung Wang	–	500	–	40	540
Peter Stuart Allenby Edwards	33	–	–	–	33
Patrick Blackwell Paul	45	–	–	–	45
Michael John Enright	40	–	–	–	40
Laura May-Lung Cha	37	–	–	–	37
Peter Kin-Chung Wang	25	–	–	–	25
Oscar de Paula Bernades Neto	34	–	–	–	34
Arkadi Kuhlmann#	13	–	–	–	13
	227	1,549	123	118	2,017

resigned effective on 30th September 2006

30. Employee benefit expense *(Cont'd)*

30.3 DIRECTORS' EMOLUMENTS *(Cont'd)*

The remuneration of every Director for the year ended 31st March 2006 is set out below:

Name of Director	Fees US$'000	Salary US$'000	Other benefits* US$'000	Employer's contribution to pension scheme US$'000	Total US$'000
Yik-Chun Koo Wang	–	67	–	5	72
Patrick Shui-Chung Wang	–	600	–	48	648
Winnie Wing-Yee Wang	–	377	123	30	530
Richard Li-Chung Wang	–	500	–	40	540
Peter Stuart Allenby Edwards	38	–	–	–	38
Patrick Blackwell Paul	50	–	–	–	50
Michael John Enright	41	–	–	–	41
Laura May-Lung Cha	41	–	–	–	41
Peter Kin-Chung Wang	30	–	–	–	30
Oscar de Paula Bernades Neto	34	–	–	–	34
Arkadi Kuhlmann	42	–	–	–	42
	276	1,544	123	123	2,066

* Other benefits include housing allowance benefits.

30.4 SENIOR MANAGEMENT COMPENSATION

The five individuals whose emoluments were the highest in the Group for the year include 1 director (2006: 3) whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining 4 individuals (2006: 2) during the year are as follows:

	2007 US$'000	2006 US$'000
Salaries, allowances and other benefits	**1,337**	1,219
Retirement scheme contributions	**61**	146
Retirement gratuity	**–**	915
Redundancy	**983**	–
Bonuses	**420**	160
	2,801	2,440

30. Employee benefit expense *(Cont'd)*

30.4 SENIOR MANAGEMENT COMPENSATION *(Cont'd)*

Emoluments band	Number of individuals	
	2007	2006
US$640,001 – US$704,000 (HK$5,000,001 – HK$5,500,000)	**3**	–
US$768,001 – US$832,000 (HK$6,000,001 – HK$6,500,000)	**1**	–
US$832,001 – US$896,000 (HK$6,500,001 – HK$7,000,000)	**–**	1
US$1,536,001 – US$1,600,000 (HK$12,000,001 – HK$12,500,000)	**–**	1

30.5 KEY MANAGEMENT COMPENSATION

Other than the directors' emoluments and senior management compensation disclosed above, the emoluments paid to the senior management as disclosed in the biographical details on pages 46 to 48 of this report are as follows:

	2007	2006
	US$'000	US$'000
Salaries and other short-term employee benefits	**4,656**	3,996
Share-based payments	**282**	–
	4,938	3,996

31. Finance costs

	2007	2006
	US$'000	US$'000
Interest on bank loans and overdrafts	**27,908**	7,618

32. Income tax expenses

Hong Kong profits tax has been provided at the rate of 17.5% (2006: 17.5%) on the estimated assessable profit for the year. Overseas tax has been provided at the applicable rates on the estimated assessable profit in respective countries of operations for the year.

	2007	2006
	US$'000	US$'000
Current income tax		
Hong Kong profits tax	**(9,715)**	(6,070)
Overseas taxation	**(22,210)**	(19,554)
Over/(under) provisions in prior years	**4,919**	(2,656)
	(27,006)	(28,280)
Deferred income tax (note 23)	**4,074**	6,396
	(22,932)	(21,884)

The effective tax rate of the Group differs from the tax rate of Hong Kong as follows:

	2007	2006
	%	%
Tax rate of Hong Kong	**17.5**	17.5
Effect of different tax rates in other countries	**3.1**	0.7
Income net of expenses not subject to tax	**(3.3)**	(4.3)
(Over)/under provisions in prior years	**(3.6)**	2.2
Unrecognised tax losses	**3.2**	2.7
Effective tax rate	**16.9**	18.8

33. Net foreign exchange gains/(losses)

The exchange differences recognised in the profit and loss account are included as follows:

	2007	2006
	US$'000	US$'000
Administrative expenses	**672**	(1,151)

34. Profit attributable to equity holders

The Group's consolidated profit attributable to equity holders is US$109,696,000 (2006: US$93,990,000) of which US$140,582,000 (2006: US$25,352,000) is dealt with in the accounts of the Company.

Details are shown in note 25.

35. Dividends

	2007	2006
	US$'000	US$'000
Interim, paid, of 0.58 US cents per share (2006: 0.58 US cents)	**21,195**	21,195
Final, proposed, of 1.09 US cents per share (2006: 1.09 US cents)	**40,035**	40,035
	61,230	61,230

At a meeting held on 8th June 2007 the directors declared a final dividend of 1.09 US cents per share. This proposed dividend is not reflected as a dividend payable in these accounts, but will be reflected as an appropriation of retained earnings for the year ending 31st March 2007.

36. Earnings per share

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

	2007	2006
Profit attributable to equity holders of the Company (thousands US dollar)	**109,696**	93,990
Weighted average number of ordinary shares in issue (thousands)	**3,671,883**	3,672,599
Basic earnings per share (US cents per share)	**2.99**	2.56

The Company has share options that could dilute basic earnings per share in the future. Diluted earnings per share equals basic earnings per share because there were no potential dilutive ordinary shares outstanding during the year ended 31st March 2007.

37. Contingent liabilities

In August 2001, a claim for damages was made in the Lowndes County Circuit Court in Mississippi against Johnson Electric Automotive, Inc. ("JEAI"), a subsidiary of the Group, and over ten other third party defendants for personal injury and property damage in a lawsuit pertaining to environmental contamination involving an automotive parts manufacturing facility in Columbus, Mississippi, USA which was purchased in 1999 and closed down in 2001.

In February 2007, JEAI and Lear Corporation, a co-defendant, negotiated a settlement with the attorneys for certain plaintiffs. Under the term of the settlement, the claims of settling plaintiffs will be dismissed with prejudice. Upon entry of an order of dismissal, the plaintiffs will not be allowed to file any other action to recover damages related to the claims they made in the lawsuits that have been settled. Such order ends all litigation related to the plaintiffs' claims. Although the claims of non-settling plaintiffs remain pending, the Group considers resolution of the remaining claims will not be material.

38. Commitments

38.1 CAPITAL COMMITMENTS

Group

	2007 US$'000	2006 US$'000
Capital commitment for property, plant and equipment		
Authorised but not contracted for	**3,935**	2,415
Contracted but not provided for	**7,600**	12,375
	11,535	14,790
Investment in:		
Subsidiary, contracted but not provided for	–	4,045
Jointly controlled entity, contracted but not provided for	–	4,859
	–	8,904

38.2 OPERATING LEASE COMMITMENTS

(i) At 31st March 2007, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	2007		2006	
	Land and buildings US$'000	**Others US$'000**	Land and buildings US$'000	Others US$'000
Not later than one year	**14,088**	**1,197**	12,620	1,525
Later than one year and not later than five years	**34,547**	**1,197**	31,563	1,353
Later than five years	**10,733**	**8**	8,030	–
	59,368	**2,402**	52,213	2,878

(ii) At 31st March 2007, the Group had future aggregate minimum lease rental receivable under non-cancellable operating leases on land and buildings as follows:

	2007 US$'000	2006 US$'000
Not later than one year	**1,820**	1,777
Later than one year and not later than five years	**1,759**	3,105
	3,579	4,882

39. Cash generated from operations

	2007 US$'000	2006 US$'000
Profit before income tax	**135,935**	116,251
Share of losses/(profits) of jointly controlled entities/ associated companies	**302**	(2,398)
Gains on sales of jointly controlled entities	**(653)**	–
Depreciation of property, plant and equipment	**70,325**	54,394
Amortisation of leasehold land and land use rights	**689**	318
Amortisation of intangible assets	**17,197**	7,828
(Gains)/losses on disposals of leasehold land, property, plant and equipment	**(961)**	2,667
Provision for impairment on property, plant and equipment	**1,345**	4,404
Fair value (gains)/losses on derivative financial instruments	**(3,630)**	1,779
Net realised and unrealised (gains)/losses on disposals of other financial assets at fair value through profit or loss	**(379)**	504
Share based compensation	**2,520**	(210)
Fair value gains on investment properties	**(1,769)**	(5,671)
Net interest expense	**21,046**	1,593
Gross earnings from investments in finance leases	**–**	(7)
Net realised gains on available-for-sale financial assets	**(378)**	(1,821)
(Increase)/decrease in stocks and work in progress	**(2,396)**	13,290
(Increase)/decrease in trade and other receivables	**(13,881)**	12,778
Decrease in trade and other payables	**(4,006)**	(31,820)
Increase in other provisions	**560**	10,517
Cash generated from operations	**221,866**	184,396

In the cash flow statement, proceeds from sale of leasehold land, property, plant and equipment comprises:

	2007 US$'000	2006 US$'000
Net book amount	**11,217**	12,444
Gains/(losses) on sale of leasehold land, property, plant and equipment	**961**	(2,667)
Proceeds from sale of leasehold land, property, plant and equipment	**12,178**	9,777

40. Business combinations

On 3rd April 2006, the Group paid US$4,900,000 to purchase additional 10% shareholding in Shanghai Ri Yong-JEA Gate Electric Co., Ltd., previously a jointly controlled entity of the Group. The effective holding increased from 50% to 60%. The acquired business contributed revenues of US$50,180,000 and net profit of US$4,962,000 to the Group for the period from the date of acquisition to 31st March 2007.

40. Business combinations *(Cont'd)*

On 30th August 2006, the Group acquired a metal materials trading business. The acquired business contributed revenues of US$9,265,000 and net profit of US$161,000 to the Group for the period from the date of acquisition to 31st March 2007.

Details of net assets acquired and goodwill are as follows:

	US$'000
Purchase consideration:	5,480
Fair value of net assets acquired – shown as below	(3,615)
Goodwill	1,865

The assets and liabilities arising from the above acquisitions in this financial year are as follows:

	Fair Value US$'000	Acquiree's carrying amount US$'000
Property, plant and equipment	8,559	8,559
Leasehold land and land use rights	1,470	1,470
Intangibles	120	120
Stocks and work in progress	8,124	8,124
Trade and other receivables	8,174	8,174
Bank balances and cash	14,579	14,579
Trade and other payables	(9,178)	(9,178)
Net assets	31,848	31,848
Minority interests	(12,739)	
	19,109	
Interest in a jointly controlled entity previously accounted for	(15,494)	
Net assets acquired	3,615	

	US$'000
Purchase consideration settled in cash	(5,480)
Cash and cash equivalents in subsidiary acquired	14,579
Cash inflow on acquisition	9,099

41. Related-party transactions

Details of substantial equity holders are shown in Disclosure of Interests in the Report of the Directors on page 39. The Group had no other material related party transactions during the year. Details of senior management and key management compensation are disclosed in note 30.4 and 30.5 in this report.

42. Effect of adopting new HKFRS

Standards, interpretations and amendments to published standards effective in 2006/07 which are relevant to the Group

In 2006/07, the Group adopted the new/revised standards and interpretations of HKFRS below, which are relevant to its operations. The comparatives have been amended as required, in accordance with the relevant requirements.

HKAS 21 (Amendment)	Net Investment in a Foreign Operation
HKAS 39 and HKFRS 4 (Amendment)	Financial guarantee contracts
HK(IFRIC)-Int 4	Determining whether an arrangement contains a lease

The adoption of new/revised HKASs, HKAS 21 (Amendment), HKAS 39 and HKFRS 4 (Amendment) and HK(IFRIC)-Int 4, did not result in substantial changes to the Group's accounting policies. In summary:

– Amendment to HKAS 21 requires exchange differences arising on a monetary item that forms part of an entity's net investment in a foreign operation to be initially recognised in equity in the entity's consolidated financial statements. This is consistent with the current accounting treatment of the Group, thus the management considered that there is no significant impact.

– The Group adopted HKFRS 4 – Insurance Contracts to account for its financial guarantee contracts, the adoption had no material effect on the Group's accounting policies.

– HK(IFRIC)-Int 4 had no material effect on the Group's accounting policies.

Standards, interpretations and amendments to published standards effective in 2006/07 but not relevant to the Group

The following standards, amendments and interpretations are mandatory for accounting periods beginning on or after 1st April 2006 but are not relevant to the Group's operations:–

HKAS 39 (Amendment)	Cash flow hedge accounting of forecast Intragroup transactions
HKAS 39 (Amendment)	The fair value option
HKFRS 1 & 6 (Amendments)	First-time Adoption of HKFRS and Exploration for and Evaluation of Mineral Resources
HK(IFRIC)-Int 5	Rights to interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
HK(IFRIC)-Int 6	Liabilities arising from Participating in a Specific Market: Waste Electrical and Electronic Equipment
HK(IFRIC)-Int 7	Applying the Restatement Approach under HKAS 29, Financial Reporting in Hyperinflationary Economies
HKFRS 6	Exploration for and Evaluation of Mineral Resources

42. Effect of adopting new HKFRS *(Cont'd)*

Standards, interpretations and amendments to published standards that are not effective in 2006/07 which are relevant to the Group

Certain new standards, interpretations and amendments to existing standards have been published that are mandatory for the Group's accounting periods beginning on or after 1st April 2007 or later periods but which the Group has not early adopted, as follows:

HKFRS 8	Operating Segments
HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives
HK(IFRIC)-Int 10	Interim Reporting and Impairment
HK(IFRIC)-Int 11	HKFRS 2 – Group and Treasury Share Transactions
HKAS 1 (Amendment)	Presentation of Financial Statements: Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures

The Group is in the process of making an assessment of the impact of these amendments, new standards and new interpretations in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial positions.

Standards, interpretations and amendments to published standards that are not effective in 2006/07 and are not relevant to the Group's operations

HK(IFRIC)-Int 12	Service Concession Arrangements

43. Approval of accounts

The accounts were approved by the Directors on 8th June 2007.

44. Principal subsidiaries and associated companies

The following list contains particulars of subsidiaries and associated companies of the Group which in the opinion of the directors, materially affect the results and assets of the Group:

Name	Principal activities	Place of incorporation and operation	Issued and paid up capital	Effective shareholding by company	Effective shareholding by subsidiary
SUBSIDIARIES					
Best Port International Limited	Investment holding	British Virgin Islands	1 share of US$1 each	–	100%
Bloor Company Limited	Property holding	British Virgin Islands	50,000 shares of US$1 each	–	100%
China Autoparts, Inc. *	Investment holding	United States of America	12,121,213 shares of US$0.0001 each	–	55.36%
Chengdu Tonglin Casting Industrial Co., Ltd	Manufacturing	China	RMB67,560,000	–	55.36%
Crown Trend Limited	Property holding	British Virgin Islands	1 share of US$1 each	–	100%
Delta Success Electric Company Limited	Manufacturing	Malaysia	1 share of US$1 each	–	100%
De Chang Metal Industries Limited	Sales and marketing	Hong Kong	20,000 shares of HK$100 each	–	100%
De Chang Fulfilment Limited	Trading	Hong Kong	2 shares of HK$1 each	–	100%
Deyang Lianzhou Electric Co., Ltd. *	Manufacturing	China	US$480,000	–	100%
Easy Fortune (H.K.) Ltd.	Property holding	British Virgin Islands	50,000 shares of US$1 each	–	100%
Easy Reach Electric Motor Limited	Sales and marketing	Hong Kong	100,000 shares of HK$1 each	–	90.2%
Gate do Brasil Ltda	Manufacturing	Brazil	BRL27,568,588.40	–	100%
Gate Deutschland GmbH	Manufacturing	Germany	EUR60,000	–	100%
Gate España Automoción, S.L.	Manufacturing	Spain	EUR150,250	–	100%

* Wholly owned foreign enterprises

44. Principal subsidiaries and associated companies *(Cont'd)*

Name	Principal activities	Place of incorporation and operation	Issued and paid up capital	Effective shareholding by company	Effective shareholding by subsidiary
SUBSIDIARIES					
Gate France SAS	Manufacturing	France	EUR382,250	–	99.98%
Gate S.r.l.	Manufacturing	Italy	2,600,000 shares of EUR1 each	–	100%
Gate UK Limited	Manufacturing	United Kingdom	50,000 shares of GBP1 each	–	100%
Gatebrook Limited	Investment holding	Cyprus	11,000 shares of CYP1 each	–	100%
Gether Success Ltd.	Investment holding	British Virgin Islands	30,000 shares of US$1 each	100%	–
Guiyang Deguang Electric Co Ltd. *	Manufacturing	China	US$200,000	–	100%
Harbour Sky (BVI) Ltd.	Property holding	British Virgin Islands	50,000 shares of US$1 each	–	100%
Hwa Sun Electric Company Limited	Subcontractor	Hong Kong	10,000 shares of HK$1 each	–	100%
JE Automotive Holdings, Inc.	Investment holding	United States of America	100 shares of US$0.01 each	–	100%
JEA Gate Holdings S.r.l.	Investment holding	Italy	EUR32,968,000	–	100%
JEA Limited	Investment holding	British Virgin Islands	2 shares of US$1 each	100%	–
JE Castings Investments Limited	Investment holding	British Virgin Islands	1 share of US$1 each	–	100%
JE Fulfilment (Shenzhen) Limited *	Sales and marketing	China	HK$4,800,000	–	100%
JE Fulfilment Limited	Sales and marketing	Hong Kong	20,000 shares of HK$1 each	–	100%
Johnson China Advice (Shenzhen) Co. Ltd. *	Consultant	China	HK$1,000,000	–	100%

* Wholly owned foreign enterprises

44. Principal subsidiaries and associated companies *(Cont'd)*

Name	Principal activities	Place of incorporation and operation	Issued and paid up capital	Effective shareholding by company	Effective shareholding by subsidiary
SUBSIDIARIES					
Johnson China Advice Company Limited	Consultant	Hong Kong	1 share of HK$1 each	–	100%
Johnson Electric Automotive de Mexico S.A. de C.V.	Manufacturing	Mexico	39,296,590 shares of 1 Peso each	–	100%
Johnson Electric Automotive, Inc.	Manufacturing and investment holding	United States of America	100 shares of US$0.01 each	–	100%
Johnson Electric Capital Ltd	Investment holding	British Virgin Islands	1 share of US$1 each	100%	–
Johnson Electric Engineering Ltd.	Technical support	Hong Kong	100,000 shares of HK$1 each	100%	–
Johnson Electric (France) SAS	Trading	France	1,910 shares of EUR20 each	–	100%
Johnson Electric (Guangdong) Co. Ltd. *	Manufacturing	China	US$3,829,780	–	100%
Johnson Electric (Hong Kong) Ltd	Sales and marketing	Hong Kong	1 share of HK$1 each	100%	–
Johnson Electric Industrial Manufactory, Ltd.	Manufacturing	Hong Kong	308,000,000 shares of HK$0.5 each	100%	–
Johnson Electric Intellectual Property Ltd.	Licensing	Bermuda	1,000,000 shares of HK$0.1 each	100%	–
Johnson Electric (Italy) S.r.l.	Sales and marketing	Italy	EUR10,000	–	100%
Johnson Electric (Korea) Limited	Sales and marketing	South Korea	10,000 shares of KRW5,000 each	–	100%
Johnson Electric Moncalieri S.r.l.	Manufacturing	Italy	EUR2,519,540	–	100%
Johnson Electric (Nanjing) Co., Ltd. *	Manufacturing	China	US$4,000,000	–	100%
Johnson Electric North America, Inc.	Sales distributor	United States of America	12 shares with no par value issued at US$120,000	–	100%

* Wholly owned foreign enterprises

44. Principal subsidiaries and associated companies *(Cont'd)*

Name	Principal activities	Place of incorporation and operation	Issued and paid up capital	Effective shareholding by company	Effective shareholding by subsidiary
SUBSIDIARIES					
Johnson Electric S.A.	Research and development, manufacturing	Switzerland	500 shares of SFR1,000 each	–	100%
Johnson Electric (Shanghai) Co., Ltd. *	Sales and marketing	China	US$200,000	–	100%
Johnson Electric (Shenzhen) Co. Ltd. *	Research and development	China	HK$30,000,000	–	100%
Johnson Electric Trading Limited	Sales and marketing	Hong Kong	100,000 shares of HK$1 each	–	100%
Johnson Electric World Trade Limited	Marketing, sales agent and distributor	Hong Kong	100,000 shares of HK$1 each	100%	–
Johnson Properties Limited	Investment holding	British Virgin Islands	50,000 shares of US$1 each	100%	–
Kwong Lee (Asia) Metal Company Limited	Sales and marketing	Hong Kong	2,000,000 shares of HK$1 each	–	100%
Kwong Lee Metal (Shenzhen) Co., Ltd. *	Manufacturing	China	HK$8,000,000	–	100%
Main Country Limited	Property holding	British Virgin Islands	1 share of US$1 each	–	100%
M.M.A (Manufactura de Motores Argentinos) S.r.l.	Manufacturing	Argentina	388,000 shares of 10 Pesos each	–	100%
Nanomotion Ltd.	Manufacturing	Israel	18,669,985 shares of NIS0.01 each	–	51%
Nihon Mini Motor Co. Ltd.	Sales and marketing	Japan	JPY330,000,000	–	100%
JE Materials Company Limited (formerly known as Outperform Group Limited)	Investment holding	British Virgin Islands	100 shares of US$1 each	–	100%

* Wholly owned foreign enterprises

44. Principal subsidiaries and associated companies *(Cont'd)*

Name	Principal activities	Place of incorporation and operation	Issued and paid up capital	Effective shareholding by company	Effective shareholding by subsidiary
SUBSIDIARIES					
Parlex (Europe) Limited (formerly known as Poly-Flex Circuits Limited)	Manufacturing	United Kingdom	2,000,000 shares of GBP1 each	–	100%
Palex (Europe) Trading Limited (formerly known as Parlex (Europe) Limited)	Trading	United Kingdom	1 share of GBP1 each	–	100%
Parlex USA Inc.	Manufacturing, R&D, Sales and marketing	United States of America	100 shares issued with no par value	–	100%
Parlex Dynaflex Corporation	Manufacturing	United States of America	1,000 shares issued with no par value	–	100%
Parlex Polymer Flexible Circuits, Inc.	Manufacturing	United States of America	1,000 shares of US$1 each	–	100%
Parlex Asia Holdings Limited	Investment holding	British Virgin Islands	2,000 shares of US$1 each	–	100%
Parlex Asia Pacific Limited	Trading	Hong Kong	14,698 shares of HK$1 each	–	100%
Parlex Pacific Limited	Trading	Hong Kong	1 share of HK$1 each	–	100%
Parlex (China) Investment Limited	Investment holding	British Virgin Islands	1,000 shares of US$1 each	–	100%
Parlex (Shanghai) Interconnect Technologies Co., Ltd.	Manufacturing	China	US$5,000,000	–	100%
Parlex (Shanghai) Interconnect Products Co., Ltd.	Manufacturing	China	US$15,000,000	–	100%
Parlex (Shanghai) Circuit Co., Ltd.	Manufacturing	China	US$5,000,000	–	100%
Parlex (Shanghai) Electronics Co., Ltd.	Manufacturing	China	US$2,000,000	–	100%
Saia-Burgess Electronics Holding AG	Investment holding	Switzerland	643,200 shares of CHF 50 each	–	100%

44. Principal subsidiaries and associated companies *(Cont'd)*

Name	Principal activities	Place of incorporation and operation	Issued and paid up capital	Effective shareholding by company	Effective shareholding by subsidiary
SUBSIDIARIES					
Saia-Burgess Murten AG	R&D, manufacturing, sales and marketing	Switzerland	5,000 shares of CHF1,000 each	–	100%
Saia-Burgess Controls AG	R&D, manufacturing, sales and marketing	Switzerland	100 shares of CHF1,000 each	–	100%
Saia-Burgess Gateshead Limited	Manufacturing, R&D, sales and marketing	United Kingdom	7,000,100 shares of GBP1 each	–	100%
Saia-Burgess Oldenburg GmbH & Co. KG	Manufacturing, R&D, sales and marketing	Germany	EUR15,338,800	–	100%
Saia-Burgess Dresden GmbH	Sales and marketing and R&D	Germany	EUR25,600	–	100%
Saia-Burgess Halver GmbH	Manufacturing, R&D, sales and marketing	Germany	EUR25,000	–	100%
Saia-Burgess Deutschland GmbH	Sales and marketing	Germany	EUR511,300	–	100%
Saia-Burgess Industry PL Sp.zo.o.	Manufacturing	Poland	417 shares of PLN873.25 each	–	100%
Saia-Burgess Poland Sp.zo.o.	Manufacturing	Poland	5,900 shares of PLN500 each	–	100%
Saia-Burgess Paris Sarl	Sales and marketing	France	125,000 shares of EUR16 each	–	100%
Saia-Burgess Milano S.r.l.	Sales and marketing	Italy	EUR3,700,000	–	100%
Saia-Burgess Österreich GmbH	Sales and marketing	Austria	EUR40,000	–	100%
Saia-Burgess Benelux B.V.	Sales and marketing	Netherlands	3,000 shares of EUR45 each	–	100%
Saia-Burgess Controls Kft.	Sales and marketing	Hungary	HUF5,000,000	–	100%
Saia-Burgess Hatvan Kft.	Manufacturing	Hungary	HUF30,000,000	–	100%
Saia-Burgess Ózd Kft	Manufacturing	Hungary	HUF16,470,000	–	100%

44. Principal subsidiaries and associated companies *(Cont'd)*

Name	Principal activities	Place of incorporation and operation	Issued and paid up capital	Effective shareholding by company	Effective shareholding by subsidiary
SUBSIDIARIES					
Saia-Burgess Monastir C.S.	Manufacturing	Tunisia	1,000 shares of TND20 each	–	100%
Saia-Burgess USA, Inc.	Sales and marketing	United States of America	1,000 shares of US$1 each	–	100%
Saia-Burgess Inc.	Manufacturing, R&D, sales and marketing	United States of America	5,000 shares of US$0.01 each	–	100%
Saia-Burgess Automotive Inc.	R&D, manufacturing, sales and marketing	United States of America	2,000 shares of US$500 each	–	100%
Saia-Burgess Automotive Actuators Inc.	R&D, manufacturing, sales and marketing	United States of America	300,000 common stocks issued with no par value	–	100%
Saia-Burgess Canada Co. Inc.	Sales and marketing	Canada	80,000 shares of CAN$1 each	–	100%
Saia-Burgess Guangzhou Limited *	Manufacturing	China	US$2,350,000	–	100%
Saia-Burgess (China) Limited *	Manufacturing	China	US$1,882,570	–	100%
Saia-Burgess (HK) Limited	Sales and marketing	Hong Kong	2 shares of HK$10 each	–	100%
Shanghai Ri Yong-JEA Gate Electric Co., Ltd. #	Manufacturing	China	US$17,000,000	–	60%
Teknik Development Inc.	Licensing	British Virgin Islands	15,000 shares of US$1 each	100%	–
Trade Triumph Group Limited	Investment holding	British Virgin Islands	100 shares of US$1 each	–	100%
Triowell Ltd.	Property holding	British Virgin Islands	50,000 shares of US$1 each	–	100%

* Wholly owned foreign enterprises
\# Equity joint ventures

44. Principal subsidiaries and associated companies *(Cont'd)*

Name	Principal activities	Place of incorporation and operation	Issued and paid up capital	Effective shareholding by company	Effective shareholding by subsidiary
SUBSIDIARIES					
V Motor (China) Limited	Manufacturing and sales	China	US$900,000	–	100%
V Motor Limited	Trading and research and development	Hong Kong	1 share of HK$1 each	–	100%
Wing Fat Loong Metal (Asia) Limited	Trading	Hong Kong	1 share of HK$1 each	–	100%
ASSOCIATED COMPANIES					
FG Microdesign S.r.l.	Manufacturing	Italy	100,000 shares of EUR0.52 each	–	40%
Burgess Defond Limited	Manufacturing	Hong Kong	100,000 shares of HK$1 each	–	25%
Shenzhen SMART Micromotor Co., Ltd.	Manufacturing	China	US$2,100,000	–	49%
MiCS MicroChemical Systems SA	R&D, sales and marketing	Switzerland	CHF4,843,308	–	35%
IP Trading GesmbH	Sales and marketing	Austria	EUR35,000	–	49%