JOHNSON ELECTRIC

innovating motion

Johnson Electric Holdings Limited

Interim Report 2009

(Stock Code: 179)

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
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*
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

INTERIM REPORT
FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2009

HIGHLIGHTS

- Group sales US$812 million – down 28% compared to first half of prior financial year but up 16% compared to second half of prior financial year
- Gross profit margin increased to 26.6%
- Cash flow generated from operations US$145 million
- Operating profit after restructuring costs and assets impairment US$33 million
- Net profit attributable to shareholders US$14.6 million or 0.4 US cents per share
- Net gearing (net debt to equity) 12%

CHAIRMAN'S STATEMENT

OVERVIEW OF FINANCIAL RESULTS

In the six month period ended 30th September 2009 Johnson Electric began its recovery, making some encouraging progress in the context of a gradually improving operating environment compared to the exceptionally depressed global economic conditions prevalent in the second half year of the prior financial year.

Group sales for the first half of the 2009/10 financial year totaled US$812 million, a decrease of 28% over the first half period last year, but an increase of 16% compared to the second half of the prior financial year. As expected, the Group has been restored to profitability during this first half of the current financial year with profit attributable to shareholders amounting to US$14.6 million.

The major driving factor in the sales recovery has been the ongoing though gradual recovery in customer demand and confidence in our end markets. Profitability has benefited from the additional contribution derived from this sales recovery and has been supplemented by determined cost control measures throughout the Company.

The speed and extent of both the earlier sales decline and subsequent recovery has not been uniform across the Group's various business units. The Automotive Products Group, the Group's largest operating division, experienced the steepest and deepest decline in sales during the second half of last financial year yet has recently seen a rapid pick-up in sales across each of its business units as inventories have been replenished and demand has benefited from various government-led incentive schemes. The Industry Products Group, in contrast, saw sales in its end markets fall somewhat less dramatically compared to the automotive sector but the overall pace of recovery from its early 2009 lows has so far been slow and in certain business units sales volumes in the first half of 2009/10 have been lower than in the second half of the last financial year.

On the cost side, the Group has successfully implemented a number of expense reduction and productivity initiatives including headcount reductions, ongoing shop-floor improvements, lower facility costs, and more efficient inventory management. The result of these programs, combined with lower raw material costs, has been that the gross margin for the first half of 2009/10 was 26.6% compared to 19.0% in the second half of last year and to 25.9% in the first half of last year. This represents a very creditable achievement in the face of significantly lower overall sales volumes.

Sales and administrative (S&A) costs for the first half also benefited from stringent cost containment measures across the business though these were partly offset by a number of non-recurring charges and costs including the settlement of a long-standing patent dispute in North America. As a consequence, operating profits before restructuring costs for the first half of 2009/10 amounted to US$47 million compared to an operating loss of US$32 million in the previous six month period and compared to a profit of US$98 million in the first half of the prior year, before the onset of the global economic downturn.

Reflecting both the global economic downturn and ongoing strategies to reshape our manufacturing and supply chain footprint, the Group also incurred restructuring costs and asset impairment charges of US$14 million mainly related to restructuring programs in Europe and in Japan.

After taking into account lower net financing costs, income tax and minority interests, the consolidated profit attributable to shareholders for the first half of the financial year amounted to US$14.6 million or 0.4 US cents per share.

The overall financial condition of the Johnson Electric Group continues to remain sound with strong operating cash flow and prudent gearing levels. With the Group's cash reserves of US$412 million, the net debt to equity ratio as at 30th September 2009 stood at 12% compared to 23% as at 31st March 2009.

The Company has successfully negotiated terms with a club of banks to provide refinancing for a 3-year term commencing in the first quarter of 2010. The amount of the refinancing will amount to US$400 million. The proceeds from the refinancing plus US$125 million from the Company's own cash balances will be used to pay-down an existing syndicated loan of US$525 million. The Company expects to finalise the preparation of the documentation and to sign it, in mid-December 2009.

INTERIM DIVIDEND

Notwithstanding the improving outlook for the Group compared to six or twelve months ago, the Board is of the opinion that it would be prudent to continue to conserve cash within the business until further evidence of the strength and sustainability of the global economic recovery is available. Accordingly the Directors have determined that no interim dividend will be declared.

CONTINUED FOCUS ON CUSTOMERS, INNOVATION AND EMERGING MARKETS

The breadth and depth of the economic downturn in the past year has brought into sharp focus the imperative to fulfill customer expectations for quality, responsiveness, and innovation. It is therefore especially gratifying to report positive progress in maintaining and strengthening our market share among many of the global brand name customers and product category leaders that Johnson Electric presently serves.

In the automotive sector, despite the traumatic period of restructuring that the industry has been experiencing, we are continuing to win major new product programs for Tier 1 and OEM customers in both developed and developing markets. Particularly encouraging has been the improved performance of the Powertrain Cooling business unit which has delivered strong growth in China and South America as well as winning new business through innovation and advanced engineering capabilities in Europe.

While the recent shift to smaller vehicles has dampened demand for certain motor product applications, the increased emphasis on fuel economy and reduced emissions is creating exciting growth opportunities for Johnson Electric's innovative products that manage the flow of engine fuel and air.

In the industrial products arena, we are also doubling our efforts to design motion solutions that meet customers' critical needs – whether, for example, it is lower energy consumption, higher torque, less noise, less weight, or smaller size. The result has been new business and customer wins in floor care and kitchen appliance applications and several promising initiatives to penetrate entirely new market segments for Johnson Electric products.

Our commitment to technological innovation was further enhanced by the increase in our shareholding in Nanomotion Ltd, an Israeli producer of piezo ceramic motors, to 96.3%. This business supplies miniature motors and motion systems that offer extremely accurate and precise movement, high resolution and low settling time, coupled with a dynamic range of velocity and force – features that meet, for example, the specialist requirements of high-value products in the medical technology and semiconductor equipment markets.

In terms of expanding our geographic reach, Johnson Electric increased its investment in building a stronger presence in emerging markets. In our "home market" of China, the Automotive Products Group made excellent progress in deepening its relationships with major joint venture and domestic OEMs which are attracted by the Group's technology and reputation for reliability. Supplementing this, the Group's engine block casting business in Sichuan Province successfully merged with a prominent local machining company to form the leading independent engine block producer serving China's domestic automotive OEMs and engine manufacturers. Lastly, the Group plans to open its first manufacturing facility in Chennai, India in January 2010 targeted initially at the fast-growing domestic automotive market.

PROSPECTS

In the near term, our major end-markets in North America and Europe are generally benefiting from on-going government fiscal stimulus programs and the restocking activities of companies. However, while we have been positively surprised by the speed at which sentiment has recovered from earlier in the year, we remain relatively cautious concerning the strength and sustainability of macro-economic growth over the medium and longer term. In this regard, it appears more likely that any fundamental recovery will depend on improved consumer confidence once housing markets fully stabilize and unemployment levels begin to fall instead of continuing to rise.

The US automotive sector for example is recovering more quickly than most people expected and – also a surprise to many – the “Big Three” OEMs not only all continue to operate but are financially in much better shape than at the onset of the downturn. Barring a near-term setback in macro economic fortunes, the US auto market is therefore now on track for healthy double digit growth rates for the next couple of years due to the age of the car fleet and length of time over which consumers have already been deferring purchases – though a return to the level of 17 million light vehicle sales per annum seen at the beginning of the decade could take considerably longer to reach.

In Europe the macro economic outlook has also improved since the mid-year. That said, many commentators are forecasting a soft economic environment in the first half of next year as the impact of short term stimulus factors fade but high unemployment and tight credit conditions persist. Indeed, as noted earlier, the Industry Products Group continues to experience weak demand in European markets with sales of actuators and switches to industrial equipment, automation, and HVAC applications reflecting a lack of new capital investment in these segments.

As a component supplier with such a large part of our business tied directly to the end-market demand for products such as automobiles, white goods, power tools, and various industrial and consumer products, Johnson Electric’s prospects are inevitably shaped by major shifts in the economies where we operate. On the other hand, with the progress we are making to extend further across the value chain through the provision of subsystem products and with gains in market share by anticipating and responding quicker to our customers’ needs, we are confident of growing our sales faster than average industry growth rates.

We are cautiously optimistic of further performance improvements in the second half of the financial year but it should be noted that typically this is a seasonally weaker sales period in our business, copper and steel input costs have risen, and that we expect to continue to undertake selective restructuring actions to strengthen the long term operating model.

Patrick Shui-Chung Wang
Chairman and Chief Executive

Hong Kong, 4th December 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

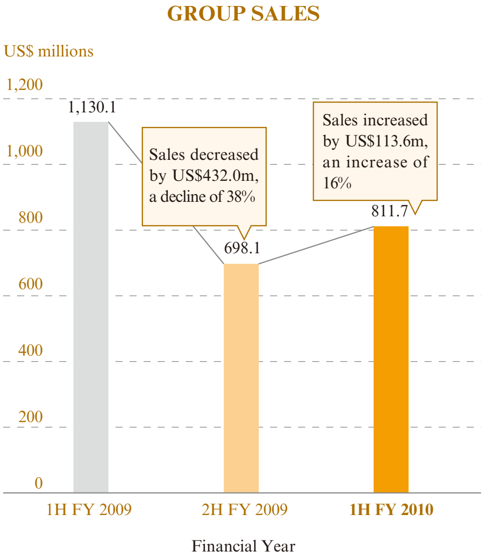
SALES REVIEW

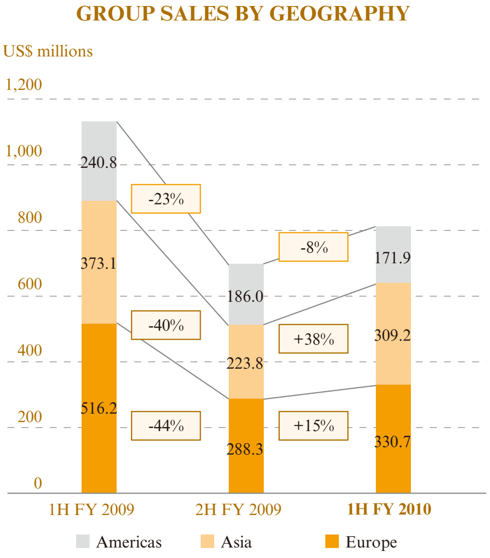
Group Overview

In the six months ending 30th September 2009 (the first half of FY2010[1]), Johnson Electric has started to see a recovery from the sales downturn we faced in the second half of FY2009. The global economy has gone through a period of turbulence in the last twelve months. Sales revenue for the Group declined by 38% from US$1.13 billion in the first half of FY2009 to US$698.1 million in the second half of FY2009 as the world's economy slipped into a recession. In the first half of FY2010 sales have recovered by 16% from the second half of FY2009 to US$811.7 million.

The global economic downturn impacted our entire global customer base, particularly those associated with the automotive industry supply chain. The commentary in the following pages looks at our business over the last three half years to reveal the revenue trends in each market segment and our business as a whole.

A comparison of sales for the first half of FY2010 to those in the second half of FY2009 and in the first half of FY2009 is shown below[2]:





Excluding currency effects Sales growth for 1H FY2009: 2H FY2009: Overall –34%, Europe –35%, Asia –41%, Americas –23%.
Excluding currency effects Sales growth for 2H FY2009:1H FY2010: Overall +15%, Europe +12%, Asia +38%, Americas –8%.

- Sales in the first half of FY2010 have started to recover from the reduced levels in the second half of FY2009.
- In the second half of FY2009, sales in our automotive markets declined more rapidly than in our Industry markets. Since then, the recovery of automotive related sales in the first half of FY2010 has been stronger than the recovery of sales to our Industry markets.

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[1] *In this discussion we use the convention FY20XX where 20XX represents the year ending 31st March 20XX. Thus the six months ending 30th September 2009 is the first half of FY2010, and the six months ending 31st March 2010 is the second half of FY2010.*

[2] *Also shown is the sales decline and growth in percentage terms. Two sets of percentages are shown, the first being the change between 1H FY2009 and 2H FY2009, and the second being the change between 2H FY2009 and 1H FY2010. These percentages have two different base points, 1H FY2009 and 2H FY2009 respectively, and are not directly comparable but are shown here and throughout the sales analysis as a reference point for narrative.*

- Sales of new products for new applications and new markets have also contributed during the recovery as we continue to differentiate our business through innovation driven by a customer focus and our engineering competencies.

- Growth in sales has been largely driven by Asia. Sales in China, especially in the automotive sector, have been strong as a result of our strategy to penetrate that market as well as strong end consumer demand induced by the Chinese government's economic stimulus measures.

- Sales in Europe showed a modest increase in the first half of FY2010 over a depressed second half of FY2009.

- Sales in the Americas remained low in the first half of FY2010 although there are signs of increased activity and revenue potential in the future.

Sales Analysis

We manage the Group's activities in two segments: Manufacturing and Trading.

Group Sales for the six months ending 30th September 2009 can be analyzed as follows:

GROUP SALES ANALYSIS	1H FY2009		2H FY2009		1H FY2010		Sales Growth % with Constant Exchange Rates	
							2H FY2009:	1H FY2010:
US$ millions	Sales	%	Sales	%	Sales	%	1H FY2009	2H FY2009
AUTOMOTIVE PRODUCTS GROUP (APG)								
MOTORS								
Body Climate	43.9	4%	32.2	5%	37.3	5%	-24%	15%
Body Instruments	91.3	8%	42.8	6%	71.2	9%	-50%	66%
Engine and Transmission Management	52.3	5%	27.6	4%	40.8	5%	-44%	47%
Powertrain Cooling	218.3	19%	121.4	17%	153.0	19%	-39%	24%
MOTION AND ACTUATION SYSTEMS								
Actuation Systems	129.0	11%	73.8	11%	87.4	11%	-36%	16%
Switches, Sensors and Solenoids	47.5	4%	25.0	4%	31.9	4%	-41%	25%
Total APG	**582.4**	**52%**	**322.8**	**46%**	**421.7**	**52%**	**-40%**	**29%**
INDUSTRY PRODUCTS GROUP (IPG)								
MOTORS								
Domestic Equipment	145.5	13%	100.3	14%	105.5	13%	-31%	5%
Power Equipment and Consumer Electronics	131.5	12%	92.2	13%	110.0	14%	-31%	19%
MOTION AND ACTUATION SYSTEMS								
Actuators	60.1	5%	51.5	7%	41.8	5%	-7%	-20%
Switches	43.9	4%	29.3	4%	23.2	3%	-24%	-22%
Total IPG	**381.0**	**34%**	**273.3**	**39%**	**280.5**	**35%**	**-26%**	**2%**
OTHER MANUFACTURING BUSINESSES	**119.2**	**11%**	**87.2**	**12%**	**96.9**	**12%**	**-22%**	**10%**
MANUFACTURING SEGMENT	**1,082.6**	**96%**	**683.3**	**98%**	**799.1**	**98%**	**-33%**	**16%**
TRADING SEGMENT	**47.5**	**4%**	**14.8**	**2%**	**12.6**	**2%**	**-69%**	**-15%**
TOTAL SALES	**1,130.1**	**100%**	**698.1**	**100%**	**811.7**	**100%**	**-34%**	**15%**

MANUFACTURING SEGMENT

Operations in the Manufacturing segment share many common features in technology, manufacturing processes, supply chain management, brand and channel management and the business model as a whole. This creates opportunities for synergy; for revenue growth by leveraging the strength of the Group's technology and for cost reduction through the sharing of resources.

The manufacturing segment is sub-divided into three divisions that focus on specific customer needs, applications, and technologies in defined markets. The divisions and the business units within them are listed below.

- Automotive Products Group (APG). Businesses under APG are:
  - Motors
    - Body Climate (BC)
    - Body Instruments (BI)
    - Engine and Transmission Management (ETM)[1]
    - Powertrain Cooling (PC)
  - Motion and Actuation Systems
    - Actuation Systems (AS)
    - Switches, Sensors and Solenoids (SSS)
- Industry Products Group (IPG). Businesses under IPG are:
  - Motors
    - Domestic Equipment (DE)[2]
    - Power Equipment and Consumer Electronics (PCE)[3]
  - Motion and Actuation Systems
    - Actuators
    - Switches
- Other Manufacturing Businesses. Businesses under this heading are:
  - Parlex
  - Saia Burgess Controls
  - Tonglin Precision Parts[4]

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[1] *ETM was formed by amalgamating what was previously the Powertrain Management (PM) business unit and the Chassis Braking (CB) business unit.*

[2] *DE was formed by amalgamating what was previously the Home Appliances (HA) business unit and (a part of) the Business and Lifestyle business unit.*

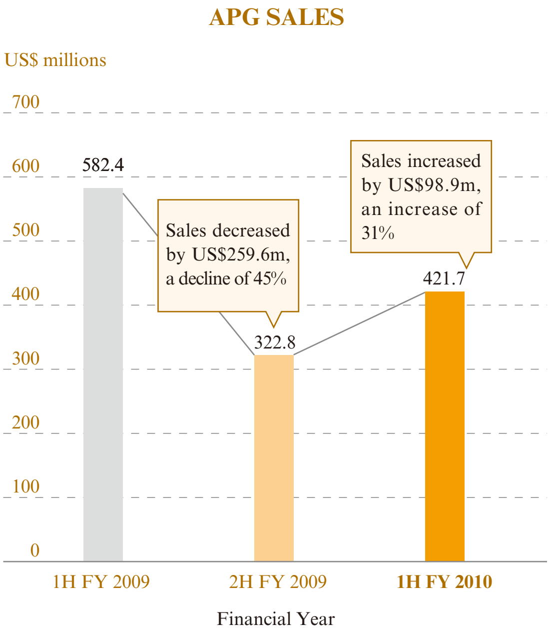
[3] *PCE was formed by amalgamating what was previously the Power Tools (PT) business unit and (a part of) the Business and Lifestyle business unit.*

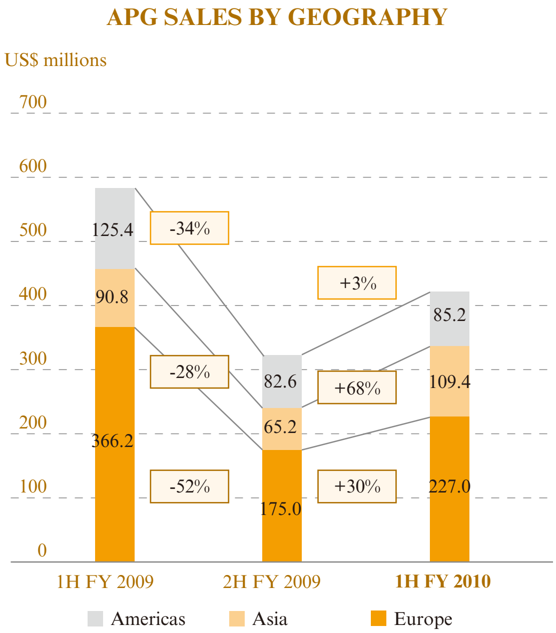
[4] *Tonglin Precision Parts was formed as a result of the merger of China Autoparts Inc (CAI) with Tian Xi Auto Parts Group Co. Ltd.*

Automotive Products Group ("APG")

Overview

Sales for the first half of FY2010 compared to sales for the second half of FY2009 and to the first half of FY2009 were as follows:





Excluding currency effects sales growth for 1H FY2009: 2H FY2009: Overall –40%, Europe –44%, Asia –29%, Americas –34%.
Excluding currency effects sales growth for 2H FY2009: 1H FY2010: Overall +29%, Europe +26%, Asia +68%, Americas +3%.

- Sales declined sharply in the second half of FY2009. This was mainly due to the decline in the global economy. The fall in vehicle demand led to original equipment manufacturer (OEM) factory shutdowns and supply chain rationalization throughout the second half of FY2009. The first half of FY2010 saw some replenishing of inventories and a pick-up in demand for fuel efficient vehicles as a result of government incentive schemes in all major markets.

- In Europe, volumes have partly recovered as customers began to replenish inventories. Additionally, government incentives have helped generate demand for smaller vehicles which, in turn, are increasingly using applications that utilize our products.

- In Asia, sales have grown strongly in the first half of FY2010 through the successful penetration of these markets, especially in China and Korea. The Chinese government's measures to stimulate demand have also spurred growth.

- In North America, production declined dramatically in the second half of FY2009. Although extended shutdowns continued into the first half of FY2010, production recovered in part during the first half of FY2010 as a result of government incentives and some replenishment of inventories. Our growth was limited by our exposure to the particularly weak truck and sports utility vehicle (SUV) market segments.

- The launch of a number of new products also helped increase sales in the first half of FY2010. We also increased market share due to the ability of our operations to rapidly respond to the uptick in demand.

- There is a growing focus on comfort, safety, convenience, and climate control applications, as well as on innovative products to provide quieter, more fuel efficient and lighter vehicles. With our excellence in innovation in our engineering centers and with our global, flexible manufacturing operations, we are well placed to meet this demand in the future.

Geographical Review

APG Europe

Sales in APG Europe were as follows:

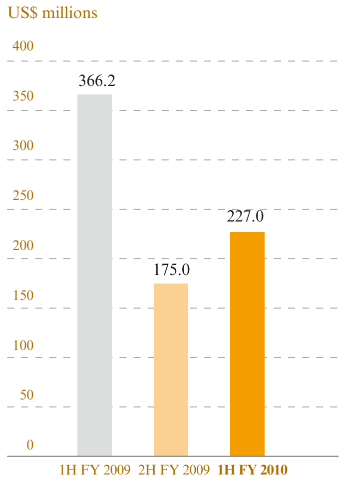
- Sales declined in Europe in the second half of FY2009 as a result of the economic downturn and falling vehicle sales. This was exacerbated by de-stocking programs throughout the supply chain, the phasing out of unprofitable products and the exiting of tail end business for powertrain cooling applications.

- In the first half of FY2010 sales have recovered modestly, in line with the partial recovery of our markets and as production activity at OEMs picks up.

- Government incentives to replace older vehicles have boosted demand for our products. Additionally, new products launched last year have contributed to an increase in our market share.

- Sales are expected to continue their recovery in the vehicle market. We also expect an increasing demand for our products in line with emerging requirements for safety and comfort applications in smaller passenger cars, as well as for products that improve fuel efficiency and reduce emissions.

APG EUROPE SALES



Excluding currency effects sales growth for 1H FY2009: 2H FY2009 was Europe –44%. Excluding currency effects sales growth for 2H FY2009: 1H FY2010 was Europe +26%.

APG Asia

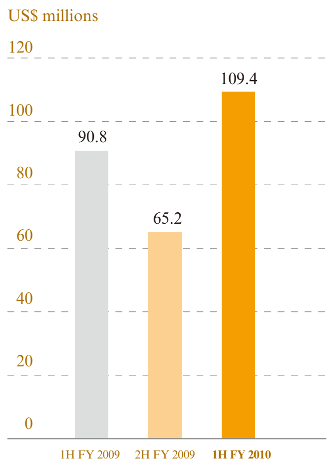
Sales in APG Asia were as follows:

- In Asia the decline in sales in the second half of FY2009 was lower than in the rest of the world.

- Sales in the first half of FY2010 recovered strongly, and were higher than in the first half of FY2009. This resulted from successful initiatives to expand the business in China where demand is strong following a significant government stimulus package to boost domestic consumption. This will be helped further by the general improvement in China's road infrastructure, which will positively impact demand for vehicles.

- The Company has established a strong base with Chinese OEMs as well as the government-foreign automotive OEM joint ventures and is looking to develop partnerships with these customers to enable them to meet the growing domestic demand. This is now producing strong sales in the country, a trend which appears set to strengthen further.

APG ASIA SALES



Excluding currency effects sales growth for 1H FY2009: 2H FY2009 was Asia –29%. Excluding currency effects sales growth for 2H FY2009: 1H FY2010 was Asia +68%.

- Additionally we have enjoyed some success with OEMs in Korea, a key market where our global reach and experience will help us gain traction.

- The launch of new products into Asian markets and the ability of our operations to respond quickly to increases in demand also helped to increase our sales in the period. We will continue to invest in this key market to ensure that we can service our customers effectively as they grow their business in Asia.

- In addition to our APG presence in China, we also have the Tonglin business which serves the China domestic automotive market and is described on page 15 of this MD&A.

APG Americas

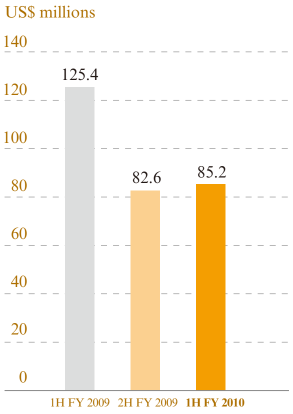
Sales in APG Americas were as follows:

- Sales declined in the Americas in the second half of FY2009 and continued to be depressed in the first half of FY2010. The downturn in sales was exacerbated by extended summer shutdowns of OEMs, particularly General Motors, and our exposure to the weak truck and SUV segments.

- Against this background, going forward, we expect to see growth as we start to win new programs and as the US economy recovers.

- In South America, a key emerging market for our products, sales were strong on the back of a recovery in vehicle sales. We are well placed to realize growth opportunities in powertrain cooling and engine transmission management applications using our global reach, experience and competencies to build on the existing success of our South American operations in Brazil and Argentina.

APG AMERICAS SALES



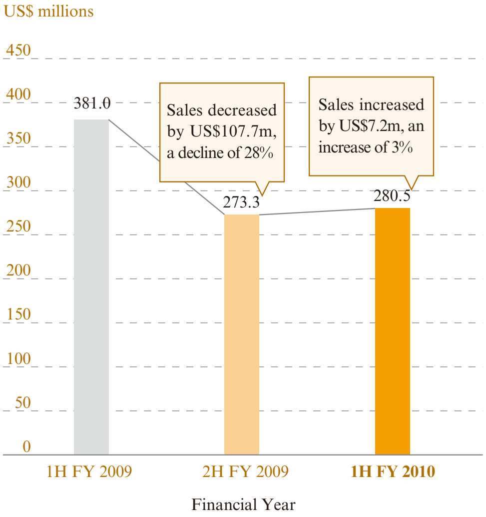
Excluding currency effects sales growth for 1H FY2009: 2H FY2009 was Americas –34%. Excluding currency effects sales growth for 2H FY2009: 1H FY2010 was Americas +3%.

Industry Products Group ("IPG")

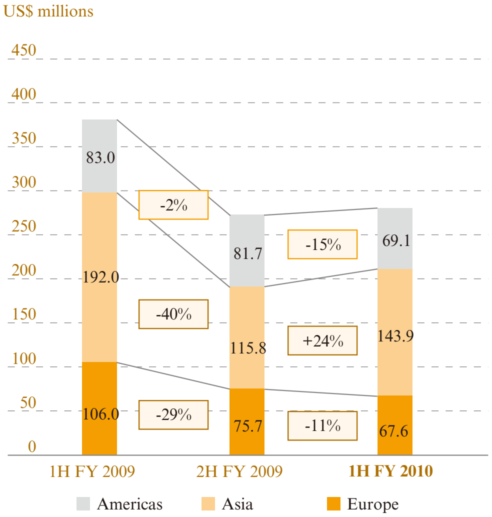
Overview

Sales for the first half of FY2010 compared to sales for the second half of FY2009 and to the first half of FY2009 were as follows:

IPG SALES



IPG SALES BY GEOGRAPHY



Excluding currency effects Sales growth for 1H FY2009: 2H FY2009: Overall –26%, Europe –19%, Asia –41%, Americas –1%.
Excluding currency effects Sales growth for 2H FY2009: 1H FY2010: Overall +2%, Europe –13%, Asia +24%, Americas –16%.

- Sales declined in the second half of FY2009 and remained flat into the first half of FY2010. Growth in Asia in the first half of FY2010 was offset by further declines in the Americas and in Europe.

- Asian sales are starting to lead a recovery as export driven market demand increases.

- Additionally, as new products and programs that were successfully launched last year take hold, this will drive further sales growth in FY2010 and beyond.

Geographical Review

IPG Europe

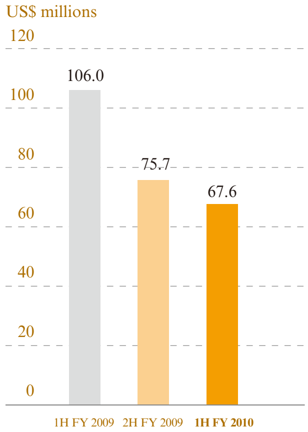
Sales in IPG Europe were as follows:

- Sales declined in the second half of FY2009. This continued into the first half of FY2010 as the economic downturn resulted in fewer new home builds, lower consumer spending and de-stocking by our customers, especially distributors.

- There was a partial recovery in the first half of FY2010 in the Domestic Equipment business as sales for certain key customers in the household appliances and floor care market segments picked up. However, this was more than offset by the continued weak market conditions in the Actuators business unit which resulted in reduced sales levels for heating, ventilation and air conditioning products (HVAC), for postal automation products, and in sales of Switches through distributors.

- We expect to see sales recover as consumer confidence improves, as re-stocking begins in our indirect sales channels, and as new products are developed and launched.

IPG EUROPE SALES



Excluding currency effects Sales growth for 1H FY2009: 2H FY2009 was Europe –19%.
Excluding currency effects Sales growth for 2H FY2009: 1H FY2010 was Europe –13%.

IPG Asia

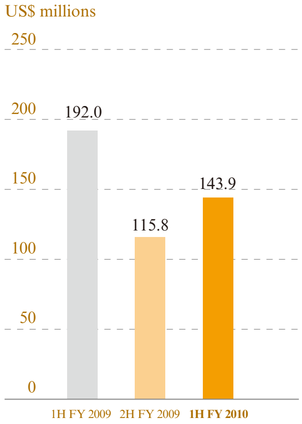
Sales in IPG Asia were as follows:

- Sales in Asia declined in the second half of FY2009 as a result of the economic downturn. This impacted all our product applications from floor care and office automation to games and toys applications.

- Sales are recovering in the first half of FY2010 as export driven demand improves.

- In the Power Equipment and Consumer Electronics business, sales are increasing for office automation applications due to the ramp up in demand for new products that were launched late last year.

IPG ASIA SALES



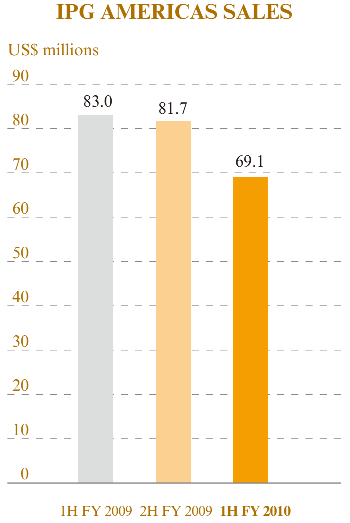
Excluding currency effects Sales growth for 1H FY2009: 2H FY2009 was Asia –41%.
Excluding currency effects Sales growth for 2H FY2009: 1H FY2010 was Asia +24%.

IPG Americas

Sales in IPG Americas were as follows:

- Overall, sales in the Americas held up relatively well during FY2009 but declined in the first half of FY2010 as a result of weak market conditions. In Power Equipment and Consumer Electronics, starter product sales declined in the lawn and garden and the power sports market segments.

- Sales are set to grow in the Americas with the emergence of new business opportunities and the strengthening economic outlook. In particular, starter sales are strongly affected by seasonality and we expect these to recover in the second half of FY2010.

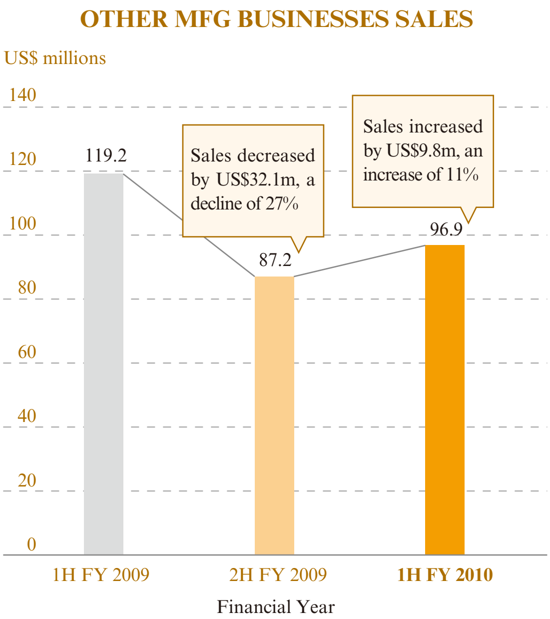


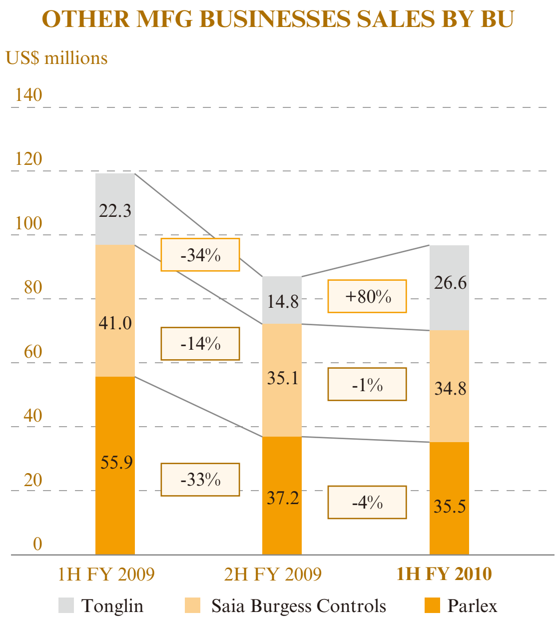
Excluding currency effects Sales growth for 1H FY2009: 2H FY2009 was Americas –1%. Excluding currency effects Sales growth for 2H FY2009: 1H FY2010 was Americas –16%.

Other Manufacturing Businesses

The Group's other manufacturing businesses include Parlex, Saia-Burgess Controls, and Tonglin Precision Parts.

Sales for the first half of FY2010 compared to sales for the second half of FY2009 and to the first half of FY2009 were as follows:





Excluding currency effects Sales growth for 1H FY2009: 2H FY2009: Overall –22%, Europe +0%, Asia –38%, Americas –29%.
Excluding currency effects Sales growth for 2H FY2009: 1H FY2010: Overall +10%, Europe –6%, Asia +53%, Americas –20%.

Parlex

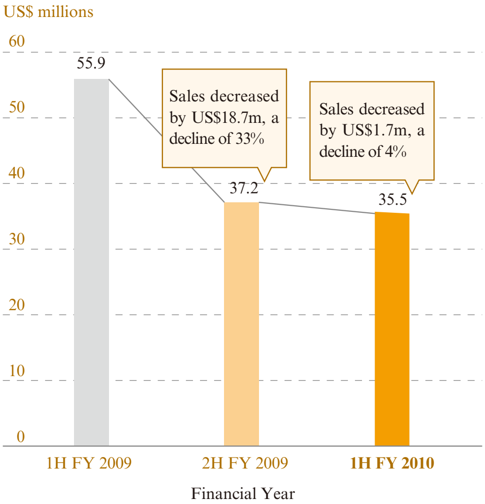
Global sales for Parlex, a flexible printed circuit board and interconnect solutions provider, were as follows:

- Overall, global sales declined in the second half of FY2009 as a result of weakened demand in consumer electronics and automotive markets. Additionally, we exited certain unprofitable products and markets.

- Sales in the first half of FY2010 have benefited from growth in demand for Parlex's automotive products and new business gains in the white goods market segment, but these positive developments have not been sufficient to completely offset the downturn in sales in the consumer electronics market.

- In the near term, the operation's core markets are expected to remain sluggish and sales are anticipated to remain relatively flat in the second half of FY2010, but we plan to introduce new products in the American and European markets, particularly for white goods and medical applications, which should start to drive growth.

PARLEX SALES



Excluding currency effects Sales growth for 1H FY2009: 2H FY2009 was –31%.
Excluding currency effects Sales growth for 2H FY2009: 1H FY2010 was –5%.

Saia Burgess Controls

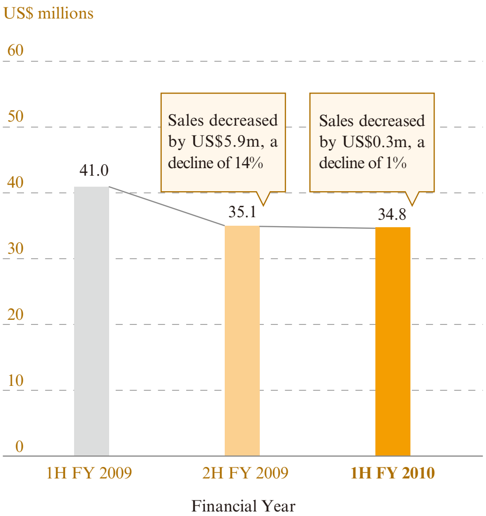
Global sales for Saia-Burgess Controls, a niche player in the programmable controls industry, were as follows:

- Sales declined in the second half of FY2009 and, adjusted for currency, sales remained flat in the first half of FY2010.

- The majority of sales for this business are in Europe. In the first half of FY2010, sales were strong in the infrastructure automation segment, mainly in Germany, and we were able to increase European market share generally. Sales for our web-based Human Machine Interface (HMI) products also increased. These gains were offset by a reduction in sales within the industrial machines segment which was impacted by lower global demand.

- We expect sales in the second half of FY2010 to remain at similar levels to the first half. We continue to pursue opportunities to gain market share in infrastructure automation and web-based Human Machine Interface (HMI) segments where we see good opportunities for growth in the future.

CONTROLS SALES



Excluding currency effects Sales growth for 1H FY2009: 2H FY2009 was –2%.
Excluding currency effects Sales growth for 2H FY2009: 1H FY2010 was –4%.

Tonglin Precision Parts

In June 2009, China Autoparts, Inc. ("CAI"), a 57% owned iron castings subsidiary of Johnson Electric, merged with Tian Xi Auto Parts Group Co., Ltd, a supplier of machined iron cast parts, to form Tonglin Precision Parts Limited ("Tonglin"). The merged Tonglin business, now 52% owned by Johnson Electric, is the leading independent supplier of iron cast and machined engine blocks to the domestic PRC automotive sector.

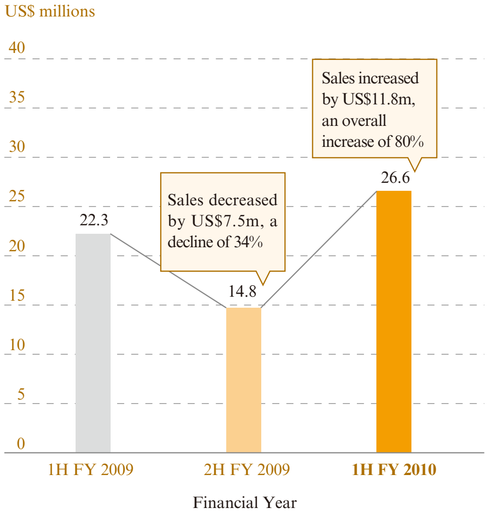
The combination strengthens the company's competitive position in the fast growing China market and by vertically integrating casting and machining activities there is significant potential for productivity gains and operational synergy in areas such as R&D, manufacturing, quality control and new business development.

Sales for Tonglin products were as follows:

- Sales of the original CAI business declined in the second half of FY2009 compared to the first half due to the economic slowdown in China. However, sales began to recover in the first half of FY2010 as the Chinese government's stimulus measures to encourage domestic automotive sales started to take hold and also as a result of merging the two businesses.

- Sales are expected to continue to grow in line with the rapid development in the Chinese automotive market in general and, in particular, in the small passenger vehicle and mini-vehicle segments where Tonglin has a particularly strong market position. Additionally, Tonglin is now actively exploring possibilities for an expansion into new product segments and into export market opportunities.

TONGLIN SALES



Excluding currency effects Sales growth for 1H FY2009: 2H FY2009 was –34%.
Excluding currency effects underlying sales growth for 2H FY2009: 1H FY2010 was +79%.

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 were not then manufactured within Johnson Electric, and to supply specialty materials for local Asian customers.

Global sales for the Trading segment were as follows:

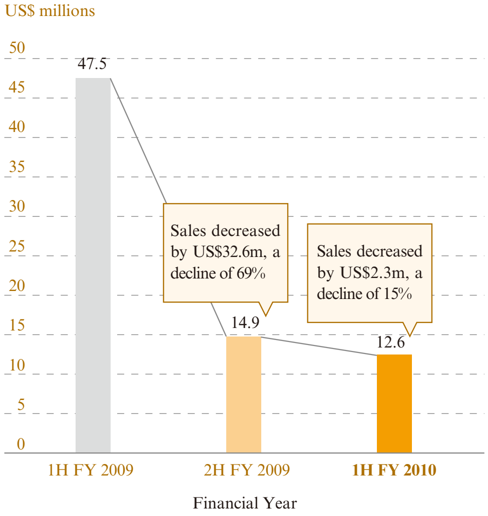
- Sales declined significantly in the second half of FY2009 due to a reduction in overall market demand and a dramatic fall in commodity prices following the economic downturn.

- There has been some recovery in the motor-related parts trading business in the first half of FY2010.

- However, in the speciality material trading business we are taking a cautious approach to selecting customers and in determining contractual, credit and other terms.

- As a result, sales in the first half of FY2010 declined slightly from the second half of FY2009.

TRADING SEGMENT SALES



Excluding currency effects Sales growth for 1H FY2009: 2H FY2009 was –69%.
Excluding currency effects Sales growth for 2H FY2009: 1H FY2010 was –15%.

FINANCIAL REPORT

Segmental Profit and Loss Account

US$ millions	6 Months Ended 30th September 2008 Manufacturing	Trading	Total	6 Months Ended 30th September 2009 Manufacturing	Trading	Total
Sales	1,082.6	47.5	1,130.1	799.0	12.7	811.7
Gross Profit	291.1	1.8	292.9	214.6	1.3	215.9
Gross Margin %	*27%*	*4%*	*26%*	*27%*	*10%*	*27%*
Other (Losses)/Income & Gains	8.3	0.1	8.4	0.0	(1.2)	(1.2)
Selling and Administrative Expenses ("S&A")	(200.2)	(3.3)	(203.5)	(166.4)	(1.3)	(167.7)
S&A %	*18%*	*7%*	*18%*	*21%*	*10%*	*21%*
Operating Profit/(Loss) before Restructuring	99.2	(1.4)	97.8	48.2	(1.2)	47.0
Restructuring Costs & Assets Impairment	(2.1)	–	(2.1)	(14.0)	–	(14.0)
Operating Profit/(Loss)	97.1	(1.4)	95.7	34.2	(1.2)	33.0
Operating Margin %	*9%*	*-3%*	*8%*	*4%*	*-10%*	*4%*
Finance Costs, Net	(6.2)	(0.2)	(6.4)	(3.1)	–	(3.1)
Share of Profit/(Loss) of Associated Companies	0.1	–	0.1	(0.2)	–	(0.2)
Profit/(Loss) before Income Tax	91.0	(1.6)	89.4	30.9	(1.2)	29.7
	8%	*-3%*	*8%*	*4%*	*-10%*	*4%*
Income Tax			(14.3)			(10.4)
Profit from Continuing Operations			75.1			19.3
Discontinued Operations*			(27.5)			–
Profit for the Period			47.6			19.3
Minority Interest			(2.1)			(4.7)
Profit Attributable to Shareholders			45.5			14.6

* *Green Vision Group*

Total Group sales for the six months ended 30th September 2009 were US$811.7 million, a decrease of US$318.4 million or 28% on the first half in the prior year. This is outlined in the table on page 7 and in the commentary that follows on pages 8 to 15.

Comparison of Profit and Loss to Prior Periods

An analysis of sales and profit for the first half FY2010 compared to the previous two half years is shown below:

US$ millions	1H FY2009	2H FY2009	1H FY2010
Sales	1,130.1	698.0	811.7
Gross Profit	292.9	132.8	215.9
Gross Margin %	*26%*	*19%*	*27%*
Other (Losses)/Income & Gains	8.4	(15.0)	(1.2)
Selling and Administrative Expenses ("S&A")	(203.5)	(150.0)	(167.7)
S&A %	*18%*	*21%*	*21%*
Operating Profit/(Loss) before Restructuring	97.8	(32.2)	47.0
Restructuring Costs & Assets Impairment	(2.1)	(16.7)	(14.0)
Operating Profit/(Loss)	95.7	(48.9)	33.0
Operating Margin %	*8%*	*-7%*	*4%*
Finance Costs, Net	(6.4)	(3.2)	(3.1)
Share of Profit/(Loss) of Associated Companies	0.1	0.0	(0.2)
Profit/(Loss) before Income Tax	89.4	(52.1)	29.7
Income Tax	(14.3)	14.7	(10.4)
Profit/(Loss) from Continuing Operations	75.1	(37.4)	19.3
Discontinued Operations*	(27.5)	(3.6)	–
Profit/(Loss) for the Period	47.6	(41.0)	19.3
Minority Interest	(2.1)	(2.0)	(4.7)
Profit/(Loss) Attributable to Shareholders	45.5	(43.0)	14.6

* *Green Vision Group*

Analysis of Results of 1H FY2010 to 1H FY2009

Gross Profit

Gross profit declined by US$77.0 million from US$292.9 million in the first half of FY2009 to US$215.9 million in the first half of FY2010. As a percentage of sales, gross margin increased from 26% to 27%.

Comparing the two periods, gross profits suffered from reduced volumes and currency effects but benefited from cost management initiatives as well as commodity price reductions.

Volume, Price and Mix

- Excluding currency effects, sales in the first half of FY2010 were US$285.5 million lower than in the first half of FY2009.
- Gross profits were reduced by US$98.4 million because of lower sales volume.
- This represents a lost gross profit on the reduced sales volume at the rate of 35%.

Currency Effect

- Changes in currency exchange rates impacted sales and costs of sales. These changes were mainly due to the depreciation of the Euro against the US dollar between those two periods.
- Sales were US$32.9 million lower and cost of sales was US$13.9 million lower as a result of these changes.
- Overall currency changes reduced profit by US$19.0 million between the two periods.

Cost and Productivity Management

- In the past twelve months the Company has undertaken a wide range of cost reduction and productivity improvement programs. This is part of our normal close attention to process improvement and also in response to the global downturn in the economy.
- These programs included short time working by staff, staff restructuring, lower facility costs, reductions in repairs and maintenance costs and better supply chain management.
- As a result of these programs gross profits increased by US$29.2 million between the first half of FY2009 and the first half of FY2010. This represents 4% of sales.

Commodity Prices

- As a result of the economic downturn and the resulting lower global demand, copper and steel prices have fallen between the first half of FY2009 and the first half of FY2010.
- This has contributed US$11.1 million to gross profit, representing 1% of sales.

Other Losses, Income and Gains

Other losses, income and gains in the first half of FY2010 amounted to an overall loss of US$1.2 million. In contrast, in the first half of FY2009 the overall result was a gain of US$8.4 million.

- In the first half of FY2009, net gains on currency options and forward contracts contributed earnings of US$5.6 million. These have not repeated in FY2010.

- Losses on investments were US$3.6 million higher in the first half of FY2010 compared to first half of FY2009.

Selling and Administration Costs (S&A)

S&A costs in the first half of FY2010 were US$167.7 million, US$35.8 million lower than US$203.5 million in the first half of FY2009.

- Changes in foreign currency exchange rates with the US dollar reduced S&A by US$24.0 million of which US$7.2 million was due to S&A costs in foreign currencies, primarily the Euro, when translated into US dollars.

- In the first half of FY2009, losses on currency management were US$16.8 million, due to volatile exchange rates. This has not repeated.

- Reductions in personnel, short work time programs and other cost control initiatives reduced costs by US$17.9 million.

- Freight and commission costs reduced by US$9.2 million reflecting lower sales volume in FY2010 compared to the first half of FY2009.

- As we tightened control over receivables, we released significant bad debt provisions, many of which had been booked in the second half of FY2009, reducing costs by US$2.9 million compared with that period.

- The above were offset by an increase in claims and compensation of US$18.2 million, driven largely by the settlement of a claim which has been the subject of legal dispute for over 10 years (see Note 34 in the Notes to the Accounts in the Group's 2009 Annual Report).

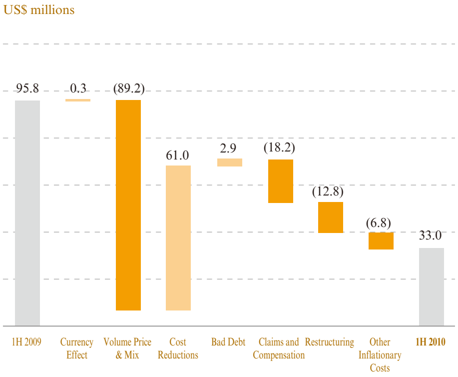
Restructuring Costs and Asset Impairment

Restructuring costs and asset impairment charges were US$14.0 million in the first half of FY2010, US$11.9 million higher than in the first half of FY2009 including currency impacts of US$0.9 million. This increase was mainly due to restructuring programs in Europe and Japan which began in the first half FY2010.

Operating Profit

Operating profit after restructuring charges decreased by US$62.8 million from US$95.8 million in the first half of FY2009 to US$33.0 million in the first half of FY2010.

OPERATING PROFIT – BRIDGE FROM 1H 2009 TO 1H 2010



Finance Costs

Finance costs reduced by US$3.3 million from US$6.4 million in the first half of FY2009 to US$3.1 million in the first half of FY2010.

- Lower interest rates resulted in US$3.8 million lower net interest costs.

- This was partially offset by an increase of US$0.5 million in fees for refinancing arrangements.

Profit before Income Tax

Profit before income tax decreased by US$59.7 million from US$89.4 million in the first half of FY2009 to US$29.7 million in the first half of FY2010.

Income Tax

Although the reported effective tax rate (income tax expenses over profit before income tax) for the first half of FY2010 increased to 34.9% from 15.9% for the first half of FY2009, the underlying effective rate was 14.2%. The main reasons for this temporary increase were as follows:

- Adjustments to deferred tax assets in North America.

- Adjustment for over provisions of US$1.8 million.

- Claims, compensation and restructuring expenses have not been treated as qualifying items for deferred tax purposes.

The company believes that a 20% effective tax rate is a reasonable guide for the purposes of forward projections, recognizing that anomalies can and do occur from time to time.

Discontinued Operations

There were no charges for discontinued operations in the first half of FY2010.

- In the first half of FY2009, US$27.5 million was incurred as a charge for the discontinuation of the Green Vision Group business.

Minority Interest

The profit attributable to minority interests increased by US$2.6 million, from US$2.1 million in the first half of FY2009 to US$4.7 million in the first half of FY2010.

Profit Attributable To Shareholders

The profit attributable to shareholders reduced by US$30.9 million, from US$45.5 million in the first half of FY2009 to US$14.6 million in the first half of FY2010.

Comparison of Operating Profit in 1H FY2010 to 2H FY2009

The Company witnessed sharp declines in demand across its markets in the second half of FY2009 due to the global economic downturn. The initial rapid rate at which revenues eroded simply exceeded the speed with which adequate countermeasures could be put in place. Consequently in FY2009, the Group moved from profits in the first half into a loss position in the second half.

Johnson Electric responded as rapidly as possible to the situation by conserving cash as well as taking a series of determined actions to resize and reshape the business. These measures were aimed at reducing costs through restructuring and resizing operations as well as driving working capital reductions and minimizing capital expenditure. Examples of such programs are as follows:

- Introduced a reduced work-week in North America and Europe (utilizing the government subsidies, where available)
- Implemented programs for voluntary separation in certain locations and also enforced mandatory programs for utilizing staff leave
- Right-sized the organization globally
- Restricted recruitment activity to CEO approved hires
- Restructured incentive plans and bonus schemes
- Restricted pay increases
- Tightened travel and entertainment policies.
- Launched restructuring programs to lean and simplify the manufacturing and supply chain footprint
- Tightened the customer credit control and cash collection processes
- Negotiated revised terms with suppliers

These initiatives, along with the revenue recovery so far (see Sales Review above pages 6 to 15) have resulted in some recovery in profitability in the first half of FY2010 as compared to the second half of FY2009.

Additionally there have been significant changes in commodity prices and currency exchange rates from the first half of FY2009, through the second half of FY2009 and into the first half of FY2010.

Gross Profit

Gross profit increased by US$83.1 million from US$132.8 million in the second half of FY2009 to US$215.9 million in the first half of FY2010. As a percentage of sales the Group's gross margins have been returned to pre-downturn levels, thus helping to fund the ongoing expenditures required to fulfil the Group's value proposition as an innovator and as our customers' safe choice.

Comparing the two periods, gross profits benefited from increased volumes, commodity price reductions, cost management initiatives, and currency effects.

Volume, Price and Mix

- Excluding currency effects, sales in the first half of FY2010 were US$104.6 million higher than the second half of FY2009.

- Gross profits were US$39.5 million higher because of this sales recovery.

- This represents a contribution on the incremental sales volume of 38% as previously underutilized capacity was absorbed.

Commodity Prices

- As a result of the global economic downturn and lower market demand, copper and steel prices have fallen between the second half of FY2009 and the first half of FY2010 contributing US$18.8 million to gross profit. This represents 2.3% of sales.

Costs and Productivity

- The cost reduction and productivity improvement programs which were launched in the second half of FY2009 gained traction on into the first half of FY2010 resulting in an increase in gross profit by US$17.2 million between the second half of FY2009 and the first half of FY2010. This represents 2% of sales.

Currency Effect

- Changes in currency exchange rates impacted sales and costs of sales. These changes were mainly due to the appreciation of the Euro against the US dollar between those two periods.

- Sales were US$9.1 million higher and cost of sales was US$3.4 million higher as a result of these changes.

- Overall, currency changes increased profit by US$5.7 million between the two periods.

Other Factors

- In the second half of FY2009 charges of US$2.0 million for impairment of fixed assets were taken in the period which did not repeat in the first half of FY2010, resulting in a favourable impact on gross profit.

Other Losses, Income and Gains

Other losses, income and gains in the first half of FY2010 amounted to an overall loss of US$1.2 million. In the second half FY2009 the overall result was a loss of US$15.0 million.

- Losses on copper forward contracts in the second half of FY2009 which arose from the sudden and sharp downturn in the global economy and the consequent lower commodity prices and lower sales volumes, have not repeated in the first half of FY2010.

Selling and Administrative Expenses ("S&A")

S&A costs in the first half of FY2010 were US$167.7 million, US$17.7 million higher than US$150.0 million in the second half of FY2009.

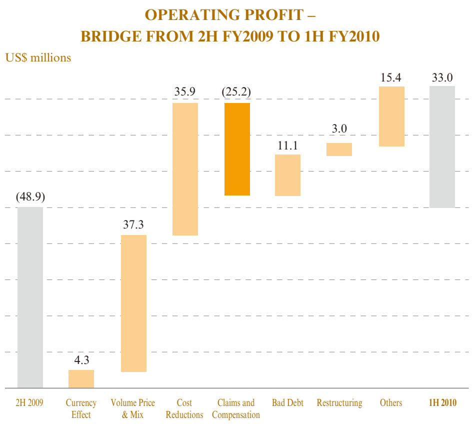
- Changes in foreign currency exchange rates increased S&A by US$1.1 million.
- Claims and compensation was US$25.2 million adverse to the second half of FY2009 as the release of a provision in the prior period was not repeated and as we settled a large and long outstanding claim.
- Freight and commissions increased by US$2.2 million reflecting higher sales in FY2010 than the second half of FY2009.
- Other costs were US$9.3 million higher in the first half of FY2010 than in the second half of FY2009. This was mainly due to releases of provisions in the prior period that did not repeat.
- The above were offset with the reductions in personnel and cost control initiatives that reduced costs by US$8.9 million.
- As we tightened our control over our receivables we released significant bad debt provisions. Many of these provisions had been booked in the second half of FY2009. This resulted in a reduction of costs of US$11.1 million for the first half of FY2010, compared with the second half of FY2009.

Restructuring Costs and Asset Impairment

Restructuring costs in the first half of FY2010 were US$2.7 million lower than in the second half of FY2009. The currency impact was insignificant.

Operating Profit

Operating profit, after restructuring charges, increased by US$81.9 million from a loss of US$48.9 million in the second half of FY2009 to a profit of US$33.0 million in the first half of FY2010. The increase can be summarized as follows:



FINANCIAL POSITION AND LIQUIDITY

Analysis of Cash Flows

US$ millions	1H FY2009	2H FY2009	1H FY2010
Profit before Interest and Tax*	95.7	(48.8)	33.0
Depreciation and Amortization	45.8	43.4	42.7
EBITDA	***141.5***	***(5.4)***	***75.7***
Other Non Cash Items in Profit Before Tax	(1.6)	18.4	4.3
Working Capital Change	(22.3)	129.2	64.6
Cash from Operating Activities	***117.6***	***142.2***	***144.6***
Capital Expenditure	(34.2)	(28.7)	(14.8)
Cost of Acquisition of Subsidiaries and Minority Interests**	(1.9)	(0.6)	(28.9)
Proceeds from Sale of Assets and Investments	4.2	4.8	0.4
Operating Cash Flow less Operating Investment Activities	***85.7***	***117.7***	***101.3***
Net Interest Paid	(3.6)	(4.8)	(2.3)
Tax	(13.7)	(14.6)	(5.9)
Dividend Paid	(46.2)	–	–
Treasury Shares and Liquid Securities, and Dividend Received (net)	–	(1.1)	0.3
Pledged Deposits	–	(17.1)	–
Unwind Currency Swap	–	(13.2)	–
Net Cash Flow – Continuing Operations	**22.2**	**66.9**	**93.4**
Discontinued Operations (exclude financing activities)	(23.9)	10.9	–
Net Cash Flow	**(1.7)**	**77.8**	**93.4**
Use of cash			
Used to Repay Debt	4.1	31.4	2.1
Increase in Borrowings from Acquisition	0.0	0.0	(14.2)
Net increase/(decrease) in Cash and Cash Equivalents	(4.5)	46.4	105.5
Net increase/(decrease) in Short Term Investment & Time Deposit	(1.3)	0.0	0.0
	(1.7)	77.8	93.4
Reconciliation to Net Debt			
Exchange gains/(losses) on net debt	(3.4)	(3.1)	3.4
Net Movement in Cash, Overdrafts and Borrowings (Net Debt)	**(5.1)**	**74.7**	**96.8**

* *Operating Profit per accounts*

** *This include cash consideration paid, cash and borrowings acquired from subsidiaries*

Working Capital Change

Working capital and provisions have decreased by US$61.6 million since March 2009, from US$152.5 million to US$90.9 million. The underlying cash contribution from working capital reductions this half year (excluding currency translation, acquisitions, hedging, and provisions movements) was US$64.6 million.

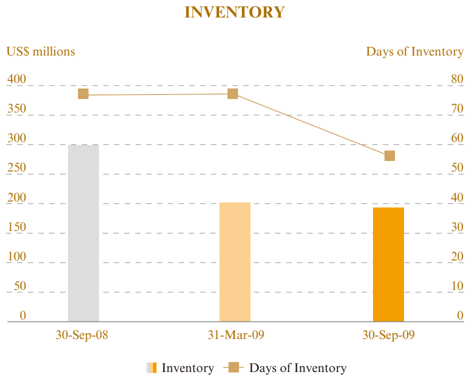
US$ millions	31st Mar 09	Currency translation	Acquisitions	Pension, Hedging & Interest Payable	Increase/ (Decrease) in operating working capital	30th Sep 09
Stocks and other work in progress	**202.8**	6.9	3.6	–	(18.8)	**194.5**
Trade and other receivables	**272.4**	14.0	11.8	–	41.5	**339.7**
Trade and other payables	**(226.0)**	(8.8)	(15.8)	(0.4)	(76.3)	**(327.3)**
Provisions and other liabilities*	**(64.7)**	(5.7)	(1.2)	(0.5)	(1.6)	**(73.7)**
Other financial liabilities, net	**(32.0)**	(18.9)	–	18.0	(9.4)	**(42.3)**
Total Working Capital per Balance Sheet	**152.5**	(12.5)	(1.6)	17.1	(64.6)	**90.9**

* *Current and non current*

Stocks and Work In Progress

Stocks excluding acquired businesses were as follows:

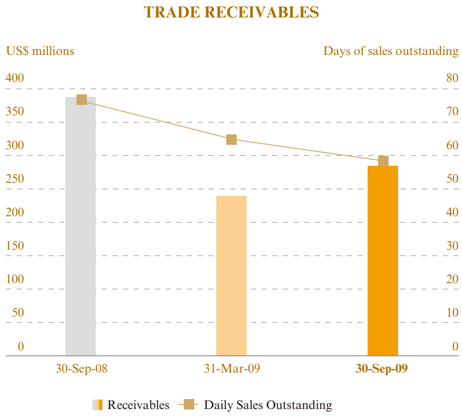
- Stocks reduced by US$8.3 million in the first half of FY2010 from US$202.8 million as of March 31st, 2009 to US$194.5 million as of 30th September, 2009. Excluding currency effects and acquisitions, stocks reduced by US$18.8 million.
- Days of inventory, reduced from 74 to 53 in the first half of FY2010 reflecting tight controls over inventory, globally.



Trade and other Receivables

Trade and other receivables, excluding acquisitions, were as follows:

- Trade and other receivables increased by US$67.3 million in the first half of FY2010 from US$272.4 million to US$339.7 million. Excluding currency effects and acquisitions, receivables increased by US$41.5 million.
- Daily sales outstanding reduced from 62 days to 56 days, reflecting our tightened credit policy and receivables collection efforts.
- Despite the challenging economic conditions and their affect on our customers, 97.5% of our receivables are now current or less than 30 days past due, an improvement over the 96.2% at 31st March 2009.

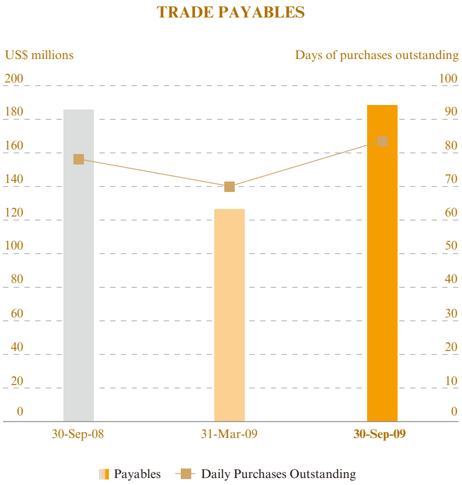


Trade and other Payables

Trade and other payables, excluding acquisitions, were as follows:

- Trade and other payables increased by US$101.3 million in the first half of FY2010 from US$226.0 million to US$327.3 million. Excluding currency effects and acquisitions, payables increased by US$76.3 million.

- Daily purchases outstanding increased from 70 to 82 days as we continue to negotiate extended terms with our suppliers and manage our cash flows carefully.



Provisions

Long-term and short-term provisions increased by US$9.0 million from US$64.7 million to US$73.7 million, mainly as a result of currency translation effects of US$5.7 million.

Other Financial Liabilities

Other financial liabilities, net, were US$42.3 million as at 30th September 2009, an increase of US$10.3 million from US$32.0 million as at 31st March 2009.

- 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:

US$ millions	31st March 2009 Asset	Liability	Net	**30th September 2009** Asset	**Liability**	**Net**
Currency	3.2	–	3.2	**1.7**	**–**	**1.7**
Interest	–	(1.0)	(1.0)	**–**	**(2.8)**	**(2.8)**
Commodity	2.7	(15.0)	(12.3)	**1.2**	**(1.9)**	**(0.7)**
Others	0.5	–	0.5	**0.1**	**–**	**0.1**
Current	6.4	(16.0)	(9.6)	**3.0**	**(4.7)**	**(1.7)**
Non current	–	(22.4)	(22.4)	**–**	**(40.6)**	**(40.6)**
Total	6.4	(38.4)	(32.0)	**3.0**	**(45.3)**	**(42.3)**

- Assets from currency forward contracts have reduced by US$1.5 million.

- Liabilities from interest hedging have increased by US$1.8 million.

- Liabilities arising from commodity hedging contracts for copper have reduced by US$11.6 million. Due to economic uncertainty, unpredictable volumes and commodity price volatility, copper forward contracts have significantly reduced, thereby reducing our liability.

- Other financial liabilities classified as non current (long-term) have increased by US$18.2 million from US$22.4 million to US$40.6 million. This mainly relates to the cross currency interest rate swap between US dollars and Swiss francs and the strengthening of the Swiss franc against the US dollar.

Other Operating Cash Flows

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

Capital Expenditure was US$14.8 million in the first half of FY2010, a reduction of US$19.4 million from the US$34.2 million in the first half of FY2009.

- Capital expenditure has been significantly reduced in the short term as a reflection of reduced revenues, less tooling for new contracts, and our cash conservation programs.

- Currently we have availability of production capacity to satisfy a recovery in volumes of product manufactured.

- The Company continues to invest in machinery and equipment which enables innovation, new product manufacture, improved process flow, and efficiency.

- Proceeds from the sales of assets and investments were US$0.4 million.

Acquisitions and Mergers

Cash flows and changes in cash balances and borrowings arising from mergers and acquisitions was US$28.9 million.

- This was as a result of the merger of China Autoparts Inc with Tian Xi, and the acquisition of a minority stake in Nanomotion.

Operating Cash Flow less Operating Investment Activities

Operating cash flow less operating investment activities, for continuing operations, was US$101.3 million in the first half of FY2010, compared to US$85.7 million in the first half of FY2009.

- In light of the downturn in sales and manufacturing activity, this continues to represent a relatively strong cash generation performance at 12.5% of sales compared to 7.6% for first half of 2009.

Interest Dividends and Other Cash Flows

Interest and Tax

Interest paid, net of interest received, was US$2.3 million in the first half of FY2010, a reduction of US$1.3 million from the first half of FY2009.

- This reflects lower interest rates on borrowings and higher net cash balances.

- Taxes paid were US$5.9 million in the first half of FY2010.

Dividends

No dividends were paid in the first half of FY2010 in line with the board's policy of retaining cash within the business in the near term during the poor economic conditions. This compares with a final dividend payment of US$46.2 million for FY2008 which was paid in the first half of FY2009.

Other Cash Movements

Cash payments for investments in treasury shares and securities, and cash received from dividends and sales of other investments were US$0.3 million in the first half of FY2010. In the first half of FY2009 there was no expenditure or income in this respect.

Net Cash Flow from Continuing Operations

Net cash flow from continuing operations was US$93.4 million in the first half of FY2010, compared to US$22.2 million in the first half of FY2009.

Discontinued Operations

There was no cash flow from discontinued operations in the first half of FY2010, as compared to a cash outflow of US$23.9 million in the first half of FY2009 arising from the discontinuation of the Green Vision Group business.

Net Cash Flow

Net cash inflow was US$93.4 million in the first half of FY2010, compared to a cash outflow of US$1.7 million in the first half of FY2009.

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 12% at 30th September 2009, significantly down from 23% at 31st March 2009.

- Net borrowings (total long and short term borrowings, net of cash) fell by US$96.7 million in the first half of FY2010, from US$226.9 million to US$130.2 million[1].

- This overall reduction in net borrowings resulted from an increase in cash and cash equivalents of US$109.7 million. This was offset by an increase in short term bank overdrafts by US$9.5 million and a US$3.5 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 approximately US$300 million of uncommitted short-term borrowing facilities provided by its 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 the first half of FY2010, 49% of the sales (45% in the previous period) were in US dollars, 32% in Euros (39% in the previous period), 12% 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 partially hedged with currency contracts, including forward and options contracts, with a view to reducing the net exposure to currency fluctuations.

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[1] *After adjusting for the currency translation effects on our bank balances held in foreign currencies.*

RISK MANAGEMENT

The Company has an established, structured approach to manage key risks and implement mitigating actions. This process is embedded in our business operations and is subject to regular review. Many risk factors influencing performance are macroeconomic and likely to impact the performance of business generally. Others are particular to our operations.

We are continuously improving our framework for the management and control of risk in the Company. Risks are formally identified and recorded in a Risk Register for key operations, and we calculate inherent and residual risks after mitigating controls are evaluated.

The Risk Register will be updated regularly and used to plan the Company's audit and risk strategy.

Specific risks that we proactively manage are detailed below:

Strategic Risk

Strategic risks include risks related to competition, capacity planning, technical innovation, business partnering, customer concentration, investment, political change and intellectual property.

- In general we strive to differentiate our products primarily through technology and innovation, and by being the safe choice for our customers.

- For emerging markets which now offer major growth opportunities, low cost can be more critical than technology and functionality; we are now focused on developing products at price points which will help us compete effectively with low cost competitors in these markets.

- We continuously evaluate the suitability of our operational footprint to meet changes in customer demand. We are presently resizing operations to match reduced level of sales and production. In this process, we unlock synergy between the different parts of our global operations and enhance our flexibility to respond quickly to changes in customer demand.

- Motion system technology is a rapidly changing landscape with evolving industry standards and frequent product and service enhancements. Our ability to provide technology and other services which consistently meet market needs enhances our competitive advantage.

- Risk arises from choosing the wrong partner, poor execution of agreements and failing to capitalize on partnering opportunities. We have effective management processes which establish strong joint venture partnership, business partnership and supplier relationships.

- Inappropriate emphasis of sales volume or revenues on a single customer, industry sector, or an economic segment leads to exposure to excessive loss. Our wide client base, global footprint and diversified product lines mitigate our exposure to such risks.

- Acquisitions and strategic investments could result in significant charge to earnings if our goodwill, amortizable intangible assets or investments in equity interests become impaired. We obtain sufficient information to make justified investment decisions to ensure that shareholders' funds are properly invested.

- There is risk of adverse consequences from political development in countries in which we have made significant investments, have a significant volume of sales, or have significant contractual obligations. This risk is managed by frequent discussions between management and government officials.

- Intellectual Property must be safeguarded to protect our brand image, product differentiation and pricing capability. We have implemented effective controls to prevent third parties from copying our designs for use in competitive products.

Operational Risk

Operational risks include risks related to product quality, human resources, technology infrastructure, business interruption, fraud and business reputation.

- 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.

- Successful execution of business plans depends on our ability to attract and retain high caliber management and key personnel. We successfully build effective networks of key employees and partners to safeguard our ongoing business success.

- In order to ensure that our operations are effective and can grow effectively we need to have a cost effective information technology infrastructure. This is managed by developing hardware, communications, networking and business applications to meet the strategic and operational needs of the business.

- Our ability to continue critical operations and processes is highly dependent on the availability of certain technologies, facilities, labour and other resources. Interruptions, delays or failures in the provision of our services could damage our brand and harm our operating results. We closely monitor our critical internal processes and third party service providers to prevent disruption to our business and operating results. Our computer network is secured from physical damage and information security breach such as computer viruses, worms, physical and electronic break-ins, sabotage, and similar disruptions from unauthorized tampering with our systems.

- Fraudulent activities conducted by internal or external persons against the Company expose the organization to financial loss and legal risk. We continuously review and enhance controls to prevent individual or collusive illegal acts, to protect the Company from risk of financial loss. Key management controls include ongoing independent internal audit and risk reviews, the enforcement of formal policies and procedures, and a comprehensive "anti-fraud" program.

- The value of our brands is of key importance. We recognize risk of brand value impairment from a perception that we do not deal fairly with customers, suppliers and stakeholders, or know how to manage our operations effectively. We actively manage customer satisfaction and work hard to retain the confidence of our customers and to minimize potential litigation activities which would impair our reputation or profitability.

Financial Risk

Financial risk includes risks related to credit, foreign exchange and commodity prices.

- Since the global economic downturn, we have increased our intolerance of overdue debtors which has resulted in improved working capital and a continuing low rate of bad debt. The restructure of the US automotive sector, with the supply chain being fairly protected from bankruptcy as we envisaged, has contributed to this lowering of risk. We continue to monitor our receivables carefully as the economic recovery continues.

- Given the continuing volatility of foreign currency exchange rates we continue to minimize the extent to which we buy or sell currency forward. Forward currency contracts are now made to cover open receivables and payables positions but not future projected cash flows which continue to be difficult to predict.

- Profitability is impacted by changes in copper commodity prices. Recent economic uncertainty has affected commodity price volatility as well as the Company's ability to accurately forecast copper consumption. We therefore enter 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 to avoid the risks of material shortages and significant price volatility, we have developed a range of commercial partnerships with steel suppliers.

Compliance Risk

Changes in regulations and actions by national or local regulators can result in increased competitive pressures and significantly affect a company's ability to efficiently conduct business. Incomplete, inaccurate, or untimely reports of operating and financial information required by regulatory agencies can expose the Company to fines, penalties and sanctions.

- We operate across a wide range of tax jurisdictions which puts us at risk of non compliance with different tax regulations across the world. Our Corporate Tax department ensures compliance with taxation regulations word-wide and ensures that our legal and tax structure optimizes tax liabilities within these constraints.

- The Company is subject to the Foreign Corrupt Practices Act as we trade over-the-counter on the US stock exchange. Our business activities in countries ranked high in the published corruption index could expose us to violation of the Act, which can result in fines, revenue loss and reputational damages. We manage such risk via constant review and improvement of controls over fraudulent and corrupt activities.

- Local and international authorities publish studies and regulations (e.g. Kyoto Accord, carbon emission tracking) regarding energy consumption and environmental costs caused by manufacturers. EU and other nations publish compliance requirements around substance import (REACH, RoHS, WEEE). Our Environmental Health and Safety department ensures compliance with these regulations and works to reduce energy consumption in our operations.

- Local and international agencies (e.g. FDA) regulate certain product markets (e.g. medical technology). Agencies around the world publish and regulate compliance of employee safety standards (e.g. OSHA). The Company's Environmental Health and Safety department ensures compliance with these regulations.

INVESTING IN PEOPLE

During 2009 a number of initiatives, both global and local, have been undertaken that have impacted the development and well-being of the people of Johnson Electric. These include:

- The ongoing development, and now installation, of a global salary structure to promote compensation equity and payment structures that are in line with our overall compensation philosophy. This will soon be in place in virtually all countries in which we do business.

- The Environmental, Health & Safety (EHS) function has been charged with developing an EHS Management System which, via the application of 20 protocols, brings a common, system-based approach to the management of workplace health & safety and environmental matters. Part of this initiative is "upstream" management of any environmental impacts our manufacturing operations may have on our world. This managed approach to EHS, when fully installed, will allow the business to take initiatives and to respond to events in such a fashion as to reduce adverse impacts on people and the planet.

- The ongoing commitment to continuous improvement, primarily via application of the Gemba Kaizen discipline has strengthened throughout the Company over the last two quarters. Emphasis on the continuous improvement of our operations and processes is led by the CEO personally and is a world-wide programme that brings results daily and is a strong element of the Johnson Electric culture.

- The need to reduce the size of our workforce in every region in which we do business – Asia, the Americas and Europe. Through necessity, staff and shop floor workers have been made redundant. Some manufacturing locations have closed or been significantly downsized. In all of this activity we have endeavored to communicate fully to those individuals and communities affected, and to treat the individuals with fairness.

- The recent upturn in employment levels at our main manufacturing location in Shajing, China. Also significant is that throughout all of 2009 we have continued to selectively recruit and have actively sought to retain talented shop floor, technical and managerial personnel at every turn. Current global employment stands at about 34,000 versus the October 2008 level of about 40,000.

Looking forward, a number of initiatives are underway to evaluate our organization to ensure that our structure maximizes the ability of our people to have the optimal impact on our business. Also for the near future, with our return to profitability, renewed efforts will be made to develop all our employees such that they to grow within the organization and take on steadily increasing responsibilities.

DISCLOSURE OF INTERESTS

DIRECTORS

As at 30th September 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 Interest
Yik-Chun Koo Wang	–	2,166,710,880 *(Notes 1 & 2)*
Peter Kin-Chung Wang	–	577,000 *(Note 3)*
Peter Stuart Allenby Edwards	–	100,000 *(Note 4)*
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 beneficially by Peter Kin-Chung Wang's spouse.*

4. *These shares were held under a trust of which Peter Stuart Allenby Edwards was one of the beneficiaries.*

Save as disclosed herein, as at 30th September 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 period, 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 30th September 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 *(Note 1)*	21.03
Ansbacher (Bahamas) Limited	Trustee	887,040,000 *(Note 1)*	24.15
Great Sound Global Limited	Interest of controlled corporation	718,755,360 *(Note 3)*	19.56
Winibest Company Limited	Beneficial owner	718,755,360 *(Note 4)*	19.56
HSBC Trustee (Guernsey) Limited	Trustee	358,972,480 *(Note 1)*	9.77
Ceress International Investment (PTC) Corporation	Trustee	223,014,080 *(Note 5)*	6.07
Federal Trust Company Limited	Trustee	211,943,040 *(Note 1)*	5.77
Merriland Overseas Limited	Trustee	211,943,040 *(Note 6)*	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. *The interests of Great Sound Global Limited in the Company were duplicated by the interests in the Company held by HSBC International Trustee Limited.*

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

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

6. *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 30th September 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 (the "Scheme"). The directors may at their discretion grant share options to eligible persons to subscribe for shares in the Company subject to the terms and conditions stipulated therein.

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 01/04/2009 and 30/09/2009	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 24th August 2009, the Directors may grant to such eligible employees and Directors as the Directors may select in its absolute discretion shares under the Incentive Share Scheme.

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	Total shares vested in 2006-2009	Shares to be vested				
				2010	2011	2012	2013	2014
8,960,000	4.66	11,918,000	3,674,000	2,934,000	2,764,000	1,356,000	770,000	420,000

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.

CORPORATE GOVERNANCE

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

During the six months ended 30th September 2009, Mr. Austin Jesse Wang was appointed as an executive director of the Company with effect from 5th June 2009. Mr. Richard Li-Chung Wang retired as an executive director of the Company with effect from the conclusion of the Company's Annual General Meeting held on 24th August 2009 ("AGM") and Mrs. Laura May-Lung Cha did not seek re-election as an independent non-executive director of the Company at the AGM upon the expiration of her current term at the conclusion of the AGM. Save for the above, the composition of the Board of Directors remains the same as set out in the Corporate Governance Report in the Company's Annual Report 2009.

During the six months ended 30th September 2009, the Company continued to abide by the corporate governance practices set out in the Corporate Governance Report in the Company's Annual Report 2009.

CODE ON CORPORATE GOVERNANCE PRACTICES

During the six months ended 30th September 2009, the Company had complied with the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), except for the following deviations:

Code Provision A.2.1

Code A.2.1 provides, inter alia, that the roles of chairman and chief executive 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 six months ended 30th September 2009. No incident of non-compliance was noted by the Company to date in 2009/10.

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.

AUDIT COMMITTEE

The Audit Committee is 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 current members are Mr. Patrick Paul (Chairman), Prof. Michael Enright and Mr. Peter Wang.

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.

REMUNERATION COMMITTEE

The Remuneration Committee is comprised of two independent non-executive directors (including the Committee Chairman) and one executive director. The current members are Prof. Michael Enright (Chairman), Mr. Oscar Bernardes and Ms. Winnie Wang.

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

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 current members are Mr. Peter Edwards (Chairman), Mr. Patrick Paul and Dr. Patrick Wang.

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

BOARD COMMITTEE

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

REVIEW OF INTERIM RESULTS

The Company's interim report for the six months ended 30th September 2009 has been reviewed by the Audit Committee and the auditor of the Company, PricewaterhouseCoopers.

PURCHASE, SALE OR REDEMPTION OF SHARES

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

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30th September 2009

	Note	Unaudited 30th September 2009 US$'000	Audited 31st March 2009 US$'000
ASSETS			
Non-current assets			
Property, plant and equipment	4	**385,829**	368,143
Investment properties	4	**37,631**	37,025
Leasehold land and land use rights	4	**24,875**	23,170
Intangibles	4	**724,529**	662,094
Associated companies		**1,423**	1,672
Deferred income tax assets		**35,382**	36,463
Available-for-sale financial assets		**3,783**	3,525
Other financial assets at fair value through profit or loss		**8,906**	9,039
		1,222,358	1,141,131
Current assets			
Stocks and work in progress		**194,487**	202,772
Trade and other receivables	5	**339,678**	272,376
Other financial assets	8	**3,037**	6,385
Income tax recoverable		**5,872**	8,159
Pledged deposits		**17,156**	17,122
Bank balances and cash		**411,740**	302,002
		971,970	808,816
Current liabilities			
Trade and other payables	6	**327,271**	225,952
Current income tax liabilities		**16,703**	12,937
Other financial liabilities	8	**4,741**	15,986
Borrowings	7	**10,617**	1,082
Provisions and other liabilities	9	**25,922**	20,167
		385,254	276,124
NET CURRENT ASSETS		**586,716**	532,692
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,809,074**	1,673,823
Non-current liabilities			
Borrowings	7	**531,282**	527,827
Other financial liabilities	8	**40,600**	22,426
Deferred income tax liabilities		**85,835**	80,863
Provisions and other liabilities	9	**47,766**	44,559
		705,483	675,675
NET ASSETS		**1,103,591**	998,148
EQUITY			
Share capital	10	**79,349**	78,441
Reserves	11	**978,430**	885,965
Dividends	11	**–**	–
		1,057,779	964,406
Minority interests		**45,812**	33,742
TOTAL EQUITY		**1,103,591**	998,148

The notes on pages 47 to 68 are an integral part of this condensed interim financial information.

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the six months ended 30th September 2009

	Note	Unaudited Six months ended 30th September 2009 US$'000	2008 US$'000
Sales	3	**811,715**	1,130,119
Cost of goods sold		**(595,753)**	(837,145)
Gross profit		**215,962**	292,974
Other income and gains/(losses)	12	**(1,229)**	8,448
Selling and administrative expenses	13	**(167,725)**	(203,571)
Restructuring provision and assets impairment	14	**(14,038)**	(2,111)
Operating profit	15	**32,970**	95,740
Finance costs, net	16	**(3,070)**	(6,480)
Share of (losses)/profits of associated companies		**(185)**	101
Profit before income tax		**29,715**	89,361
Income tax expenses	17	**(10,395)**	(14,264)
Profit for the period from continuing operations		**19,320**	75,097
Discontinued operations			
Loss from discontinued operations	18	**–**	(27,518)
Profit for the period		**19,320**	47,579
Attributable to:			
Equity holders of the Company		**14,616**	45,503
Minority interests		**4,704**	2,076
		19,320	47,579
Interim dividend	20	**–**	–
Basic and diluted earnings/(losses) per share for profit attributable to the equity holders of the Company during the period (expressed in US cents per share)			
From continuing operations	19	**0.40**	1.99
From discontinued operations	19	**–**	(0.75)
		0.40	1.24

The notes on pages 47 to 68 are an integral part of this condensed interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30th September 2009

	Note	Unaudited Six months ended 30th September 2009 US$'000	2008 US$'000
Profit for the period		**19,320**	47,579
Other comprehensive income/(expenses) :			
Gain on revaluation of property, plant and equipment and leasehold land on transfer to investment properties	11	–	3,338
Deferred income tax effect on gain on revaluation of property, plant and equipment and leasehold land on transfer to investment properties	11	–	(551)
Available-for-sale financial assets			
– fair value gains	11	94	167
– release of reserves upon disposal	11	–	(185)
Hedging instruments:			
– fair value gains	11	6,174	2,900
– transferred to profit and loss account	11	11,849	(4,134)
Deferred income tax effect on fair value gains in hedging instruments	11	(709)	(1,338)
Actuarial (losses) of defined benefit plans	11	(503)	(3,323)
Deferred income tax effect on actuarial gains/(losses) of defined benefit plans	11	(845)	764
Adjustment arising on translation of foreign subsidiaries and associated companies		61,704	(45,184)
Other comprehensive income/(expenses) for the period, net of tax		**77,764**	(47,546)
Total comprehensive income for the period		**97,084**	33
Total comprehensive income/(expenses) attributable to:			
Equity holders of the Company		**92,363**	(2,880)
Minority interests			
Share of profit for the period		4,704	2,076
Adjustment arising on translation of foreign subsidiaries		17	837
		4,721	2,913
		97,084	33

The notes on pages 47 to 68 are an integral part of this condensed interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th September 2009

	Unaudited					
	Attributable to equity holders of the company					
	Share capital US$'000	Other reserves US$'000	Retained earnings US$'000	Total US$'000	Minority interests US$'000	Total equity US$'000
At 1st April 2009	78,441	(114,047)	1,000,012	**964,406**	**33,742**	**998,148**
Profit for the period	–	–	14,616	14,616	4,704	19,320
Other comprehensive income :						
Available-for-sale financial assets						
– fair value gains	–	94	–	94	–	94
Hedging instruments						
– fair value gains	–	6,174	–	6,174	–	6,174
– transferred to profit and loss account	–	11,849	–	11,849	–	11,849
Deferred income tax effect on fair value gains in hedging instruments	–	(709)	–	(709)	–	(709)
Actuarial losses of defined benefit plans	–	–	(503)	(503)	–	(503)
Deferred income tax effect on actuarial gains of defined benefit plans	–	–	(845)	(845)	–	(845)
Adjustment arising on translation of foreign subsidiaries and associated companies	–	61,687	–	61,687	17	61,704
Total comprehensive income for the period ended 30th September 2009	–	79,095	13,268	**92,363**	**4,721**	**97,084**
Employees share option scheme						
– value of employee services	–	1,009	–	1,009	–	1,009
Acquisitions of minority interests and subsidiaries	–	–	–	–	7,349	7,349
Treasury shares vested	908	(907)	–	1	–	1
Total	908	102	–	1,010	7,349	8,359
At 30th September 2009	79,349	(34,850)	1,013,280	**1,057,779**	**45,812**	**1,103,591**

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th September 2009

	Unaudited					
	Attributable to equity holders of the company					
	Share capital US$'000	Other reserves US$'000	Retained earnings US$'000	Total US$'000	Minority interests US$'000	Total equity US$'000
At 1st April 2008	77,704	(24,432)	1,048,670	1,101,942	30,988	1,132,930
Profit for the period	–	–	45,503	45,503	2,076	47,579
Other comprehensive income :						
Gain on revaluation of property, plant and equipment and leasehold land on transfer to investment properties	–	3,338	–	3,338	–	3,338
Deferred income tax effect on gain on revaluation of property, plant and equipment and leasehold land on transfer to investment properties	–	(551)	–	(551)	–	(551)
Available-for-sale financial assets:						
– fair value gains	–	167	–	167	–	167
– release of reserves upon disposal	–	(185)	–	(185)	–	(185)
Hedging instruments:						
– fair value gains	–	2,900	–	2,900	–	2,900
– transferred to profit and loss account	–	(4,134)	–	(4,134)	–	(4,134)
Deferred income tax effect on fair value gains in hedging instruments	–	(1,338)	–	(1,338)	–	(1,338)
Actuarial losses of defined benefit plans	–	–	(3,323)	(3,323)	–	(3,323)
Deferred income tax effect on actuarial losses of defined benefit plans	–	–	764	764	–	764
Adjustment arising on translation of foreign subsidiaries and associated companies	–	(46,021)	–	(46,021)	837	(45,184)
Total comprehensive income for the period ended 30th September 2008	–	(45,824)	42,944	(2,880)	2,913	33
Employees share option scheme:						
– value of employee services	–	(494)	–	(494)	–	(494)
Acquisitions of minority interests and subsidiaries	–	–	–	–	217	217
Purchase of treasury shares	(172)	–	–	(172)	–	(172)
Treasury shares vested	909	(739)	–	170	–	170
Dividends relating to 2007 paid in July 2008	–	–	(46,158)	(46,158)	–	(46,158)
Total	737	(1,233)	(46,158)	(46,654)	217	(46,437)
At 30th September 2008	78,441	(71,489)	1,045,456	1,052,408	34,118	1,086,526

The notes on pages 47 to 68 are an integral part of this condensed interim financial information.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30th September 2009

		Unaudited	
		Six months ended 30th September	
		2009	2008
	Note	**US$'000**	US$'000
Cash generated from operations	24	144,566	117,664
Other operating cash flows			
Interest paid		(3,493)	(7,282)
Income tax paid		(5,913)	(13,708)
		(9,406)	(20,990)
Net cash generated from operating activities		**135,160**	96,674
Investing Activities			
Acquisition of subsidiaries, net of cash acquired	23	(7,773)	(1,942)
Purchase of property, plant and equipment and leasehold land and land use rights		(14,785)	(34,146)
Proceeds from sale of fixed assets		404	3,552
Acquisition of minority interests		(6,894)	–
Proceeds from sale of available-for-sale financial assets		–	667
Net proceeds from sale of other financial assets at fair value through profit and loss		16	401
Decrease in time deposit		–	1,281
Interest received		1,220	3,556
Dividends received from associate		226	–
Dividends paid to minority interests		–	(426)
Net cash used in investing activities		**(27,586)**	(27,057)
Financing Activities			
Repayments of borrowings, net		(2,042)	(12,670)
Dividends paid		–	(46,158)
Net cash used in financing activities		**(2,042)**	(58,828)
Net increase in cash and cash equivalents for continuing operations		**105,532**	10,789
Discontinued operations			
Operating and investing activities		**–**	(23,887)
Financing activities		**–**	8,594
		–	(15,293)
Cash and cash equivalents at beginning of the period		**302,002**	266,750
Exchange gains/(losses) on cash and cash equivalents		**4,206**	(3,283)
Cash and cash equivalents at end of the period		**411,740**	258,963
Analysis of the balances of cash and cash equivalents:			
Cash and cash equivalents at end of the period		**411,740**	258,963

The notes on pages 47 to 68 are an integral part of this condensed interim financial information.

NOTES TO INTERIM ACCOUNTS

1 GENERAL INFORMATION

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

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

The Company is listed on The Stock Exchange of Hong Kong Limited.

This condensed consolidated interim financial information is presented in US dollars, unless otherwise stated, and has been approved for issue by the Board of Directors on 4th December 2009.

2 PRINCIPAL ACCOUNTING POLICIES

This unaudited condensed consolidated interim financial information is prepared in accordance with Hong Kong Accounting Standard (HKAS) 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants and Appendix 16 of the Listing Rules of The Stock Exchange of Hong Kong Limited.

The accounting policies and methods of computation used in the preparation of this condensed consolidated interim financial information are consistent with those used in the annual financial statements for the year ended 31st March 2009, except that the Group adopted all the new standards, amendments to standards and interpretations (new/revised HKFRSs) which are effective for accounting period commencing on 1st April 2009. Except for below revised HKFRSs which require revised disclosure to the accounts, the adoption of these new/revised HKFRSs did not have a material impact on the condensed consolidated interim financial information of the Group.

HKAS 1 (revised), "Presentation of financial statements" – The revised standard requires presentation of items of income and expenses to be presented separately from owner changes in equity. The Group has elected to present two statements: an income statement and a statement of comprehensive income.

HKFRS 8 "Operating segments" – HKFRS 8 replaces HKAS 14, "Segment reporting" and requires a "management approach" under which segment information is presented on the same basis as that used for internal reporting purposes.

Amendment to HKFRS 7 "Financial instruments: disclosures" – The amendment increases the disclosure requirements about the fair value measurement and amends the disclosure about liquidity risk. The Group will make the relevant disclosures in its financial statements for the year ending 31st March 2010.

3 SEGMENT INFORMATION

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker (as defined in HKFRS). The chief operating decision maker has been identified as the Group's Executive Committee.

The Group's business is managed in two operating segments – Manufacturing and Trading.

The manufacturing operating segment derives its revenue primarily from the manufacturing and sale of motors, electromechanical components, motion systems and sub-systems.

The trading operating segment is principally engaged in trading of goods and materials not manufactured by the Group.

The reportable segments per the management accounts for the six months ended 30th September 2009 are as follows:

	Six months ended 30th September 2009		
	Manufacturing US$'000	Trading US$'000	Group US$'000
External sales	799,046	12,669	811,715
Gross profit	214,620	1,342	215,962
Other operating income	714	1	715
Selling and administrative expenses	(166,954)	(1,081)	(168,035)
Operating profit before restructuring	48,380	262	48,642
Restructuring costs	(14,038)	–	(14,038)
Operating profit after restructuring	34,342	262	34,604
Non-operating income/(expenses)	1,077	(1,491)	(414)
Finance costs	(4,273)	(17)	(4,290)
Share of losses of associated companies	(185)	–	(185)
Profit/(loss) before income tax	30,961	(1,246)	29,715
Taxation			(10,395)
Profit for the period			19,320
Other information			
Depreciation and amortisation	42,765	66	42,831
Interest income	1,215	5	1,220
As at 30th September 2009			
Total assets	2,181,380	12,948	2,194,328
Total assets include:			
Investment in associates	1,423	–	1,423
Additions to non-current assets (other than financial assets and deferred tax assets)	14,909	–	14,909
Total liabilities	1,086,776	3,961	1,090,737

3 SEGMENT INFORMATION *(Cont'd)*

	Six months ended 30th September 2008		
	Manufacturing	Trading	Group
	US$'000	US$'000	US$'000
External sales	1,082,577	47,542	1,130,119
Gross profits	291,129	1,845	292,974
Other operating income	1,304	47	1,351
Selling and administrative expenses	(194,620)	(3,550)	(198,170)
Operating profit/(loss) before restructuring	97,813	(1,658)	96,155
Restructuring costs	(2,111)	–	(2,111)
Operating profit/(loss) after restructuring	95,702	(1,658)	94,044
Non-operating income	4,875	376	5,251
Finance costs	(9,726)	(309)	(10,035)
Share of profits of associated companies	101	–	101
Profit/(loss) before income tax	90,952	(1,591)	89,361
Taxation			(14,264)
Profit after income tax			75,097
Discontinued operations			(27,518)
Profit for the period			47,579
Other information			
Depreciation and amortisation	45,873	113	45,986
Interest income	3,477	78	3,555
As at 31st March 2009			
Total assets	1,927,087	22,860	1,949,947
Total assets include:			
Investment in associates	1,672	–	1,672
Additions to non-current assets (other than financial assets and deferred tax assets)	34,237	782	35,019
Total liabilities	947,541	4,258	951,799

3 SEGMENT INFORMATION *(Cont'd)*

The management assesses the performance of the operating segments based on the measure of operating profit. The measure excludes items which are not directly related to the segment performance including non-operating income/(expenses) such as interest income, rental income, fair value gain/(loss) on revaluation of investment property, profit/(loss) on disposal of fixed assets, profit/(loss) on disposal of investments.

The discontinued operations included in the operating results for the six months ended 30th September 2008 was isolated and non-recurring and not included in the measure of operating profit/(loss).

A reconciliation of the operating profit per management accounts to the consolidated profit and loss account is as follows:

	Six months ended 30th September	
	2009 US$'000	2008 US$'000
Operating profit per management accounts	34,604	94,044
Rental income	2,194	2,125
(Loss)/profit on sale of investments	(1,777)	332
(Loss)/profit on disposal of fixed assets	(19)	425
Fair value (losses) on interest rate swap	(1,627)	–
Miscellaneous (expenses)	(405)	(1,186)
Operating profit per consolidated profit and loss account	**32,970**	95,740
Interest (expense)	(4,290)	(10,035)
Interest income	1,220	3,555
Finance (costs), net	**(3,070)**	(6,480)
Share of (losses)/profits of associated companies	**(185)**	101
Profit before income tax	**29,715**	89,361

The amounts provided to the management with respect to total assets and liabilities are measured in a manner consistent with that of the financial statements.

3 SEGMENT INFORMATION *(Cont'd)*

Revenue from external customers are derived from the sales by product applications. Breakdown of the revenue is as follows:

	Six months ended 30th September 2009 US$'000	2008 US$'000
Automotive Products Group (APG)	421,671	582,366
Industry Products Group (IPG)	280,506	381,006
Other Businesses	109,538	166,747
	811,715	1,130,119

Geographical information disclosure in accordance with HKFRS 8

The Company is incorporated in Bermuda. Revenue from external customers by countries for the six months ended 30 September 2009 was as follows:

	Six months ended 30th September 2009 US$'000	2008 US$'000
HK/PRC	235,854	260,530
USA	157,354	217,831
Germany	130,878	196,444
Others	287,629	455,314
	811,715	1,130,119

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

As at 30 September 2009, the total of non-current assets other than deferred tax assets, available for sale financial assets and other financial assets at fair value through profit and loss located in HK/PRC was US$1,008,368,000 (at 31 March 2009: US$917,749,000), and the total of these non-current assets located in other countries was US$165,919,000 (at 31 March 2009: US$174,355,000).

4 CAPITAL EXPENDITURE

					Per Condensed Consolidated Balance Sheet			
	Goodwill US$'000	Technology, patents and development costs US$'000	Brands US$'000	Customer list US$'000	**Total intangibles US$'000**	**Property, plant and equipment US$'000**	**Investment properties US$'000**	**Leasehold land and land use rights US$'000**
At 1st April 2009	418,098	111,957	51,414	80,625	662,094	368,143	37,025	23,170
Currency translation	38,927	10,448	5,345	8,273	62,993	11,692	606	483
Additions	6,894	–	–	–	6,894	14,909	–	–
Acquisition of subsidiaries *(note 23)*	–	46	–	1,287	1,333	28,688	–	1,568
Disposals	–	–	–	–	–	(423)	–	–
Depreciation/amortisation	–	(4,840)	(1,196)	(2,749)	(8,785)	(33,700)	–	(346)
Provision for impairment	–	–	–	–	–	(3,480)	–	–
At 30th September 2009	463,919	117,611	55,563	87,436	**724,529**	**385,829**	**37,631**	**24,875**
At 1st April 2008	475,071	139,459	61,599	99,033	775,162	409,864	38,978	22,462
Currency translation	(37,889)	(11,211)	(5,465)	(8,635)	(63,200)	(8,292)	(480)	89
Additions	1,443	–	–	–	1,443	35,019	–	–
Acquisition of subsidiaries	–	–	–	–	–	129	–	–
Transfer from property, plant and equipment and leasehold land								
– cost	–	–	–	–	–	(986)	986	–
– revaluation surplus	–	–	–	–	–	–	3,338	–
Disposals	–	–	–	–	–	(2,737)	–	–
Depreciation/amortisation	–	(5,528)	(1,266)	(2,971)	(9,765)	(35,892)	–	(329)
Depreciation/amortisation – discontinued operations	–	(526)	–	–	(526)	(115)	–	–
Provision for impairment	–	–	–	–	–	(137)	–	–
Provision for impairment – discontinued operations	–	(796)	–	–	(796)	(2,204)	–	–
At 30th September 2008	438,625	121,398	54,868	87,427	702,318	394,649	42,822	22,222

5 TRADE AND OTHER RECEIVABLES

	30th September 2009 US$'000	31st March 2009 US$'000
Trade receivables	296,008	236,381
Less: provision for impairment of receivables	(11,727)	(13,010)
Trade receivables – net	284,281	223,371
Prepayments and other receivables	55,397	49,005
	339,678	272,376

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

	30th September 2009 US$'000	31st March 2009 US$'000
Current	258,785	203,305
0-60 days	22,383	17,392
61-90 days	3,433	3,521
Over 90 days	11,407	12,163
Total	296,008	236,381

All overdue balances are reviewed by management and provision is considered adequate.

6 TRADE AND OTHER PAYABLES

	30th September 2009 US$'000	31st March 2009 US$'000
Trade payables	191,585	119,971
Accrued expenses and sundry payables	135,686	105,981
	327,271	225,952

6 TRADE AND OTHER PAYABLES *(Cont'd)*

The ageing analysis of trade payables based on invoice date was as follows:

	30th September 2009 US$'000	31st March 2009 US$'000
0-60 days	135,051	86,414
61-90 days	31,939	15,753
Over 90 days	24,595	17,804
Total	**191,585**	119,971

7 BORROWINGS

	30th September 2009 US$'000	31st March 2009 US$'000
Non-current (Note)	**531,282**	527,827
Current	**10,617**	1,082
	541,899	528,909

Interest is charged on the outstanding balances at 0.63% to 7.43% per annum (31st March 2009: 0.83% to 3.85% per annum). Interest expense on borrowings for the six months ended 30th September 2009 is US$4,290,000 (30th September 2008: US$10,035,000).

Note:

At 30th September 2009, the Group had a five-year loan in the amount of US$525,000,000 which is wholly repayable on 31st March 2011.

A cross currency interest rate swap was acquired at the same time with the same maturity date of 31st March 2011, to swap USD152,614,000 out of USD525,000,000 into CHF200,000,000.

Certain borrowings of the Group are secured by leasehold land, property, plant and equipment of the Group.

8 OTHER FINANCIAL ASSETS/LIABILITIES

Group

	Other financial assets		**Other financial liabilities**	
	30th September 2009 US$'000	31st March 2009 US$'000	30th September 2009 US$'000	31st March 2009 US$'000
Cross currency interest rate swaps				
– net investment hedge *(note (a))*	758	396	40,600	21,654
Interest-rate swaps				
– cash flow hedge *(note (b))*	–	–	2,816	1,800
Forward foreign exchange contracts				
– cash flow hedge	–	2,026	–	–
– held for trading	909	748	–	–
Commodity contracts				
– copper hedging contracts (cash flow hedge) *(note (c))*	1,270	785	1,382	13,521
– held for trading	–	1,930	543	1,437
Others – held for trading	100	500	–	–
Total	3,037	6,385	45,341	38,412
Current portion	**3,037**	6,385	**4,741**	15,986
Non-current portion	–	–	**40,600**	22,426
Total	3,037	6,385	45,341	38,412

Note:

(a) Net investment hedge

The Group entered into a cross currency interest rate swap in 2006 where a portion of US dollar borrowings was swapped into Swiss francs to hedge its net investment in foreign operations denominated in Swiss francs.

(b) Interest-rate swaps – cash flow hedge

The Group entered into an interest rate swap (principal US$372 million) in March 2009 to fix the interest rate of the majority of the Group's borrowings.

(c) Copper hedging contracts

Gains and losses recognised in the hedging reserve in equity (note 11) on copper hedging contracts including copper forward contracts and swaps as of 30th September 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.

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

9 PROVISIONS AND OTHER LIABILITIES

	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 2009	936	11,990	32,264	7,624	10,415	1,497	64,726
Currency translation	8	1,410	3,493	14	787	33	5,745
Acquisition of subsidiaries	–	–	–	1,130	–	–	1,130
Provisions	150	10,752	–	223	5,516	–	16,641
Release of provisions	–	–	(63)	–	(1,307)	(310)	(1,680)
Utilised	(34)	(6,368)	(1,772)	(215)	(4,950)	(38)	(13,377)
Actuarial losses of defined benefit plan, recognised in equity	–	–	503	–	–	–	503
At 30th September 2009	1,060	17,784	34,425	8,776	10,461	1,182	73,688
Balances represented by current and non-current portion per condensed consolidated balance sheet							
Current portion	–	14,867	–	473	10,461	121	**25,922**
Non-current portion	1,060	2,917	34,425	8,303	–	1,061	**47,766**
At 30th September 2009	1,060	17,784	34,425	8,776	10,461	1,182	73,688
Prior period							
At 1st April 2008	1,325	11,317	33,487	8,021	17,898	1,171	73,219
Currency translation	(17)	(470)	(3,248)	(16)	(613)	(27)	(4,391)
Provisions	379	1,974	4,160	–	4,078	27	10,618
Provisions – discontinued operations	–	–	–	–	–	4,600	4,600
Utilised	(95)	(4,629)	(4,807)	(179)	(4,345)	(74)	(14,129)
Actuarial losses of defined benefit plan, recognised in equity	–	–	3,323	–	–	–	3,323
At 30th September 2008	1,592	8,192	32,915	7,826	17,018	5,697	73,240

10 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 2009	3,663,599	5,925	77,855	(5,339)	78,441
Treasury shares vested	1,230	–	5	903	908
As at 30th September 2009 per condensed consolidated balance sheet	3,664,829	5,925	77,860	(4,436)	**79,349**
As at 1st April 2008	3,662,799	5,925	77,855	(6,076)	77,704
Treasury shares purchase	(184)	–	–	(145)	(145)
Treasury shares vested	984	–	(27)	909	882
As at 30th September 2008	3,663,599	5,925	77,828	(5,312)	78,441

The total authorised number of ordinary shares is 7,040,000,000 shares (31st March 2009: 7,040,000,000) with a par value of HK$0.0125 per share (31st March 2009: 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 30th September 2009 are as follows:

Number of shares purchased	Average purchase price (HK$)	Total shares granted in years 2005-2009	Total shares vested in years 2006-2009	Shares to be vested				
				2010	2011	2012	2013	2014
8,960,000	4.66	12,008,000	3,674,000	2,954,000	2,784,000	1,376,000	790,000	430,000

Under the long term incentive share scheme, the Company has granted 5,544,000 shares (30th September 2008: 2,814,000) during the period.

10 SHARE CAPITAL AND SHARE PREMIUM *(Cont'd)*

Share Options

Pursuant to the Share Option Scheme (the "Scheme") adopted by the Company on 29 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).

Share options granted to employees as at 30th September 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 31/03/2009 and 30/09/2009	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 period (30th September 2008: Nil).

The fair value of options granted or forfeited, net, during the six months ended 30th September 2009 was determined using the Binomial valuation model, and there is no profit and loss impact related to share option in the current period (30th September 2008: Nil). 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 (30th September 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".

11 RESERVES

	Unaudited									
	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 2009	15,499	38,904	(233,885)	69,947	384	2,068	(19,144)	12,180	1,000,012	885,965
Currency translation	–	–	–	61,687	–	–	–	–	–	61,687
Available-for-sale financial assets										
– fair value gains	–	–	–	–	–	–	–	94	–	94
Cash flow hedge										
– fair value gains on hedging instruments	–	–	–	–	–	–	6,174	–	–	6,174
– transferred to profit and loss account	–	–	–	–	–	–	11,849	–	–	11,849
– deferred income tax on fair value losses	–	–	–	–	–	–	(709)	–	–	(709)
Actuarial losses of defined benefit plan	–	–	–	–	–	–	–	–	(503)	(503)
Deferred income tax effect on actuarial gains of defined benefit plan	–	–	–	–	–	–	–	–	(845)	(845)
	–	–	–	61,687	–	–	17,314	94	(1,348)	77,747
Profit for the period	–	–	–	–	–	–	–	–	14,616	14,616
Total comprehensive income for the period	–	–	–	61,687	–	–	17,314	94	13,268	92,363
Long-term incentive share scheme										
– share vested	–	–	–	–	–	(907)	–	–	–	(907)
– value of employee services	–	–	–	–	–	1,009	–	–	–	1,009
	–	–	–	–	–	102	–	–	–	102
As at 30th September 2009	15,499	38,904	(233,885)	131,634	384	2,170	(1,830)	12,274	1,013,280	978,430
Interim dividend	–	–	–	–	–	–	–	–	–	–
Other	15,499	38,904	(233,885)	131,634	384	2,170	(1,830)	12,274	1,013,280	978,430
As at 30th September 2009 per condensed consolidated balance sheet	15,499	38,904	(233,885)	131,634	384	2,170	(1,830)	12,274	1,013,280	**978,430**

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

11 RESERVES *(Cont'd)*

	Unaudited									
	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
Currency translation	–	–	–	(46,021)	–	–	–	–	–	(46,021)
Available-for-sale financial assets										
– fair value gains	–	–	–	–	–	–	–	167	–	167
– release of reserves upon disposal	–	–	–	–	–	–	–	(185)	–	(185)
Cash flow hedge										
– fair value gains on hedging instruments	–	–	–	–	–	–	2,900	–	–	2,900
– transferred to profit and loss account	–	–	–	–	–	–	(4,134)	–	–	(4,134)
– deferred income tax on fair value losses	–	–	–	–	–	–	(1,338)	–	–	(1,338)
Revaluation surplus										
– on transfer from property, plant and equipment and leasehold land to investment properties	–	–	–	–	–	–	–	3,338	–	3,338
– deferred income tax on revaluation surplus	–	–	–	–	–	–	–	(551)	–	(551)
Actuarial losses of defined benefit plan	–	–	–	–	–	–	–	–	(3,323)	(3,323)
Deferred income tax effect on actuarial losses of defined benefit plan	–	–	–	–	–	–	–	–	764	764
	–	–	–	(46,021)	–	–	(2,572)	2,769	(2,559)	(48,383)
Profit for the period	–	–	–	–	–	–	–	–	45,503	45,503
Total comprehensive income/(expense) for the period	–	–	–	(46,021)	–	–	(2,572)	2,769	42,944	(2,880)
Long-term incentive share scheme										
– share vested	–	–	–	–	–	(739)	–	–	–	(739)
– value of employee services	–	–	–	–	–	(494)	–	–	–	(494)
Final dividend paid 2007/08	–	–	–	–	–	–	–	–	(46,158)	(46,158)
	–	–	–	–	–	(1,233)	–	–	(46,158)	(47,391)
As at 30th September 2008	15,499	38,904	(233,885)	104,285	384	1,197	(10,028)	12,155	1,045,456	973,967
Interim dividend	–	–	–	–	–	–	–	–	–	–
Other	15,499	38,904	(233,885)	104,285	384	1,197	(10,028)	12,155	1,045,456	973,967
As at 30th September 2008 per condensed consolidated balance sheet	15,499	38,904	(233,885)	104,285	384	1,197	(10,028)	12,155	1,045,456	973,967

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

12 OTHER INCOME AND GAINS/(LOSSES)

	Six months ended 30th September 2009 US$'000	2008 US$'000
Gross rental income from investment properties	2,194	2,125
(Losses)/gains on investments, net	(1,777)	332
(Losses)/gains on disposal of property, plant and equipment	(19)	425
Fair value (losses) on interest rate swap	(1,627)	–
Fair value gains on Euro forward contracts (note)	–	5,566
	(1,229)	8,448

Note: Fair value gains on Euro forward contract amounted to US$5,566,000 for September 2008 was reclassified from hedging gains under selling and administrative expenses (note 13) to conform with current period presentation.

13 SELLING AND ADMINISTRATIVE EXPENSES

	Six months ended 30th September 2009 US$'000	2008 US$'000
Selling expenses	44,231	62,244
Administrative expenses	102,917	122,298
	147,148	184,542
Hedging (gains)/losses	(403)	11,360
Net exchange (gains)/losses on revaluation of monetary assets and liabilities	(1,297)	3,591
	(1,700)	14,951
Claims and compensation (note)	22,277	4,078
	167,725	203,571

Note: Claims and compensation for the current period included a provision for the settlement of the Joyal case. (Details refer to note 34 of March 2009 annual report).

14 RESTRUCTURING PROVISION AND ASSETS IMPAIRMENT

Restructuring provision and assets impairment mainly relate to activities in Europe and Japan. In Europe, costs mainly consist of provision for severance for initiatives to simplify the European manufacturing and legal entity footprints.

	Six months ended 30th September	
	2009	2008
	US$'000	US$'000
Restructuring provision	10,752	1,974
Assets impairment relating to restructuring	3,286	137
	14,038	2,111

15 EXPENSES BY NATURE

Operating profit is stated after crediting and charging the following:

	Six months ended 30th September	
	2009	2008
	US$'000	US$'000
Depreciation		
Depreciation on property, plant and equipment	33,700	35,892
Less: amounts capitalised on assets under construction	(124)	(139)
	33,576	35,753
Impairment of property, plant and equipment *(note 4)*		
Relating to restructuring *(note 14)*	3,286	137
Included in selling and administrative expenses and cost of goods sold	194	–
Cost of goods sold*	595,753	837,145
Amortisation on leasehold land and land use rights *(note 4)*	346	329
Amortisation of intangibles *(note 4)*	8,785	9,765
Staff costs (direct and indirect labor plus staff costs included in selling and administrative expenses)	181,499	233,342

* *Note*: Cost of goods sold includes material, production overheads and direct labour costs.

16 FINANCE COSTS, NET

	Six months ended 30th September 2009 US$'000	2008 US$'000
Interest on bank loans wholly repayable within five years and overdrafts	(4,290)	(10,035)
Interest income	1,220	3,555
Net interest on bank loans and overdrafts	**(3,070)**	(6,480)

17 INCOME TAX EXPENSES

Hong Kong profits tax has been provided at the rate of 16.5% (2008: 16.5%) on the estimated assessable profit for the period. Overseas tax has been provided at the applicable rates on the estimated assessable profit for the period in the respective countries of operations.

	Six months ended 30th September 2009 US$'000	2008 US$'000
Current income tax		
Hong Kong profits tax	6,461	7,095
Overseas taxation	5,622	10,041
	12,083	17,136
Deferred income tax	(1,688)	(2,872)
	10,395	14,264

18 DISCONTINUED OPERATIONS

Discontinued operations related to Green Vision Group, a separate operation within the Trading business which was discontinued before 31st March 2009. The comparative financial information for the period ended 30th September 2008 has been reclassified to conform with the current period presentation in accordance with HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations".

19 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 period.

	Six months ended 30th September 2009	2008
Profit from continuing operations attributable to equity holders of the Company (thousands US dollars)	**14,616**	73,021
Weighted average number of ordinary shares in issue (thousands)	3,664,822	3,663,347
Basic earnings per share from continuing operations (US cents per share)	**0.40**	1.99
Loss from discontinued operations attributable to equity holders of the company (thousands US dollars)	–	(27,518)
Basic earnings per share – discontinued operations (US cents per share)	–	(0.75)

(a) 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 period ended 30th September 2009.

(b) The profit from continuing operations attributable to equity holders of the company for the period ended 30th September 2008 was calculated based on the profit for the year from continuing operations of US$75,097,000 less the amount attributable to minority interests of US$2,076,000.

20 INTERIM DIVIDEND

The directors do not recommend the payment of any dividend for the six months ended 30th September 2009 (30th September 2008: nil).

21 CAPITAL COMMITMENTS

	30th September 2009 US$'000	31st March 2009 US$'000
Capital commitment for property, plant and equipment		
Authorised but not contracted for	2,904	1,171
Contracted but not provided for	3,068	4,337
	5,972	5,508

22 RELATED-PARTY TRANSACTIONS

22.1 Directors' emoluments

Directors' emoluments amounted to US$858,000 for the period ended 30th September 2009 (30th September 2008: US$1,003,000).

	Six months ended 30th September	
	2009	2008
	US$'000	US$'000
Salaries, allowances, fees and other benefits	811	944
Retirement scheme contributions	47	59
	858	1,003

22.2 Key management compensation

Other than the directors' emoluments disclosed above, the emoluments paid to key management are as follows:

	Six months ended 30th September	
	2009	2008
	US$'000	US$'000
Salaries, allowances and other benefits	2,459	2,609
Retirement scheme contributions	147	155
Share-based payment	119	185
Bonus	355	1,727
	3,080	4,676

23 BUSINESS COMBINATIONS

23.1 On 18th June 2009, the Group acquired approximately 30.8% of equity interests in China Autoparts, Inc. (China Autoparts) from the minority shareholders at a consideration of US$12,259,460. Upon completion of the acquisitions, the Group's equity interests in China Autoparts increased to approximate 87.6%.

On the same date, the Group entered into an agreement with third parties in relation to the merger and reorganisation of China Autoparts and Tian Xi Auto Parts Group Co. Ltd (Tian Xi). In consideration for the acquisition of a 52% equity interest in Tian Xi, the group reduced its effective equity interest in China Autoparts by 35.6%. After the merger, the Group holds 52% of the shares in the enlarged group (Tonglin Precision Parts Limited) comprising China Autoparts and Tian Xi.

23.2 Details of net assets acquired and goodwill are as follows:

	US$'000
Purchase consideration	
Cash	13,534
Increase in minority interest in China Autoparts in exchange for shares in Tian Xi	2,058
	15,592
Fair value of net assets acquired, after minority interests – shown as below	(15,930)
Negative goodwill	(338)

23 BUSINESS COMBINATIONS *(Cont'd)*

23.2 Details of net assets acquired and goodwill are as follows: *(Cont'd)*

At the date of acquisition, except for intangibles which are carried at fair value of US$ 1,333,000, other assets and liabilities based on carrying book amount are as follows:

	carrying book amount and provisional fair value US$'000
Properties, plant and equipments	28,688
Leasehold land and land use right	1,568
Intangibles	1,333
Deferred tax assets	141
Stock and work in progress	3,554
Trade and other receivables	11,758
Bank balances and cash	5,761
Trade and other payables	(17,090)
Deferred tax liabilities	(322)
	35,391
Less:	
Borrowings	(14,174)
Net assets	21,217
Minority interests	(5,287)
	15,930
Purchase consideration settled in cash	
Cash	13,534
Cash and cash equivalents in subsidiary acquired	(5,761)
Cash outflow on acquisition	7,773

Note: As at the date of this interim report, the initial accounting for the acquisitions is determined on a provisional basis as the allocation of fair value to the identifiable assets and liabilities of the acquisitions are still progressing. Adjustments to these provisional values of identifiable assets and liabilities, if any, will be recognised on completion of the initial accounting.

24 CASH GENERATED FROM OPERATIONS

	2009 US$'000	2008 US$'000
Profit before income tax	29,715	89,360
Add: Depreciation charges of property, plant and equipment and amortisation of leasehold land and land use rights	33,922	36,081
Amortisation of intangible assets	8,785	9,765
Net interest expense	3,070	6,481
Share of losses/(profits) of associated companies	185	(101)
EBITDA*	75,677	141,586
Other non-cash items and adjustments		
Loss/(gains) on disposals of leasehold land, property, plant and equipment	19	(425)
Provision for impairment on property, plant and equipment	3,480	127
Negative goodwill from acquisitions	(338)	–
Net realised and unrealised loss/(gains) on disposals of other financial assets at fair value through profit or loss	116	(413)
Share based compensation	1,009	(494)
Net realised gains on available-for-sale financial assets	–	(379)
	4,286	(1,584)
EBITDA* net of other non-cash items and adjustments	79,963	140,002
Change in working capital		
Decrease/(increase) in stocks and work in progress	18,783	(19,210)
(Increase)/decrease in trade and other receivables	(41,436)	9,917
Increase/(decrease) in trade and other payables	77,902	(9,620)
Increase/(decrease) in net financial liabilities	9,354	(3,425)
	64,603	(22,338)
Cash generated from operations	144,566	117,664

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

25 COMPARATIVE FIGURES

Certain comparative figures are restated to conform with current period presentation.

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