JOHNSON ELECTRIC

innovating motion

Johnson Electric Holdings Limited

Annual Report 2009

(Stock Code: 179)

JOHNSON ELECTRIC'S BRAND PROMISE

Johnson Electric is "The Safe Choice"

Johnson Electric has the scale and global footprint to support customers everywhere. We deliver products and services to the most exacting standards of quality and reliability, no matter what the industry segment. Whether it's the precision demanded by the medical industry, the reliability of the automotive industry, the durability of the industrial segment or the flexible logistics to support consumer products, Johnson Electric is organized to execute flawlessly.

Johnson Electric delivers competitive advantage

Johnson Electric creates differentiation and product innovation by collaborating with our customer's designers and engineers. The quality function of our systems and components is precisely aligned with the "job to be done" by the product and the end-user.

Johnson Electric is the most reliable partner

Johnson Electric deploys disciplined management processes at every stage of the product life cycle to ensure customer success. From product inquiry through to product creation and delivery, Johnson Electric has the systems in place to deliver our commitments on project timeliness, assurance of supply, and budget performance.

CORPORATE PROFILE

Johnson Electric is one of the world's largest providers of motion systems and components for automotive applications, domestic equipment, office equipment, industrial products, consumer products and medical devices.

Johnson Electric's goal is to build shareholder and customer value through the creation of innovative product solutions. The company's product offering consists of motion subsystems, motors, solenoids, microswitches, flexible printed circuits, infrastructure automation and machine control systems.

The Group's business strategy is to be the complete "product life cycle partner" for its existing customers and to acquire new customers through differentiated and compelling new products. The customer product life cycle starts with highly innovative new products and extends to mature high volume custom products.

Established 50 years ago, Johnson Electric now ships its products to more than 30 countries for use in hundreds of different product applications. The company's global operations can manufacture over one billion units and create hundreds of new product designs annually.

Johnson Electric's principal financial objective is to maximize long term cash flow by investing in product development for market segments that offer superior growth opportunities. Market segment selection is aligned with the Groups ability to leverage its substantial resources, competences and application specific expertise.

Johnson Electric is a global organization with over 30,000 employees and subcontract workers in 20 countries. Innovation and product design centers are located in Hong Kong, China, Switzerland, Germany, Italy, Israel, Japan and the USA.

The company has been listed on the Stock Exchange of Hong Kong since 1984, and has a sponsored American Depository Receipt (ADR) program in the USA through JP Morgan Chase Bank.

CONTENTS

CORPORATE AND SHAREHOLDER INFORMATION

Johnson Electric Holdings Limited

(Incorporated in Bermuda with limited liability)

CORPORATE INFORMATION

Board of Directors

Executive Directors

Patrick Shui-Chung Wang *JP*
Chairman and Chief Executive
Winnie Wing-Yee Wang
Vice-Chairman
Richard Li-Chung Wang
Austin Jesse Wang

Non-Executive Directors

Yik-Chun Koo Wang
Honorary Chairman
Peter Kin-Chung Wang
Peter Stuart Allenby Edwards*
Patrick Blackwell Paul*
Oscar de Paula Bernardes Neto*
Laura May-Lung Cha *SBS, JP**
Michael John Enright*

* *Independent Non-Executive Director*

Company Secretary

Susan Chee-Lan Yip

Registered Office

Canon's Court
22 Victoria Street
Hamilton HM 12
Bermuda

Hong Kong Head Office

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

Auditor

PricewaterhouseCoopers

Registrar and Transfer Offices

Principal:
The Bank of Bermuda Limited
Bank of Bermuda Building
6 Front Street, Hamilton HM 11
Bermuda

Hong Kong Branch:
Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East, Wan Chai
Hong Kong

American Depositary Receipt (ADR)

Ratio : 1 ADR : 10 Ordinary Shares
Exchange : OTC
Symbol : JELCY
CUSIP : 479087207

Depositary

JPMorgan Chase Bank
JPMorgan Service Center
P.O. Box 43013
Providence, RI 02940-3013
U.S.A.
Tel : Domestic Toll Free : (800) 990-1135
International: (781) 575-4328
Fax : (781) 575-4088
Email : adr@jpmorgan.com

Principal Bankers

The Hongkong and Shanghai Banking Corporation Limited
Citibank, N.A.
Standard Chartered Bank

LISTING INFORMATION

Share Listing

The Company's shares are listed on The Stock Exchange of Hong Kong Limited and are traded over the counter in the United States in the form of American Depositary Receipt.

Stock Code

The Stock Exchange of Hong Kong Limited	: 179
Bloomberg	: 179 : HK
Reuters	: 0179.HK

SHAREHOLDERS' CALENDAR

Annual General Meeting

29th July 2009

FINANCIAL HIGHLIGHTS

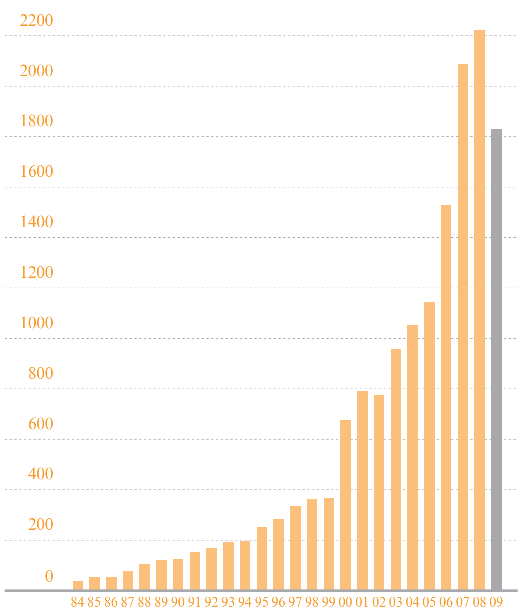
For the year ended 31st March 2009

	2009 US$M	2008 US$M	Percent increase/ (decrease)
Turnover	**1,828**	2,221	(18%)
EBITDA	**136**	279	(51%)
Profit for the year from continuing operations	**38**	138	(73%)
Loss from discontinued operations	**(31)**	–	–
Profit attributable to equity holders	**3**	131	(98%)
Capital expenditure	**65**	99	(34%)
Total equity	**998**	1,133	(12%)
Earnings per share (US cents)			
– From continuing operations	**0.92**	3.57	(74%)
– From discontinued operations	**(0.85)**	–	–

TURNOVER

A compound annual growth rate of 16.1 per cent.

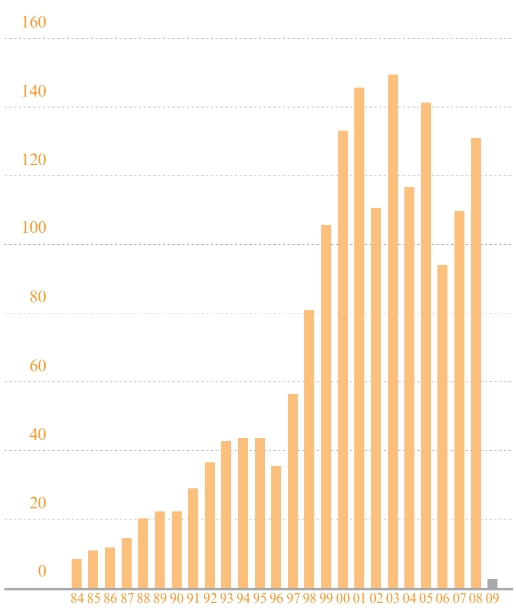
US$M



PROFIT ATTRIBUTABLE TO SHAREHOLDERS

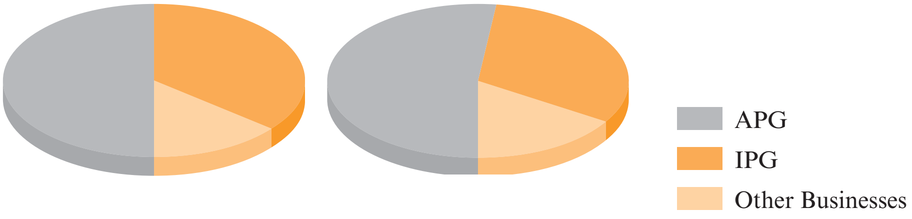
A compound annual growth rate of -4.4 per cent.

US$M



SALES BY PRODUCT APPLICATION
For the year ended 31st March 2009

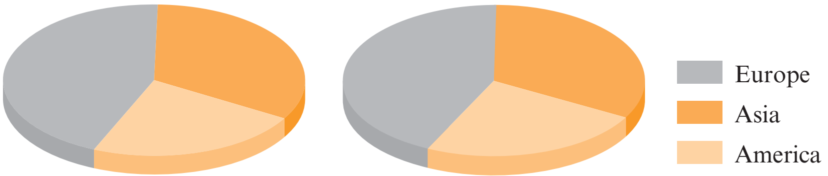
	2009 US$M	2009 %	2008 US$M	2008 %
Automotive Products Group ("APG")	905	50%	1,157	52%
Industry Products Group ("IPG")	654	36%	716	32%
Other Businesses	269	14%	348	16%
Total	1,828	100%	2,221	100%



2009 2008

SALES BY GEOGRAPHIC DESTINATION
For the year ended 31st March 2009

	2009 US$M	2009 %	2008 US$M	2008 %
Europe	800	44%	987	44%
Asia	601	33%	710	32%
America	427	23%	524	24%
Total	1,828	100%	2,221	100%



2009 2008

A MESSAGE FROM PATRICK WANG

TO OUR SHAREHOLDERS,

The 2009 financial year witnessed some of the most extraordinary and challenging operating conditions that Johnson Electric has faced in its fifty year history.

It was extraordinary in the sense that the first half of the year was characterized by buoyant demand in major markets and acute supply shortages and extremely high prices for key raw materials such as steel, yet over the course of the second half a global financial crisis triggered a collapse in consumer demand and a rapid decline in many commodity prices. It was especially challenging because almost all of the major markets and geographies in which Johnson Electric operates experienced sharp and almost simultaneous declines in demand that placed most global industrial manufacturing enterprises under severe pressure.

We believe the Group performed creditably under the unique circumstances in recording an essentially break-even result for the year as a whole and in maintaining a sufficiently sound balance sheet with which to navigate what are likely to be very difficult conditions in the year ahead.

SUMMARY OF 2008/09 RESULTS

- For the financial year ended 31st March 2009, total sales were US$1,828 million
- Operating cash flow from continuing operations amounted to US$260 million
- Operating profit from continuing operations, after restructuring costs and asset impairment charges of US$19 million, amounted to US$47 million
- Losses from discontinued operations amounted to US$31 million
- Net earnings attributable to shareholders, including losses incurred in discontinued operations, amounted to US$2.6 million or 0.07 US cents per share. Excluding losses from discontinued operations, earnings amounted to 0.92 US cents per share
- Net debt as a percentage of total equity was 23% compared to 26% a year earlier. At year end, the Group's cash and cash equivalent reserves amounted to US$302 million

DIVIDENDS

In view of the prevailing macro-economic conditions, the Board has determined that the business and its shareholders would be best served by retaining cash within the Company at the present time and therefore no dividend will be distributed for the 2008/09 financial year.

SALES AND DEMAND TRENDS

The 18% decrease in total sales to US$1.83 billion was largely due to the sharp contraction in demand in the second half of the year across virtually all of the major segments in which the Group operates. In addition, the Group's trading operations were scaled-back to adjust to the volatility in the commodity markets and some new trading ventures were discontinued entirely.

The Automotive Products Group (APG), the largest operating division, was hardest hit by the global economic downturn, which in the first quarter of calendar 2009 had resulted in new light vehicle production volumes in North America declining by over 50% year-on-year, and production volumes in Europe – partially cushioned by government incentives – declining by 36%. As a consequence, APG's sales for the 2008/09 financial year totaled US$905 million, a decline of US$252 million or 22% compared to the prior year.

Although the division has minimal direct sales to Chrysler and General Motors, the much publicized financial distress of these and other automotive OEMs has resulted in de-stocking, temporary production shutdowns, and plant closures that has had a detrimental effect on all participants in the automotive supply chain including Johnson Electric. Furthermore, it has generally been the larger-sized or higher-end luxury car models that experienced the sharpest declines in demand, and these models typically consume a higher number of Johnson Electric's motor and actuator products than small-sized or lower-end cars. The main positive development for APG during the year was its continued progress in gaining market share in China and other emerging markets. As a result, APG's sales to Asia increased by 2% compared to the prior year and now contribute 18% of the division's sales.

The Industry Products Group (IPG) recorded sales of US$654 million – a decrease of 9% or US$62 million compared to the prior year. While not as severe as the situation in the automotive sector, the major end-markets of IPG, including home appliances, power tools and business and industrial equipment, all weakened during the second half of the financial year as a result of depressed housing and construction markets, lower consumer expenditure, and reduced economic activity in general. In many segments, Johnson Electric in fact achieved market share gains due to the flexibility and responsiveness of our business model, new product introductions, and a trend on the part of some customers to direct more of their purchases towards larger, more financially stable players who offer greater reliability of supply in the current operating environment.

Other manufacturing businesses within the Group contributed a combined US$207 million to total sales. This represented a decrease of 5% compared to the previous financial year due to a reduction in sales by Parlex Corporation, the Group's flexible printed circuit board business, which was both impacted by the global economic downturn and its strategic exit of some unprofitable segments. Partly offsetting that sales decline was the positive sales performances of both Saia-Burgess Controls and China Autoparts, Inc.

Johnson Electric Trading, which includes motor-related sourcing and a specialty metals supply business, saw its revenues decline sharply by 53% to US$62 million due to the combination of reduced demand and the dramatic fall in commodity prices during the year. In addition, Green Vision Group, a new operation within the Trading segment focused on sourcing and supplying scrap metals, suffered due to the significant shifts in demand, supply and pricing over the period. Given the consequent unfavourable economics and risk profile of the business venture, the Green Vision operations were discontinued and its financial results are disclosed separately in the Group's financial statements under Discontinued Operations.

RESIZING AND RESHAPING THE BUSINESS FOR THE CHANGED OPERATING ENVIRONMENT

The unprecedented speed and severity by which sales contracted in the second half inevitably reduced profitability and, for several business units, resulted in operating losses in the latter months of the financial year.

Overall gross profit margins for the full year declined from 25% to 23% due largely to lower volumes and the ongoing high cost of raw materials which, despite spot prices falling significantly in the second half, remained a burden given the duration of supply contracts and forward hedged positions. However, the negative impact of the downturn on profit margins was minimized by rapid actions taken by management to cut variable costs and resize the operations to reflect the demands of the market. Direct labour headcount, for example, was reduced by approximately 8,000 or 29% in the six months between September 2008 and March 2009 – with the majority of that reduction occurring in the Group's manufacturing operations in China.

Similarly, the Group has instituted stringent measures to contain and reduce overheads wherever possible. Although the decline in sales revenue was too deep to prevent sales and administrative expenses increasing as a percentage of sales, in absolute dollar terms these expenses declined by US$16 million compared to the prior year. And in the second half of the financial year, the reduction in such expenses amounted to US$41 million or 22% compared to the same period a year earlier.

Given every indication that we are in the midst of a deep and long global recession, management has undertaken a review of its global manufacturing and sales footprint to assess where and how it can be resized and reshaped to meet the needs of our customers in a sustainable and profitable manner. As a result, the Group is in the process of implementing various restructuring initiatives globally and the costs, and ultimate benefits, can be expected to be felt across the course of Johnson Electric's operating and financial results over the next one to two years at least.

THE STRENGTH OF JOHNSON ELECTRIC

While the effective execution of the restructuring program is the top near-term priority, management is also conscious that it must simultaneously be looking further ahead.

No other company has the breadth of Johnson Electric's offering in motor and motion-related products which combined with our global physical footprint and unique fulfillment capabilities is a source of significant competitive advantage. And although the current environment is extraordinarily testing for industrial manufacturing businesses, it is those with a strong business model and real advantages that can look to the future with confidence. For example, despite the drastic decline in sales experienced in the second half of the year, the Company's flexible and comparatively low-capital intensive operations were able to generate healthy, positive cash flows.

We therefore are using the market difficulties caused by the economic crisis as an opportunity to accelerate several strategic initiatives that we have been formulating. These include leveraging our technology and cost base to design larger modules and sub-systems; and potentially to manufacture complete product solutions for our global branded goods customers. We will be investing in bringing motion products to market that offer significant benefits in terms of energy savings and reduced emissions. And we will be further building and deepening our presence in key emerging markets such as China and India, as well as looking to tap into the innovative technologies and designs that typically originate from more developed markets such as the United States.

Underpinning these strategies is Johnson Electric's traditionally strong focus on continuous improvements on the shop-floor and our relentless efforts to reduce waste. The onset of the economic crisis has highlighted the imperative to ensure that all parts of the Group around the world – particularly those acquired in the past few years – are fully aligned in terms of how we do business and how we make performance improvements. While we have made progress in generating operating synergies from our acquisitions over the years, we acknowledge that there is plenty more to do and more potential gains to be made.

CURRENT TRADING CONDITIONS AND OUTLOOK

With major multilateral agencies predicting that global output in 2009 will decline for the first time in 60 years, we are not optimistic that global economic activity will rebound rapidly.

Forecasting demand for 2009/10 remains difficult and, as a consequence, so is forecasting profitability. There are many factors outside our control and difficult to project. However, with the actions we are taking to address market, product, and innovation opportunities, we expect to see some improvement in sales compared to the second half of 2008/09 provided there are no new adverse developments in the markets we serve. With some increase in sales and with the impact of the many cost reduction initiatives and programs launched during the second half of 2008/09 which are now taking full effect, the Group should be able to return to profitability in the first half of 2009/10. Looking further ahead, based on the strength of Johnson Electric's market position and its distinct business model, we believe the Group remains as well placed as ever to prosper.

In more "normal" times, I would expect to highlight the 50th anniversary of Johnson Electric's founding as a company more prominently in this report and elsewhere. But since these are most definitely not normal times, I would observe simply that we as a company are very proud of our market success and growth over the past five decades – and that the basis for that success has been the hard work and determination of our employees to whom I will always be grateful.

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

Patrick Shui-Chung Wang
Chairman and Chief Executive

Hong Kong, 5th June 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

SALES REVIEW

Total Group Sales for FY2009 were US$1,828.2 million, a decrease of US$392.6 million, or 18%, from US$2,220.8 million in the previous year. The strength of the Euro and other currencies against the US dollar compared to the previous year, contributed US$26.7 million to the Group's sales. Excluding this currency effect, the underlying Group sales decline was 19%.

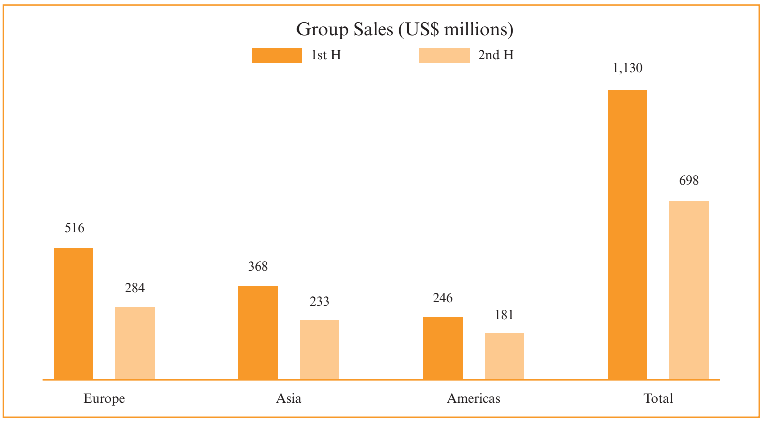
Sales, reported geographically, are as follows:

Group	FY2009		FY2008		Change
US$ millions	Sales	%	Sales	%	%
Europe	800	44%	987	44%	-19%
Asia	601	33%	710	32%	-15%
Americas	427	23%	524	24%	-19%
Total	1,828	100%	2,221	100%	-18%

Note: In presenting information on the basis of geographic segments throughout this document, sales are attributed to the region from which the customer orders are originated.

First Half versus Second Half Sales

Sales in the second half of FY2009 were US$698.1 million, a decrease of US$432.0 million, or 38%, from US$1,130.1 million in the first half. Excluding the effect of the weakening Euro against the US dollar during the second half, the underlying sales decrease was US$390.2 million, or 35%. This sharp sales decrease in the second half was primarily due to the downturn in the global economy.



SALES ANALYSIS

We manage the Group's activities in two segments: Manufacturing and Trading. Group Sales for the year can be analyzed as follows:

Group Sales Analysis	FY2009		FY2008		Increase/(decrease)	
US$ millions	Sales	%	Sales	%		%
MANUFACTURING SEGMENT	**1,766**	**97%**	**2,090**	**94%**	**(324)**	**-15%**
AUTOMOTIVE PRODUCTS GROUP (APG)	**905**	**50%**	**1,157**	**52%**	**(252)**	**-22%**
– MOTORS	630	35%	811	37%	(181)	-22%
Body Climate	*76*	*4%*	*105*	*5%*	*(29)*	*-28%*
Body Instruments	*134*	*8%*	*169*	*8%*	*(35)*	*-21%*
Powertrain Cooling	*340*	*19%*	*428*	*19%*	*(88)*	*-21%*
Powertrain Management	*58*	*3%*	*67*	*3%*	*(9)*	*-13%*
Chassis Braking	*22*	*1%*	*42*	*2%*	*(20)*	*-48%*
– MOTION AND ACTUATION SYSTEMS	275	15%	346	15%	(71)	-21%
INDUSTRY PRODUCTS GROUP (IPG)	**654**	**36%**	**716**	**32%**	**(62)**	**-9%**
– MOTORS	478	26%	525	23%	(47)	-9%
Home Appliances	*179*	*10%*	*196*	*9%*	*(17)*	*-9%*
Power Tools	*122*	*6%*	*141*	*6%*	*(19)*	*-13%*
Business & Lifestyle	*177*	*10%*	*188*	*8%*	*(11)*	*-6%*
– MOTION AND ACTUATION SYSTEMS	176	10%	191	9%	(15)	-8%
OTHER MANUFACTURING BUSINESSES	**207**	**11%**	**217**	**10%**	**(10)**	**-5%**
TRADING SEGMENT	**62**	**3%**	**131**	**6%**	**(69)**	**-53%**
TOTAL SALES	**1,828**	**100%**	**2,221**	**100%**	**(393)**	**-18%**

As economic conditions gradually improve in FY2010, we expect our sales to begin to recover from what have been relatively low levels in the second half of FY2009. Along with this market recovery, we plan to introduce new products, further strengthen our relationship with existing customers, and expand our presence in developing markets. We believe that these actions will facilitate growth in sales revenue in the FY2010 as compared to the annualized rate of sales of the second half of FY2009.

MANUFACTURING SEGMENT

Operations in the Manufacturing segment share many common features relating to technology, manufacturing processes, supply chain management, brand and channel management, and business model structure. This creates opportunities for synergy in many areas including revenue growth through leveraging the strength of the Company's technology, and cost reduction through the sharing of resources.

The Manufacturing segment is sub-divided into three divisions which focus on specific customer needs and technologies in defined markets: Automotive Products Group, Industry Products Group and Other Manufacturing Businesses.

In the sales commentaries below, references to currency effects relate to the impact on sales expressed in US dollars when sales in other currencies are translated at different rates in FY2009 as compared to the previous year. However, the Company also has costs denominated in currencies other than US dollars, and the impact of these currency effects on the manufacturing cost base and on Selling and Administrative costs is referred to in the Financial Results commentary on pages 25 to 31.

AUTOMOTIVE PRODUCTS GROUP ("APG")

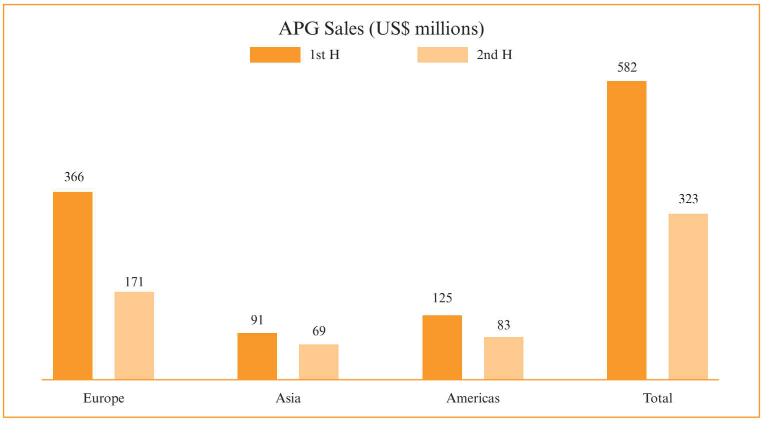
APG sales in FY2009 were US$905.2 million, a decrease of US$251.8 million, or 22%, from US$1,157.0 million in the previous year. Changes in currency exchange rates in FY2009, primarily the strengthening of the Euro against the US dollar, contributed US$17.5 million to sales. Excluding these currency effects, underlying sales declined by 23%. APG sales represented 50% of the total turnover of the Group.

Sales, reported geographically, are as follows:

APG	FY2009		FY2008		Change
US$ millions	Sales	%	Sales	%	%
Europe	537	59%	709	61%	-24%
Asia	160	18%	157	14%	2%
Americas	208	23%	291	25%	-29%
Total	905	100%	1,157	100%	-22%

First Half versus Second Half Sales

A comparison of sales between the first and second half of FY2009 is shown below:



Sales for APG for the first half of FY2009 declined by 5% over the same period in the previous year when compared on a constant currency basis. Sales in the first half were still strong in Asia and flat in Europe, but in North America sales declined as the downturn in that market started to impact customer demand.

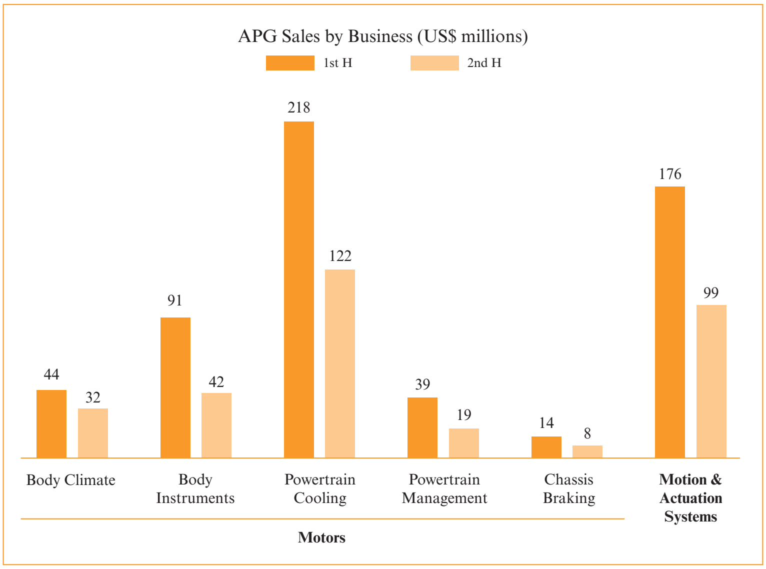
Sales in the second half of US$322.8 million declined by US$259.6 million, or 45%, from sales of US$582.4 million in the first half. Sales were impacted by currency changes, notably the fall in the value of the Euro against the dollar. Excluding the Euro currency effect of US$28.9 million, sales declined in the second half over the first half by 40%.

In all regions, sales in the second half were lower than in the first half. European sales reduced by US$195.1 million (53%), Asian sales by US$21.7 million (24%) and Americas sales by US$42.4 million (34%).

The significant drop in demand for new automobiles, which began with higher fuel consumption vehicles in North America in the first half of FY2009 quickly spread to other vehicles in North America, Europe, and Japan during the second half of FY2009. This contraction in demand led to a large number of temporary shut-downs of vehicle assembly facilities in December 2008 and January 2009 as well as a slowdown in the introduction of new vehicle platforms. The resulting reduction in end user demand led component and sub assembly suppliers to rapidly rationalize global automotive supply chain inventories thus adversely impacting our sales in the second half of FY2009. This decline in demand coincided with a fall in the value of the Euro against the dollar.

While there was growth in the China and certain South Asian markets during the year, other key developing markets including Brazil showed sharp declines in the second half.

A comparison of sales between the first and the second half of FY2009, analyzed by business, is shown below:



Sales are expected to increase from the levels experienced in the second half of FY2009 as the markets recover and as products are developed for the BRIC and other new markets.

APG also plans to launch products that meet global requirements for higher power to weight ratios, improved fuel efficiency and increasingly stringent safety and environmental regulations.

Motors

Global sales for APG motors in FY2009 were US$629.9 million, a decrease of US$180.6 million, or 22%, from US$810.5 million in the previous year. Changes in currency exchange rates in the year contributed US$12.9 million to sales compared to the previous year. Excluding these currency effects, underlying sales declined by 24%.

Sales analysis for APG motors business units is as follows:

Body Climate

Global sales of products for body climate applications, including motors for window lifts, power seat adjustment and power lift gates, were US$76.1 million in FY2009, a decrease of US$28.5 million, or 27%, from US$104.6 million in the previous year. The effect of currency exchange rates was negligible.

While we increased our focus on passenger vehicle markets, sales growth in this segment did not fully compensate for the effect of lower large sport utility vehicle and pick-up truck sales. We continue to focus on the markets' requirement for lighter products with equivalent power and to develop strategic relationships in the developing BRIC markets.

Sales in Europe were US$24.2 million in FY2009, a decrease of US$10.0 million, or 29%, from US$34.2 million in the previous year. Excluding currency effects, underlying sales declined by 31%. In Europe, the second half of FY2009 saw significant reductions due to a rapid decline in window lift demand.

Sales in Asia were US$12.4 million in FY2009, an increase of US$2.7 million or 28% over US$9.7 million in the previous year. The effect of currency exchange rates was negligible. Sales of window lift products in Asia, especially China, Korea and the Middle-East grew primarily as a result of initiatives in the previous year which led to new product launches and improved market penetration in FY2009.

Sales in the Americas were US$39.5 million in FY2009, a decrease of US$21.2 million, or 35%, from US$60.7 million in the previous year. In North America, sales of seat products declined significantly as a result of the downturn in the pick-up truck and large sports utility vehicle markets. This downturn started in the first half of FY2009 and accelerated during the second half.

Body Instrumentation

Global sales of products for body instrumentation applications, including motors for mirrors, headlamps, door locks, cinching latches and washer pumps were US$134.1 million in FY2009, a decrease of US$35.0 million, or 21%, from US$169.1 million in the previous year. Excluding currency effects, underlying sales declined by 22%. Sales volume grew in the first half of FY2009 but decreased in the second half primarily due to downturns in the American and European passenger car markets and the resultant supply chain rationalization.

Sales in Europe were US$81.1 million in FY2009, a decrease of US$26.7 million, or 25%, from US$107.8 million in the previous year. Excluding currency effects, underlying sales declined by 26%.

Sales in Asia were US$37.0 million in FY2009, a decrease of US$4.3 million, or 10%, from US$41.3 million in the previous year. Excluding currency effects, underlying sales declined by 12%. Asian sales fell due to lower exports by many of our customers and because of the softening of demand in Korea. These impacts more than offset growth in China. In Asia, the demand for body instrumentation products in the short-term is likely to be limited due to the current emphasis on vehicles with fewer features. However, we will seek to compensate for this by seizing opportunities to supply safety related products such as headlamp adjusters and steering applications.

Sales in the Americas were US$16.0 million in FY2009, a decrease of US$4.0 million, or 20%, from US$20.0 million in the previous year. Sales declined as a result of the general economic slowdown and its effect on vehicle sales.

Powertrain Cooling

Global sales of products for powertrain cooling applications, mainly comprising cooling fan modules and motors were US$339.6 million in FY2009, a decrease of US$88.4 million, or 21%, from US$428.0 million in the previous year. Excluding currency effects, underlying sales declined by 23%. Sales volume declined slightly in the first half of FY2009 before turning sharply down in the second half.

Sales in Europe were US$205.2 million in FY2009, a decrease of US$87.4 million, or 30%, from the US$292.6 million the previous year. Excluding currency effects, underlying sales declined by 31%. Sales in Europe declined due to the general economic slowdown and its effect on vehicle sales as well as the reducing demand from a number of end-of-life vehicle platforms and the phasing out of uncompetitive products.

Sales in Asia were US$77.7 million in FY2009, an increase of US$10.1 million, or 15%, over US$67.6 million in the previous year. Sales in Asia grew as a result of revenues gained from new product launches and increased penetration of after-market sales channels. Sales growth was also helped by the strengthening of the Chinese renminbi against the US dollar. Excluding currency effects, underlying sales increased by 6%.

Sales in the Americas were US$56.7 million in FY2009, a decrease of US$11.1 million, or 16%, from US$67.8 million in the previous year. These declines were due to the general economic slowdown in North America and some one-off after-market business, which was recorded in the previous year.

Powertrain Management

Global sales of products for powertrain management applications, including fuel and air pumps and engine air management systems, were US$58.4 million, a decrease of US$8.6 million in FY2009, or 13%, from US$67.0 million in the previous year. Excluding currency effects, underlying sales declined by 14%. As we drive to satisfy the rapidly growing market need for fuel efficiency and green initiatives the development of powertrain management products continues to be a key part of APG's strategy.

Sales in Europe were US$29.4 million in FY2009, a decrease of US$4.0 million, or 12%, from US$33.4 million in the previous year. Excluding currency effects, underlying sales declined by 13%. Sales declined as a result of supply chain rationalization as customers de-stocked, which more than offset increased revenues achieved through the launch of new products.

Sales in Asia were US$11.2 million in FY2009, a decrease of US$2.6 million, or 19%, from US$13.8 million in the previous year. Excluding currency effects, underlying sales declined by 22%. Sales declined in Asia overall as growth in China was more than offset by sharp reductions in Japan and Korea as those markets contracted.

Sales in the Americas were US$17.8 million in FY2009, a decrease of US$2.0 million, or 10%, from US$19.8 million in the previous year. The benefit of new product introductions was more than offset by North America sales declines in FY2009, especially in the second half, as the passenger car market declined. In contrast, sales in South America grew significantly over the previous year due to some customers migrating from higher cost North American locations to South American locations.

Chassis Braking

Global sales of products for chassis braking applications, including products for braking systems and transmission actuation, were US$21.6 million in FY2009, a decrease of US$19.9 million, or 48%, from US$41.5 million in the previous year. We continue to focus on developing the next generation of products for improving fuel efficiency through enhanced transmission applications which include automatic manual transmissions and dual clutch transmissions as well as increasing safety through improvised antilock braking systems.

Sales in Europe were US$6.7 million in FY2009, a decrease of US$1.6 million, or 19%, from US$8.3 million in the previous year. Excluding currency effects, underlying sales declined by 20%. Sales were impacted by the general economic slowdown in the second half of the year.

Sales in Asia were US$2.2 million in FY2009, a decrease of US$2.9 million, or 57%, from US$5.1 million in the previous year. The impact of changes in currency exchange rates in the year was negligible. Sales in Asia declined throughout the year as the phase out of uncompetitive products was completed.

Sales in the Americas were US12.7 million in FY2009, a decrease of US$15.4 million, or 55%, from US$28.1 million in the previous year. As with body climate products, North American sales of these products were heavily impacted by the decline in demand for heavy trucks and large sports utility vehicles which started in the first half of FY2009 and then accelerated in the second half.

Motion and Actuation Systems

Motion and actuation systems comprise actuation systems for climate control, headlamp adjustment and mirror control as well as switches, sensors and solenoids. Global sales were US$275.3 million in FY2009, a decrease of US$71.1 million, or 21%, from US$346.4 million in the previous year. Excluding currency effects, underlying sales declined by 22%.

Sales analysis for APG motion and actuation systems business units is as follows:

Actuation Systems

Global sales of actuation systems were US$202.9 million in FY2009, a decrease of US$47.2 million, or 19%, from US$250.1 million in the previous year. Excluding currency effects, underlying sales declined by 20%. APG has a significant share of the market for actuation systems for air conditioning and headlight applications, and we expect the development of new applications and actuators will provide significant growth opportunities.

Sales in Europe were US$144.5 million in FY2009, a decrease of US$25.3 million, or 15%, from US$169.8 million in the previous year. Excluding currency effects, underlying sales declined by 17%. Even with increased market penetration of stepper actuators in the first half of FY2009, full year sales declined due to the downturn of automotive sales. Sales were also reduced by changes in product mix as customers replaced older actuators with newer, lower priced products. This sales decline was also impacted by our strong presence in the mid-premium & luxury car market segments which have been disproportionately affected by the economic slowdown.

Sales in Asia were US$7.1 million in FY2009, a decrease of US$0.6 million, or 8%, from US$7.7 million in the previous year. Excluding currency effects, underlying sales declined by 10%. While we experienced declines on a currently low base in Asia, China continues to be a key target market for future growth. Recent government regulations mandating headlamp actuation systems have increased potential in this segment.

Sales in the Americas were US$51.3 million in FY2009, a decrease of US$21.3 million, or 29%, from US$72.6 million in the previous year. Sales decreased due to the overall market downturn and weakness in the heavy truck segment.

Switches, Sensors, and Solenoids

Global sales of switches, sensors, and solenoids were US$72.4 million in FY2009, a decrease of US$23.9 million, or 25%, from US$96.3 million in the previous year. Excluding currency effects, underlying sales declined by 26%. Recent new project wins are set to deliver increased sales in the FY2010.

Sales in Europe were US$46.2 million in FY2009, a decrease of US$16.8 million, or 27%, from US$63.0 million in the previous year. Excluding currency effects, underlying sales declined by 28%. In addition to the market led declines, revenues also reduced due to the exit of non-core product lines.

Sales in Asia were US$12.3 million in FY2009, an increase of US$1.0 million, or 9%, over US$11.3 million in the previous year. Excluding currency effects, underlying sales increased by 8%. Sales in Asia were robust and increased, partly due to the successful launch of new subsystems in the previous year.

Sales in the Americas were US$13.9 million in FY2009, a decrease of US$8.1 million, or 37%, from US$22.0 million in the previous year. Sales in North America declined throughout the year due to the weakness of the heavy truck and large sports utility vehicle segments, though a number of new solenoid projects were launched towards the end of FY2009.

INDUSTRY PRODUCTS GROUP ("IPG")

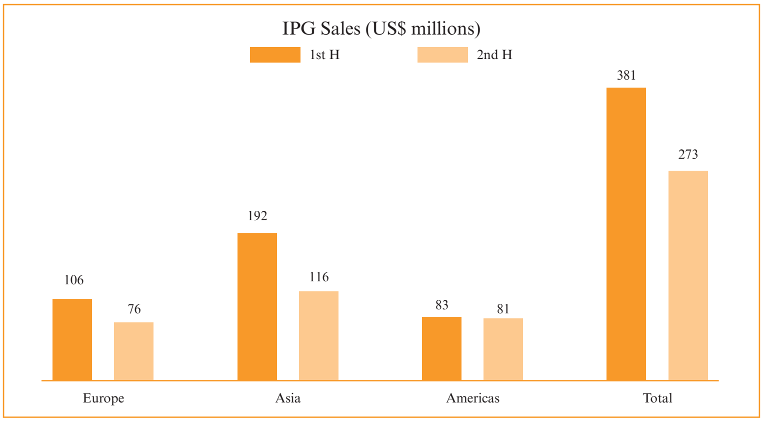
IPG sales in FY2009 were US$654.2 million, a decrease of US$61.9 million, or 8.6%, from US$716.1 million in the previous year. Changes in currency exchange rates in FY2009, primarily the strengthening of the Euro and Japanese Yen against the US dollar, contributed US$5.4 million to sales. Excluding this currency effect, underlying sales declined by 9%. IPG sales represented 36% of the Group's total turnover in FY2009.

Sales, reported geographically, are as follows:

IPG	FY2009		FY2008		Change
US$ millions	Sales	%	Sales	%	%
Europe	182	28%	192	27%	-5%
Asia	308	47%	343	48%	-10%
Americas	164	25%	181	25%	-9%
Total	654	100%	716	100%	-9%

First Half versus Second Half Sales

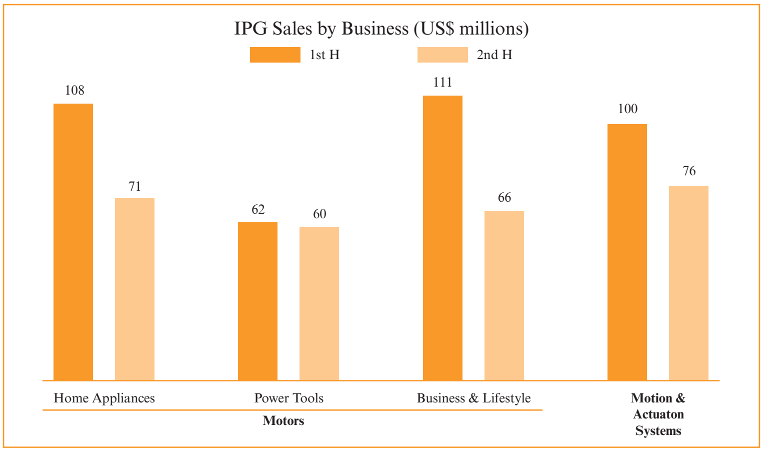
A comparison of sales between the first and second half of FY2009 is shown below:



IPG sales of US$273.2 million in the second half of FY2009 represented a decline of US$107.8 million, or 28%, from sales of US$381.0 million in the first half. Sales were further impacted by currency changes, notably the fall in the value of the Euro against the dollar. Excluding the Euro currency effect of US$8.1 million, sales declined in the second half over the first by 26%.

A significant drop in demand in the second half of FY2009 due to the global economic slowdown occurred in Europe where sales declined by US$30.3 million (29%) and in Asia where sales declined by US$76.2 million (40%). In the Americas, however, sales fell by only US$1.3 million (2%). Sales were impacted by conservative buying behaviour for household and lifestyle products and by concern amongst consumers about job stability which increased their inclination to save.

A comparison of sales between the first half and the second half of FY2009, analyzed by business, is shown below:



Looking ahead, we expect some recovery in sales as confidence grows again and as markets recover, and as we increase market penetration and launch several new products.

Motors

Global sales for IPG Motors were US$477.9 million in FY2009, a decrease of US$46.9 million, or 9%, from US$524.9 million in the previous year. Changes in currency exchange rates in FY2009 contributed US$4.9 million to sales compared to the previous year. Excluding these currency effects, underlying sales declined by 10%.

Sales analysis for IPG motors business units is as follows:

Home Appliances

Global sales of products for home appliance applications, including products for floor care, food & beverage and home comfort, were US$179.3 million in FY2009, a decrease of US$17.1 million, or 9%, from US$196.4 million in the previous year. The business plans to grow revenue by focusing on niche markets for home applications and developing deeper relationships with existing customers.

Sales in Europe were US$43.6 million in FY2009, an increase of US$3.8 million, or 10%, over US$39.8 million in the previous year. Excluding currency effects, underlying sales increased by 8%. Sales increased mainly due to increased market share in the white goods and juice extractor segments as well as a successful entry into the deep fryer segment.

Sales in Asia were US$88.4 million in FY2009, a decrease of US$14.5 million, or 14%, from US$102.9 million in the previous year. Excluding currency effects, underlying sales declined by 14%. The sales decline occurred primarily in the second half of FY2009 as a result of the economic slowdown's impact on the export of floor care products assembled by our customers in China and other South Asian countries.

Sales in the Americas were US$47.3 million in FY2009, a decrease of US$6.4 million, or 12%, from US$53.7 million in the previous year. Lower levels of demand for floor care products such as brush roll, large vacuum cleaner and food & beverage applications contributed to the decline. These declines were partly offset by growth in the hand dryer and food waste disposal business.

Power Tools

Global sales of products for power tools applications, including products for power tools, garden and outdoor products, and starter applications, were US$121.7 million in FY2009, a decrease of US$19.2 million, or 14%, from US$140.9 million in the previous year. The impact of the economic slowdown on the housing and related markets was the principal cause of the sales decline. The sales growth strategy for FY2010 is built around new customer programs and a focus on niche markets.

Sales in Europe were US$6.5 million in FY2009, a decrease of US$0.8 million, or 11%, from the relatively low base of US$7.3 million in the previous year. The effect of currency exchange rates was negligible. Some of our products are sold to manufacturers of discretionary consumer items such as recreational products, and as some consumers curtailed their expenditure on these items the demand for our products was adversely affected.

Sales in Asia were US$59.8 million, a decrease of US$12.2 million in FY2009, or 17%, from US$72.0 million in the previous year. The effect of currency exchange rates was negligible. Other than the effect of the economic slowdown, sales declined due to a strategic shift away from commodity based products towards differentiated and innovative, higher margin solutions.

Sales in the Americas were US$55.4 million in FY2009, a decrease of US$6.2 million, or 10%, from US$61.6 million in the previous year. The housing slump in North America affected the demand for power tools needed for new home construction and remodeling and, although the successful launch of starter motor programs occurred in the second half of FY2009, it was not enough to offset the impact of the economic decline on power tools products.

Business and Lifestyle

Global sales of products for business and lifestyle applications, including products for business equipment, personal products, fitness, building automation, security, and audio-visual applications, were US$176.9 million in FY2009, a decrease of US$10.7 million, or 6%, from US$187.6 million in the previous year. Excluding currency effects, underlying sales declined by 8%. In FY2010, the focus will be on providing total motion product solutions and developing new products for healthcare and environmental applications.

Sales in Europe were US$15.9 million in FY2009, a decrease of US$2.4 million, or 13%, from US$18.3 million in the previous year. Excluding currency effects, underlying sales declined by 14%. Sales declined as new product launches were postponed by customers as a result of the poor market sentiment.

Sales in Asia were US$143.0 million in FY2009, a decrease of US$9.1 million, or 6%, from US$152.1 million in the previous year. Excluding currency effects, underlying sales declined by 9%. Although sales in Japan benefited from the strengthening of the Japanese yen against the US dollar it was not enough to offset the reduction in volumes. Sales in the first half of FY2009 were strong as a result of new product and program launches across a range of applications but the economic slowdown led to reduced sales in the second half particularly for products in laser and inkjet printers, cameras, audio & video, and printer pumps. These declines more than offset sales growth in motors for toilet seats and gaming products as well as for new applications such as circuit breakers, building automation and blood pressure pumps.

Sales in the Americas were US$18.0 million in FY2009, an increase of US$0.8 million, or 5%, over US$17.2 million in the previous year. Sales for motors for vending machines and toys in North America were stable whereas sales increased for newly developed motors for hair care products in South America.

Motion and Actuation Systems

Motion and actuation systems comprise actuation systems and solenoids for heating ventilation and air conditioning (HVAC), distribution, building automation, postal automation, vending and industrial equipment applications, as well as switches for a variety of applications. Global sales were US$176.3 million in FY2009, a decrease of US$14.9 million or 8%, from US$191.2 million in the previous year. The contribution from the strengthening of the Euro and other currencies against the US dollar was not significant.

Sales analysis for IPG motion and actuation business units is as follows:

Switches

Global sales of switches for home appliances, business machines, industrial equipment, building automation and security, as well as heating ventilation and air conditioning (HVAC) applications, were US$73.2 million in FY2009, a decrease of US$12.7 million or 15%, from US$85.9 million in the previous year. The effect of currency exchange rates was negligible. Continued efforts to expand indirect sales channels and to include switches as part of sub-systems and motion solutions offerings will help us grow sales in FY2010.

Sales in Europe were US$57.1 million in FY2009, a decrease of US$10.2 million, or 15%, from US$67.3 million in the previous year. The sales decline resulted from the weak economic conditions and the consequent reduction of stocks at distributors together with reduced sales for switches to small appliance, white goods, HVAC, and power and garden equipment manufacturers. Sales increases due to currency gains from the strengthening of the Euro and other currencies were offset by the weaker pound sterling.

Sales in Asia were US$11.0 million in FY2009, a decrease of US$1.3 million, or 11%, from US$12.3 million in the previous year. The effect of currency exchange rates was negligible. Sales declined due to the market slowdown and as a result of the discontinuation of unprofitable business.

Sales in the Americas were US$5.1 million in FY2009, a decrease of US$1.2 million, or 19%, from a small base of US$6.3 million in the previous year. These reductions were in line with the contraction of the market due to the economic slowdown.

Actuators

Global sales of actuators, including products for heating, ventilation and air conditioning (HVAC) applications and mail sorting automation were US$103.1 million in FY2009, a decrease of US$2.2 million, or 2%, from US$105.3 million in the previous year. Excluding currency effects, underlying sales declined by 3%. It is expected that sales will increase in FY2010 as markets revive and we enhance service levels and delivery performance to our customers.

Sales in Europe were US$58.6 million in FY2009, a decrease of US$0.8 million, or 1%, from US$59.4 million in the previous year. Excluding currency effects, underlying sales declined by 3%. Products for heating, ventilation and air conditioning (HVAC) applications make up the majority of this business unit's sales. Sales of such products were strong in the first half of FY2009 but the economic slow-down in the second half negatively impacted sales.

Sales in Asia were US$5.6 million in FY2009, an increase of US$1.6 million, or 40%, from a small base of US$4.0 million in the previous year. The effect of currency exchange rates was negligible. Sales grew as a result of increased demand for actuation systems for printers and for testing equipment for hard disc drives.

Sales in the Americas were US$38.9 million in FY2009, a decrease of US$3.0 million, or 7%, from US$41.9 million in the previous year. Sales declines were due to lower demand for products for air conditioning and for postal automation systems.

OTHER MANUFACTURING BUSINESSES

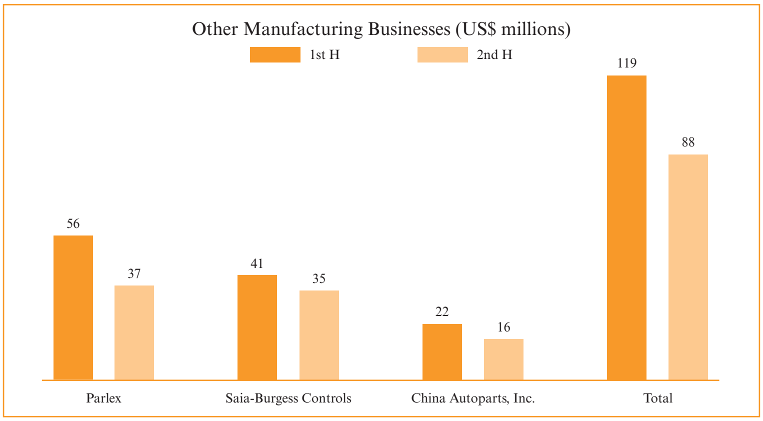
The Group's other manufacturing businesses include Parlex, Saia-Burgess Controls, and China Autoparts, Inc.. Sales in FY2009 were as follows:

Other Manufacturing Businesses	FY2009		FY2008		Change
US$ millions	Sales	%	Sales	%	%
Parlex	93	45%	115	53%	-19%
Saia-Burgess Controls	76	37%	69	32%	11%
China Autoparts, Inc.	38	18%	33	15%	15%
Total	207	100%	217	100%	-5%

First Half versus Second Half Sales

As with other parts of the Group, sales for these businesses were affected by the economic slowdown, and sales declined in the second half of FY2009.

A comparison of sales between the first and second half of FY2009 is shown below:



Parlex

Sales by Parlex, a flexible printed circuit board and interconnect solutions provider, were US$93.1 million in FY2009, a decrease of US$22.1 million, or 19%, from US$115.2 million in the previous year. The weakening of the pound sterling against the US dollar contributed US$1.8 million to this reduction of sales. Excluding this currency effect, underlying sales declined by 18%.

Sales to our customers in the consumer electronics and automotive markets declined in the second half of FY2009. At the same time, the business exited certain unprofitable markets. These sales declines were partially offset by some price increases.

Parlex plans to launch several new products in the second half of FY2010.

Saia-Burgess Controls

Sales by Saia-Burgess Controls, a niche player in the programmable controls industry, primarily in Europe, were US$76.1 million in FY2009, an increase of US$7.3 million, or 11%, over US$68.8 million in the previous year. The strengthening of the Euro, Swiss Franc and other currencies against the US dollar contributed US$2.3 million to sales. Excluding this currency effect, underlying sales increased by 7%.

Sales increased as a result of the successful introduction of web-based Human Machine Interface (HMI) products and through increased sales to our customers in infrastructure automation businesses. These increases more than offset declines that were experienced in other market segments.

The business plans to achieve sales growth with its innovative Human Machine Interface (HMI) products and its energy metering products.

China Autoparts, Inc.

Sales by China Autoparts, Inc., a leading independent producer of high quality iron casting parts for the automotive sector in China, were US$37.3 million in FY2009, an increase of US$4.8 million, or 15%, over US$32.5 million in the previous year. The strengthening of the Chinese renminbi against the US dollar contributed US$2.9 million to the unit's sales. Excluding this currency effect, underlying sales increased by 6%.

This business, which is located near to Chengdu, increased sales despite being negatively impacted after the Sichuan Province earthquake, in the first half of FY2009, which led to the loss of more than two weeks of production.

Recent economic stimulus measures implemented by the PRC government have resulted in a significant increase in the demand for mini-vans and smaller passenger vehicles – segments in which China Autoparts has a strong market position.

TRADING SEGMENT

Johnson Electric Trading was established in FY2005 to build a sourcing network in China to supply global customers with a wide range of motor-related parts and components that are not currently manufactured within Johnson Electric, and to supply specialty metals for local Asian customers.

The business delivered sales of US$62.4 million in FY2009, a decrease of US$69.0 million, or 53%, from sales of US$131.4 million in the previous year. The effects of currency changes were negligible. The trading business has been badly affected by a reduction in demand and a dramatic fall in commodity prices as a result of the recent global downturn.

FINANCIAL RESULTS

	FY2009			FY2008		
US$ millions	Manu-facturing	Trading	Total	Manu-facturing	Trading	Total
Sales	1,766	62	1,828	2,090	131	2,221
Gross Profit/(Loss)	429	(3)	426	555	9	564
Gross Margin %	*24.3%*	*-4.8%*	*23.3%*	*26.6%*	*6.9%*	*25.4%*
Other (Losses)/Income & Gains	(8)	1	(7)	19	(1)	18
Selling and Administrative Expenses ("S&A")	(343)	(10)	(353)	(361)	(8)	(369)
S&A%	*19.4%*	*16.1%*	*19.3%*	*17.3%*	*6.1%*	*16.6%*
Operating Profit/(Loss) before Restructuring	79	(13)	66	213	–	213
Restructuring Costs & Assets Impairment	(14)	(5)	(19)	(24)	–	(24)
Operating Profit/(Loss)	65	(18)	47	189	–	189
Operating Margin %	*3.7%*	*-29.0%*	*2.6%*	*9.0%*	–	*8.5%*
Finance Costs, Net	(9)	–	(9)	(18)	(1)	(19)
Profit/(Loss) before Income Tax	56	(18)	38	171	(1)	170
	3.2%	*-29.0%*	*2.1%*	*8.2%*	*-0.8%*	*7.7%*
Income Tax			–			(32)
Profit from Continuing Operations			38			138
Discontinued Operations*			(31)			–
Profit for the Year			7			138
Minority Interest			(4)			(7)
Profit Attributable to Shareholders			3			131

* *Green Vision Group*

Sales

Total Group Sales for FY2009 were US$1,828 million, a decrease of US$393 million, or 17.7%, from US$2,221 million in the previous year, as described in the table on page 11 and in the commentary which follows on pages 11 to 25.

First Half versus Second Half

An analysis of sales and profit comparing the first and second halves of FY2009 is shown below:

US$ millions	1H FY2009	2H FY2009	Total
Sales	1,130	698	1,828
Gross Profit	293	133	426
Gross Margin %	*25.9%*	*19.1%*	*23.3%*
Other (Losses)/Income & Gains	8	(15)	(7)
Selling and Administrative Expenses ("S&A")	(203)	(150)	(353)
S&A %	*18.0%*	*21.4%*	*19.3%*
Operating Profit/(Loss) before Restructuring	98	(32)	66
Restructuring Costs & Assets Impairment	(2)	(17)	(19)
Operating Profit/(Loss)	96	(49)	47
Operating Margin %	*8.5%*	*-7.0%*	*2.6%*
Finance Costs, Net	(6)	(3)	(9)
Profit/(Loss) before Income Tax	90	(52)	38
Income Tax	(14)	14	0
Profit/(Loss) from Continuing Operations	76	(38)	38
Discontinued Operations*	(28)	(3)	(31)
Profit/(Loss) for the Year	48	(41)	7
Minority Interest	(2)	(2)	(4)
Profit/(Loss) Attributable to Shareholders	46	(43)	3

* *Green Vision Group*

Due to the significant downturn in sales in the second half of FY2009, gross profit was US$133 million, a decrease of US$160 million from the US$293 million in the first half. As a percentage of sales, gross margin declined from 25.9% to 19.1% primarily due to lower volumes.

As a result of this decline in sales and related profit contribution, the Group's profitability in the first half was not sustainable and a loss on continuing operations of US$52 million, before tax recovery, was incurred in the second half of FY2009. In response to the declining sales, management moved rapidly to reduce all costs across the Group's global operations but could not initially keep pace with the very rapid erosion of sales and profit contribution. However, these initiatives and actions will favourably affect FY2010.

Forecasting demand for FY2010 remains difficult and, as a consequence, so is forecasting profitability. There are many factors outside our control and difficult to project. However, with the actions we are taking to address market, product, and innovation opportunities, we expect to see some improvement in sales compared to the second half of FY2009 provided there are no new adverse developments in the markets we serve. With some increase in sales and with the impact of the many cost reduction initiatives and programs launched during the second half of FY2009 which are now taking full effect, the Group should be able to return to profitability in the first half of FY2010.

Full Year Profit and Loss Analysis

The following analysis of the Profit and Loss Account is by the segments Manufacturing, Trading and Discontinued Operations, comparing profitability for FY2009 with profitability for the previous year.

MANUFACTURING SEGMENT

Gross Profit

Gross profit for the year was US$429.3 million in FY2009, a decrease in the year of US$126.1 million, or 22.7%, from US$555.4 million in the previous year. As a percentage of sales, gross margin decreased from 26.6% to 24.3%.

During the year, gross profit decreased by US$9.3 million as a result of changes in the relative value of currencies, by US$43.4 million as a result of the adverse external factors noted below, and by a net US$73.4 million as a result of lower volumes and changes to product mix offset in part by lower costs resulting from initiatives to improve pricing and productivity.

Currency Impact

The combined effects of the Euro and other European currencies as well as the Chinese renminbi and other Asian currencies resulted in a net expense of US$9.3 million, equivalent to 0.5% of sales.

A significant proportion of the Group's sales and operations are conducted in Europe in Euro and other European currencies. During the year, the translation of these currencies resulted in sales increasing by US$11.8 million and costs increasing by US$8.3 million, resulting in a net favourable impact of US$3.5 million on gross profit.

In Asia, the translation of the Chinese renminbi and other Asian currencies resulted in sales increasing by US$14.8 million and costs increasing by US$27.6 million, resulting in a net unfavorable impact of US$12.8 million on gross profit.

External Factors

Gross profit in FY2009 was adversely impacted by ongoing pressures on a number of key cost items including copper, steel, energy costs and PRC labour rates. Combined, this "headwind" reduced gross profit by a total of US$43.4 million in comparison to the previous year, equivalent to 2.5% of sales. Additionally, due to the significant and sudden downturn in sales and production volumes, a portion of our forward contracts on currency and copper which we use to offset risk from changing market prices, exceeded our requirements. This net cost has been included as "other losses, income and gains" (see below).

In the second half of FY2009 some of these pressures reduced as a result of the cooling in the global economy and the consequent reduction in demand.

Operations

Across all our businesses, the impact of the downturn in the global economy has been significant. The impact decreased gross profit by US$110.5 million compared to the previous year, equivalent to 6.3% of sales. Sales and production volumes have decreased year on year, lowering gross profit by US$86.5 million while changes in product and market mix have decreased gross profit by US$24.0 million compared to the previous year.

On the other hand, initiatives to improve production flows and efficiency as well as other operational actions, combined to enhance margins by US$12.5 million. Furthermore, pricing actions continued to provide partial relief from the adverse effects of rapidly increasing material costs, particularly in our industrial businesses and our automotive business in Asia, contributing US$24.6 million to gross profit. Together, these actions generated US$37.1 million of additional gross profit compared to the previous year, equivalent to 2.1% of sales.

Parlex

Gross profit in Parlex, net of currency effects, was up by US$6.9 million in FY2009 compared to the previous year. The work done to restructure the activities of this business and to improve yields on the shop floor is now producing positive results, generating higher levels of profitability even at a lower sales level than before. This business is now well positioned for profitable growth and to contribute to technology, product and other synergies within the Group.

Other Losses, Income and Gains

Other losses, income and gains were a loss of US$7.6 million, compared to an income of US$18.4 million in the previous year. Gains on asset disposals were US$11.7 million lower than the previous year. Additionally, losses on revaluation of investment properties resulted in an US$8.5 million adverse expense compared to the previous year when income had been recognized, but were offset in part by US$0.8 million in higher rental income. As noted in the section on 'External Factors', a portion of our currency and copper forward contracts exceeded our requirements because of the unexpected and significant downturn in the global economy. This resulted in net losses of US$6.6 million for the year.

In the first half of FY2009, we recorded a gain of US$8.4 million. This comprised US$5.7 million gains on currency contracts, US$2.1 million of rental income and US$0.6 million of gains on fixed asset and investment disposals.

In the second half, we recorded a loss of US$16.0 million. This comprised losses of US$13.2 million on commodity contracts, US$5.4 million on revaluation of investment properties and US$0.6 million on fixed asset and investment disposals. These losses were partially offset by gains of US$0.9 million on currency contracts and US$2.3 million of rental income.

Selling and Administrative Expenses ("S&A")

S&A expenses were US$343.2 million in FY2009, a decrease of US$18.0 million, or 5.0%, from US$361.2 million in the previous year. As a percentage of sales, S&A increased from 17.3% in the previous year to 19.4%.

S&A expenses denominated in foreign currencies and translated at rates higher than the previous year added US$5.2 million to costs. In addition, costs increased a further US$4.7 million to account for hedging transactions and the revaluation of monetary assets and liabilities.

Excluding these effects, S&A expenses decreased by 7.6% year on year, and were 18.9% of sales, compared with 17.3% in the previous year. Cost reduction initiatives in this area are ongoing following the sharp decline in sales in the second half of FY2009. These initiatives resulted in significant reductions in S&A expenses in the last quarter of the year.

Restructuring Costs and Assets Impairment

The Group's restructuring charges and asset impairment expenses were US$14.0 million, a decrease of US$10.0 million from US$24.0 million in the previous year. This reflects the completion of major programs in Parlex but continuing work to rationalize European operations. Cost reduction programs are ongoing to re-size our operations to reflect the reduced volumes, and to leverage synergies, particularly in Europe.

Operating Profit

Operating profit for the Manufacturing segment was US$64.6 million in FY2009, a decrease of US$124.0 million, or 65.7%, from US$188.6 million in the previous year. Operating margin reduced from 9.0% to 3.7%.

The combined currency effects on revenues and costs, detailed above, resulted in an unfavorable net impact of US$12.6 million on profit before tax, or 0.7% of sales.

TRADING SEGMENT

Gross Profit

Gross profit on the Trading segment in FY2009 was negative US$3.6 million, a decline of US$12.5 million from a gross profit of US$8.9 million in the previous year. This was due to a combination of lower volumes, losses arising from the revaluation of commodity stocks and a provision for inventory losses on goods held on consignment with a customer.

Other Losses, Income and Gains

Other losses, income and gains registered a gain of US$0.9 million in FY2009, an increase of US$1.6 million on losses of US$0.7 million in the previous year. This was due to gains on copper and aluminium forward contracts.

Selling and Administrative Expenses

Selling and Administrative expenses were US$10.3 million in FY2009, an increase of US$2.3 million from US$8.0 million in the previous year. This increase was due mainly to increases in bad debt provisions.

Restructuring Costs and Asset Impairment

Restructuring costs and Asset Impairment amounted to US$4.8 million in FY2009, an increase of US$4.8 million from the previous year. This represents an impairment of goodwill on acquisitions in prior years as a result of the downturn in business and margins in this segment.

Operating Profit

The Trading segment had an operating loss of US$17.7 million in FY2009, compared to a US$0.2 million profit in the previous year.

CONSOLIDATED GROUP PROFIT (Manufacturing and Trading segments, combined)

Operating profit for the Group, including Manufacturing and Trading operations, was US$46.9 million in FY2009, a decrease of US$141.9 million, or 75.1% on US$188.8 million in the previous year.

Group Finance Costs

Finance costs were US$9.6 million in FY2009, a reduction of US$9.1 million from US$18.7 million in the previous year. This was primarily due to lower interest rates in FY2009.

Income Tax

Tax income in FY2009 was US$0.4 million, a reduction of US$32.3 million from an expense of US$31.9 million in the previous year.

Income tax expenses in FY2009 fell by US$14.1 million due to lower profits, partially offset by a change in the mix of tax jurisdictions where profits and losses arose. The taxation charge was also reduced by the release of provisions from prior years of US$5.1 million following the finalization of tax assessments in some countries.

The increase in deferred tax income in FY2009 by US$18.3 million includes two adjustments. Following a review of potential future profitability in our North American and European operations, certain tax losses from FY2009 and prior years have been capitalized as deferred tax assets, giving rise to income in FY2009. Additionally, deferred tax assets were also increased following a review of the taxation of deferred profit on manufactured components held in inventory (products manufactured in China and held in inventory in Europe and North America before being sold to customers). This also increased income in FY2009.

Profit from Continuing Operations

Profit from continuing operations in FY2009 was US$37.8 million, a decrease of US$100.4 million, 72.6%, from US$138.2 million in the previous year. This is the net result from the profit after tax on continuing operations of US$55.8 million in the Manufacturing segment and the loss after tax of US$18.0 million in the Trading segment.

DISCONTINUED OPERATIONS

In FY2008 a new business (referred to as the Green Vision Group) was setup within the Trading segment to recycle and trade scrap metal. This business suffered in the wake of significant shifts in the supply, demand and pricing of these materials in the middle of FY2009. As it was anticipated that these turbulent conditions would continue and the risk of this operation would increase as a result, the Green Vision Group operations have been discontinued.

The accounts of the Green Vision Group operations have been prepared on a liquidation basis and, accordingly, the losses of US$31.1 million in the business including asset impairment and exit costs have been included separately in the results.

Losses from trading operations including provisions were US$4.8 million. The value of inventory held for re-sale was impaired by US$13.1 million as a result of the change in the market price of commodities. The volatile trading conditions and the exit from the business also led to bad debts and losses of deposits on contracts of US$10.2 million. Fixed assets were written down by US$3.0 million.

Minority Interest

Profit attributable to minority interests in FY2009 was US$4.1 million, a decrease of US$3.3 million from US$7.4 million in the previous year. This was primarily because a gain on the disposal of assets which occurred in the previous year in one of our majority-owned subsidiaries was not repeated.

Profit Attributable to Shareholders

Profit attributable to shareholders in FY2009 was US$2.6 million, a decrease of US$128.2 million from US$130.8 million in the previous year. Excluding Discontinued Operations, profit attributable to shareholders was US$33.7 million and earnings per share were 0.92 US cents per share, compared to 3.57 US cents per share in the previous year. Including the non-recurring US$31.1 million losses incurred in Discontinued Operations, earnings per share amounted to 0.07 US cents per share.

NET INCOME RECOGNIZED DIRECTLY IN EQUITY

The Consolidated Statement of Recognized Income and Expense included in the Accounts provides details of the income and expenses that were recognized directly in equity and reserves (not through the Profit & Loss Account). In FY2009, expenses exceeded income by US$93.6 million, while in the previous year the reverse occurred and income exceeded expenses by US$98.1 million.

The items of income and expense which are the main cause of the reversal in FY2009 relate to the currency translation effects on the net assets of the Group's foreign subsidiaries. In FY2009, the translation of these net assets at 31st March 2009 resulted in an expense of US$79.6 million due to the strengthening of the US dollar against the currencies in which these assets are held. In contrast, at the end of FY2008, the translation of net assets resulted in an income of US$110.2 million due to the weaker US dollar compared to those same currencies.

FINANCIAL POSITION AND LIQUIDITY

Analysis of Cash Flows

US$ millions	FY2009	FY2008	Change
Profit before Interest and Tax*	46.9	188.8	(141.9)
Depreciation and Amortization	89.2	90.5	(1.3)
EBITDA	**136.1**	**279.3**	**(143.2)**
Other Non Cash Items in Profit before Tax	16.8	1.6	15.2
Working Capital Change	106.9	34.9	72.0
Cash from Operating Activities	**259.8**	**315.8**	**(56.0)**
Capital Expenditure	(65.3)	(98.7)	33.4
Proceeds from Sale of Assets and Investments	9.0	17.7	(8.7)
Operating Cash Flow less Operating Investment Activities	**203.5**	**234.8**	**(31.3)**
Net Interest Paid	(8.5)	(23.3)	14.8
Tax	(28.3)	(22.7)	(5.6)
Dividend Paid	(46.2)	(61.2)	15.0
Treasury Shares and Liquid Securities, and Dividend Received (net)	(1.2)	(12.3)	11.1
Pledged Deposits	(17.1)	–	(17.1)
Unwind Currency Swap	(13.2)	–	(13.2)
Net Cash Flow – Continuing Operation	**89.0**	**115.3**	**(26.3)**
Discontinued Operations (exclude financing activities)	(13.0)	–	(13.0)
Net Cash Flow	**76.0**	**115.3**	**(39.3)**
Use of Cash			
Used to Repay Debt	**35.5**	**9.6**	**25.9**
Net increase/(decrease) in Cash and Cash Equivalents	**41.8**	**105.4**	**(63.6)**
Net increase/(decrease) in Short Term Investment & Time Deposit	**(1.3)**	**0.3**	**(1.6)**
	76.0	**115.3**	**(39.3)**
Reconciliation to Net Debt			
Exchange (Losses)/Gains on Net Debt	**(6.5)**	**11.5**	**(18.0)**
Net Movement in Cash, Overdrafts and Borrowings (Net Debt)	**69.5**	**126.8**	**(57.3)**

* *Operating Profit per accounts*

During FY2009, cash generated from operating activities (before capital expenditure and before proceeds from the sale of fixed assets) was US$259.8 million, a decrease of US$56.0 million, or 17.7%, from US$315.8 million in the previous year. Despite the challenging conditions which prevailed in the second half of FY2009, the Group continued to generate strong positive cash flow from operating activities, albeit at a lower rate than the previous year.

Compared to the previous year, cash flow decreased by US$141.9 million due to lower Profit before Interest and Tax but this was partially offset by an additional US$72 million released from working capital. In FY2009, US$106.9 million was released from working capital compared to US$34.9 million in the previous year, reflecting the effects of lowering levels of accounts receivable and inventory and the strenuous efforts to minimize working capital.

First Half versus Second Half

The profile of cash flows between the first and second halves of FY2009 is shown below:

US$ millions	H1 FY2009	H2 FY2009
Profit before Interest and Tax*	95.7	(48.8)
Depreciation and Amortization	45.8	43.4
EBITDA	**141.5**	**(5.4)**
Other Non Cash Items in Profit before Tax	(1.6)	18.4
Working Capital Change	(18.9)	125.8
Cash from Operating Activities	**121.0**	**138.8**
Capital Expenditure	(36.1)	(29.2)
Proceeds from Sale of Assets and Investments	4.2	4.8
Operating Cash Flow less Operating Investment Activities	**89.1**	**114.4**
Net Interest Paid	(3.6)	(4.9)
Tax	(13.7)	(14.6)
Dividend Paid	(46.2)	–
Treasury Shares and Liquid Securities, and Dividend Received (net)	–	(1.2)
Pledged Deposits	–	(17.1)
Unwind Currency Swap	–	(13.2)
Net Cash Flow – Continuing Operation	**25.6**	**63.4**
Discontinued Operations (exclude financing activities)	(23.9)	10.9
Net Cash Flow	**1.7**	**74.3**
Use of Cash		
Used to Repay Debt	**4.1**	**31.4**
Net increase/(decrease) in Cash and Cash Equivalents	**(1.1)**	**42.9**
Net increase/(decrease) in Short Term Investment & Time Deposit	**(1.3)**	**0.0**
	1.7	**74.3**
Reconciliation to Net Debt		
Exchange (Losses)/Gains on Net Debt	**(3.4)**	**(3.1)**
Net Movement in Cash, Overdrafts and Borrowings (Net Debt)	**(1.7)**	**71.2**

* *Operating Profit per accounts*

For Continuing Operations, Earnings before Interest, Taxation, Depreciation, and Amortization (EBITDA) for the first half of FY2009 amounted to US$141.5 million, but with the lower levels of sales and profit contribution in the second half a loss of US$5.4 million resulted. However, in response to reduced sales and production activity, actions were taken to control and reduce inventories and receivables and to negotiate new supplier terms. As a result, Cash from Operating Activities was US$138.8 million in the second half, an increase of US$17.8 million from the first half. The rate of capital expenditure was also reduced in the second half compared to the first half.

Working Capital and Provisions

Overall, working capital and provisions decreased by US$103.0 million, from US$255.5 million to US$152.5 million. The underlying cash contribution from working capital reductions was US$106.9 million (see also cash flow statement above at "working capital change").

US$ millions	31st Mar 08	Currency translation	Acquisitions	Pension, Hedging & Interest Payable	Unwind contract	Discontinued Operation	Continuing Operation	31st Mar 09
Stocks and other work in progress	269.9	(23.1)	1.0	–	–	(1.1)	(43.9)	202.8
Trade and other receivables	505.6	(31.4)	0.7	–	–	(25.9)	(176.6)	272.4
Trade and other payables	(352.3)	20.3	(1.3)	0.9	–	11.4	95.0	(226.0)
Provisions and other liabilities *	(73.2)	9.7	–	(5.9)	–	–	4.7	(64.7)
Other financial liabilities, net	(94.5)	47.9	–	(12.5)	13.2	–	13.9	(32.0)
Total Working Capital per Balance Sheet	255.5	23.4	0.4	(17.5)	13.2	(15.6)	(106.9)	152.5

* *Current and non current*

Stocks and work in progress decreased by US$67.1 million, from US$269.9 million to US$202.8 million. Currency translation changes resulted in a decrease in stock of US$23.1 million. Excluding these effects as well as the US$1.0 million increase in stock and work in progress resulting from the acquisition of Fully Motor Limited and the reduction in inventory in discontinued operations by US$1.1 million, stocks and work in progress decreased by US$43.9 million. This was mainly due to destocking in response to reduced demand. After adjusting for currency effects, inventory turns (the ratio of cost of goods sold to stock) improved from 6.7 at 31st March 2008 to 6.9 at 31st March 2009.

Trade and other receivables decreased by US$233.2 million, from US$505.6 million to US$272.4 million. Of this decrease, US$31.4 million was due to currency translation changes. Excluding the currency effect, as well as the US$0.7 million increase in receivables resulting from the acquisition of Fully Motor Limited and a reduction in receivables in discontinued operations by US$25.9 million, trade and other receivables decreased by US$176.6 million.

This was mainly due to a reduction in trade receivables, net of bad debt provisions. At 31st March 2009 this totalled US$223.5 million, of which 96.2% was current or aged less than 30 days past due, and only 0.7% was aged over 90 days past due. Overdue trade receivables decreased by US$39.4 million from US$61.0 million to US$21.6 million. Days Sales Outstanding for the Group decreased from 65 days to 62 days. This reflects an increasing focus by the Group on receivables and risk in response to changing market and economic conditions which also helped prevent an increase in the incidence of bad debts in the Group's core businesses.

Trade and other payables decreased by US$126.3 million, from US$352.3 million to US$226.0 million. US$20.3 million of this decrease was due to currency translation changes. Excluding the currency effect as well as the US$1.3 million increase in payables resulting from the acquisition of Fully Motor Limited, the US$0.9 million decrease in interest payable, and the US$11.4 million reduction in payables in discontinued operations the trade and other payables decreased by US$95.0 million. Trade creditor days for the Group increased from 64 to 70.

Long-term and short-term provisions decreased by US$8.5 million from US$73.2 million to US$64.7 million. Currency translation changes accounted for US$9.7 million of the decrease while provisions for pensions increased by US$5.9 million and other provisions reduced by US$4.7 million.

Net other financial liabilities were US$32.0 million in FY2009, a reduction of US$62.5 million from US$94.5 million in the previous year. The Company enters into forward contracts to mitigate its exposure to the risks of volatile exchange rates and commodity prices. These mainly take the form of forward contracts where we lock into a forward currency rate or commodity price. In addition, a cross currency interest rate swap was entered into in FY2006 where a portion of US dollar borrowings were swapped into Swiss francs. These can be analyzed as follows:

	31st March 2009			31st March 2008		
US$ millions	Asset	Liability	Net	Asset	Liability	Net
Currency	3.2	–	3.2	1.9	(25.0)	(23.1)
Interest	–	(1.0)	(1.0)	–	–	–
Commodity	2.7	(15.0)	(12.3)	13.2	–	13.2
Others	0.5	–	0.5	–	–	–
Current	6.4	(16.0)	(9.6)	15.1	(25.0)	(9.9)
Non current	–	(22.4)	(22.4)	–	(84.6)	(84.6)
Total	**6.4**	**(38.4)**	**(32.0)**	**15.1**	**(109.6)**	**(94.5)**

The currency forward position was an asset of US$3.2 million as at 31st March 2009 whereas as at 31st March 2008 the forward position was a net liability of US$23.1 million. This is because of a significant reduction in open forward contract positions.

Commodity hedging contracts for copper were classified as a net liability of US$12.3 million at 31st March 2009, compared to a net asset of US$13.2 million at 31st March 2008. This reflects the falling price of copper over the period.

Other financial liabilities classified as non current (long-term) have reduced by US$62.2 million from US$84.6 million to US$22.4 million. This mainly relates to the cross currency interest rate swap between US dollars and Swiss francs. Due to the unwinding of US$106 million of this contract and the weakening of the Swiss franc against the US dollar at the balance sheet date, this liability has declined by US$61.2 million from US$82.8 million to US$21.6 million.

Capital Expenditure (and proceeds from sale of assets and investments)

Capital Expenditure decreased by US$33.4 million in FY2009, from US$98.7 million to US$65.3 million. The Company continues to invest in machinery and equipment which enables innovation, new product manufacture, and improved process flow and efficiency. In the near-term, however, we expect capital expenditure to be significantly reduced as a reflection of diminished sales activity and our cash conservation programs.

Proceeds from the sales of assets and investments were US$9.0 million in FY2009, US$8.7 million lower than the previous year when asset disposals were unusually high.

Operating Cash Flow less Operating Investment Activities

Operating cash flow less operating investment activities, for continuing operations, was US$203.5 million in FY2009, a reduction of US$31.3 million from US$234.8 million in the previous year. In light of the downturn in sales and manufacturing activity, this still represents a relatively strong cash generation performance at 11.1% of sales (compared to 10.6% in the previous year).

Interest and Tax

Interest paid, net of interest received, decreased in FY2009 by US$14.8 from US$23.3 million to US$8.5 million. This results mainly from a reduction in interest rates on debt.

Taxes paid in FY2009, net of refunds, increased by US$5.6 million from US$22.7 million to US$28.3 million. In the previous year, tax refunds were received which related to businesses in Germany and Switzerland.

Dividends

The dividend of US$46.2 million paid in the year was the final dividend in respect of FY2008. No interim dividend for FY2009 was paid as the Directors determined that cash should be conserved within the business.

Other Cash Movements

Cash payments for investments in treasury shares and securities, and cash received from dividends and sales of other investments, decreased by US$11.1 million from US$12.3 million to US$1.2 million.

A US$17.1 million deposit was made against an irrevocable standby letter of credit with a US court regarding a legal case in dispute. The company expects to recover this amount at a later date after the appeal case is heard.

US$106.0 million of the US$259.0 million cross currency interest rate swap was unwound in the year. This resulted in a cash outflow of US$13.2 million.

Net Cash Flow from Continuing Operations

Net cash flow from continuing operations was US$89.0 million in FY2009, a decrease of US$26.3 million, or 22.8%, on US$115.3 million in the previous year.

Discontinued Operations

The Green Vision Group operations, which were discontinued in FY2009, consumed cash of US$13.0 million in its operations.

Net Cash Flow

Net cash flow was US$76.0 million in FY2009, a decrease of US$39.3 million, or 34.1% from US$115.3 million in the previous year.

Net Movement in Cash and Borrowings

The Group's debt to equity ratio (calculated on the total borrowings net of cash, to total equity) was 23% at end of FY2009, down from 26% at end of FY2008.

After adjusting for the currency translation effects of a weaker Euro and changes in the value of other currencies on our bank balances held in foreign currencies, net borrowings (total long and short term borrowings net of cash) fell overall by US$69.6 million in FY2009, from US$296.5 million to US$226.9 million. This overall reduction in net borrowing resulted from an increase in cash and cash equivalents of US$34.0 million together with a reduction in short term bank overdrafts by US$36.7 million, offset by a US$1.1 million increase in long term borrowings.

FINANCIAL MANAGEMENT AND TREASURY POLICY

The management of financial risk in the Group is the responsibility of the Group's treasury function at the corporate centre based in Hong Kong. Policies are established by senior management.

Liquidity

For day-to-day liquidity management and to maintain flexibility in funding, the Group has about US$300 million of uncommitted short-term borrowing facilities provided by its principal relationship banks.

Foreign Currency

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

The major sales generating currencies continue to be the US dollar, the Euro and the Chinese renminbi. In the Group's Automotive and Industrial businesses, for FY2009, 47% of the sales (45% in the previous year) were in US dollars, 37% in Euros (38% in the previous year), 7% in Chinese renminbi and the rest in other currencies including Japanese yen. The major currencies used for purchases of materials and services are the US dollar, the Euro, the Hong Kong dollar and the Chinese renminbi. Open foreign exchange exposures in Euro and renminbi are hedged with currency contracts, including forward and options contracts, with a view to reducing the net exposure to currency fluctuations.

RISK MANAGEMENT

Management monitors risks of all sorts and undertakes initiatives and reviews to assess and manage them.

External economic and environmental conditions can impact the business operations and results of the Company. For example, the downturn in the global economy which impacted the second half of the year has changed the Group's short-term risk profile.

The impact of the economic slowdown on the automotive industry has implications for our business. For the year as a whole, sales related to the automotive segment totalled US$905 million and, at 31st March 2009, we had over US$100 million of trade receivables from customers in global automotive markets, mostly component and sub-system manufacturers. Apart from monitoring the creditworthiness and payment records of our customers, we closely monitor developments with the automotive industry, in particular the activities of the "Big 3" Detroit based corporations. The Chrysler bankruptcy and reorganization is being carried out in such a way as to protect the companies in their supply chain, and we consider this method a lead indicator as to how other such restructurings could occur in other OEMs. This indicates that our customers, often Tier 1 or 2 suppliers to the OEMs, will be reasonably protected and that we will not see bankruptcies proliferate throughout the automotive supply chain. However, given the increase in commercial credit risk in general, we are currently strengthening credit management processes across the Group to mitigate the risk of slow payment or bad debts from our customers.

The impact of significantly lower demand on our operations is also being continuously evaluated. The Company is resizing the operation to reflect the reduced level of sales and production. In this process we seek to unlock synergies between the different parts of our global operations to help mitigate the adverse consequences of this economic downturn in the short-term and to then help quickly grow profitability as soon as global business conditions recover.

Given the volatility of foreign currency exchange rates the Company now has reduced the extent to which it buys or sells currency forward. Forward currency contracts are now made to cover open receivables and payables positions but not future projected cash flows which are difficult to predict.

Profitability is impacted by changes in copper commodity prices. The recent economic downturn has resulted in significant volatility in commodity prices as well as the company's ability to forecast copper consumption. The Company therefore enters into forward contracts for copper purchases only when forecast levels of consumption are reasonably certain.

Changes in steel commodity prices also impact our profitability. To ensure continuity of supply and avoid the risks of material shortages and significant price volatility the Company has developed a range of commercial partnerships with steel suppliers.

Quality problems can result in warranty claims. We continue to develop high quality engineering and manufacturing processes across our operations which enable us to minimize these risks. Development of higher and more consistent quality is a key objective of our restructuring activity.

The Company faces competition, sometimes based on cost. In our traditional markets, we strive to differentiate our products primarily through technology and innovation, and by being the safe choice for our customers. In contrast, for some of the markets which now constitute major growth opportunities but in which low cost can be more critical than technology and functionality, we are now focused on developing products at a price point which will help us compete effectively with lower cost manufacturers.

INVESTING IN PEOPLE

Johnson Electric (JE) is a diverse and multi-national business. As a global corporation our challenge is to develop our existing staff, to provide positions of increasing responsibility to employees around the world without regard to race, creed or culture, and to attract and retain individuals at all levels in the organization who will dedicate their intelligence and loyalty to improving the performance of the business.

Johnson Electric develops "bench strength" and enhances management continuity by identifying and developing potential successors for all key roles. Performance management is actively supported and practiced throughout the Company, competency standards are established, and results are measured.

To build our already strong employment brand, we recruit and develop high performers and provide a work environment where individuals at all levels, whether in manufacturing, technology or the supporting functions, can build knowledge via experience and training. The employment brand will be further enhanced via a global salary administration structure now being installed which will provide equity and discipline to compensation. We are also developing and expanding our short and long term incentive programmes and have focused senior management on developing an organization structure that will allow the business to expand globally without diluting the hands-on operating and business practices that are embraced by Johnson Electric employees, from junior trainees on our shop floors to the CEO.

CORPORATE GOVERNANCE REPORT

Johnson Electric is committed to achieving high standards of corporate governance that properly protect and promote the interests of its shareholders and devotes considerable effort to identifying and formalising best practices of corporate governance.

BOARD OF DIRECTORS

As at 31st March 2009, Johnson Electric's Board consisted of three executive directors and seven non-executive directors (of whom five are independent).

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

The biographical details of the directors are provided on pages 60 to 65 of this report.

THE BOARD AT WORK

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

The majority of board meetings are scheduled to last one full day, with directors receiving details of agenda items for decision and minutes of committee meetings in advance of each board meeting.

Although the capacity of any board to involve itself in the details of a large international business is limited, Johnson Electric aims to provide its independent non-executive directors with extensive exposure and access to its operations and management. Over the past seven years, the number and duration of board meetings have increased and the board agenda is structured to address the broad spectrum of key governance issues on a regular and systematic basis. Forming part of the continuous professional development programme for directors, visits to the Company's principal operating facilities have been arranged and professional guest speakers are invited to address the Board from time to time.

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

The Group's Executive Vice President and Chief Financial Officer also attend all board meetings to advise on corporate governance, risk management, statutory compliance, mergers and acquisitions, and accounting and financial matters.

Under the Company's Bye-Law 109(A), one-third of the directors except the executive chairman, who have served longest on the Board, must retire, thus becoming eligible for re-election at each annual general meeting. As such, except the executive chairman, no director has a term of appointment longer than three years.

The Company has arranged for appropriate liability insurance to indemnify its directors for their liabilities arising out of corporate activities. The insurance coverage is reviewed on an annual basis.

COMMITTEES

The monitoring and assessment of certain governance matters are allocated to four committees which operate under defined terms of reference and are required to report to the full Board on a regular basis. The composition of the committees during 2008/09 and up to the date of this report is set out in the table below.

Directors	Audit Committee	Remuneration Committee	Nomination And Corporate Governance Committee	Board Committee
Executive Directors				
Patrick Shui-Chung Wang			M	M
Winnie Wing-Yee Wang		M		M
Non-Executive Director				
Peter Kin-Chung Wang	M			
Independent Non-Executive Directors				
Peter Stuart Allenby Edwards			C	
Patrick Blackwell Paul	C		M	
Oscar de Paula Bernardes Neto		M		
Michael John Enright	M	C		

C – Chairman
M – Member

AUDIT COMMITTEE

The majority of the members of the Audit Committee are independent non-executive directors of the Company. The committee is currently comprised of two independent non-executive directors (including the Committee Chairman) and one non-executive director who together have substantial experience in the fields of accounting, business, corporate governance and regulatory affairs.

The committee is responsible for monitoring the reporting, accounting, financial and control aspects of the executive management's activities. It has full access to the Group's Internal Audit Director to hear directly any concerns of the internal audit department that may have arisen during the course of the department's work. The committee also monitors the appointment and function of the Group's external auditor. The committee's authority and duties are set out in written terms of reference and are posted on the Company's website.

Four Audit Committee meetings were held in 2008/09 to discuss and review issues with the Chief Financial Officer, the Internal Audit Director and the external auditor, including the following:

1. the FY2008 annual results and interim results for FY2009, to ensure that the related disclosures in the financial statements were complete, accurate and fair, and complied with accounting standards, stock exchange and legal requirements, and to submit the same to the Board for approval;

2. the principal accounting policies adopted by the Group;

3. the work done by the internal and external auditors, the relevant fees and terms, results of audits performed by the external auditor and appropriate actions required on any significant control weaknesses;

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

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

6. the Internal Audit Department's audit plan and ongoing progress reports; and

7. the operation of the internal control and risk management systems.

REMUNERATION COMMITTEE

The Remuneration Committee is comprised of two independent non-executive directors (including the Committee Chairman) and one executive director.

The committee determines the compensation structure and rewards for the Chief Executive and other executive directors and monitors the policies being applied in remunerating other senior executives in the Group.

In addition, it has responsibility for reviewing and making appropriate recommendations to the Board on management development and succession plans for executive directors and senior management. The committee's authority and duties are set out in written terms of reference and are available on the Company's website.

The fundamental policy underlying Johnson Electric's remuneration and incentive schemes is to link total compensation for senior management with the achievement of annual and long-term performance goals. By providing total compensation at competitive industry levels for delivering on-target performance, the Company seeks to attract, motivate and retain key executives essential to its long-term success. To this end, the committee stays abreast of remuneration practices among comparator companies around the world. Senior management incentive schemes include an equity component that is designed to align the long-term interest of management with those of shareholders.

All global staff positions, including senior management, are sized based on a job evaluation methodology which takes into account management/technical know-how, problem solving and accountability and the Johnson Electric job levels. Individual senior management remuneration acknowledges individual responsibility, contribution and performance. The base salary takes into account factors such as job value, retention and market. The annual incentive plan, when payable, is in addition to the basic salary, is entirely performance-based and has both financial and non-financial objectives. The Long-Term Incentive Share Scheme provides for the grant of Johnson Electric stock to senior management and is subject to vesting requirements based upon Group service. It is used both as a retention and as a motivation tool, and is designed to maximize long-term shareholder value.

In determining the level of remuneration and fees paid to members of the Board of Directors, a review of current practices in leading Hong Kong global public companies and comparator companies elsewhere is conducted with the aid of an independent consultant. Board remuneration consists of an annual retainer with additional fees payable for attendance at committee meetings. Executive directors are not eligible for additional remuneration or fees for Board activities.

On an ongoing basis, the committee reviews the overall remuneration program over the short, medium and long term time horizon while addressing the goals of management development and retention, while enhancing shareholder value.

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

Two committee meetings were held in 2008/09. During the financial year, the committee addressed the following:

1. Review of Terms of Reference of the Remuneration Committee;

2. Remuneration for executive directors and senior executives;

3. The Remuneration Philosophy Statement;

4. Annual Incentive Plan (AIP) payments for senior executives;

5. Non-executive director remuneration;

6. Succession and development plans for executives and managers;

7. Confirmation of consultant on compensation;

8. Review of retirement plan structures and obligations;

9. Approval of and updates on global salary structure project; and

10. Review and consideration of changes to Long-Term Incentive Share Scheme, including the introduction of performance-tied share grants.

NOMINATION AND CORPORATE GOVERNANCE COMMITTEE

The Nomination And Corporate Governance Committee is comprised of two independent non-executive directors (including the Committee Chairman) and one executive director.

The committee is responsible for the identification and evaluation of candidates for appointment or reappointment as a director, as well as the development and maintenance of the Group's overall corporate governance policies and practices. The committee's authority and duties are set out in written terms of reference and are posted on the Company's website.

The Company follows a formal, fair and transparent procedure for the appointment of new directors to the Board. The committee will first consider necessary changes in respect of the structure, size and composition of the Board, identify suitably qualified candidates by considering their professional knowledge and industry experience, personal ethics, integrity and personal skills and time commitments, and makes recommendation to the Board for decision. In accordance with the Bye-Laws of the Company, every newly appointed director is subject to re-election at the following annual general meeting.

No new directors were nominated in 2008/09 and one new director was nominated to date in 2009/10.

During the financial year, the committee met on two occasions. The following is a summary of work performed by the committee during the financial year:

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

2. the review of the structure and composition of the Board;

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

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

BOARD COMMITTEE

The Board Committee is comprised of two executive directors. Its primary function is to undertake and supervise the day to day management and operating affairs of the Group. It exercises leadership and develops and keeps under review strategy and business development initiatives of the Group and supervises their implementation.

BOARD AND COMMITTEE ATTENDANCE

The Board held four full board meetings in 2008/09 and the average attendance rate was 93%. Details of the attendance of individual directors at board meetings and committee meetings during the 2008/09 financial year are set out in the table below:

	No. of meetings attended/held			
Directors	**Full Board Meeting**	**Audit Committee**	**Remuneration Committee**	**Nomination And Corporate Governance Committee**
Executive Directors				
Patrick Shui-Chung Wang *(Chairman and Chief Executive)*	4/4	–	–	2/2
Winnie Wing-Yee Wang *(Vice-Chairman)*	4/4	–	2/2	–
Richard Li-Chung Wang *(Executive Director)*	4/4	–	–	–
Non-Executive Directors				
Yik-Chun Koo Wang *(Honorary Chairman)*	2/4	–	–	–
Peter Kin-Chung Wang	4/4	4/4	–	–
Independent Non-Executive Directors				
Peter Stuart Allenby Edwards	4/4	–	–	2/2
Patrick Blackwell Paul	4/4	4/4	–	2/2
Oscar de Paula Bernardes Neto	4/4	–	2/2	–
Laura May-Lung Cha	3/4	–	–	–
Michael John Enright	4/4	4/4	2/2	–
Average attendance rate	93%	100%	100%	100%
Date of meetings	06/06/2008 12/09/2008 05/12/2008 06/03/2009	02/06/2008 10/11/2008 18/11/2008 16/03/2009	05/06/2008 05/12/2008	05/06/2008 05/12/2008

INTERNAL CONTROL AND RISK MANAGEMENT

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

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

Policies and procedures are established to ensure reasonable, but not absolute, assurance against material misstatement or loss and to manage, but not to eliminate, risks of failure in achieving the Group's objectives.

Pursuant to a risk-based approach, the Group's Internal Audit Department independently reviews the risks associated with and controls over various operations and activities, and evaluates their adequacy, effectiveness and compliance. Audit findings and recommendations are reported to the Audit Committee, Executive Committee, and the external auditor. In addition, progress on audit recommendations implementation is followed up on a monthly basis. The results are discussed with the Audit Committee on a periodic basis.

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

To supplement the above, under the Integrity and Ethics Policy, employees can report any misconduct, impropriety or fraud cases within the Group to the Group's Internal Audit Department through an integrity hotline or in writing in confidence without the fear of recrimination.

Based on the results of evaluations and representations made by the management, the Group's Internal Audit Department and external auditor in 2008/09, the Audit Committee is satisfied that:

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

- an appropriate system of internal control and risk management has been in place in FY2009, and up to the date of approval of the Annual Report.

EXTERNAL AUDITOR

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

During the 2008/09 financial year, the services (and associated remuneration) provided to the Group by PricewaterhouseCoopers were as follows:

	2008/09	2007/08
	US$M	US$M
Audit	**1.82**	2.06
Taxation	**0.15**	0.16
Due diligence and other advisory services	**0.12**	0.33

DIRECTORS' AND AUDITOR'S RESPONSIBILITIES FOR ACCOUNTS

The Directors' responsibilities for the accounts are set out on page 59, and the responsibilities of the external auditor to the shareholders are set out on page 67.

CODE ON CORPORATE GOVERNANCE PRACTICES

During the year ended 31st March 2009, the Company had complied with the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules, except for the following deviations:

Code Provision A.2.1

Code A.2.1 provides, inter alia, that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

Neither the Company's Bye-Laws nor The Johnson Electric Holdings Limited Company Act, 1988 (a private act of Bermuda) contains any requirement as to the separation of these roles.

Dr. Patrick Shui-Chung Wang is the Chairman and Chief Executive of the Company. The Board is of the opinion that it is appropriate and in the best interests of the Company at its present stage of development that Dr. Wang should hold both these offices. The Board believes that it is able effectively to monitor and assess management in a manner that properly protects and promotes the interests of shareholders.

Code Provision A.4.1 and A.4.2

Code A.4.1 provides, inter alia, that non-executive directors should be appointed for a specific term, subject to re-election.

Code A.4.2 also provides that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

The independent non-executive directors were appointed for a specific term while the non-executive directors do not have a specific term of appointment. However, under Section 3(e) of The Johnson Electric Holdings Limited Company Act, 1988 and the Company's Bye-Law 109(A), one-third of the directors who have served longest on the Board must retire thus becoming eligible for re-election at each annual general meeting. Accordingly, no director has a term of appointment longer than three years. Bye-Law 109(A) states that the executive chairman is not subject to retirement by rotation and shall not be counted in determining the number of directors to retire.

In the opinion of the Board, it is important for the stability and beneficial to the growth of the Company that there is, and is seen to be, continuity of leadership in the role of the Chairman of the Company and, in consequence, the Board is of the view that the Chairman should not be subject to retirement by rotation or hold office for a limited term at the present time.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Group has adopted procedures governing directors' securities transactions in compliance with the Model Code as set out in Appendix 10 of the Listing Rules. Specific confirmation has been obtained from all directors to confirm compliance with the Model Code throughout the year ended 31st March 2009. No incident of non-compliance was noted by the Company in 2008/09.

Employees who are likely to be in possession of unpublished price-sensitive information of the Group are also subject to compliance with guidelines on no less exacting terms than the Model Code.

COMMUNICATIONS WITH SHAREHOLDERS

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

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

VOTING BY POLL

The Company regularly informs shareholders of the procedure for voting by poll and ensures compliance with the requirements about voting by poll contained in the Listing Rules and the Bye-Laws of the Company.

Procedures for and the rights of shareholders to demand a poll have been disclosed in the Company's circular to shareholders dated 26th June 2009.

The Listing Rules have been amended in 2009 to require any vote of shareholders at a general meeting be taken by poll. Since 2003 the Chairman has demanded a poll on each of the resolutions submitted for determination at annual general meetings. The Chairman will continue to demand a poll on each of the resolutions submitted for determination at the forthcoming Annual General Meeting. The results of the poll will be published on the Company's and the Stock Exchange's websites.

SOCIAL RESPONSIBILITIES

Johnson Electric is a global organization and is dedicated to act in a socially responsible way in its interactions with all stakeholders, shareholders, customers, employees, suppliers, business partners and local communities worldwide.

The company's commitment to social accountability includes policies on a variety of issues such as human rights, non-discrimination and environmental management.

The company's commitment to business excellence is demonstrated, on a continued basis, by a focus on innovation, quality, results, service, and respect for the highest standard of business ethics. The Company is committed to operating in compliance with all applicable national, state and local laws.

ENVIRONMENTAL, HEALTH & SAFETY

Our goal is for continuous improvement in our Environmental, Health and Safety (EH&S) initiatives, including reduction of accident frequency and severity and minimizing Johnson Electric's impact on the global environment.

Dedicated teams of experienced staff take responsibility for Environmental, Health and Safety management for the major plants and facilities. The following statement guides their activities:

EH&S Mission statement

Ongoing environmental, health and safety policies and initiatives will be measured against the safety and wellness of all employees.

Our actions will lead to sustainable safe and healthy working conditions.

The highest quality of environmental, health and safety standards possible will be sought.

Senior management is wholly committed to the objectives of this mission statement.

Health and Safety

It is the responsibility of management to ensure the maintenance of plant facilities and equipment to ensure that physical and health hazards are guarded against or eliminated, and to develop work procedures conducive to an accident and disease free environment. It shall be the responsibility of every supervisor to ensure that his or her employees are trained in and follow all safe work procedures and all pertinent company rules. It shall be the duty of every employee to follow safe work practices and procedures, to observe all regulations pertaining to his/her work, and to cooperate in attaining the objective of an accident free and healthy environment.

All plant managers, supervisors, safety managers and safety officers at all locations are working together to support the notion that "prevention is better than cure".

Environment

Environmental protection is a key corporate policy. Our environmental goals are as follow:

- Minimize the environmental effects and impacts from our operations;
- Comply with all the applicable environmental laws and regulations as a minimum;
- Maintain the benefits of a healthy living environment;
- Communicate widely that each employee is responsible for the environment;
- Encourage fair and constructive dialogues with regard to environmental issues;
- Develop a "green product" concept for our products and process designs and developments, including the use of materials with recycled content;
- Be committed to continue improvement via defining appropriate objectives and targets on an ongoing basis.

Various locations have attained ISO 14001 Certification. ISO 14001 standards are used as guidelines in developing and improving the Company's environmental practices.

Johnson Electric in the Community

Johnson Electric encourages its staff to become actively involved in their local communities, through participation in a variety of events organized by both local and international organizations. These externally organized events complement the many in-house activities arranged to encourage our staff to lead healthy and active lifestyles.

Responsible Corporate Citizen

Johnson Electric and its subsidiary companies provide financial support to a variety of charitable, community, cultural and environmental groups in the various locations around the world in which we do business. We are dedicated to being an active participant in all of our communities around the world and we endeavor to involve suppliers and business partners in responsible community practices, responsible employment practices and responsible social practices that are sustainable over time. In particularly, we try to extend our charitable net to cover projects for education, children and youth development, environmental protection and community building for the future.

Good corporate social policies are not only desirable but make good business sense. Investments are made today in people and communities for the benefit of our world tomorrow.

REPORT OF THE DIRECTORS

The Directors have pleasure in submitting their report together with the audited accounts for the year ended 31st March 2009.

Principal Activities

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are shown in note 42 to the accounts.

Results and Appropriations

The results of the Group for the year ended 31st March 2009 are set out in the consolidated profit and loss account on page 71 of the accounts.

No interim dividend was paid or declared for the six months ended 30th September 2008.

The Directors do not recommend the payment of final dividend for the year ended 31st March 2009.

Reserves

Movements in the reserves of the Group and the Company during the year are set out in note 22 to the accounts.

Distributable Reserves

As at 31st March 2009, the distributable reserves of the Company available for distribution as dividends amounted to US$415,620,000, comprising retained earnings of US$320,347,000 and contributed surplus of US$95,273,000 arising from the reorganisation of Johnson Electric Group in 1988 less a bonus issue in 1991.

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

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

(ii) the realisable value of the Company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium account.

Donations

During the year, the Group made donations of US$411,095 (2008: US$325,000).

Fixed Assets

Details of the movements in property, plant and equipment are shown in note 5 to the accounts.

Share Capital

Details of the share capital are shown in note 21 to the accounts.

Directors

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

Yik-Chun Koo Wang
Patrick Shui-Chung Wang *JP*
Winnie Wing-Yee Wang
Richard Li-Chung Wang
Austin Jesse Wang (appointed on 5th June 2009)
Peter Kin-Chung Wang
Peter Stuart Allenby Edwards
Patrick Blackwell Paul
Oscar de Paula Bernardes Neto
Laura May-Lung Cha *SBS*, *JP*
Michael John Enright

In accordance with Bye-Law 109(A) of the Company's Bye-Laws, Ms. Winnie Wing-Yee Wang, Mr. Richard Li-Chung Wang, Mrs. Laura May-Lung Cha and Mr. Oscar de Paula Bernardes Neto retire from office by rotation. Mr. Richard Li-Chung Wang and Mrs. Laura May-Lung Cha have informed the Board of their intention of not seeking re-election at the forthcoming Annual General Meeting of the Company for the reasons set out below. All the other above-mentioned Directors being eligible, offer themselves for re-election.

Mr. Richard Li-Chung Wang will retire as Executive Director of the Company with effect from the conclusion of the forthcoming Annual General Meeting. Mrs. Laura May-Lung Cha is not seeking re-election as Independent Non-Executive Director of the Company at the forthcoming Annual General Meeting upon expiration of her current term ending at the conclusion of the Annual General Meeting in order to devote more time to her extensive civic commitments.

In accordance with Bye-Law 100 of the Company's Bye-Laws, Mr. Austin Jesse Wang retire from the office and being eligible, offer himself for re-election.

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

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

Except the new director appointed on 5th June 2009, the Company is controlled through the Board of Directors which comprises ten Directors. At 31st March 2009, three of the Directors are executive and seven of the Directors are non-executive, of whom five are independent. Their details are set out in the Biographical Details of Directors and Senior Management section on pages 60 to 65.

Disclosure of Interests

DIRECTORS

As at 31st March 2009, the interests of each Director and Chief Executive of the Company in the shares of the Company or any of the Company's associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept under Section 352 of the SFO were as follows:

	Shares of HK$0.0125 each of the Company	
Name	Personal Interests	Other Interests
Yik-Chun Koo Wang	–	2,166,710,880 *(Notes 1 & 2)*
Richard Li-Chung Wang	–	48,000,000 *(Note 3)*
Peter Kin-Chung Wang	–	577,000 *(Note 4)*
Peter Stuart Allenby Edwards	–	100,000 *(Note 5)*
Patrick Blackwell Paul	50,000	–

NOTES

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

Save as disclosed herein, as at 31st March 2009, the register maintained by the Company pursuant to Section 352 of the SFO recorded no other interests or short positions of the Directors and Chief Executive in any shares of the Company or its associated corporations (within the meaning of Part XV of the SFO).

At no time during the year, the Directors and Chief Executive (including their spouses and children under 18 years of age) had any interest in, or had been granted, or exercised, any rights to subscribe for shares of the Company or its associated corporations required to be disclosed pursuant to the SFO.

SUBSTANTIAL SHAREHOLDERS

As at 31st March 2009, the register of substantial shareholders maintained under Section 336 of the SFO shows that the Company had been notified of the following substantial shareholders' interests, being 5% or more of the Company's issued share capital:

Name of shareholder	Capacity	Number of Shares held	Approximate % of shareholding
Yik-Chun Koo Wang	Beneficiary of family trusts	2,166,710,880 *(Notes 1 & 2)*	58.98
HSBC International Trustee Limited	Trustee	772,816,728 *(Notes 1 & 3)*	21.03
Ansbacher (Bahamas) Limited	Trustee	887,040,000 *(Note 1)*	24.15
Great Sound Global Limited	Interest of controlled corporation	717,255,360 *(Note 4)*	19.52
Winibest Company Limited	Beneficial owner	717,255,360 *(Note 5)*	19.52
HSBC Trustee (Guernsey) Limited	Trustee	358,972,480 *(Note 1)*	9.77
Ceress International Investment (PTC) Corporation (formerly known as Ceress International Investment Corporation)	Trustee	223,014,080 *(Note 6)*	6.07
Federal Trust Company Limited	Trustee	211,943,040 *(Note 1)*	5.77
Merriland Overseas Limited	Trustee	211,943,040 *(Note 7)*	5.77

NOTES

1. *The shares in which Ansbacher (Bahamas) Limited, HSBC Trustee (Guernsey) Limited and Federal Trust Company Limited were interested and 708,755,360 of the shares in which HSBC International Trustee Limited was interested were held, directly or indirectly, by them as the trustees of various trusts associated with the Wang family and were included in the shares in which Ms. Yik-Chun Koo Wang was interested as referred to above under Directors' Interests of Disclosure of Interests.*

2. *The shares in which Ms. Yik-Chun Koo Wang was interested as referred to above formed part of the shares referred to in Note 1.*

3. *48,000,000 of the shares in which HSBC International Trustee Limited was interested were the same interests in which Mr. Richard Li-Chung Wang was interested as referred to above under Directors' interests of Disclosure of Interests.*

4. *The interests of Great Sound Global Limited in the Company were duplicated by the interests in the Company held by HSBC International Trustee Limited.*

5. *The interests of Winibest Company Limited in the Company were duplicated by the interests in the Company held by Great Sound Global Limited.*

6. *The interests of Ceress International Investment (PTC) Corporation in the Company were duplicated by the interests in the Company held by HSBC Trustee (Guernsey) Limited.*

7. *The interests of Merriland Overseas Limited in the Company were duplicated by the interests in the Company held by Federal Trust Company Limited.*

Save as disclosed herein, as at 31st March 2009, the register maintained by the Company pursuant to Section 336 of the SFO recorded no other interests or short positions in the shares of the Company.

Share Scheme

SHARE OPTION SCHEME

The Company had on 29th July 2002 adopted a share option scheme (herein referred to as "the Scheme").

The major terms of the Scheme, in conjunction with the requirements of Chapter 17 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), are as follows:

(a) Purpose

The purpose of the Scheme is to provide incentive or rewards to participants.

(b) Participants

The participants of the Scheme are

(i) any director (including a non-executive director and an independent non-executive director), employee or consultant of the Group or a company in which the Group holds an equity interest or a subsidiary of such company ("Affiliate"); or

(ii) any discretionary trust whose discretionary objects include any director, employee or consultant of the Group or an Affiliate; or

(iii) a company beneficially owned by any director, employee or consultant of the Group or an Affiliate.

(c) Maximum number of shares

The maximum number of shares which may be issued upon exercise of all options to be granted under the Scheme and any other share option scheme(s) of the Company shall not exceed 2 per cent. of the share capital of the Company in issue from time to time.

The maximum number of shares (issued and to be issued) in respect of which options may be granted under the Scheme to any one grantee in any 12-month period shall not exceed 0.1 per cent. of the share capital of the Company in issue on the last date of such 12-month period unless approval of the shareholders of the Company has been obtained with such grantee and his associates abstaining from voting in accordance with the Listing Rules and a circular is issued.

(d) Time of acceptance and exercise of an Option

There is no specific requirement under the Scheme that an Option must be held for any minimum period before it can be exercised, but the terms of the Scheme provide that the Board has the discretion to impose a minimum period at the time of grant of any particular option. The date of grant of any particular Option is the date when the duplicate offer document constituting acceptance of the Option duly signed by the grantee, together with a remittance in favour of the Company of HK$1.00 by way of consideration is received by the Company, such date must be on or before the 28th day after the Option is offered to the relevant grantee. The period during which an Option may be exercised will be determined by the Board at its absolute discretion, save that no Option may be exercised more than 10 years after it has been granted.

(e) Subscription price for shares

The subscription price for shares shall be a price determined by the Directors, but shall not be less than the higher of

(i) the closing price of shares as stated in the Stock Exchange's daily quotations sheet on the date of the offer of grant, which must be a trading day; and

(ii) the average closing price of shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of the offer of grant.

(f) Period of the Scheme

The Scheme will remain in force for a period of 10 years from the date of adoption of such Scheme.

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

Type of Grantees	Options held at 01/04/2008 and 31/03/2009	Subscription price per share (HK$)	Date of grant	Exercisable from	Exercisable until
Employees	350,000	8.02	17/09/2002	01/08/2004	16/09/2012
	350,000	8.02	17/09/2002	01/08/2005	16/09/2012
	275,000	9.65	31/07/2003	01/07/2005	30/07/2013
	275,000	9.65	31/07/2003	01/07/2006	30/07/2013
	50,000	8.77	07/05/2004	01/05/2006	06/05/2014
	50,000	8.77	07/05/2004	01/05/2007	06/05/2014
	100,000	7.40	28/12/2004	01/01/2007	27/12/2014
	100,000	7.40	28/12/2004	01/01/2008	27/12/2014
	1,550,000				

LONG-TERM INCENTIVE SHARE SCHEME

Under the terms of the Long-Term Incentive Share Scheme ("Incentive Share Scheme") which was approved by the shareholders on 26th July 1999, the Directors may at their discretion invite full time employees of the Company and its subsidiaries, including Directors, to participate in the Incentive Share Scheme, and grant shares to such eligible employees.

Details of the shares vested in the eligible employees under the Incentive Share Scheme as at the date of this report were as follows:

Number of shares purchased	Average purchase price (HK$)	Total shares granted in 2005-2009	Shares vested				Shares to be vested				
			2006	2007	2008	2009	2010	2011	2012	2013	2014
8,960,000	4.66	8,914,000	680,000	780,000	984,000	1,230,000	1,560,000	1,390,000	1,030,000	810,000	450,000

Apart from the Scheme and the Incentive Share Scheme mentioned above, there were no other arrangements to which the Company or its subsidiaries was a party to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Johnson Electric Group Ten-Year Summary

A summary of the results and of the assets and liabilities of the Group for last ten financial years are set out on pages 144 to 145.

Pre-emptive Rights

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

Major Suppliers and Customers

During the year, the Group purchased less than 30% of its goods and services from its 5 largest suppliers and sold less than 30% of its goods and services to its 5 largest customers.

Purchase, Sale or Redemption of Shares

The Company has not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year except in connection with the share purchase for the Long-Term Incentive Share Scheme for eligible employees.

Management Contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

Public Float

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

Senior Management

The biographical details of the senior management as at the date of this report are set out in the Biographical Details of Directors and Senior Management section on pages 60 to 65.

Corporate Governance

Principal corporate governance practices as adopted by the Company are set out in the Corporate Governance Report on pages 40 to 50.

Directors' Responsibilities for the Accounts

The Directors are responsible for the preparation of accounts for each financial period which give a true and fair view of the state of affairs of the Group and of the results and cash flows for that period. In preparing these accounts for the year ended 31st March 2009, the Directors have selected suitable accounting policies and applied them consistently; made judgments and estimates that are prudent and reasonable; and have prepared the accounts on the going concern basis. The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group.

Auditor

The accounts have been audited by PricewaterhouseCoopers, who retire and, being eligible, offer themselves for reappointment.

On behalf of the Board

Patrick Shui-Chung Wang
Chairman and Chief Executive

Hong Kong, 5th June 2009

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Yik-Chun Koo Wang

Non-Executive Director

Honorary Chairman

Yik-Chun Koo Wang, age 92, is Honorary Chairman of the Company and co-founder of the Johnson Electric Group. She was Vice-Chairman of the Group in 1984 and was actively involved in the development of the Group in its early stages. Madam Wang is the Honorary Chairlady of Tristate Holdings Limited.

Patrick Shui-Chung Wang *JP*

Chairman and Chief Executive

Member of Nomination And Corporate Governance Committee

Patrick Shui-Chung Wang, age 58, obtained his BSc and MSc degrees in Electrical Engineering and received an Honorary Doctorate of Engineering from Purdue University in Indiana, U.S.A. He joined the Johnson Electric Group in 1972 and became a director in 1976 and Managing Director in 1984. In 1996 he was elected Chairman and Chief Executive of the Company. Appointed by the Government of the Hong Kong Special Administrative Region, Dr. Wang is a member of the Task Force on Economic Challenges and a member of the Steering Committee on the Promotion of Electric Vehicles. He is also the Chairman and a director of the Hong Kong Applied Science and Technology Research Institute Company Limited, a non-executive director and a member of the Audit Committee of the Hongkong and Shanghai Banking Corporation Limited, a non-executive director of Tristate Holdings Limited and VTech Holdings Limited. He is a son of the Honorary Chairman, Ms. Yik-Chun Koo Wang.

Winnie Wing-Yee Wang

Vice-Chairman

Member of Remuneration Committee

Winnie Wing-Yee Wang, age 62, obtained her BSc degree from Ohio University in U.S.A. She joined the Johnson Electric Group in 1969. She became a director in 1971 and Executive Director in 1984 and was elected Vice-Chairman in 1996. Ms. Wang is a non-executive director of Tristate Holdings Limited. She is a sister of the Chairman and Chief Executive, Dr. Patrick Wang.

Richard Li-Chung Wang

Executive Director

Richard Li-Chung Wang, age 65, obtained his BSc and MSc degrees in Electrical Engineering from the University of California, Berkeley. He joined the Johnson Electric Group in 1970 and has been Director since 1992. He is an adviser to the Chief Executive. Mr. Wang is a director of UCBH Holdings, Inc. He is a brother of the Chairman and Chief Executive, Dr. Patrick Wang.

Austin Jesse Wang

Executive Director

Austin Jesse Wang, age 28, graduated from Massachusetts Institute of Technology with M.Eng and B.S. degrees in Computer Science and Electrical Engineering. He is a director of a number of the Company's subsidiaries including Johnson Electric International Limited, Johnson Electric Automotive, Inc. and Johnson Electric International AG. He is presently a Technical Product Manager with Saia-Burgess Controls, a subsidiary of the Company, and prior to that was a Senior Manager Operations for Saia-Burgess Industry Division. Mr. Wang joined the Johnson Electric Group in 2006, having previously worked as a consulting engineer in the computing industry. Mr. Wang is the son of the Chairman and Chief Executive, Dr. Patrick Wang.

Peter Kin-Chung Wang

Non-Executive Director

Member of Audit Committee

Peter Kin-Chung Wang, age 55, has been a Non-Executive Director of the Company since 1982. He obtained a BSc degree in Industrial Engineering from Purdue University and an MBA degree from Boston University. He is the Chairman and Chief Executive Officer of Tristate Holdings Limited and the Chairman and Managing Director of Hua Thai Manufacturing Public Company Limited (formerly listed on The Stock Exchange of Thailand). Mr. Wang won the Young Industrialist Awards of Hong Kong in 1998. In 2005, he received the Outstanding Industrial Engineer Award from the School of Industrial Engineering of Purdue University. He is the Honorary Chairman of the Hong Kong Garment Manufacturers Association Limited, a Vice Chairman of the Textile Council of Hong Kong Limited, a director of The Federation of Hong Kong Garment Manufacturers, a member of the Executive Committee of the Hong Kong Shippers' Council, and a member of the Textiles and Garment Subsector of the Election Committee for electing the Chief Executive of the Hong Kong Special Administrative Region in 2007. He is a brother of the Chairman and Chief Executive, Dr. Patrick Wang.

Peter Stuart Allenby Edwards

Independent Non-Executive Director

Chairman of Nomination And Corporate Governance Committee

Peter Stuart Allenby Edwards, age 61, has been an Independent Non-Executive Director of the Company since 1995. He is a solicitor and was Senior Partner of Johnson, Stokes & Master until he retired on 30th September 1996. Mr. Edwards was Chairman of the Hong Kong Branch of the International Fiscal Association, Chairman of the Revenue Law Committee of the Hong Kong Law Society and a member of the Joint Liaison Committee on Taxation which advises the Government of the Hong Kong Special Administrative Region. He is also a member of the International Academy of Estate and Trust Law, an honorary lecturer in law at the University of Hong Kong and a director of a number of investment and holding companies.

Patrick Blackwell Paul

Independent Non-Executive Director
Chairman of Audit Committee and
Member of Nomination And Corporate Governance Committee

Patrick Blackwell Paul, age 61, has been an Independent Non-Executive Director of the Company since 2002. He had been Chairman and Senior Partner of PricewaterhouseCoopers in Hong Kong from 1994 to 2001. He is an independent non-executive director of The Hongkong and Shanghai Hotels, Ltd. and Pacific Basin Shipping Limited. His civic commitments include chairing the Supervisory Board of the British Chamber of Commerce in Hong Kong.

Oscar de Paula Bernardes Neto

Independent Non-Executive Director
Member of Remuneration Committee

Oscar de Paula Bernardes Neto, age 62, has been an Independent Non-Executive Director of the Company since 2003. He obtained a degree in Chemical Engineering from the Federal University of Rio de Janeiro-Brazil. He was a Senior Partner of Booz Allen & Hamilton and Chief Executive Officer of Bunge International. Mr. Bernardes is currently a partner of Integra Associados and a director of Delphi Corporation, Metalúrgica Gerdau S.A., Gerdau S.A., Companhia Suzano de Papel e Celulose, Localiza and São Paulo Alpargatas S.A. He is also a member of the Advisory Boards of Bunge Brasil, Alcoa Brasil and Veirano Associados.

Laura May-Lung Cha *SBS, JP*

Independent Non-Executive Director

Laura May-Lung Cha, age 59, has been an Independent Non-Executive Director of the Company since 2004. She obtained a BA degree from the University of Wisconsin and a JD degree from the Santa Clara University. She practiced as an attorney in the 1980's in San Francisco and Hong Kong. She was Deputy Chairman of the Securities and Futures Commission, a Vice-Chairman of the China Securities Regulatory Commission and a member of the Committee of 100 in the US. Mrs. Cha is currently a Non-Official Member of the Executive Council of the Government of the Hong Kong Special Administrative Region, a HKSAR Deputy of the 11th National People's Congress PRC, a Member of the Standing Committee of The Chinese People's Political Consultative Conference Shanghai Committee, Vice Chairman of the International Advisory Council of the China Securities Regulatory Commission, Non-Executive Deputy Chairman of The Hongkong and Shanghai Banking Corporation Limited, a non-executive director of Bank of Communications and an independent non-executive director of Hong Kong Exchanges and Clearing Limited and Tata Consultancy Services Limited. She is also Chairman of the University Grants Committee in Hong Kong, Chairman of the Advisory Committee on Corruption of the Independent Commission Against Corruption in Hong Kong, a member of the Advisory Board of the Millstein Center of Corporate Governance and Performance at the Yale University, a Senior Advisor to The Investor AB Group in Sweden and a member of the International Council of The Asia Society.

Michael John Enright

Independent Non-Executive Director
Chairman of Remuneration Committee and
Member of Audit Committee

Michael John Enright, age 50, has been an Independent Non-Executive Director of the Company since 2004. He obtained his A.B. (in Chemistry), MBA, and Ph.D. (in Business Economics) degrees all from Harvard University. He was formerly a professor at the Harvard Business School. Prof. Enright is currently a professor at the University of Hong Kong School of Business and a director in Enright, Scott & Associates, a Hong Kong-based consulting firm. He is a non-executive director of Shui On Construction and Materials Ltd.

SENIOR MANAGEMENT

Vijayan Chinnasami

Senior Vice President, Industry Products Group

Vijayan Chinnasami, aged 43, holds a Bachelor of Engineering Degree from the Swinburne University of Technology, Australia. He is responsible for the strategic, commercial and operational direction of the Industry Products Group worldwide. He joined the Johnson Electric Group in 2008. Prior to joining the Group, he worked for Flextronics International as Vice President and General Manager of Consumer Electronics and prior to that held a number of general management, operations and engineering positions in Ericsson Mobile Communications, Robert Bosch, and Sony Electronics.

Tung-Sing Choi

Senior Vice President, Strategic Manufacturing

Tung-Sing Choi, age 59, is responsible for the global manufacturing management of the Group. He joined the Johnson Electric Group in 1968 and has more than 40 years of experience in motor component manufacturing, motor assembly processes, and the utilization of machines and fixtures.

James Randolph Dick

Senior Vice President, Sales & Strategic Marketing

James Randolph Dick, age 55, holds a BSc in Electrical and Electronic Engineering from the University of Paisley in Scotland. He is responsible for developing responses to macro market issues and leading the Company's selling process. He joined the Johnson Electric Group in 1999. He has 30 years of experience in high technology management throughout the world. Prior to joining the Group, he held executive positions with Xerox in the U.S.A., IBM in Europe, and most recently with Astec (BSR) Plc, an Emerson Electric company, based in Hong Kong.

Robert Allen Gillette

Senior Vice President, Supply Chain Services

Robert Allen Gillette, age 43, holds a BS degree in Electrical Engineering from Washington University and an MBA concentrating in Operations and Finance from Vanderbilt University. He is responsible for providing leadership and strategic direction in supply chain management for all business units of Johnson Electric. Prior to joining the Group in 2007, he worked for Emerson Electric where he held various operations, marketing and supply chain positions in North America and Asia.

Joseph Alan Guisinger

Senior Vice President, Strategic Business Development – Americas

Joseph Alan Guisinger, age 42, obtained a BSBA degree in Transportation and Logistics from Ohio State University and a Masters Degree in International Management from Thunderbird School of Global Management. He joined Johnson Electric in 2004 and is responsible for developing new business opportunities for the Group in North America and Latin America and for leading various corporate and business improvement initiatives in the region. Prior to joining the Group, he worked for Emerson Electric and held senior positions in supply chain management in Asia and North America.

Christopher John Hasson

Executive Vice President

Christopher John Hasson, age 46, educated at Manchester University and London Business School (Corporate Finance and Accounting). He is responsible for corporate business development, mergers and acquisitions, corporate strategic planning, and for supervision of the legal and company secretarial functions. In addition, he is responsible for business units and investments under Johnson Electric Capital, including Parlex Corporation, Saia-Burgess Controls, and China Autoparts, Inc. Prior to joining Johnson Electric in 2002, he was a partner of The Boston Consulting Group.

Kam-Chin Ko

Senior Vice President, Automotive Products Group – Asia

Kam-Chin Ko, age 43, holds a MSc degree in Manufacturing System Engineering from the University of Warwick, U.K. He is responsible for the strategic, commercial and operational direction of the Automotive Products Group in Asia. He joined Johnson Electric in 1988 and in previous positions led the Components and Services Group and the Corporate Engineering function. He is a member of The Institute of Engineering and Technology, and a member of the Institute of Industrial Engineers.

Clive Barry Kydd

Senior Vice President and Chief Financial Officer

Clive Barry Kydd, age 59, is a Fellow of the Institute of Chartered Accountants in England & Wales. He is responsible for overall corporate finance, controllership, accounting and reporting, treasury, tax and information technology as well as the coordination of internal audit. Prior to joining Johnson Electric in 2006 he held senior financial positions in multi-national companies which include The Hawker Siddeley Group, The BOC Group, Lucent Technologies and Aliant Inc. He has worked in the US, Canada and Europe and has extensive international experience.

Peter Henry Langdon

Senior Vice President, Human Resources

Peter Henry Langdon, age 60, holds Bachelor's (Hons.) and Master's degrees in Politics and Economics. He joined Johnson Electric in December 2007 and is responsible for human resources, environmental and health & safety. Prior to joining Johnson Electric, he was responsible for human resources and was the Assistant Corporate Secretary for a major international energy service company.

Yue Li

Senior Vice President, Corporate Engineering

Yue Li, age 49, obtained a Bachelor of Science degree from Tsinghua University and also a Ph.D from University of Wisconsin-Madison. He is responsible for overall corporate technology, engineering operations and Value Innovation Programs. Prior to joining Johnson Electric in 2004, he worked for Emerson Electric in St. Louis as director of new products, also for Carrier Corporation in Syracuse as director of power electronics and motor technologies, and for Emergency One Inc. in Florida as vice president of product management.

Marc-Olivier Lorenz

Senior Vice President, Automotive Products Group – Europe and the Americas

Marc-Olivier Lorenz, age 47, obtained a Bachelor of Business Administration degree from HEC Lausanne University, Switzerland. He is responsible for the strategic, commercial and operational direction of the Automotive Products Group in Europe and the Americas. In 1999 he joined the Swiss based Saia-Burgess company and became Director of the Automotive division. Prior to joining Saia-Burgess, which was acquired by Johnson Electric in 2005, he held various executive positions with Dana Corporation from operational to sales and marketing functions.

Contents of

STATEMENT OF ACCOUNTS

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF JOHNSON ELECTRIC HOLDINGS LIMITED
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Johnson Electric Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 68 to 143, which comprise the consolidated and company balance sheets as at 31st March 2009, and the consolidated profit and loss account, the consolidated statement of recognised income and expense and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31st March 2009 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 5th June 2009

CONSOLIDATED BALANCE SHEET

As at 31st March 2009

	Note	2009 US$'000	2008 US$'000
ASSETS			
Non-current assets			
Property, plant and equipment	5	**368,143**	409,864
Investment properties	6	**37,025**	38,978
Leasehold land and land use rights	7	**23,170**	22,462
Intangibles	8	**662,094**	775,162
Associated companies	10	**1,672**	1,920
Deferred income tax assets	20	**36,463**	28,892
Available-for-sale financial assets	11	**3,525**	5,833
Other financial assets at fair value through profit or loss	15	**9,039**	8,813
		1,141,131	1,291,924
Current assets			
Stocks and work in progress	13	**202,772**	269,924
Trade and other receivables	14	**272,376**	505,561
Other financial assets	12	**6,385**	15,111
Income tax recoverable		**8,159**	4,126
Pledged deposits	16	**17,122**	–
Bank balances and cash	16	**302,002**	268,031
		808,816	1,062,753
Current liabilities			
Trade and other payables	17	**225,952**	352,286
Current income tax liabilities		**12,937**	25,642
Other financial liabilities	12	**15,986**	24,979
Borrowings	18	**1,082**	37,796
Provisions and other liabilities	19	**20,167**	30,003
		276,124	470,706
NET CURRENT ASSETS		**532,692**	592,047
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,673,823**	1,883,971

	Note	**2009**	2008
		US$'000	US$'000
Non-current liabilities			
Borrowings	18	**527,827**	526,686
Other financial liabilities	12	**22,426**	84,639
Deferred income tax liabilities	20	**80,863**	96,500
Provisions and other liabilities	19	**44,559**	43,216
		675,675	751,041
NET ASSETS		**998,148**	1,132,930
EQUITY			
Share capital and share premium	21	**78,441**	77,704
Reserves	22	**885,965**	978,080
Proposed dividends	22	–	46,158
		964,406	1,101,942
Minority interests		**33,742**	30,988
TOTAL EQUITY		**998,148**	1,132,930

The notes on pages 75 to 143 are an integral part of these financial statements.

PATRICK SHUI-CHUNG WANG
Director

WINNIE WING-YEE WANG
Director

COMPANY BALANCE SHEET

As at 31st March 2009

	Note	2009 US$'000	2008 US$'000
ASSETS			
Non-current assets			
Interest in subsidiaries	9	**1,071,885**	1,068,311
Available-for-sale financial assets	11	**2,098**	3,850
		1,073,983	1,072,161
Current assets			
Other receivables	14	–	46
Amounts due from subsidiaries	9	**529,448**	580,927
Other financial assets	12	**396**	1,667
Bank balances and cash	16	**509**	259
		530,353	582,899
Current liabilities			
Other payables	17	**464**	1,102
Other financial liabilities	12	**1,028**	–
Amounts due to subsidiaries	9	**561,611**	530,898
		563,103	532,000
NET CURRENT ASSETS		**(32,750)**	50,899
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,041,233**	1,123,060
Non-current liabilities			
Borrowings	18	**524,152**	523,728
Other financial liabilities	12	**22,426**	82,815
		546,578	606,543
NET ASSETS		**494,655**	516,517
EQUITY			
Share capital and share premium	21	**78,441**	77,704
Reserves	22	**416,214**	392,655
Proposed dividends	22	–	46,158
TOTAL EQUITY		**494,655**	516,517

The notes on pages 75 to 143 are an integral part of these financial statements.

PATRICK SHUI-CHUNG WANG
Director

WINNIE WING-YEE WANG
Director

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the year ended 31st March 2009

	Note	**2009 US$'000**	2008 US$'000
CONTINUING OPERATIONS			
Sales	4	**1,828,165**	2,220,792
Cost of goods sold		**(1,402,468)**	(1,656,452)
Gross profit		**425,697**	564,340
Other (losses)/income and gains	23	**(6,600)**	17,701
Selling and administrative expenses	24	**(353,439)**	(369,239)
Restructuring provision and assets impairment	25	**(18,789)**	(23,986)
Operating profit		**46,869**	188,816
Finance costs, net	28	**(9,603)**	(18,745)
Share of profits of associated companies		**128**	117
Profit before income tax		**37,394**	170,188
Tax income/(expenses)	29	**443**	(31,939)
Profit for the year from continuing operations		**37,837**	138,249
DISCONTINUED OPERATIONS			
Loss from discontinued operations	30	**(31,137)**	–
PROFIT FOR THE YEAR		**6,700**	138,249
Attributable to:			
Equity holders of the Company	31	**2,591**	130,849
Minority interests		**4,109**	7,400
		6,700	138,249
Dividends	32	**–**	67,353
Basic and diluted earnings per share for profit attributable to the equity holders of the Company during the year (expressed in US cents per share)			
– From continuing operations	33	**0.92**	3.57
– From discontinued operations	33	**(0.85)**	–
		0.07	3.57

The notes on pages 75 to 143 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE

For the year ended 31st March 2009

	Note	2009 US$'000	2008 US$'000
Exchange (losses)/gains on translation of foreign subsidiaries and associated companies		**(79,641)**	110,199
Fair value (losses) on hedging instruments	22	**(11,050)**	(13,875)
Deferred income tax (expenses)/income on fair value change on hedging instruments	20	**(638)**	2,747
Actuarial (losses) of defined benefit plans	19	**(5,872)**	(6,688)
Gain on revaluation of property, plant and equipment transferred to investment properties	6	**3,338**	4,346
Available-for-sale financial assets:			
– fair value (losses)	11	**(938)**	(660)
– release of reserves upon impairment		**608**	–
– release of reserves upon disposal		**173**	(159)
Deferred income tax effect on actuarial losses of defined benefit plans	20	**781**	2,977
Deferred income tax expense on revaluation of property, plant and equipment transferred to investment properties	20	**(387)**	(760)
Capital reserve released on disposal of subsidiaries	22	**–**	(45)
Net (expenses)/income recognised directly in equity		**(93,626)**	98,082
Profit for the year		**6,700**	138,249
Total recognised (expenses)/income for the year		**(86,926)**	236,331
Attributable to:			
Equity holders of the Company		**(91,753)**	226,602
Minority interests			
Share of profit for the year		**4,109**	7,400
Exchange gains on translation of foreign subsidiaries		**718**	2,329
		(86,926)	236,331

The notes on pages 75 to 143 are an integral part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31st March 2009

	Note	**2009**	2008
		US$'000	US$'000
CONTINUING OPERATIONS			
Cash Flows From Operating Activities	36	259,864	315,923
Other operating cash flows			
Interest paid		(14,613)	(30,765)
Tax paid		(28,322)	(22,675)
		(42,935)	(53,440)
Net Cash Generated from Operating Activities		**216,929**	262,483
Investing and Financing Activities			
Investing activities			
Acquisition of subsidiaries, net of cash acquired	37	(2,468)	(151)
Purchase of property, plant and equipment and leasehold land and land use rights		(62,847)	(97,126)
Proceeds from sale of fixed assets	36	8,141	13,786
Proceeds from sale of an associated company		–	2,697
Purchase of intangible assets		–	(1,419)
Purchase of available-for-sale financial assets		(9)	(1,986)
Purchase of other financial assets at fair value through profit and loss		–	(3,000)
Proceeds from sale of available-for-sale finance assets		823	1,180
Proceeds from sale of other financial assets at fair value through profit and loss		1,005	124
(Increase) in pledged deposits		(17,122)	–
Decrease/(increase) in time deposit		1,281	(1,281)
Interest received		6,105	7,380
Dividend received from associated companies		147	154
Acquisition of minority interests		(428)	–
Dividends paid to minority interests		(1,637)	(1,502)
Net cash used in investing activities		(67,009)	(81,144)

CONSOLIDATED CASH FLOW STATEMENT

	2009	2008
	US$'000	US$'000
Financing activities		
Purchase of treasury shares	(145)	(5,103)
Proceeds from borrowings	48,664	80,072
Repayments of borrowings	(70,524)	(89,669)
Dividends paid	(46,158)	(61,230)
Unwind currency swap	(13,230)	–
Net cash used in financing activities	(81,393)	(75,930)
Net Cash Used in Investing and Financing Activities	**(148,402)**	(157,074)
NET INCREASE IN CASH AND CASH EQUIVALENTS FOR CONTINUING OPERATIONS	**68,527**	105,409
DISCONTINUED OPERATIONS – NET CASH AND CASH EQUIVALENTS (CONSUMED)		
Operating and investing activities	(12,997)	–
Financing activities	(13,673)	–
	(26,670)	–
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**266,750**	149,282
EXCHANGE (LOSS) / GAINS ON CASH AND BANK OVERDRAFTS	**(6,605)**	12,059
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**302,002**	266,750
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Deposits and Bank Balances	**302,002**	268,031
Less: Time Deposit	**–**	(1,281)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**302,002**	266,750

The notes on pages 75 to 143 are an integral part of these financial statements.

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 engineering, manufacturing and sales operations throughout the world.

The Company is a limited liability company incorporated in Bermuda. The address of its registered office is Canon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda.

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

These consolidated financial statements are presented in thousands of US dollars (US$'000), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 5th June 2009.

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 except that available-for-sale financial assets, financial assets and financial liabilities (including financial instruments) at fair value through profit or loss, and investment properties 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 3.

In 2008/09, the Group adopted the new / revised standards and interpretations of HKFRS. The effect of adopting the new HKFRS is disclosed in note 40.

2.1 Consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiaries made up to 31st March 2009.

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.

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals of minority interests result in gains and losses for the Group that are recorded in the consolidated income statement. Increases in our share of subsidiaries with a minority interest result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary.

2.3 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 long term 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. Principal accounting policies *(Cont'd)*

2.4 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 represents products or services that are subject to risks and returns different from those of segments operating in other economic environments.

2.5 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 difference on non-monetary items, such as equities classified as available-for-sale financial assets, are included in the fair value reserve in equity.

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

2.6 Property, plant and equipment

Property, plant and equipment other than investment properties (note 2.7) 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.

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	20 to 50 years
Plant and machinery, equipment, and tools and moulds	2 to 11 years
Furniture and fixtures, motor vehicles, aircraft and computers	1 to 25 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 estimated recoverable amount if this is lower.

2.7 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.

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

2.7 Investment properties *(Cont'd)*

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.

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.

2.8 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.

2.9 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 subsidiaries and associated companies at the date of acquisition.

Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associated companies is included in investments in associated companies. 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 reserves, prior to 2001, will not be restated or recognised in the profit and loss account upon disposal or impairment of an interest in a subsidiary.

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

2.9 Intangibles *(Cont'd)*

(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.

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 purposes is:

Patents	3 to 4 years
Technology	15 years
Brands	25 years
Client relationships	5 to 25 years
Research and development cost	5 years

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

2.11 Financial assets

The Group classifies its financial assets in the following categories: at fair value through profit or loss, 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.

(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. Other financial assets/liabilities 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) Receivables

Receivables are financial assets with fixed or determinable payments that are not quoted in an active market and they are included in current assets. Receivables are included in trade and other receivables in the balance sheet (note 2.14).

(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. If the fair value of the available-for-sale financial assets cannot be measured reliably, the carrying amount is a reasonable approximation of fair value.

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.

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

2.11 Financial assets *(Cont'd)*

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.

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 adopted the fair value determined by the financial institutions.

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.

2.12 Other financial assets and liabilities

Other financial assets and liabilities are related to financial instruments and hedging activities.

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

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

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

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

2.12 Other financial assets and liabilities *(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 financial instruments 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 financial instruments used for hedging purposes are disclosed in Note 12. Movements on the hedging reserve in shareholders' equity are shown in Note 22. The full fair value of a hedging financial instrument is classified as a non-current asset or liability when the remaining maturity of the hedge item is more than 12 months. Trading financial instruments are classified as a current asset or liability.

(a) Cash flow hedge

The effective portion of changes in the fair value of financial instruments that are designated and qualify as cash flow hedges are recognised in equity.

Amounts accumulated in equity are released 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 copper hedging is recognised in the profit and loss account within cost of goods sold. The gain or loss relating to the effective portion of forward foreign exchange contracts hedging sales and purchase transaction denominated in Euro is recognised in the profit and loss account within administrative expenses.

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 (losses)/gains – net.

(b) 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 (losses)/gains – 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.

(c) Financial instruments that do not qualify for hedge accounting

Certain financial 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 financial instruments that do not qualify for hedge accounting are recognised immediately in the profit and loss account within other (losses)/gains – net.

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

2.13 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.

2.14 Trade and other receivables

Trade and other receivables are recognised at fair value 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 within selling and administrative expenses. 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.

2.15 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.

2.16 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.

2.17 Trade payables

Trade payables are recognised at fair value.

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

2.18 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.

2.19 Current and deferred income tax

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

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 realised or the deferred income tax liability is settled.

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 and associated companies, 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.

2.20 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.

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

2.20 Employee benefits *(Cont'd)*

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

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for 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.

Based on the recognition policy in Amendment to HKAS 19, 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.

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.

Under the share option scheme, the fair value of the options granted to the employees for their services rendered is recognised as an expense over the vesting period. At each balance sheet date, the management 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.

Under the long-term incentive scheme, shares granted to eligible employees for their services are charged as an expense based on the share price at the grant date.

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

2.21 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.

2.22 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 2.23(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.

2.23 Leases

HKAS 17 defines a lease as being an agreement whereby the lessor conveys to the lessee in return for a payment, or series of payments, the right to use an asset for an agreed period of time.

(a) Finance leases as the lessor

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.

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

2.23 Leases *(Cont'd)*

(b) Finance leases as the lessee

The Group leases certain property, plant and equipment. Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between 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.

2.24 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.

2.25 Contingent liabilities

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

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

3. 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.

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

(a) Goodwill impairment test

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 2.9. 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 8).

(b) Income taxes

The Group is subject to income taxes in numerous jurisdictions. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business, and for this judgement is required. 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. Consequently, management uses historical warranty claims experience as well as recent trends to determine the need for warranty provision. On legal claims brought against the Group by customers, provision will be made based on the judgement on the merits of a warranty claim against the Group, the existence of any obligation under the warranty commitment and the legal opinions.

(d) Useful lives and impairment of property, plant and equipment and other intangible assets

The Group's management determine the estimated useful lives, residual values and related depreciation and amortisation charges for the property, plant and equipment and other intangible assets 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 and amortisation charges 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 and amortisation expense in the future periods interest rates on interest-bearing assets.

The Group reviews tangibles and intangible assets for impairment whenever events or changes in circumstances indicate that the related carrying amounts may not be recovered. Assessing the impairment loss requires a determination of fair value which is based on the best estimates and information available.

(e) Fair value of other financial assets/liabilities

The Group relies on bank valuations to determine the fair value of financial assets/liabilities which in turn are determined using various estimates and valuation techniques.

4. 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 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. The discontinued operations are Green Vision Group, please refer to details in note 30.

The segment results for the year ended 31st March 2009 are as follows :

	Manufacturing US$'000	Trading US$'000	Continuing operations US$'000	Discontinued operations US$'000	Group US$'000
Sales	1,765,805	62,360	**1,828,165**	50,452	1,878,617
Segment operating profit/(loss)	64,537	(17,668)	46,869	(31,137)	15,732
Finance costs, net	(9,261)	(342)	(9,603)	–	(9,603)
Share of profits of associated companies	128	–	128	–	128
Profit/(loss) before income tax	55,404	(18,010)	37,394	(31,137)	6,257
Tax income	405	38	443	–	443
Profit/(loss) for the year	55,809	(17,972)	37,837	(31,137)	**6,700**
Attributable to:					
Equity holders of the Company					**2,591**
Minority interests					**4,109**
					6,700
Total assets					
Segment assets	1,879,790	23,479	1,903,269	384	1,903,653
Associated companies	1,672	–	1,672	–	1,672
Deferred income tax assets and income tax recoverable	44,613	9	44,622	–	44,622
	1,926,075	23,488	1,949,563	384	1,949,947
Total liabilities					
Segment liabilities	852,699	3,843	856,542	1,457	857,999
Deferred income tax liabilities and income tax liabilities	93,766	34	93,800	–	93,800
	946,465	3,877	950,342	1,457	951,799
Total assets less total liabilities	979,610	19,611	999,221	(1,073)	**998,148**
Other information					
Restructuring provision and assets impairment	13,967	4,822	18,789	–	18,789
Capital expenditure:					
– Acquisition of property, plant and equipment and leasehold land	63,048	50	63,098	1,127	64,225
– Addition of intangible assets	1,943	–	1,943	–	1,943
Addition of property, plant and equipment from the acquisition of subsidiaries	129	–	129	–	129
Depreciation on property, plant and equipment	70,207	151	70,358	120	70,478
Amortisation charge on leasehold land and land use rights	687	–	687	–	687
Amortisation charge on intangibles	18,364	39	18,403	526	18,929

4. Segment information *(Cont'd)*

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

The segment results for the year ended 31st March 2008 are as follows :

	Manufacturing US$'000	Trading US$'000	Group US$'000
Sales	2,089,393	131,399	2,220,792
Segment operating profit	188,624	192	188,816
Finance costs, net	(17,990)	(755)	(18,745)
Share of profits of associated companies	117	–	117
Profit/(loss) before income tax	170,751	(563)	170,188
Tax expense	(31,464)	(475)	(31,939)
Profit/(loss) for the year	139,287	(1,038)	138,249
Attributable to:			
Equity holders of the Company			130,849
Minority interests			7,400
Profit for the year			138,249
Total assets			
Segment assets	2,238,150	81,589	2,319,739
Associated companies	1,920	–	1,920
Deferred income tax assets and income tax recoverable	33,000	18	33,018
	2,273,070	81,607	2,354,677
Total liabilities			
Segment liabilities	1,047,011	52,594	1,099,605
Deferred income tax liabilities and income tax liabilities	121,709	433	122,142
	1,168,720	53,027	1,221,747
Total assets less total liabilities	1,104,350	28,580	1,132,930
Other information			
Restructuring provision and assets impairment	23,986	–	23,986
Capital expenditure:			
– Acquisition of property, plant and equipment and leasehold land	96,014	1,324	97,338
– Addition of intangible assets	2	1,553	1,555
Addition of property, plant and equipment from the acquisition of subsidiaries	–	34	34
Depreciation on property, plant and equipment	71,975	189	72,164
Amortisation charge on leasehold land and land use rights	684	–	684
Amortisation charge on intangibles	17,777	116	17,893

4. Segment information *(Cont'd)*

Secondary reporting format – geographical segments

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

	Sales		**Capital expenditure**		**Segment assets**	
	2009	2008	**2009**	2008	**2009**	2008
	US$'000	US$'000	**US$'000**	US$'000	**US$'000**	US$'000
Asia	**600,774**	709,689	**44,994**	69,991	**837,976**	907,503
America	**426,808**	524,096	**4,661**	6,443	**164,910**	203,699
Europe	**800,583**	987,007	**16,513**	22,459	**900,767**	1,208,537
	1,828,165	2,220,792	**66,168**	98,893	**1,903,653**	2,319,739

Segment sales, capital expenditure and segment assets from discontinued operations are all attributable to Asia.

5. Property, plant and equipment

Group

	Freehold land and buildings US$'000	Plant and machinery US$'000	Assets under construction US$'000	Moulds and tools US$'000	Other assets* US$'000	Total US$'000
At 1st April 2007						
Cost	192,850	552,892	16,104	212,245	102,517	1,076,608
Accumulated depreciation and impairment	(68,730)	(399,693)	–	(145,270)	(72,896)	(686,589)
Net book amount	124,120	153,199	16,104	66,975	29,621	390,019
Year ended 31st March 2008						
Opening net book amount	124,120	153,199	16,104	66,975	29,621	390,019
Exchange differences	11,498	6,256	167	1,512	1,921	21,354
Acquisition of subsidiaries	–	34	–	–	–	34
Additions	8,616	22,809	20,521	10,239	35,153	97,338
Transfer	939	3,908	(17,235)	9,294	3,094	–
Transfer to investment properties	(5,990)	–	–	–	–	(5,990)
Disposals	(1,550)	(2,440)	(625)	(352)	(314)	(5,281)
Provision for impairment (note 26)	(8,338)	(3,150)	–	(1,268)	(2,690)	(15,446)
Depreciation	(7,405)	(32,490)	–	(20,330)	(11,939)	(72,164)
Closing net book amount	121,890	148,126	18,932	66,070	54,846	409,864
At 1st April 2008						
Cost	190,129	591,176	18,932	248,625	153,414	1,202,276
Accumulated depreciation and impairment	(68,239)	(443,050)	–	(182,555)	(98,568)	(792,412)
Net book amount	121,890	148,126	18,932	66,070	54,846	409,864
Year ended 31st March 2009						
Opening net book amount	121,890	148,126	18,932	66,070	54,846	409,864
Exchange differences	(8,943)	(4,598)	(139)	(954)	(2,261)	(16,895)
Acquisitions of subsidiaries (note 37)	87	36	–	3	3	129
Additions	9,440	16,376	15,431	11,961	7,613	60,821
Additions – discontinued operations	–	894	–	–	233	1,127
Transfer	7,748	7,455	(24,079)	8,081	795	–
Transfer to investment properties	(225)	–	–	–	–	(225)
Disposals	(2,220)	(3,846)	(570)	(734)	(750)	(8,120)
Provision for impairment (note 26)	(2,056)	(2,512)	–	(1,150)	(179)	(5,897)
Provision for impairment – discontinued operations	–	(1,903)	–	–	(280)	(2,183)
Depreciation	(8,654)	(30,201)	–	(19,436)	(12,067)	(70,358)
Depreciation – discontinued operations	–	(100)	–	–	(20)	(120)
Closing net book amount	117,067	129,727	9,575	63,841	47,933	**368,143**
At 31st March 2009						
Cost	184,377	568,007	9,575	246,550	146,667	1,155,176
Accumulated depreciation and impairment	(67,310)	(438,280)	–	(182,709)	(98,734)	(787,033)
Net book amount	117,067	129,727	9,575	63,841	47,933	**368,143**

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

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

6. Investment properties

Group

	2009 US$'000	2008 US$'000
At beginning of the year	38,978	24,208
Exchange differences	(843)	524
Fair value (losses)/gains (note 23)	(5,435)	3,095
Transfer from property, plant and equipment and leasehold land		
– Costs	987	6,805
– Revaluation surplus (note 22)	3,338	4,346
At end of the year	**37,025**	38,978

The investment properties were revalued on an open market value basis as at 31st March 2009 by independent, professionally qualified valuers, DTZ Debenham Tie Leung Limited and Ellwanger & Geiger Limited, both Registered Professional Surveyors.

The Group leases out its investment properties under operating leases from 3 months to 3 years.

The Group's interests in investment properties are analysed as follows:

	2009 US$'000	2008 US$'000
In Hong Kong:		
On medium-term lease (between 10 to 50 years)	33,841	33,727
Outside Hong Kong:		
On medium-term lease (between 10 to 50 years)	3,184	5,251
	37,025	38,978

7. Leasehold land and land use rights

Group

	2009 US$'000	2008 US$'000
At beginning of the year	22,462	24,805
Exchange differences	90	164
Additions	2,277	–
Transfer to investment properties	(762)	(815)
Amortisation of prepaid operating lease payments (note 26)	(687)	(684)
Provision for impairment (note 26)	(207)	–
Disposals	(3)	(1,008)
At end of the year	**23,170**	22,462

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:

	2009 US$'000	2008 US$'000
In Hong Kong:		
On medium-term lease (between 10 to 50 years)	15,480	16,878
Outside Hong Kong:		
On medium-term lease (between 10 to 50 years)	7,690	5,584
	23,170	22,462

8. 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 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
Year ended 31st March 2008							
Opening net book amount	401,015	685	124,059	53,071	87,170	1,154	667,154
Exchange differences	73,920	8	22,330	10,794	17,198	96	124,346
Acquisition of subsidiaries	136	–	–	–	–	–	136
Additions	–	–	–	–	28	1,391	1,419
Amortisation (note 26)	–	(319)	(9,134)	(2,266)	(5,363)	(811)	(17,893)
Closing net book amount	475,071	374	137,255	61,599	99,033	1,830	775,162
At 31st March 2008							
Cost	475,071	4,168	162,804	68,004	114,337	7,596	831,980
Accumulated amortisation and impairment	–	(3,794)	(25,549)	(6,405)	(15,304)	(5,766)	(56,818)
Net book amount	475,071	374	137,255	61,599	99,033	1,830	775,162
Year ended 31st March 2009							
Opening net book amount	475,071	374	137,255	61,599	99,033	1,830	775,162
Exchange differences	(54,074)	(28)	(15,753)	(7,761)	(12,249)	(13)	(89,878)
Acquisition of subsidiaries	1,943	–	–	–	–	–	1,943
Amortisation (note 26)	–	(296)	(9,719)	(2,424)	(5,662)	(302)	(18,403)
Amortisation – discontinued operations	–	–	–	–	–	(526)	(526)
Provision for impairment (note 26)	(4,822)	–	–	–	(497)	(30)	(5,349)
Provision for impairment – discontinued operations	(20)	–	–	–	–	(835)	(855)
Closing net book amount	418,098	50	111,783	51,414	80,625	124	**662,094**
At 31st March 2009							
Cost	422,920	3,506	143,500	59,280	99,867	5,669	734,742
Accumulated amortisation and impairment	(4,822)	(3,456)	(31,717)	(7,866)	(19,242)	(5,545)	(72,648)
Net book amount	418,098	50	111,783	51,414	80,625	124	**662,094**

8. Intangibles *(Cont'd)*

Impairment test for goodwill

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

	2009 US$'000	2008 US$'000
Manufacturing	418,098	470,228
Trading	–	4,843
	418,098	475,071

In accordance with HKAS 36 "Impairment of Assets", and following the allocation of goodwill to CGU, 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 forecast approved by management covering FY 2009/10. Cashflows from FY 2011 onwards are projected based on financial forecasts using the estimated growth rates for manufacturing CGU of 3% to 10% for the years from 2011 to 2014 and a conservative growth rate of 1% to 2% from 2014 onwards (2008: 0% to 5%). The forecast profitability is based on past performance and expected future changes in costs and sales prices. Future cashflows are discounted at 7% (2008: 7.3%). The discount rate used is pre-tax and reflects specific risks relating to the relevant CGU. There was no evidence of impairment arising from tests of reasonable variations of the assumptions used for manufacturing CGU.

Due to the significant downturn of sales and profitability in the Trading CGU the associated goodwill of US$4.8 million has been charged in the accounts as an impairment. The loss has been included in restructuring provision and assets impairment in the consolidated profit and loss account.

9. Subsidiaries

Company

	2009 *US$'000*	*2008* *US$'000*
Unlisted shares, at cost	*1,001,969*	*1,001,969*
Amounts due from subsidiaries		
– non-current portion (note (a))	*69,916*	*66,342*
	1,071,885	*1,068,311*
Amounts due from subsidiaries		
– current portion (note (b))	***529,448***	*580,927*
Amounts due to subsidiaries		
– current portion (note (b))	***(561,611)***	*(530,898)*
	(32,163)	*50,029*
	1,039,722	*1,118,340*

Note:

(a) The amounts are unsecured, interest bearing at 3% to 4% per annum (2008: 3% to 4.4% per annum) and are not repayable in the foreseeable future.

(b) The amounts are unsecured, interest-free and repayable on demand (2008: the amounts are interest free except for amounts totaling US$36,000,000 , interest rate 4.4% per annum).

Details of principal subsidiaries are shown in note 42.

10. Associated companies

Group

	2009 US$'000	2008 US$'000
At beginning of the year	1,920	2,364
Exchange difference	(229)	299
Share of associated companies' results		
– profit before income tax	137	148
– tax expense	(9)	(31)
Dividend received	(147)	(154)
Disposal of an associated company	–	(706)
At end of the year	**1,672**	1,920

Details of principal associated companies are shown in note 42.

11. Available-for-sale financial assets

	Group		*Company*	
	2009 US$'000	2008 US$'000	*2009 US$'000*	*2008 US$'000*
At beginning of the year	5,833	5,131	*3,850*	*5,131*
Exchange differences	(556)	–	–	–
Additions	9	1,986	*9*	*3*
Disposal	(823)	(624)	*(823)*	*(624)*
Fair value (losses) transfer to equity (note 22)	(938)	(660)	*(938)*	*(660)*
At end of the year	**3,525**	5,833	***2,098***	*3,850*

Impairment provision of US$608,000 on available-for-sale financial assets was booked in the profit and loss account in 2009. There were no impairment provisions in 2008.

Available-for-sale financial assets include the following:

	Group		*Company*	
	2009 US$'000	2008 US$'000	*2009 US$'000*	*2008 US$'000*
Unlisted securities				
– Unlisted equity investments	**3,525**	5,833	***2,098***	*3,850*

11. Available-for-sale financial assets *(Cont'd)*

The carrying amounts of Group's available-for-sale financial assets are denominated in the following currencies:

	Group		*Company*	
	2009	2008	*2009*	*2008*
	US$'000	US$'000	*US$'000*	*US$'000*
US dollars	2,098	3,850	*2,098*	*3,850*
Pounds sterling	1,427	1,983	–	–
Total	**3,525**	5,833	***2,098***	*3,850*

12. Other financial assets and liabilities

Group

	Assets		Liabilities	
	2009	2008	2009	2008
	US$'000	US$'000	US$'000	US$'000
Cross currency interest rate swaps				
– net investment hedge	396	1,667	21,654	82,815
Interest-rate swaps				
– cash flow hedge (note (a))	–	–	1,800	–
Commodity contracts				
– copper hedging contracts				
(cash flow hedge) (note (b))	785	12,813	13,521	–
– held for trading	1,930	434	1,437	–
Forward foreign exchange contracts				
– cash flow hedge (note (c))	2,026	197	–	26,803
– held for trading	748	–	–	–
Others – held for trading	500	–	–	–
Total	6,385	15,111	38,412	109,618
Current portion	**6,385**	15,111	**15,986**	24,979
Non-current portion	**–**	–	**22,426**	84,639
Total	6,385	15,111	38,412	109,618

Note :

(a) Interest-rate swaps – cash flow hedge
The Group entered into an interest rate swap (principal US$372 million) during the year to fix the interest rate of the majority of the Group's borrowings.

(b) Copper hedging contracts
Gains and losses recognised in the hedging reserve in equity (note 22) on copper hedging contracts including copper forward contracts and swaps as of 31st March 2009 are recognised in the profit and loss account in the period or periods during which the hedged transaction affects the income statement. This is generally within 12 months from the balance sheet date.

(c) Forward foreign exchange contracts
Gains and losses recognised in the hedging reserve in equity (note 22) on forward foreign exchange contracts as of 31st March 2009 are recognised in the profit and loss account in the period or periods during which the hedged transaction affects the income statement. This is expected to occur during the next 2 months from the balance sheet date.

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

12. Other financial assets and liabilities *(Cont'd)*

Company

	Assets		*Liabilities*	
	2009	*2008*	*2009*	*2008*
	US$'000	*US$'000*	*US$'000*	*US$'000*
Interest-rate swaps	–	–	*1,800*	–
Cross currency interest rate swaps	*396*	*1,667*	*21,654*	*82,815*
Total	*396*	*1,667*	*23,454*	*82,815*
Current portion	***396***	*1,667*	***1,028***	–
Non-current portion	**–**	–	***22,426***	*82,815*
Total	*396*	*1,667*	*23,454*	*82,815*

13. Stocks and work in progress

Group

	2009	2008
	US$'000	US$'000
Raw materials	110,400	142,928
Work in progress	9,569	13,182
Finished goods	82,803	113,814
	202,772	269,924

14. Trade and other receivables

	Group		***Company***	
	2009	2008	*2009*	*2008*
	US$'000	US$'000	*US$'000*	*US$'000*
Trade receivables	236,381	437,842	–	–
Less: provision for impairment of receivables	(13,010)	(7,101)	–	–
Trade receivables – net	223,371	430,741	–	–
Prepayments and other receivables	49,005	74,820	–	*46*
	272,376	505,561	–	*46*

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.

14. Trade and other receivables *(Cont'd)*

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

Group

	2009 US$'000	2008 US$'000
Current	203,305	369,954
0-60 days	17,392	52,092
61-90 days	3,521	5,200
Over 90 days	12,163	10,596
Total	236,381	437,842

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

	2009 US$'000	2008 US$'000
US dollars	100,056	163,093
Euro	89,320	198,841
RMB	28,489	34,763
Others	18,516	41,145
Total	236,381	437,842

14. Trade and other receivables *(Cont'd)*

The Group has credit policies in place to review the credit worthiness of all existing and potential customers. Credit terms range between 30 and 90 days. As of 31st March 2009, trade receivables of US$21,593,000 (2008: US$61,018,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivable is as follows:

Group

	2009 US$'000	2008 US$'000
0-60 days	16,904	51,587
61-90 days	3,185	5,062
Over 90 days	1,504	4,369
Total	21,593	61,018

Movements on the provision for impairment of trade receivables are as follows:

Group

	2009 US$'000	2008 US$'000
At beginning of the year	7,101	9,472
Exchange adjustment	(612)	633
Receivables written off during the year as uncollectible	(1,215)	(4,013)
Provision for receivable impairment (note 26)	8,906	1,525
Unused amounts reversed (note 26)	(1,170)	(516)
At end of the year	13,010	7,101

The creation and release of provision for impaired receivables have been included in 'provision for impairment of trade receivables' in the income statement (note 26).

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

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

Group

	2009 US$'000	2008 US$'000
Unlisted debt securities	9,039	8,813

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

	2009 US$'000	2008 US$'000
Designated as fair value through profit or loss on initial recognition	9,039	8,813
Current portion	–	–
Non-current portion	**9,039**	8,813
	9,039	8,813

The maximum exposure to credit risk at the reporting date is the fair value of other financial assets at fair value through profit or loss in the balance sheet.

16. Pledged deposits and bank balances and cash

Pledged deposits

Group

	2009 US$'000	2008 US$'000
Pledged deposits	**17,122**	–

The Pledged deposits represents an irrevocable standby letter of credit of US$17,122,000 for the Joyal case (details refer to note 34).

Bank balances and cash

	Group		*Company*	
	2009 US$'000	2008 US$'000	*2009* *US$'000*	*2008* *US$'000*
Cash at bank and in hand	163,110	192,528	*509*	*259*
Short-term bank deposits	138,892	74,222	–	–
Cash and cash equivalents	302,002	266,750	*509*	*259*
Other short-term bank deposits	–	1,281	–	–
	302,002	268,031	***509***	*259*

The effective interest rate on bank balances and deposits was 0.38% (2008: 2.62%); these deposits have an average maturity of 50 days (2008: 18 days).

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

Group

	2009 US$'000	2008 US$'000
US dollars	159,055	149,556
Euro	41,628	66,751
RMB	78,464	30,139
Others	22,855	21,585
Total	302,002	268,031

17. Trade and other payables

	Group		*Company*	
	2009	2008	*2009*	*2008*
	US$'000	US$'000	*US$'000*	*US$'000*
Trade payables	119,971	227,425	–	–
Accrued expenses and sundry payables	105,981	124,861	*464*	*1,102*
	225,952	352,286	***464***	*1,102*

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

	2009	2008
	US$'000	US$'000
0-60 days	86,414	181,501
61-90 days	15,753	32,550
Over 90 days	17,804	13,374
Total	119,971	227,425

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

Group

	2009	2008
	US$'000	US$'000
US dollars	35,247	82,881
Euro	41,206	68,768
RMB	17,396	25,152
Others	26,122	50,624
Total	119,971	227,425

18. Borrowings

	Group		*Company*	
	2009	2008	*2009*	*2008*
	US$'000	US$'000	*US$'000*	*US$'000*
Bank borrowings	524,671	561,057	*524,152*	*523,728*
Other loans	4,238	3,425	–	–
Total	528,909	564,482	*524,152*	*523,728*
Current				
Bank borrowings	519	37,329	–	–
Other loans	563	467	–	–
	1,082	37,796	–	–
Non-current				
Bank borrowings (note)	524,152	523,728	*524,152*	*523,728*
Other loans	3,675	2,958	–	–
	527,827	526,686	***524,152***	*523,728*
Total	528,909	564,482	*524,152*	*523,728*

The maturity of borrowings is as follows:

	Group				*Company*	
	Bank borrowings		Other loans		*Bank borrowings*	
	2009	2008	2009	2008	*2009*	*2008*
	US$'000	US$'000	US$'000	US$'000	*US$'000*	*US$'000*
Within one year	519	37,329	563	467	–	–
In the second year (note)	524,152	–	748	–	*524,152*	–
In the third to fifth year	–	523,728	1,127	1,606	–	*523,728*
After the fifth year	–	–	1,800	1,352	–	–
	524,671	561,057	4,238	3,425	*524,152*	*523,728*

The effective interest rate at the balance sheet date charged on the outstanding balances at 0.83% to 3.85% per annum (2008 : 1.95% to 5.77% per annum).

The carrying amounts of the above loans approximate their fair value as at 31st March 2009.

Note:

The company has borrowings of US$525 million under a 5-year syndicated loan which will terminate on 31st March 2011 when it will be repayable in full. There are prepayment rights available to the company under the loan agreement which, to date, have not been exercised in full or in part.

US$152,614,000 (2008: US$258,964,000) out of this five-year loan was swapped into CHF200,000,000 (2008: CHF339,000,000) under a cross currency interest rate swap with the same maturity date on 31st March 2011. The company can unwind or extend the maturity date of the swap contract based on commercial terms.

18. Borrowings *(Cont'd)*

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

	Group		*Company*	
	2009	2008	*2009*	*2008*
	US$'000	US$'000	*US$'000*	*US$'000*
Hong Kong dollar	–	22,975	–	–
US dollar	524,626	537,286	*524,152*	*523,728*
Euro	4,283	3,788	–	–
Other currencies	–	433	–	–
	528,909	564,482	*524,152*	*523,728*

19. 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 2007	1,235	9,025	28,110	8,096	16,080	1,110	63,656
Exchange differences	51	906	5,182	–	1,677	9	7,825
Provisions	322	12,800	5,125	179	10,891	131	29,448
Utilised	(283)	(11,414)	(11,618)	(254)	(10,750)	(79)	(34,398)
Actuarial losses recognised in equity	–	–	6,688	–	–	–	6,688
At 31st March 2008	1,325	11,317	33,487	8,021	17,898	1,171	73,219
Current portion	325	11,317	–	356	17,898	107	30,003
Non-current portion	1,000	–	33,487	7,665	–	1,064	43,216
At 31st March 2008	1,325	11,317	33,487	8,021	17,898	1,171	73,219
At 1st April 2008	1,325	11,317	33,487	8,021	17,898	1,171	73,219
Exchange differences	(32)	(1,509)	(5,864)	(45)	(1,638)	(104)	(9,192)
Provisions	(70)	12,230	4,716	23	8,490	510	25,899
Release of provisions	–	(2,076)	–	–	(7,316)	–	(9,392)
Utilised	(287)	(7,972)	(5,947)	(375)	(7,019)	(80)	(21,680)
Actuarial losses recognised in equity	–	–	5,872	–	–	–	5,872
At 31st March 2009	936	11,990	32,264	7,624	10,415	1,497	64,726
Current portion	35	8,768	–	451	10,415	498	**20,167**
Non-current portion	901	3,222	32,264	7,173	–	999	**44,559**
At 31st March 2009	936	11,990	32,264	7,624	10,415	1,497	64,726

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

19.1 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 using the project unit credit method to account for the Group's pension accounting costs.

19.1.1 The amounts recognised as a net liability in the balance sheet are determined as follows:

	2009 US$'000	2008 US$'000
Present value of funded obligations	(114,112)	(140,232)
Less: Fair value of plan assets (note b)	103,907	132,915
	(10,205)	(7,317)
Present value of unfunded obligations	(22,059)	(26,170)
Retirement benefit obligations (net liability)	(32,264)	(33,487)

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

19.1 Retirement benefit plans and obligations *(Cont'd)*

Defined benefit pension plans *(Cont'd)*

19.1.1 The amounts recognised as a net liability in the balance sheet are determined as follows: *(Cont'd)*

(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:

	2009 US$'000	2008 US$'000
At beginning of the year	166,402	145,026
Current service cost (note 19.1.2)	4,734	7,532
Interest cost (note 19.1.2)	5,627	5,131
Contributions by plan participants	3,180	–
Actuarial gains (note 19.1.3)	(10,187)	(3,642)
Exchange differences	(28,291)	25,721
Benefits paid	(5,177)	(11,376)
Curtailments (note 19.1.2)	–	(1,876)
Settlement	(117)	(114)
At end of the year (note 19.1.1)	136,171	166,402
Represented by :		
Present value of funded obligations	114,112	140,232
Present value of unfunded obligations	22,059	26,170
	136,171	166,402

(b) Fair value of plan assets

	2009 US$'000	2008 US$'000
The movement in the fair value of plan assets of the year is as follows:		
At beginning of the year	132,915	116,916
Expected return on plan assets (note 19.1.2)	5,645	5,662
Actuarial (losses) (note 19.1.3)	(16,059)	(10,330)
Exchange differences	(22,427)	20,539
Employer contributions	4,575	3,691
Employee contributions	3,180	4,699
Benefits paid	(3,922)	(8,262)
At end of the year (note 19.1.1)	103,907	132,915

The actual losses on plan assets was US$10,414,000 (2008 actual losses: US$4,668,000).

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

19.1 Retirement benefit plans and obligations *(Cont'd)*

Defined benefit pension plans *(Cont'd)*

19.1.2 The amounts recognised in the profit and loss account are as follows:

	2009 US$'000	2008 US$'000
Current service cost (note 19.1.1.a)	4,734	7,532
Interest cost (note 19.1.1.a)	5,627	5,131
Expected return on plan assets (note 19.1.1.b)	(5,645)	(5,662)
Past service cost	–	7
Gains on curtailment (note 19.1.1.a)	–	(1,876)
Expensed in profit and loss account for pensions benefits included in staff costs (note 27)	4,716	5,132

19.1.3 The amounts recognised through equity are as follows:

	2009 US$'000	2008 US$'000
Actuarial gains on obligation (note 19.1.1.a)	10,187	3,642
Actuarial (losses) on plan assets (note 19.1.1.b)	(16,059)	(10,330)
Net actuarial (losses) (note 22)	(5,872)	(6,688)
Less: deferred taxation on actuarial losses (note 22)	781	2,977
Total (losses), included in equity	(5,091)	(3,711)

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 4 years, the weighted average rate of return for defined benefits pension plans was -0.3% per annum.

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

19.1 Retirement benefit plans and obligations *(Cont'd)*

Plan Assets *(Cont'd)*

Plan assets comprised the following:

	2009		2008	
	US$'000	Percentage	US$'000	Percentage
Equity	29,623	28%	58,021	44%
Bonds	49,540	48%	47,242	35%
Others (mainly property investment)	24,744	24%	27,652	21%
	103,907	100%	132,915	100%

Experience adjustments are as follows:

	2009	2008	2007	2006
	US$'000	US$'000	US$'000	US$'000
Experience adjustments on plan liabilities	926	(286)	397	482
Experience adjustments on plan assets	41	99	–	–

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 2010 are US$4,624,000.

The principal actuarial assumptions used were as follows:

	2009	2008
	Percentage	Percentage
Discount rate	3% – 6%	3% – 6%
Expected return on plan assets	0% – 6%	0% – 7%
Future salary increases	0% – 3%	0% – 4%
Future pension increases	0% – 4%	0% – 3%

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

19.1 Retirement benefit plans and obligations *(Cont'd)*

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:

	2009	2008
Male	18.7	18.2
Female	22.0	20.4

19.2 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, Europe and PRC.

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. At 31st March 2009, the balance of the forfeited contributions was US$648,000 (2008: US$613,000). The forfeited contribution (2008: Nil) during the year will be available to offset the future contributions to the retirement scheme.

19.3 Finance lease liabilities

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

	2009 US$'000	2008 US$'000
Cost – capitalised finance leases	12,449	12,640
Accumulated depreciation and impairment	(7,339)	(6,805)
Net book amount	5,110	5,835

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

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

19.3 Finance lease liabilities *(Cont'd)*

Gross finance lease obligation – minimum lease payments:

	2009 US$'000	2008 US$'000
Not later than 1 year	1,318	1,278
Later than 1 year and not later than 5 years	5,372	5,359
Later than 5 years	5,862	7,254
	12,552	13,891
Future finance charges on finance leases	(4,928)	(5,870)
Present value of finance lease liabilities	7,624	8,021

The present value of finance lease liabilities is as follows:

	2009 US$'000	2008 US$'000
Not later than 1 year	451	356
Later than 1 year and not later than 5 years	2,555	2,247
Later than 5 years	4,618	5,418
	7,624	8,021

20. Deferred income tax

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

	2009 US$'000	2008 US$'000
At beginning of the year	(67,608)	(56,617)
Exchange differences	8,437	(12,763)
Transfer to profit and loss account (note 29)	15,015	(3,192)
Tax charged to equity	(244)	4,964
At end of the year	(44,400)	(67,608)
Shown as:		
Deferred income tax assets	**36,463**	28,892
Deferred income tax liabilities	**(80,863)**	(96,500)
At end of the year	(44,400)	(67,608)

20. 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/(loss)		Others		Total	
	2009	2008	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008
	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	**7,798**	8,629	**(26,911)**	(28,253)	**3,905**	3,905	**21,037**	26,413	**(76,241)**	(67,707)	**2,804**	396	**(67,608)**	(56,617)
Increase in deferred income tax assets/ liabilities														
Exchange differences	**–**	841	**–**	(1,700)	**–**	–	**–**	1,594	**–**	(13,233)	**–**	–	**–**	(12,498)
Credited/(charged) to profit and loss account	**9,746**	–	**–**	–	**–**	–	**–**	–	**–**	–	**8,523**	–	**18,269**	–
Taxation charged to equity	**–**	–	**–**	–	**–**	–	**–**	–	**(1,025)**	–	**806**	3,039	**(219)**	3,039
	9,746	841	**–**	(1,700)	**–**	–	**–**	1,594	**(1,025)**	(13,233)	**9,329**	3,039	**18,050**	(9,459)
Decrease in deferred income tax assets/ liabilities														
Exchange differences	**(656)**	–	**1,245**	–	**(11)**	–	**(791)**	–	**9,359**	–	**(709)**	(265)	**8,437**	(265)
Credited/(charged) to profit and loss account	**–**	(1,610)	**2,819**	3,042	**(3,761)**	–	**(7,575)**	(6,970)	**5,263**	2,712	**–**	(366)	**(3,254)**	(3,192)
Taxation charged to equity	**(25)**	(62)	**–**	–	**–**	–	**–**	–	**–**	1,987	**–**	–	**(25)**	1,925
	(681)	(1,672)	**4,064**	3,042	**(3,772)**	–	**(8,366)**	(6,970)	**14,622**	4,699	**(709)**	(631)	**5,158**	(1,532)
At end of the year	**16,863**	7,798	**(22,847)**	(26,911)	**133**	3,905	**12,671**	21,037	**(62,644)**	(76,241)	**11,424**	2,804	**(44,400)**	(67,608)
Shown as:														
Deferred income tax assets	**19,464**	8,743	**(6,438)**	(7,931)	**133**	3,905	**12,602**	20,160	**171**	–	**10,531**	4,015	**36,463**	28,892
Deferred income tax liabilities	**(2,601)**	(945)	**(16,409)**	(18,980)	**–**	–	**69**	877	**(62,815)**	(76,241)	**893**	(1,211)	**(80,863)**	(96,500)
	16,863	7,798	**(22,847)**	(26,911)	**133**	3,905	**12,671**	21,037	**(62,644)**	(76,241)	**11,424**	2,804	**(44,400)**	(67,608)
Additional information – Gross analysis:														
Gross deferred income tax assets	**19,464**	8,743	**–**	–	**133**	3,905	**12,671**	21,037	**1,331**	–	**17,513**	4,015	**51,112**	37,700
Gross deferred income tax liabilities	**(2,601)**	(945)	**(22,847)**	(26,911)	**–**	–	**–**	–	**(63,975)**	(76,241)	**(6,089)**	(1,211)	**(95,512)**	(105,308)
	16,863	7,798	**(22,847)**	(26,911)	**133**	3,905	**12,671**	21,037	**(62,644)**	(76,241)	**11,424**	2,804	**(44,400)**	(67,608)

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

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

	2009 US$'000	2008 US$'000
Fair value reserves in shareholders' equity (note 22)		
– hedging reserve	(638)	2,747
– other reserve	(387)	(760)
Actuarial losses of defined benefit plan	781	2,977
	(244)	4,964

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 tax losses of US$65,130,000 (2008 : US$48,305,000) which have not been recognised but which are available 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.

Provisions:
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.

21. Share capital and share premium

	Number of issued shares (thousands)	Ordinary shares US$'000	Share premium US$'000	Treasury shares US$'000	Total US$'000
As at 1st April 2007	3,671,989	5,925	77,855	(1,718)	82,062
Treasury shares purchased for the Long-term Incentive Share Scheme	(9,970)	–	–	(5,103)	(5,103)
Treasury shares vested	780	–	–	745	745
As at 1st April 2008	3,662,799	5,925	77,855	(6,076)	77,704
Treasury shares purchased for the Long-term Incentive Share Scheme	(184)	–	–	(145)	(145)
Treasury shares vested	984	–	–	882	882
As at 31st March 2009	3,663,599	5,925	77,855	(5,339)	**78,441**

The total authorised number of ordinary shares is 7,040,000,000 shares (2008: 7,040,000,000) with a par value of HK$0.0125 per share (2008: HK$0.0125 per share). All issued shares are fully paid.

Long-term incentive share scheme

Under the terms of the Long-term Incentive Share Scheme ("Incentive Share Scheme") which was approved by the shareholders on 26th July 1999, the Directors may at their discretion invite full time employees of the Company and its subsidiaries, including Directors, to participate in the Incentive Share Scheme, and grant shares to such eligible employees.

Details of the shares vested in the eligible employees under the Incentive Share Scheme as at 31st March 2009 are as follows:

Number of shares purchased	Average purchase price	Total shares granted in years 2005–2009	Shares vested on 1 April			Shares to be vested					
			2006	2007	2008	2009	2010	2011	2012	2013	2014
10,190,000	4.66	8,914,000	680,000	780,000	984,000	1,230,000	1,560,000	1,390,000	1,030,000	810,000	450,000

Under the long term incentive share scheme, the Company has granted 2,350,000 shares (2008: 3,030,000) during the year.

Share Options

Pursuant to the Share Option Scheme (the "Scheme") adopted by the Company on 29th July 2002, the board of Directors may, at its discretion, grant options to any qualifying participants (including but not limited to any employee, whether full time or part time employees including any executive or non-executive Directors, of the Company or any affiliate as defined in the Scheme).

21. Share capital and share premium *(Cont'd)*

Share options granted to employees as at 31st March 2009 under a share option scheme approved at an Annual General Meeting of the Group held on 29th July 2002 are as follows:

Held at 31/03/2008 & 31/03/2009	Subscription price per share (HK$)	Date of grant	Exercisable from	Exercisable until
350,000	8.02	17/09/2002	01/08/2004	16/09/2012
350,000	8.02	17/09/2002	01/08/2005	16/09/2012
275,000	9.65	31/07/2003	01/07/2005	30/07/2013
275,000	9.65	31/07/2003	01/07/2006	30/07/2013
50,000	8.77	07/05/2004	01/05/2006	06/05/2014
50,000	8.77	07/05/2004	01/05/2007	06/05/2014
100,000	7.40	28/12/2004	01/01/2007	27/12/2014
100,000	7.40	28/12/2004	01/01/2008	27/12/2014
1,550,000				

No share option was granted or exercised during the year (2008: Nil).

The fair value of options granted or forfeited, net, during the year ended 31st March 2009 was determined using the Binomial valuation model, and there is no profit and loss impact related to share option in the current year (credit for year ended 31st March 2008: US$204,000). 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$384,000 (2008: US$384,000) of the above options granted are recognised, together with a corresponding increase in equity, over their vesting period for the employees in accordance with the Group's accounting policy pursuant to HKFRS 2 "Share-based Payments".

22. Reserves

Group

	Contributed surplus US$'000	Capital reserve US$'000	Goodwill on consolidation US$'000	Exchange reserve US$'000	Share option reserve US$'000	Share-based employee benefit reserve US$'000	Hedging reserve US$'000	Other reserves* US$'000	Retained earnings US$'000	Total US$'000
At 1st April 2008	15,499	38,904	(233,885)	150,306	384	2,430	(7,456)	9,386	1,048,670	1,024,238
Exchange (losses) on translation of foreign subsidiaries	–	–	–	(80,359)	–	–	–	–	–	(80,359)
Available-for-sale financial assets (note 11)										
– fair value losses	–	–	–	–	–	–	–	(938)	–	(938)
– release of reserves upon impairment	–	–	–	–	–	–	–	608	–	608
– release of reserves upon disposal	–	–	–	–	–	–	–	173	–	173
Actuarial losses of defined benefit plan (note 19.1.3)	–	–	–	–	–	–	–	–	(5,872)	(5,872)
Deferred income tax effect on actuarial losses of defined benefit plan (note 19.1.3)	–	–	–	–	–	–	–	–	781	781
Fair value losses										
– hedging instrument	–	–	–	–	–	–	(20,263)	–	–	(20,263)
– transferred to profit and loss account	–	–	–	–	–	–	9,213	–	–	9,213
– deferred income tax on fair value losses (note 20)	–	–	–	–	–	–	(638)	–	–	(638)
Revaluation surplus										
– on transfer from property, plant and equipment and leasehold land to investment properties (note 6)	–	–	–	–	–	–	–	3,338	–	3,338
– deferred income tax on revaluation surplus (note 20)	–	–	–	–	–	–	–	(387)	–	(387)
Net income/(expense) recognised directly in equity	–	–	–	(80,359)	–	–	(11,688)	2,794	(5,091)	(94,344)
Profit for the year	–	–	–	–	–	–	–	–	2,591	2,591
Total recognised income/(expenses) for the year	–	–	–	(80,359)	–	–	(11,688)	2,794	(2,500)	(91,753)
2007/08 Final dividend paid	–	–	–	–	–	–	–	–	(46,158)	(46,158)
Long-term incentive share scheme										
– share vested	–	–	–	–	–	(882)	–	–	–	(882)
– value of employee services	–	–	–	–	–	520	–	–	–	520
	–	–	–	(80,359)	–	(362)	(11,688)	2,794	(48,658)	(138,273)
At 31st March 2009	15,499	38,904	(233,885)	69,947	384	2,068	(19,144)	12,180	1,000,012	885,965
Final dividend proposed	–	–	–	–	–	–	–	–	–	**–**
Other	15,499	38,904	(233,885)	69,947	384	2,068	(19,144)	12,180	1,000,012	**885,965**
At 31st March 2009	15,499	38,904	(233,885)	69,947	384	2,068	(19,144)	12,180	1,000,012	885,965
Company and subsidiaries	15,499	38,904	(233,885)	69,947	384	2,068	(19,144)	12,180	998,468	884,421
Associated companies	–	–	–	–	–	–	–	–	1,544	1,544
At 31st March 2009	15,499	38,904	(233,885)	69,947	384	2,068	(19,144)	12,180	1,000,012	885,965

* *Note*: Other reserves mainly represent property revaluation reserve and investment revaluation reserve.

22. Reserves *(Cont'd)*

Group

	Contributed surplus US$'000	Capital reserve US$'000	Goodwill on consolidation US$'000	Exchange reserve US$'000	Share option reserve US$'000	Share-based employee benefit reserve US$'000	Hedging reserve US$'000	Other reserves* US$'000	Retained earnings US$'000	Total US$'000
At 1st April 2007	15,499	38,949	(233,885)	42,436	588	1,963	3,672	6,619	982,762	858,603
Exchange gains on translation of foreign subsidiaries	–	–	–	107,870	–	–	–	–	–	107,870
Released on disposal of subsidiaries	–	(45)	–	–	–	–	–	–	–	(45)
Available-for-sale financial assets (note 11)										
– fair value lossess	–	–	–	–	–	–	–	(660)	–	(660)
– release of reserves upon disposal	–	–	–	–	–	–	–	(159)	–	(159)
Actuarial gains of defined benefit plan (note 19.1.3)	–	–	–	–	–	–	–	–	(6,688)	(6,688)
Deferred income tax effect on actuarial gains of defined benefit plan (note 19.1.3)	–	–	–	–	–	–	–	–	2,977	2,977
Fair value losses										
– hedging instrument	–	–	–	–	–	–	(9,577)	–	–	(9,577)
– transferred to profit and loss account	–	–	–	–	–	–	(4,298)	–	–	(4,298)
– deferred income tax on fair value losses (note 20)	–	–	–	–	–	–	2,747	–	–	2,747
Revaluation surplus										
– on transfer from property, plant and equipment and leasehold land to investment properties (note 6)	–	–	–	–	–	–	–	4,346	–	4,346
– deferred income tax on revaluation surplus (note 20)	–	–	–	–	–	–	–	(760)	–	(760)
Net income/(expense) recognised directly in equity	–	(45)	–	107,870	–	–	(11,128)	2,767	(3,711)	95,753
Profit for the year	–	–	–	–	–	–	–	–	130,849	130,849
Total recognised income/(expenses) for the year	–	(45)	–	107,870	–	–	(11,128)	2,767	127,138	226,602
2006/07 Final dividend paid	–	–	–	–	–	–	–	–	(40,035)	(40,035)
2007/08 Interim dividend paid	–	–	–	–	–	–	–	–	(21,195)	(21,195)
Long-term incentive share scheme										
– share vested	–	–	–	–	–	(745)	–	–	–	(745)
– value of employee services	–	–	–	–	–	1,212	–	–	–	1,212
Share option scheme										
– value of employee services	–	–	–	–	(204)	–	–	–	–	(204)
	–	(45)	–	107,870	(204)	467	(11,128)	2,767	65,908	165,635
At 31st March 2008	15,499	38,904	(233,885)	150,306	384	2,430	(7,456)	9,386	1,048,670	1,024,238
Final dividend proposed	–	–	–	–	–	–	–	–	46,158	46,158
Other	15,499	38,904	(233,885)	150,306	384	2,430	(7,456)	9,386	1,002,512	978,080
At 31st March 2008	15,499	38,904	(233,885)	150,306	384	2,430	(7,456)	9,386	1,048,670	1,024,238
Company and subsidiaries	15,499	38,904	(233,885)	150,306	384	2,430	(7,456)	9,386	1,047,254	1,022,822
Associated companies	–	–	–	–	–	–	–	–	1,416	1,416
At 31st March 2008	15,499	38,904	(233,885)	150,306	384	2,430	(7,456)	9,386	1,048,670	1,024,238

* *Note*: Other reserves mainly represent property revaluation reserve and investment revaluation reserve.

22. Reserves *(Cont'd)*

Company

	Contributed surplus US$'000	Share option reserve US$'000	Share-based employee benefit reserve US$'000	Other reserve US$'000	Hedging reserve US$'000	Retained earnings US$'000	Total US$'000
At 31st March 2007	95,273	588	1,963	819	–	400,906	499,549
Long-term incentive share scheme							
– share vested	–	–	(745)	–	–	–	(745)
– value of employee services	–	–	1,212	–	–	–	1,212
Share option scheme							
– value of employee services	–	(204)	–	–	–	–	(204)
Available-for-sale financial assets:							
– fair value gains	–	–	–	(660)	–	–	(660)
– release of reserves upon disposal	–	–	–	(159)	–	–	(159)
Profit for the year	–	–	–	–	–	1,050	1,050
Dividend	–	–	–	–	–	(61,230)	(61,230)
At 31st March 2008	95,273	384	2,430	–	–	340,726	438,813
Final dividend proposed	–	–	–	–	–	46,158	46,158
Other	95,273	384	2,430	–	–	294,568	392,655
At 31st March 2008	95,273	384	2,430	–	–	340,726	438,813
Long-term incentive share scheme							
– share vested	–	–	(882)	–	–	–	(882)
– value of employee services	–	–	520	–	–	–	520
Available-for-sale financial assets:							
– fair value losses	–	–	–	(938)	–	–	(938)
– release of reserves upon impairment	–	–	–	608	–	–	608
– release of reserves upon disposal	–	–	–	173	–	–	173
Fair value losses							
– hedging instrument	–	–	–	–	(1,701)	–	(1,701)
Profit for the year	–	–	–	–	–	25,779	25,779
Dividend	–	–	–	–	–	(46,158)	(46,158)
At 31st March 2009	95,273	384	2,068	(157)	(1,701)	320,347	416,214
Final dividend proposed	–	–	–	–	–	–	**–**
Other	95,273	384	2,068	(157)	(1,701)	320,347	**416,214**
At 31st March 2009	95,273	384	2,068	(157)	(1,701)	320,347	416,214

Distributable reserves of the Company at 31st March 2009 amounted to US$415,620,000 (2008: US$435,999,000).

23. Other (losses)/income and gains

	2009 US$'000	2008 US$'000
Gross rental income from investment properties	4,410	3,597
Gain on investments, net	949	807
Gain on disposal of associated companies	–	2,705
Gain on disposal of property, plant and equipment	18	7,497
Fair value (losses)/gains on investment properties (note 6)	(5,435)	3,095
Fair value gains on Euro contracts	6,644	–
Fair value losses on copper contracts	(13,186)	–
	(6,600)	17,701

24. Selling and administrative expenses

	2009 US$'000	2008 US$'000
Selling expenses	119,221	135,841
Administrative expenses	222,638	230,548
Hedging losses	3,461	7,240
Net exchange losses/(gains) on revaluation of monetary assets and liabilities	8,119	(4,390)
	353,439	369,239

25. Restructuring provision and assets impairment

	2009 US$'000	2008 US$'000
Restructuring provision (a)	10,154	12,800
Assets impairment relating to restructuring (note 26)	3,813	11,186
Impairment for intangible assets (b)	4,822	–
Total provisions	**18,789**	23,986

(a) Restructuring provision and assets impairment mainly relate to activities in Europe and US. In Europe, costs mainly consist of provision for severance for initiatives to simplify the European manufacturing, supply chain, and legal entity footprints.

In the US, these costs include some consolidation of manufacturing and distribution facilities.

(b) Impairment of goodwill for trading segment (refer note 8).

26. Expenses by nature

Operating profit is stated after crediting and charging the following:

	2009 US$'000	2008 US$'000
Depreciation		
Depreciation on property, plant and equipment	70,358	72,164
Less: amounts capitalised on assets under construction	(251)	(212)
	70,107	71,952
Employee benefit expense (note 27)	424,116	432,237
Less: amounts capitalised on assets under construction	(1,347)	(772)
	422,769	431,465
Impairment of property, plant and equipment (note 5)		
Relating to restructuring (note 25)	3,813	11,186
Included in selling and administrative expenses and cost of goods sold	2,084	4,260
Impairment of leasehold land (note 7)	207	–
Impairment of intangibles (note 8)	5,349	–
	11,453	15,446
Cost of goods sold*	1,402,468	1,656,452
Auditors' remuneration	1,820	2,060
Amortisation on leasehold land and land use rights (note 7)	687	684
Amortisation of intangibles (note 8)	18,403	17,893
Net foreign exchange losses	11,580	2,850
Provision for impairment of trade receivables	7,736	1,009

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

27. Employee benefit expense

	2009 US$'000	2008 US$'000
Wages and salaries	381,677	393,627
Social security costs	28,231	26,348
Pension costs – defined contribution plans	9,492	7,130
Pension costs – defined benefit plans (note 19.1.2)	4,716	5,132
	424,116	432,237

27.1 Pensions – defined benefit plans

The Group's major plans were valued by qualified actuaries using the projected unit credit method to account for the Group's pension accounting costs.

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

27.2 Directors' emoluments

The remuneration of every Director for the year ended 31st March 2009 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
Oscar de Paula Bernardes Neto	34	–	–	–	34
Peter Kin-Chung Wang	36	–	–	–	36
Michael John Enright	43	–	–	–	43
Laura May-Lung Cha	25	–	–	–	25
	216	1,549	123	118	2,006

The remuneration of every Director for the year ended 31st March 2008 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
Oscar de Paula Bernardes Neto	34	–	–	–	34
Peter Kin-Chung Wang	34	–	–	–	34
Michael John Enright	43	–	–	–	43
Laura May-Lung Cha	22	–	–	–	22
	211	1,549	123	118	2,001

other benefits include housing allowance benefits

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

27.3 Senior management compensation

The five individuals whose emoluments were the highest in the Group are as follows. Year 2008 included one director (2009: Nil) whose emoluments reflected in the analysis presented above.

	2009 US$'000	2008 US$'000
Salaries, allowances and other benefits	2,359	1,634
Retirement scheme contributions	123	91
Redundancy	–	625
Bonuses	1,289	1,142
	3,771	3,492

Emoluments band

	Number of individuals	
	2009	2008
US$576,001 – US$641,000 (HK$4,500,001 – HK$5,000,000)	–	1
US$641,001 – US$705,000 (HK$5,000,001 – HK$5,500,000)	2	1
US$705,001 – US$769,000 (HK$5,500,001 – HK$6,000,000)	2	1
US$897,001 – US$961,000 (HK$7,000,001 – HK$7,500,000)	1	–
US$1,474,001 – US$1,539,000 (HK$11,500,001 – HK$12,000,000)	–	1

27.4 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 63 to 65 of the annual report are as follows:

	2009 US$'000	2008 US$'000
Salaries and other short-term employee benefits	3,040	4,902
Share-based payments	65	208
	3,105	5,110

28. Finance costs, net

	2009 US$'000	2008 US$'000
Interest on bank loans wholly repayable within five years and overdrafts	15,708	26,125
Interest income	(6,105)	(7,380)
Net interest on bank loans and overdrafts	**9,603**	18,745

29. Tax income/(expenses)

Hong Kong profits tax has been provided at the rate of 16.5% (2008: 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 the respective countries of operations for the year.

	2009 US$'000	2008 US$'000
Current income tax		
Hong Kong profits tax	(4,896)	(11,339)
Overseas taxation	(14,846)	(17,271)
Over/(under) provisions in prior years	5,170	(137)
	(14,572)	(28,747)
Deferred income tax (note 20)	15,015	(3,192)
	443	(31,939)

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

	2009 %	2008 %
Tax rate of Hong Kong	16.5	17.5
Effect of different tax rates in other countries	1.7	2.1
Income net of expenses not subject to tax	(10.4)	(4.4)
Overprovisions in prior years	(21.1)	(0.1)
Tax losses not recognised as an asset	12.1	3.7
Effective tax rate	(1.2)	18.8

30. Discontinued operations

Green Vision Group, a separate operation within the Trading business which had sourced and supplied scrap metals, suffered in the wake of significant shifts in the supply, demand and pricing of these materials. As it was anticipated that these turbulent conditions would continue and the risk profile of this operation would increase as a result, the Green Vision Group operations have been discontinued before March year end.

(1) The loss on cessation of the Green Vision Group operations mainly comprise impairment of assets, inventories and receivables, details as follows:

	2009 US$'000
Sales	50,452
Assets and intangible impairment	3,038
Inventory impairment	13,141
Receivables and deposits written off	10,179
Provisions	1,100
Other operating loss	3,679
	31,137

(2) Cash flows attributable to discontinued operations

	2009 US$'000
Operating cash flows	(12,178)
Investing cash flows	(819)
Financing cash flows	(13,673)
Total cash flows	(26,670)

31. Profit attributable to equity holders

The Group's consolidated profit attributable to equity holders is US$2,591,000 (2008: US$130,849,000). Profit of the company for the year is US$25,779,000 (2008: US$1,050,000).

Details of movement in reserves are shown in note 22.

32. Dividends

The directors do not recommend the payment of any dividend for the year ended 31st March 2009 (31st March 2008: 0.58 US cents per share interim dividend which amounted to US$21,195,000 and 1.25 US cents per share final dividend which amounted to US$46,158,000).

33. 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.

	2009	2008
Profit from continuing operations attributable to equity holders of the Company (thousands US dollars)	33,728	130,849
Weighted average number of ordinary shares in issue (thousands)	3,663,473	3,667,897
Basic earnings per share from continuing operations (US cents per share)	**0.92**	3.57
Loss from discontinued operations attributable to equity holders of the company (thousands US dollars)	(31,137)	–
Basic earnings per share – discontinued operations (US cents per share)	**(0.85)**	–

(a) The profit from continuing operations attributable to equity holders of the company for the year ended 31st March 2009 is calculated based on the profit for the year from continuing operations of US$37,837,000 less the amount attributable to minority interests of US$4,109,000.

(b) 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 2009.

34. Contingent liabilities

On 27th February 2009 a judgment in the amount of US$16,306,000 was entered in the United States District Court for the District of New Jersey, in favor of Joyal Products, Inc., judgment creditor, against Johnson Electric Industrial Manufactory, Ltd., Johnson Electric North America, Inc., and Johnson Electric Consulting, Inc., as joint and several judgment debtors. Collection of the judgment is subject to a voluntary stay based upon the issuance of an irrevocable standby letter of credit securing the amount of US$17,122,000 which amount includes pre-judgment interest plus an estimate of post-judgment interest pending determination of Johnson's appeal. Johnson's appeal has been filed on 14th November 2008, and a determination of the appeal is expected sometime within two years of that date. Johnson's current judgment liability of US$16,306,000 plus accrued interest is contingent upon issuance of a mandate by the United Sates Court of Appeals for the Federal Circuit affirming the District Court judgment.

During the pendency of the appeal, Johnson is depositing quarterly royalty payments equal to 26% of Johnson's gross sales revenues for graphite armatures, (the accused products), into an interest bearing escrow account. The funds will be released to Joyal if the District Court's judgment is affirmed on appeal and will be returned to Johnson with accrued interest if the judgment is reversed.

34. Contingent liabilities *(Cont'd)*

In addition to the appeal to the Court of Appeals for the Federal Circuit in Washington, Johnson filed a petition for re-examination with the United States Patent and Trademark Office ("PTO"), which seeks to have the claims in issue rendered invalid. A final determination of patent invalidity by the PTO or a mandate reversing the District Court judgment by the Federal Circuit Court of Appeals will permit cancellation of the letter of credit and result in a refund of the aforementioned escrow deposits.

Pending determination of the appeal, the Group is unable to predict with certainty the ultimate outcome of the litigation. However, the basis of our appeal is strong and the Group will continue to defend the case vigorously. No provision has been made in the accounts.

35. Commitments

35.1 Capital commitments

Group	2009 US$'000	2008 US$'000
Capital commitment for property, plant and equipment		
Authorised but not contracted for	1,171	5,598
Contracted for	4,337	9,473
	5,508	15,071

35.2 Operating lease commitments

(i) At 31st March 2009, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	2009		2008	
	Land and buildings US$'000	Others US$'000	Land and buildings US$'000	Others US$'000
Not later than one year	14,702	2,038	15,703	1,961
Later than one year and not later than five years	31,858	1,833	36,802	1,395
Later than five years	17,949	–	23,286	–
	64,509	3,871	75,791	3,356

(ii) At 31st March 2009, the Group had future aggregate minimum lease rental receivable under non-cancellable operating leases on land and buildings as follows:

	2009 US$'000	2008 US$'000
Not later than one year	3,594	2,397
Later than one year and not later than five years	1,101	634
	4,695	3,031

36. Cash generated from operations

	2009 US$'000	2008 US$'000
Profit before income tax	37,394	170,188
Add: Depreciation charges of property, plant and equipment and amortisation of leasehold land and land use rights	70,794	72,636
Amortisation of intangible assets	18,403	17,893
Net interest expense	9,603	18,745
Share of profits of associated companies	(128)	(117)
EBITDA*	136,066	279,345
Other non-cash items and adjustments		
Gains on sales of associated companies	–	(2,705)
Gains on disposals of leasehold land, property, plant and equipment	(18)	(7,497)
Provision for impairment on property, plant and equipment	5,897	15,446
Provision for impairment on leasehold land	207	–
Provision for intangibles impairment	5,349	–
Net realised and unrealised gains on disposals of other financial assets at fair value through profit or loss	(1,228)	(803)
Share based compensation	520	1,008
Fair value losses/(gains) on investment properties	5,435	(3,095)
Net realised losses/(gains) on available-for-sale financial assets	781	(715)
	16,943	1,639
EBITDA* net of other non-cash items and adjustments	153,009	280,984
Change in working capital		
Decrease in stocks and work in progress	43,887	4,130
Decrease/(increase) in trade and other receivables	176,596	(4,698)
(Decrease)/increase in trade and other payables	(99,708)	36,009
Decrease in net financial liabilities	(13,920)	(502)
	106,855	34,939
Cash generated from operations	259,864	315,923

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

36. Cash generated from operations *(Cont'd)*

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

	2009 US$'000	2008 US$'000
Net book amount	8,123	6,289
Gain on disposal of leasehold land, property, plant and equipment	18	7,497
Proceeds from disposal of leasehold land, property, plant and equipment	8,141	13,786

37. Business combinations

37.1 On 4th August 2008, the Group acquired 100% of a motor manufacturing and trading business, Fully Motor Co. Limited and Fu Wang Electric Manufacturing Co. Ltd. The acquired business contributed revenue of US$2,059,000 and net loss of US$226,000 to the Group for period from the date of acquisition to 31st March 2009.

Details of net assets acquired and goodwill for year end March 2009 are as follows:

	2009 US$'000
Purchase consideration:	2,743
Fair value of net assets acquired – shown as below	(800)
Goodwill	1,943

The carrying value, which approximates the fair value, of assets and liabilities arising from the above acquisitions in this financial year are as follows:

	Acquired entities US$'000
Property, plant and equipment (note 5)	129
Stocks and work in progress	980
Trade and other receivables	757
Bank balances and cash	275
Trade and other payables	(1,341)
Net assets	800
Minority interests	–
	800
Purchase consideration settled in cash	2,743
Cash and cash equivalents in subsidiary acquired	(275)
Cash outflow on acquisition	2,468

37. Business combinations *(Cont'd)*

37.2 For the prior year March 2008, the Group acquired 100% of a stainless steel trading business on 18th July 2007. The acquired business contributed revenues of US$3,968,000 and net profit of US$30,000 to the Group for the period from the date of acquisition to 31st March 2008.

On 1st October 2007, the Group acquired 51% of an auto relay, switch, electronic parts, actuator manufacturing and trading business, Shanghai SC-Tech M&E Company Limited. The acquired business contributed revenues of US$77,000 and net loss of US$32,000 to the Group for the period from the date of acquisition to 31st March 2008.

Details of net assets acquired and goodwill for year end March 2008 are as follows:

	2008 US$'000
Purchase consideration settled in cash	151
Fair value of net assets acquired (mainly represented stocks, trade and other payables)	(15)
Goodwill	136

38. Related-party transactions

Details of substantial equity holders are shown in Disclosure of Interests in the Report of the Directors on page 53. The Group had no other material related party transactions during the year. Details of senior management and key management compensation are disclosed in note 27.3 and 27.4 in these financial statements.

39. Financial risk management

39.1 Financial risk factors

The Group's activities expose to a variety of financial risks: market risk (including foreign exchange risk, cash flow interest rate risk, fair value interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses financial instruments to hedge certain risk exposures.

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

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

39.1 Financial risk factors *(Cont'd)*

(a) Market risk

(i) Foreign exchange risk

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

For the year to 31st March 2009, of the sales, 47% (2008: 45%) were in US dollars, 37% (2008: 38%) in Euro, and the rest in other currencies such as Japanese Yen. The major currencies for purchase of materials and services are the US dollars, the Euro, the Hong Kong dollars and the Japanese Yen. Aside from the US dollars and the Hong Kong dollars (which is pegged to the US dollars), material open foreign exchange exposures are hedged with currency contracts, including forward foreign exchange and option contracts, with a view to reducing the net exposure to currency fluctuation. At the year end, these contracts related primarily to the forward sale of Euro, and normally had a duration of approximately two months.

At the balance sheet date, the fair value of forward foreign exchange contracts committed to sell Euro amounted to US$2,026,000. If the exchange rate of the Euro against US dollars had been increased/decreased by 10% at the year end, the equity would be affected by US$1,994,000 (2008: US$31,108,000), representing the change in fair value of forward foreign exchange contracts at the balance sheet date.

Currency exposure arising from overseas investments is mitigated by entering into a cross currency interest rate swap to hedge against the foreign currency exposure arising from overseas investments.

(ii) Interest rate risk

The Group's interest rate risk mainly arises from interest-bearing borrowings. The Group entered into an interest rate swap during the year to fix the interest rate of the majority of the Group's borrowings so as to benefit from the relatively low interest rate environment. The interest rate exposure is closely monitored by the Management.

The bank balances and deposits as at 31st March 2009 were US$302,002,000 (2008: US$268,031,000) and were interest bearing at an weighted average rate of approximately 0.38% (2008: 2.62%). Other than the bank deposits, the Group has no significant interest-bearing assets. The Group's income and operating cash flows are substantially independent of changes in market interest rates. Management does not anticipate significant impact resulted from the changes in interest rates on interest-bearing assets.

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

39.1 Financial risk factors *(Cont'd)*

(a) Market risk *(Cont'd)*

(iii) Commodity price risk

The Group is exposed to commodity price risk, mainly due to the fluctuations in copper and steel prices. The price risks due to copper and steel are reduced through contracts with our suppliers, and price risk due to copper is also reduced through hedging through the appropriate financial instruments. The Group manages copper prices through hedging and inserting appropriate language in new contracts with customers so as to have the flexibility to pass increases in raw material costs to its customers. The Group engages in hedging practices with respect to copper and manages its copper hedging program on a daily basis. At the year end, these contracts normally had a duration of approximately one year.

A 10% increase/decrease change in the copper price would have affected the equity by US$2,407,000 (2008: US$9,282,000), representing the change in fair value of copper hedging contract at the balance sheet date.

(b) Credit risk

The credit risk of the Group mainly arises from trade and other receivables. The Group has no significant concentrations of credit risk. During the year, the Group sold less than 30% of its goods and services to its 5 largest customers. The Group normally grants its credit terms ranging from 30 to 90 days to trade customers. It has policy in place to evaluate customers' credit risk by considering their current financial position and past repayment history. Management reviews the collectibility of the overdue accounts receivable according to the Group's credit and provision of doubtful debt policies. The Group's bank balances and cash are placed with major financial institutions.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The Group follows a policy of prudence in managing its cash balances and maintains a reasonable level of liquidity.

The Group also has access to significant uncommitted and unutilised short-term borrowing facilities provided by its principal bankers which amount to US$300,000,000 (2008: US$240,000,000).

The Group had cash and cash equivalents of US$302,002,000 as at 31st March 2009 (2008: US$266,750,000), which constitute 15.5% of its total assets. Also, the Group had trade and other receivables of US$272,376,000 as at 31st March 2009 which should all mature within one year and could fully cover the trade and other payables which amounted to US$228,663,000 as at 31st March 2009. Therefefore, management considers that the liquidity risk is low. The current ratio (current assets over current liabilities) of the Group as at 31st March 2009 is 2.9 (2008: 2.3).

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

39.1 Financial risk factors *(Cont'd)*

(c) Liquidity risk *(Cont'd)*

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

	Less than 1 year US$'000	Between 1 and 2 years US$'000	Between 2 and 5 years US$'000	Over 5 years US$'000
Group				
As at 31st March 2009				
Bank borrowings	5,682	529,437	1,021	3,011
Other financial liabilities				
– Cross currency interest rate swaps				
– inflow	(6,612)	(159,226)	–	–
– outflow	5,838	180,358	–	
– Commodity contracts	14,958	–	–	–
– Interest rate swap	1,028	772	–	–
Finance lease	1,341	1,331	4,078	5,863
Trade and other payables	228,663	–	–	–
Company				
As at 31st March 2009				
Bank borrowings	*4,475*	*529,331*	–	–
Other financial liabilities				
– Cross currency interest rate swaps				
– inflow	*(6,612)*	*(159,226)*	–	–
– outflow	*5,838*	*180,358*	–	–
– Interest rate swap	*1,028*	*772*	–	–
Trade and other payables	*320*	–	–	–

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

39.1 Financial risk factors *(Cont'd)*

(c) Liquidity risk *(Cont'd)*

	Less than 1 year US$'000	Between 1 and 2 years US$'000	Between 2 and 5 years US$'000	Over 5 years US$'000
Group				
As at 31st March 2008				
Bank borrowings	56,294	17,307	543,992	1,392
Other financial liabilities				
– Cross currency interest rate swaps				
– inflow	(14,126)	(14,126)	(273,090)	–
– outflow	10,778	10,778	351,483	–
– Forward foreign exchange contracts				
– inflow	(199,500)	(84,786)	–	–
– outflow	224,479	86,610	–	–
Finance lease	1,278	1,341	4,018	7,254
Trade and other payables	351,329	–	–	–
Company				
As at 31st March 2008				
Bank borrowings	*18,177*	*17,220*	*542,220*	–
Other financial liabilities				
– Cross currency interest rate swaps				
– inflow	*(14,126)*	*(14,126)*	*(273,090)*	–
– outflow	*10,778*	*10,778*	*351,483*	–
Trade and other payables	*145*	–	–	–

39.2 Capital risk management

The Group expects to maintain a relatively low gearing capital structure. The Group gearing ratio at the year end (calculated on the total borrowings net of cash to the equity holders) was 23% as compared to 26% last year.

Funding requirements for capital expenditures are expected to be met by internal cash flows and there are plans to reduce the level of capital expenditure in view of the current adverse economic conditions.

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

39.2 Capital risk management *(Cont'd)*

The gearing ratio at 31st March 2009 and 31st March 2008 were as follows:

	31st March 2009 US$'000	31st March 2008 US$'000
Short-term borrowings	1,082	37,796
Long-term borrowings	527,827	526,686
Total borrowings (note 18)	528,909	564,482
Less: Cash and cash equivalents (note 16)	(302,002)	(266,750)
Net debt	226,907	297,732
Total equity	998,148	1,132,930
Gearing Ratios	23%	26%

40. Effect of adopting new HKFRS

Interpretations and amendments to published standards effective in 2008/09 which are relevant to the Group

In 2008/09, the Group adopted the new/revised standards and interpretations of HKFRS below, which are relevant to its operations. The adoption of new/revised HKAS did not result in substantial changes to the Group's accounting policies.

HK(IFRIC)-Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
HKAS 39 and IFRS/HKFRS 7	Amendment to Financial instruments : Recognition and measurement and related amendment to Financial instruments : Disclosures

In summary:

– HK(IFRIC)-Int 14, 'HKAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction', provides guidance on assessing the limit in HKAS 19 on the amount of the surplus that can be recognized as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. This interpretation does not have any impact on the Group's accounts.

– HKAS 39 and IFRS/HKFRS 7 – It permit the reclassification of certain financial assets out of the held-for-trading and available-for-sale categories if specified conditions are met and disclosure requirements. This amendment does not have any impact on the Group's financial statements, as the Group has not reclassified any financial assets.

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

Standards, interpretations and amendments to published standards that are not effective in 2008/09 which are relevant to the Group's operations

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 2009 or later periods but which the Group has not early adopted, as follows:

HKFRS 1 and HKAS 27 Amendments	Amendments to HKFRS 1 First-time Adoption of HKFRSs and HKAS 27 Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Share-based Payment Vesting Conditions and Cancellations
HKFRS 3 (Revised)	Business Combination
HKFRS 8	Operating Segments
HKAS 1 (Revised)	Presentation of Financial Statements
HKAS 23 (Amendment)	Borrowing Costs
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HK(IFRIC)-Int 16	Hedges of a Net Investment in a Foreign Operation
HKAS 39 Amendment	Amendment to HKAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items
HK(IFRIC)-Int 17	Distribution of Non-cash Assets to Owners

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 believes that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial positions. In addition to above, there are a number of minor amendments to HKAS/HKFRS under the annual improvement project of HKICPA. These amendments are not likely to have an impact on the Group's financial statements and thus not analysed in detail.

41. Approval of accounts

The accounts were approved by the Directors on 5th June 2009.

42. 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/ establishment and operation	Issued and paid up capital	Effective shareholding by company	Effective shareholding by subsidiary
Subsidiaries					
Bloor Company Limited	Property holding	British Virgin Islands	50,000 shares of US$1 each	–	100%
Changchun Ri Yong – JEA Gate Electric Co., Ltd #	Manufacturing	China	RMB10,000,000	–	60%
Chengdu Tonglin Casting Industrial Co., Ltd #	Manufacturing	China	RMB67,560,000	–	56.78%
China Autoparts, Inc.	Investment holding	United States of America	12,121,213 shares of US$0.0001 each	–	56.78%
Crown Trend Limited	Property holding	British Virgin Islands	1 share of US$1	–	100%
De Chang Fulfilment International Ltd.	Investment holding	British Virgin Islands	1 share of US$1	–	100%
De Chang Fulfilment Limited	Trading	Hong Kong	2 shares of HK$1 each	–	100%
De Chang Metal Industries Limited	Sales and marketing	Hong Kong	20,000 shares of HK$100 each	–	100%
De Chang Parts and Services Ltd.	Trading and consultancy	Hong Kong	100,000 shares of HK$1 each	–	90.2%
Delta Success Electric Company Limited	Manufacturing	Malaysia	1 share of US$1	–	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%
Flying Time Limited	Trading	Hong Kong	100,000 shares of HK$1 each	–	90.2%
Fu Hang Metal (Asia) Limited	Sales and marketing	Hong Kong	1,000,000 shares of HK$1 each	–	88%

* Wholly owned foreign enterprises
\# Equity joint ventures

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

Name	Principal activities	Place of incorporation/ establishment and operation	Issued and paid up capital	Effective shareholding by company	Effective shareholding by subsidiary
Subsidiaries					
Fu Wang Electric Manufacturing Company Limited	Electric Manufacturing	Hong Kong	100,000 shares of HK$1 each	–	90.1%
Full Speed Limited	Provision of service	Bermuda	1 share of US$1	–	100%
Fully Motor Co. Limited	Trading	Hong Kong	10,000 shares of HK$1 each	–	90.1%
Gate do Brasil Ltda	Manufacturing	Brazil	BRL27,568,588.40	–	100%
Gate France SAS	Manufacturing	France	EUR382,000	–	100%
Gate S.r.l.	Manufacturing	Italy	EUR2,600,000	–	100%
Gatebrook Limited	Investment holding	Cyprus	28,988 shares of CYP1 each	–	100%
Gether Success Ltd.	Investment holding	British Virgin Islands	30,000 shares of US$1 each	100%	–
Harbour Sky (BVI) Ltd.	Property holding	British Virgin Islands	50,000 shares of US$1 each	–	100%
JE Automotive Holdings, Inc.	Investment holding	United States of America	100 shares of US$0.01 each	–	100%
JE Castings Investments Limited	Investment holding	British Virgin Islands	1 share of US$1	–	100%
JE Machinery Trading Limited	Trading	Hong Kong	3,000,000 shares of HK$1 each	–	82%
JE Materials Company Limited	Investment holding	British Virgin Islands	100 shares of US$1 each	–	100%
JEA Limited	Investment holding	British Virgin Islands	2 shares of US$1 each	100%	–

* Wholly owned foreign enterprises
\# Equity joint ventures

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

Name	Principal activities	Place of incorporation/ establishment and operation	Issued and paid up capital	Effective shareholding by company	Effective shareholding by subsidiary
Subsidiaries					
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	100%	–
Johnson Electric Engineering Limited	Technical support	Hong Kong	100,000 shares of HK$1 each	100%	–
Johnson Electric (Guangdong) Co. Ltd. *	Manufacturing	China	US$4,250,000	–	100%
Johnson Electric (Hong Kong) Ltd	Sales and marketing	Hong Kong	1 share of HK$1	100%	–
Johnson Electric Industrial Manufactory, Ltd.	Manufacturing	Hong Kong	308,000,000 shares of HK$0.5 each	100%	–
Johnson Electric (Italy) S.r.l.	Sales and marketing	Italy	EUR10,000	–	100%
Johnson Electric Intellectual Property Limited	Licensing	Bermuda	1,000,000 shares of HK$0.1 each	100%	–
Johnson Electric International AG (formerly known as Saia-Burgess Electronics Holding AG)	Investment holding	Switzerland	643,200 shares of CHF50 each	–	100%
Johnson Electric International Limited	Sales and manufacturing	Hong Kong	80,000,000 shares of HK$1 each	–	100%
Johnson Electric International (UK) Limited (formerly known as Saia-Burgess Gateshead Limited)	R&D, manufacturing, sales and marketing	United Kingdom	7,000,100 shares of GBP1 each	–	100%
Johnson Electric (Korea) Limited	Sales and marketing	South Korea	10,000 shares of KRW5,000 each	–	100%
Johnson Electric Moncalieri S.r.l.	Trading	Italy	EUR2,519,540	–	100%
Johnson Electric (Nanjing) Industrial Co., Ltd. *	Manufacturing	China	US$6,100,000	–	100%
Johnson Electric North America, Inc.	Sales distributor	United States of America	12 shares with no par value issued at US$120,000	–	100%
Johnson Electric S.A.	R&D and manufacturing	Switzerland	500 shares of SFR1,000 each	–	100%

* Wholly owned foreign enterprises
\# Equity joint ventures

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

Name	Principal activities	Place of incorporation/ establishment and operation	Issued and paid up capital	Effective shareholding by company	Effective shareholding by subsidiary
Subsidiaries					
Johnson Electric (Shanghai) Ltd. *	Sales and marketing	China	US$200,000	–	100%
Johnson Electric (Shenzhen) Co. Ltd. *	Manufacturing	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%
Link Long Limited	Investment holding	British Virgin Islands	6,400 shares of US$1 each	–	88%
M.M.A (Manufactura de Motores Argentinos) S.r.l.	Manufacturing	Argentina	388,000 shares of 10 Pesos each	–	100%
Main Country Limited	Property holding	British Virgin Islands	1 share of US$1	–	100%
More Easy Holdings Limited	Investment holding	British Virgin Islands	1 share of US$1	100%	–
More Impact Group Limited	Investment holding	British Virgin Islands	1 share of US$1	–	100%
Nanomotion Ltd.	Manufacturing	Israel	18,669,985 shares of NIS0.01 each	–	52%
Nihon Mini Motor Co. Ltd.	Sales and marketing	Japan	JPY330,000,000	–	100%

* Wholly owned foreign enterprises
\# Equity joint ventures

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

Name	Principal activities	Place of incorporation/ establishment and operation	Issued and paid up capital	Effective shareholding by company	Effective shareholding by subsidiary
Subsidiaries					
Parlex Asia Holdings Limited	Investment holding	British Virgin Islands	2,000 shares of US$1 each	–	100%
Parlex (China) Investment Limited	Investment holding	British Virgin Islands	1,000 shares of US$1 each	–	100%
Parlex Dynaflex Corporation	Manufacturing	United States of America	1,000 shares issued with no par value	–	100%
Parlex Pacific Limited	Sales and marketing	Hong Kong	1 share of HK$1	–	100%
Parlex (Shanghai) Circuit Co., Ltd. *	Manufacturing	China	US$5,000,000	–	100%
Parlex (Shanghai) Electronics Co. Ltd. *	R&D, manufacturing, Sales and marketing	China	US$10,000,000	–	100%
Parlex (Shanghai) Interconnect Technologies Co., Ltd. *	Manufacturing	China	US$5,000,000	–	100%
Parlex USA Inc.	R&D, manufacturing, sales and marketing	United States of America	100 shares issued with no par value	–	100%
Prolong Profit Limited	Investment holding	British Virgin Islands	100 shares of US$1 each	–	100%
Saia-Burgess Automotive Actuators Inc.	R&D, manufacturing, sales and marketing	United States of America	US$8,000,000 common US$13,630,814 paid in capital	–	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 Benelux B.V.	Sales and marketing	Netherlands	3,000 shares of EUR45 each	–	100%
Saia-Burgess Canada Co. Inc.	Sales and marketing	Canada	79,000 Class A Shares and 1,007 Class B Shares issued with no par value	–	100%
Saia-Burgess (China) Limited *	Manufacturing	China	US$5,597,990	–	100%

* Wholly owned foreign enterprises
\# Equity joint ventures

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

Name	Principal activities	Place of incorporation/ establishment and operation	Issued and paid up capital	Effective shareholding by company	Effective shareholding by subsidiary
Subsidiaries					
Saia-Burgess Controls AG	R&D, manufacturing, sales and marketing	Switzerland	100 shares of CHF1,000 each	–	100%
Saia-Burgess Controls Kft.	Sales and marketing	Hungary	HUF5,000,000	–	100%
Saia-Burgess Deutschland GmbH	Sales and marketing	Germany	EUR511,300	–	100%
Saia-Burgess Dresden GmbH	Sales and marketing	Germany	EUR25,600	–	100%
Saia-Burgess Halver GmbH	R&D, manufacturing, sales and marketing	Germany	EUR25,000	–	100%
Saia-Burgess (HK) Limited	Sales and marketing	Hong Kong	2 shares of HK$10 each	–	100%
Saia-Burgess Hatvan Kft.	Manufacturing	Hungary	HUF30,000,000	–	100%
Saia-Burgess Inc	R&D, manufacturing, sales and marketing	United States of America	5,000 shares of US$0.01 each	–	100%
Saia-Burgess Milano S.r.l.	Sales and marketing	Italy	EUR3,700,000	–	100%
Saia-Burgess Murten AG	R&D, manufacturing, sales and marketing	Switzerland	5,000 shares of CHF1,000 each	–	100%
Saia-Burgess Oldenburg GmbH & Co. KG	R&D, manufacturing, sales and marketing	Germany	EUR15,338,800	–	100%
Saia-Burgess Österreich GmbH	Sales and marketing	Austria	EUR40,000	–	100%
Saia-Burgess Ózd Kft	Manufacturing	Hungary	HUF16,470,000	–	100%
Saia-Burgess Paris Sarl	Sales and marketing	France	125,000 shares of EUR16 each	–	100%
Saia-Burgess Poland Sp.zo.o.	Manufacturing	Poland	24,000 shares of PLN500 each	–	100%

* Wholly owned foreign enterprises
# Equity joint ventures

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

Name	Principal activities	Place of incorporation/ establishment and operation	Issued and paid up capital	Effective shareholding by company	Effective shareholding by subsidiary
Subsidiaries					
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%	–
Top Winner Holdings Limited	Investment holding	British Virgin Islands	1 share of US$1	–	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%
Tyrone Electric Motor Limited	Trading	Hong Kong	100,000 shares of HK$1 each	–	90.2%
V Motor (China) Limited *	Manufacturing and sales	China	US$6,000,000	–	100%
V Motor Limited	R&D and trading	Hong Kong	1 share of HK$1	–	100%
Wing Fat Loong Metal (Asia) Limited	Trading	Hong Kong	1 share of HK$1	–	100%
Winner City Group Limited	Investment holding	British Virgin Islands	1 share of US$1	–	100%
Associated Companies					
Burgess Defond Limited	Manufacturing	Hong Kong	100,000 shares of HK$1 each	–	25%
FG Microdesign S.r.l.	Manufacturing	Italy	100,000 shares of EUR0.52 each	–	40%
Shenzhen SMART Micromotor Co., Ltd. #	Manufacturing	China	US$2,100,000	–	49%

* Wholly owned foreign enterprises
\# Equity joint ventures

JOHNSON ELECTRIC GROUP TEN–YEAR SUMMARY

	2000	2001	2002
	US$'000	US$'000	US$'000
Consolidated Profit and Loss Account			
Turnover	677,144	790,190	773,660
Profit before income tax	155,268	136,171	125,936
Tax income/(expenses)	(22,172)	9,431	(15,289)
Discontinued operations	–	–	–
Minority interests	(9)	(2)	(2)
Profit attributable to shareholders	133,087	145,600	110,645
Consolidated Balance Sheet			
Property, plant and equipment	246,724	234,287	235,031
Investment properties	–	–	–
Leasehold land and land use rights	–	–	–
Intangibles	–	–	22,583
Jointly controlled entities	11,668	19,506	18,439
Associated companies	9,172	7,361	3,709
Deferred income tax assets	3,116	28,513	32,778
Investment securities /Available-for-sale financial assets	7,641	11,136	9,480
Long term other financial assets at fair value through profit or loss	–	–	–
Investment in finance leases	27,901	20,522	13,844
Net current assets	139,141	207,156	246,454
Employment of funds	445,363	528,481	582,318
Share capital and share premium	5,925	5,925	5,925
Reserves	376,761	459,001	513,434
Proposed dividends	33,620	34,383	34,383
Minority interests	5	5	5
Total equity	416,311	499,314	553,747
Long term loans/other provisions	16,884	18,243	17,823
Long term other financial liabilities	–	–	–
Deferred income tax liabilities	12,168	10,924	10,748
Funds employed	445,363	528,481	582,318
Basic earnings per share (US cents) – continuing operations*	3.62	3.96	3.01
Dividend per share (US cents)	4.9	1.3	1.3
Shareholders' funds per share (US cents) *	11.3	13.6	15.1

* *Restated to reflect subdivision of each of the issued and unissued shares into four subdivided shares on 14th August 2000.*

2003	2004	2005	2006	2007	2008	**2009**
		(Restated)				
US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	**US$'000**
955,339	1,050,707	1,143,783	1,526,328	2,086,628	2,220,792	**1,828,165**
174,202	134,533	156,446	116,251	135,935	170,188	**37,394**
(24,788)	(17,956)	(15,193)	(21,884)	(22,932)	(31,939)	**443**
–	–	–	–	–	–	**(31,137)**
(2)	–	(24)	(377)	(3,307)	(7,400)	**(4,109)**
149,412	116,577	141,229	93,990	109,696	130,849	**2,591**
248,501	256,952	244,115	378,543	390,019	409,864	**368,143**
–	–	8,356	17,202	24,208	38,978	**37,025**
–	–	27,877	25,355	24,805	22,462	**23,170**
22,421	20,074	43,335	631,592	667,154	775,162	**662,094**
18,882	16,104	14,921	16,494	–	–	**–**
40	13,163	3,193	2,271	2,364	1,920	**1,672**
29,188	33,731	30,689	32,662	30,918	28,892	**36,463**
7,336	7,871	5,818	5,294	5,131	5,833	**3,525**
–	–	–	–	4,140	8,813	**9,039**
8,538	5,599	426	152	–	–	**–**
366,591	420,786	483,572	400,400	512,475	592,047	**532,692**
701,497	774,280	862,302	1,509,965	1,661,214	1,883,971	**1,673,823**
5,925	5,925	83,780	81,412	82,062	77,704	**78,441**
617,303	685,802	682,669	724,093	818,568	978,080	**885,965**
42,390	42,390	51,810	40,035	40,035	46,158	**–**
4	5	1,108	10,264	22,725	30,988	**33,742**
665,622	734,122	819,367	855,804	963,390	1,132,930	**998,148**
20,489	19,065	19,667	566,092	591,017	569,902	**572,386**
–	–	–	–	19,272	84,639	**22,426**
15,386	21,093	23,268	88,069	87,535	96,500	**80,863**
701,497	774,280	862,302	1,509,965	1,661,214	1,883,971	**1,673,823**
4.07	3.17	3.84	2.56	2.99	3.57	**0.92**
1.7	1.7	2.0	1.7	1.7	1.8	**–**
18.1	20.0	22.3	23.3	26.2	30.8	**27.2**

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