Johnson Electric Holdings Limited
Annual Report 2013

JOHNSON ELECTRIC

innovating motion

(Stock Code: **179**)

REPORT FOR THE YEAR ENDED 31 MARCH 2013

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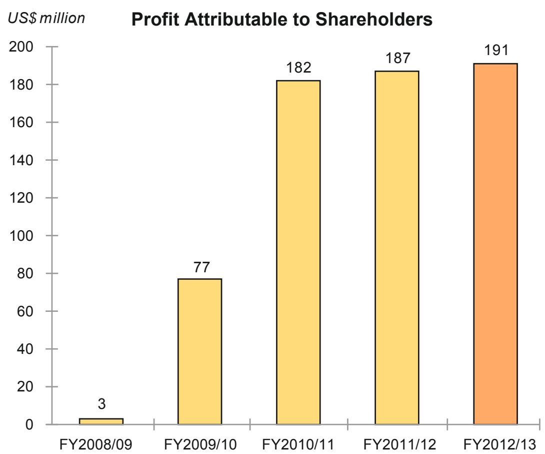
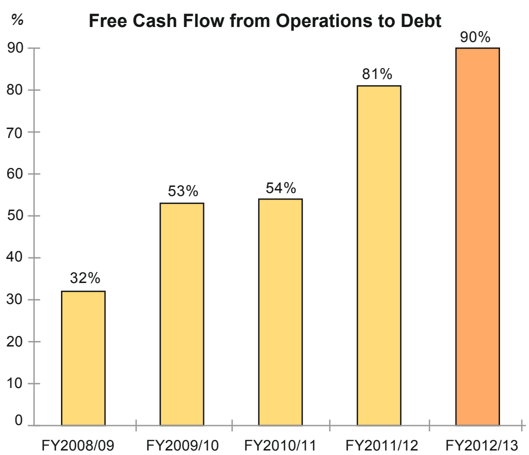


HIGHLIGHTS

- For the financial year ended 31 March 2013, total sales amounted to US$2,060 million – a decrease of 4% compared to the prior financial year. Excluding the effects of divestitures of non-core businesses and foreign currency changes, underlying sales increased by 1%
- Gross profit margins increased to 28.0% from 27.3% in the prior year
- EBITDA totalled US$304 million – down 3%
- Operating profits including the gain associated with the divestiture of a non-core business and other non-recurring items were US$213 million, a decrease of 4% compared to the prior year
- Operating profits excluding divestitures and non-recurring items were US$188 million or 9.1% of sales
- Net profit attributable to shareholders increased to a record US$191 million, an increase of 2.5%
- Earnings per share increased by 3.9% to 5.36 US cents
- Full year recommended dividend of HK$0.11 per share, a 10% increase over prior year (HK$0.10 per share)



LETTER TO SHAREHOLDERS

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

Johnson Electric achieved satisfactory results in the financial year 2012/13. Overall sales and profit levels were broadly flat compared to the prior year reflecting the combination of mixed economic conditions in the markets where the Group operates, foreign exchange rate fluctuations, and the divestiture of a non-core business unit.

Beneath the stable headline results, Johnson Electric continued to make sustained progress in reshaping its business model to compete successfully in an unpredictable and currently difficult world economy. Our business strategy is focused on ensuring that we invest our sales and engineering resources in motion product applications with favourable long term growth prospects. Our pipeline of innovative and differentiated new products is stronger than ever. Our manufacturing footprint continues to evolve into the most global and flexible in our industry. And our on-going initiatives to eliminate waste, improve quality and enhance the effectiveness of our operations remain critical foundations upon which Johnson Electric seeks to create value over time.

Highlights of 2012/13 Results

- For the financial year ended 31 March 2013, total sales amounted to US$2,060 million – a decrease of 4% compared to the prior financial year. Excluding the effects of divestitures of non-core businesses and foreign currency changes, underlying sales increased by 1%

- Gross profit margins increased to 28.0% from 27.3% in the prior year

- EBITDA totalled US$304 million – down 3%

- Operating profits including the gain associated with the divestiture of a non-core business and other non-recurring items were US$213 million, a decrease of 4% compared to the prior year

- Operating profits excluding divestitures and non-recurring items were US$188 million or 9.1% of sales

- Net profit attributable to shareholders increased to a record US$191 million, an increase of 2.5%

- Earnings per share increased by 3.9% to 5.36 US cents

- The Group's gearing level remained low with a debt to total capital ratio declining from 12% to 7%. At financial year end, the Group had total borrowings of US$125 million and total cash reserves of US$481 million

"Our pipeline of innovative and differentiated new products is stronger than ever"

Dividends and Share Repurchases

The Board has recommended increasing the final dividend to 8 HK cents (1.03 US cents) per share, which together with the interim dividend of 3 HK cents (0.38 US cents) per share, represents a total dividend of 11 HK cents (1.41 US cents) per share – a 10% increase in total dividends for the year.

The Company repurchased and cancelled 31.2 million of its ordinary shares during the course of the year at a total cost of US$19.9 million.

Sales Performance

The 4% decrease in total sales to US$2,060 million reflected the combination of higher sales to automotive customers, weaker demand from industrial customers and the effects of foreign exchange rate movements and divestitures of non-core businesses. Assuming constant exchange rates and excluding the one-time effects of divestitures, Johnson Electric's underlying sales increased by 1%.

The Automotive Products Group ("APG"), the largest operating division, achieved sales of US$1,304 million – an increase of 2% compared to a year earlier. In constant currency terms, APG's sales increased by 6% with all major geographic regions delivering positive results.

"APG's sales increased by 6% with all major geographic regions delivering positive results"

In the US, the automotive market has continued on its path to recovery with consumers feeling more confident about replacing ageing vehicles in a gradually improving economy and manufacturers providing a range of sales incentives to stimulate demand. This contrasts with the situation in Europe where several depressed economies and record levels of unemployment is resulting in new car sales collapsing to levels last seen twenty years ago. Against this very difficult backdrop, Johnson Electric sales to European customers actually increased by 5% in constant currency terms as we continue to win business by providing innovative technology solutions to the functional requirements most critical to automotive OEMs today: better fuel economy, reduced emissions, greater comfort, and higher safety. APG also performed well in Asia, where we benefited from our strong market position in China and from increasing sales in South Korea and India.

The Industry Products Group ("IPG") had a more difficult year with sales down 9% (8% in constant currency terms) to US$686 million. Each of the three main geographic regions experienced a decrease in sales. In part this reflected generally subdued economic conditions and poor consumer sentiment in many end markets in Europe and North America. In addition, we have sought to maintain pricing discipline and have been prepared to exit from selected lower margin product applications that do not meet our profitability criteria.

As we have noted in previous reports, IPG is undergoing a significant evolution in its product application and go-to-market strategies. Fundamentally, we are shifting the focus of IPG towards serving distinct market applications which demand the type of precision motor and motion subsystem solutions that Johnson Electric is uniquely placed to deliver.

Underpinning this strategy is a robust pipeline of new products that variously address market needs for energy efficiency, precision and improved functionality. One example of this approach is a recently launched platform of disconnect relays designed for residential electricity meters. This patent-protected technology delivers a safe and highly durable disconnect function to "smart" meters that enables utility operators to manage customer connections remotely and more efficiently.

"IPG is undergoing a significant evolution in its product application and go-to-market strategies"

Improved Gross Margins

The main factors affecting the cost base of the business were lower raw material expenditure over the course of the year, further increases in wage rates in China (exacerbated by the strengthening of the RMB against the US Dollar), and on-going initiatives to both improve operational efficiency and invest in people and processes to support the long-term development of the Group.

Rising labour rates in China have been a particularly strong headwind for the Group to cope with over the past several years. In response, considerable effort has been made to redesign assembly processes and increase the levels of automation in our operations. This has resulted in significant productivity gains that helped to underpin an improvement in gross profit margins to 28.0% of sales (compared to 27.3% in FY2011/12).

During the year, Johnson Electric completed the divestiture of a non-core business unit manufacturing programmable logic controllers for a gross cash consideration of Euro 100 million and recorded an after-tax gain on the sale of nearly US$25 million. The effect of this disposal, combined with other income, charges and non-recurring items that varied on a year-on-year basis, as well as increased selling and administrative expenses, was that operating profits decreased to US$213 million (compared to US$221 million in FY2011/12). Excluding divestitures and other non-recurring items, operating profits were US$188 million or 9.1% of sales.

Investments to Strengthen Operating Footprint and Technology Offering

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

"The key goals of Johnson Electric's manufacturing strategy are to be global, flexible and cost competitive"

To execute this strategy, the Group is progressively building out its operating footprint in the three main geographic regions of Asia, the Americas and Europe. In Asia, we have expanded production in our plant in Beihai, Guangxi Province and anticipate further growth for our operations in India. In the Americas, we recently opened a new plant in Mexico that will become a key production hub for Johnson Electric in the region. And in Europe, we are actively exploring the feasibility of building additional production capacity in Eastern Europe to support new business growth.

Parallel to capital investments to strengthen our business model, we are also evaluating potential acquisitions that can complement our strategy, broaden our technology offering and accelerate growth. During the course of the financial year, the Group acquired intellectual property and other assets of a leading player in the field of disconnect relays to extend and strengthen Johnson Electric's own capabilities in this growing market segment. Given the Group's low gearing and strong cash position, we are well placed to make further such investments and acquisitions should suitable opportunities arise.

Outlook

In the aftermath of the Global Financial Crisis, the task of predicting the prospects of global industrial manufacturing businesses shows no sign of getting any easier. Many economic commentators presently describe a "three-speed" world economy characterised by above average growth in most developing countries, a gradual but hesitant recovery in the United States, and prolonged gloom in Europe. However, it is also evident that considerable downside risks remain, especially in Europe where politicians and economists are sharply divided over whether austerity or continued deficit spending is the best medicine for the region's ills.

Johnson Electric's current sales levels are broadly stable with encouraging customer demand for our new motion subsystem solutions offset by persistent price competition in lower end applications, especially in IPG. Visibility on overall demand much beyond the first quarter is low, with the recent weakness in the German automotive market an area of concern.

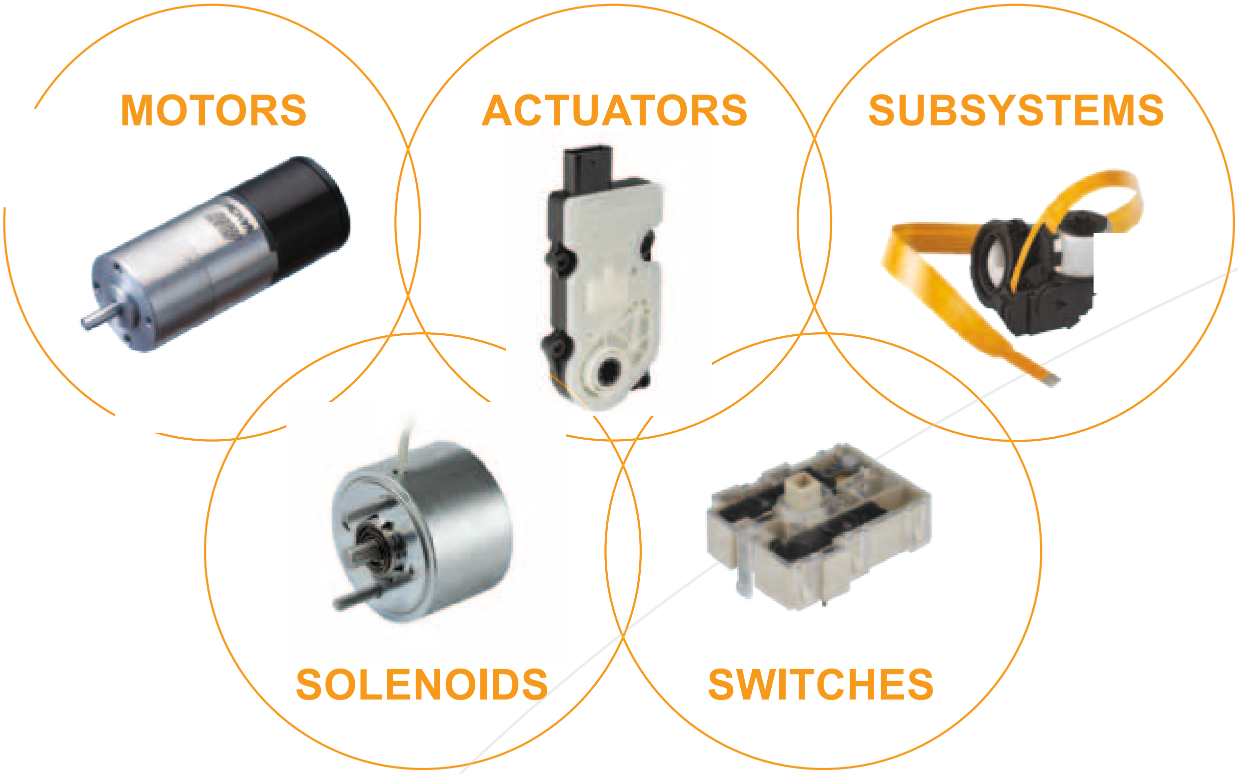
In such circumstances, we believe the most prudent approach for Johnson Electric is to remain focused on executing our long-term strategy and tightly manage the factors over which we can exercise greatest control. This includes continuing to invest in innovative technology in our chosen markets, improving product quality, adapting our manufacturing footprint to enhance our operating risk profile, and maintaining a strong balance sheet.

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

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

Hong Kong, 16 May 2013

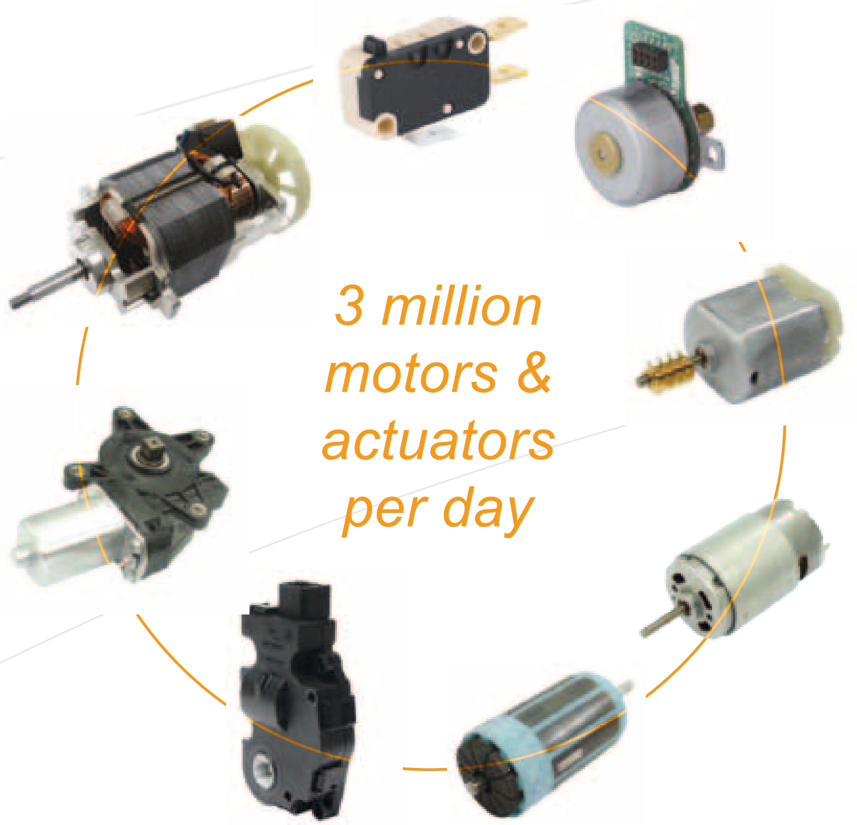
JOHNSON ELECTRIC CUSTOM PRODUCTS



Johnson Electric is the global leader in custom designed motion subsystems, including motors, solenoids, switches and flexible interconnects. We serve a broad range of industry segments including automotive, building automation and security, business machines, security and aerospace, food and beverage equipment, home technologies, HVAC, industrial equipment, medical devices, personal care, power equipment and power tools.

Established in 1959, Johnson Electric designs and produces custom motion solutions throughout the world for use in a broad range of product applications. Innovation centers are located in Hong Kong, China, Switzerland, Germany, Italy, Israel, Japan, the UK and the USA. Total global headcount including contract staff stands at approximately 36,000 people.

The Group’s business strategy is to provide “Technology Leadership” and being the “Safe Choice” for our customers. We support our



customers through their complete product life cycle, from new product introduction to mature high volume production.

Growth segments and innovative customers are served by creating product platforms that can be customized for unique solutions.

Facts in 2012/2013

- Over 3 million motors & actuators per day
- 16 million switches per month
- Over 40 new products introduced

The Group has the following three operating divisions, aligned with the broad markets we serve:

- Automotive Products Group
- Industry Products Group
- Components and Services

Johnson Electric has been listed on The Stock Exchange of Hong Kong Limited since 1984.

Johnson Electric Provides

TECHNOLOGY LEADERSHIP

to our Customers

Technology leadership and application-specific know-how are the drivers that make Johnson Electric the leader in custom motion solutions including motors, solenoids, switches and flexible interconnects. We create differentiation by collaborating with and productizing for our customers' designers and engineers. Our systems and components are designed to enhance the value delivered by our customers' products. Our custom "Productizing Process" and the unique "Johnson Electric Production System" combine to deliver differentiation and supply chain excellence.

Within our divisions' innovation centers, design teams are organized into global engineering centers of competence based on specific technology disciplines. Examples of technology focus within the Industry Products Group are microswitches, DC motors, brushless motors, high voltage DC motors, AC motors, solenoids, stepper motors and piezo actuators. Examples of technology focus within the Automotive Products Group include engine cooling fan modules, engine valve actuators, grill shutter actuators, HVAC actuators, headlamp actuators, transmission actuators, braking and stability control actuators, window lift drives, seat adjustment and power closure sub-systems.

The innovation centers deploy a flow engineering process to ensure efficient and on-time completion of custom design projects. The design teams utilize a unique Product Development System (JE-PDS) to create technology leading product platforms addressing application segment requirements. These platforms can then be customized to provide specific customer solutions. The innovation center teams work closely with application experts in the Automotive and Industry Products Groups to ensure that market specific knowledge and trends are reflected in our product platform roadmaps.

Technology Leadership

- Global Engineering Process
- Productizing process
- 1,200 active patents & applications

Johnson Electric is the

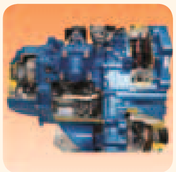
SAFE CHOICE

to our Customers

Johnson Electric is the safe choice for our customers who demand differentiation, performance leadership, high reliability and assurance of supply throughout the world. The Group has the scale and global footprint to support customers everywhere. We deliver products and custom engineering services to the most exacting standards of performance, no matter what the industry segment. Whether it is the precision and reliability required by the medical industry; the fuel economy, emissions reduction and safety demanded by of the automotive industry; the durability and efficiency requirements of industry segments, or the flexible logistics to support production in all regions, Johnson Electric is organized to execute effectively.

Our unique "Product Development System" and the "Johnson Electric Production System" combine to deliver product differentiation and supply chain excellence to our customers.


Engine Management


Transmission


Engine Cooling


Braking and Suspension


HVAC

Application Focus

Automotive Products Group

The Automotive Products Group provides custom engineering solutions including motors, actuators, switches, and motion subsystems for all critical automotive motion related functions. The Automotive Products Group technology platform comprises the following product brands: "*Saia-Burgess*" for actuators; "*GATE*" for engine cooling fan modules; "*Johnson Motor*" for custom motors. We have created motion solutions to address the industry's demand for fuel economy, emissions reduction, safety and passenger comfort. We are the industry and technology leader in cooling fan modules, coolant valve actuators, HVAC actuators, headlamp actuators and power closure sub-systems.


Window Lift Drive


Sunroof Drive


Seat Adjust


Steering Lock


Door Lock


Power Closure


Dynamic Lightning


Mirrors

Building Automation and Security

ATM

Business Machines

Camera and Optical

Entertainment and Gaming

Industries Served

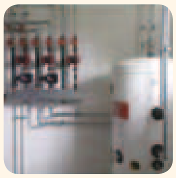
Industry Products Group

The Industry Products Group provides motion products and customized sub-systems for multiple industries and applications, including building automation & security, business machines, security and aerospace, entertainment, food and beverage, home technologies, HVAC, industrial equipment, medical devices, personal care, power equipment and power tools. The Industry Products Group technology platform comprises the following product brands: "*Johnson Motor*" for motors and subsystems (AC, DC, HVDC, BLDC), "*Saia*" for motors and subsystems (stepper, synchronous), "*Ledex*" for solenoids and relays, "*Saia*" and "*Burgess*" brands for custom switch solutions, and "*Parlex*" for flex circuits and microelectronics.

"*Johnson Medtech*" is a business unit and brand dedicated to the design and production of motion systems for the medical device industry. Johnson Medtech specializes in medication delivery and surgical device applications.

Food and Beverage

Lawn and Garden



HVAC

Industrial Automation

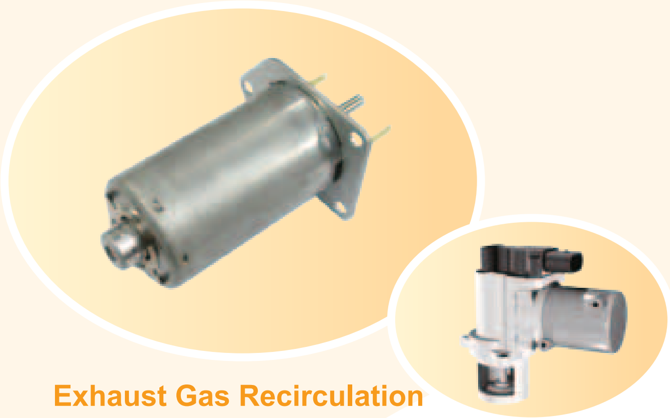
Medical Devices

Personal Care

Power Tools

Home Technologies

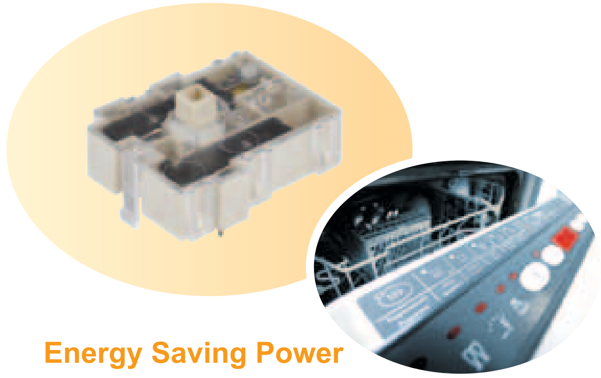
Energy Saving / Eco Motion Solutions
40 New Product Launches This Year



Exhaust Gas Recirculation for Automotive Emissions Control

Valve Actuators for Engine Cooling & HVAC

Disconnect Relays for Smart Meters



Energy Saving Power Shut-Off Switches for Appliances

Johnson Electric Subsystems in Products Everywhere

- Automotive
- Building Automation
- Business Machines
- Food and Beverage
- Home Entertainment
- Home Technologies
- Medical Devices
- Personal Care
- Power Equipment
- HVAC
- Power Tools
- ATM

MANAGEMENT'S DISCUSSION AND ANALYSIS

CONTENTS

MANAGEMENT'S DISCUSSION AND ANALYSIS

OVERVIEW – FINANCIAL HIGHLIGHTS

US$ million	FY2012/13	FY2011/12
Sales	2,059.7	2,140.8
Gross profit	577.7	584.4
Gross margin	*28.0%*	*27.3%*
Profit attributable to shareholders	191.3	186.7
Diluted earnings per share (US Cents)	5.33	5.15
EBITDA	304.3	314.3
EBITDA margin	*14.8%*	*14.7%*
Free cash flow from operations [1]	161.4	166.0

US$ million	31 Mar 2013	31 Mar 2012
Cash	480.9	385.1
Total debt (borrowings)	(125.0)	(205.4)
Net cash	355.9	179.7
Total equity	1,598.8	1,487.5
Market capitalisation at balance sheet date [2]	2,646.2	2,229.5
Enterprise value [3]	2,320.5	2,075.6
Enterprise value to EBITDA [4]	7.6	6.6

Credit Quality – Financial Ratios [4]	31 Mar 2013	31 Mar 2012
Free cash flow from operations (annualised) to debt	129%	81%
Total debt to EBITDA (annualised)	0.4	0.7
Total debt to capital (total equity + debt)	7%	12%

1 Net cash generated from operating activities plus interest received, less Cap-Ex net of proceeds from disposal of fixed assets. FY2012/13 excludes cash outflow due to insourcing a European distribution channel

2 Outstanding number of shares multiplied by the closing share price (HK$5.78 as of 31 March 2013 and HK$4.83 as of 31 March 2012) converted at the closing exchange rate

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

4 EBITDA and free cash flow from operations were annualised using last twelve months' results

- Gross margin improved to 28.0% from 27.3% despite a 4% reduction in reported sales. Sales increased by 1% excluding currency effects and divested businesses.
- Sales increased 6% in our Automotive Products Group, excluding currency effects. Sales growth across all regions was driven by innovation, new platform launches and the growth of our targeted customers.
- Sales decreased 8% in our Industry Products Group, excluding currency effects, due to weak demand in home entertainment and gaming, and across Europe, as well as our exit from certain low-margin applications, offset somewhat by the uptake of innovative new products.
- The Saia-Burgess Controls business was divested on 1 February 2013 for EUR100.0 million, before final post-closing adjustments. Such post-closing adjustments will result in cash outlays in FY2013/14. See Note 36 for details.

SALES AND PROFITABILITY

JOHNSON ELECTRIC'S OPERATING MODEL

Johnson Electric is one of the world's largest providers of motion subsystems, motors, solenoids, micro-switches and flexible printed circuits. The Group has an annual production capacity of over one billion units and manufactures products in more than a dozen countries on four continents.

Operations throughout Johnson Electric ("JE") share many common features including advanced technologies, manufacturing processes, supply chain, brand, distribution channel and program management, along with the business model as a whole. This creates opportunities for revenue growth by leveraging the strength of the Group's core competences and for cost reduction through the sharing of resources.

SALES REVIEW

Group sales in FY2012/13 were US$2,059.7 million, a decrease of US$81.1 million, 4%, compared to US$2,140.8 million for FY2011/12.

Sales, excluding currency effects and non-recurring items, increased by US$12.3 million, 1%, compared to FY2011/12, as shown below:

US$ million	FY2012/13	%	FY2011/12	%	Sales growth/ (decline)
Automotive Products Group ("APG")					
– Sales, excluding currency effects	1,346.1	66%	1,272.8	63%	**6%**
– Currency effects	(42.2)		n/a		
APG sales, as reported	1,303.9		1,272.8		
Industry Products Group ("IPG")					
– Sales, excluding currency effects	692.8	34%	753.8	37%	**(8%)**
– Currency effects	(6.9)		n/a		
IPG sales, as reported	685.9		753.8		
Group					
– Sales, excluding currency effects and divested businesses	**2,038.9**	100%	**2,026.6**	100%	**1%**
– Currency effects	(49.1)		n/a		
– Divested businesses	69.9		114.2		
Group sales, as reported	**2,059.7**		**2,140.8**		**(4%)**

FY2012/13 SALES VS. FY2011/12

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

Currency effects and divested businesses impacting sales were as follows:

- **Currency effects**: The Group's sales are largely denominated in the US Dollar, the Euro and the Chinese Renminbi. Currency movements, primarily the weakening of the Euro against the US Dollar, over FY2012/13 adversely affected sales by US$49.1 million compared to FY2011/12.

- **Divested businesses**: On 1 February 2013, the Group divested Saia-Burgess Controls, a non-core business based in Europe and engaged in the manufacture of programmable logic controllers and components. FY2012/13 included ten months of sales of this business amounting to US$69.9 million (FY2011/12: US$93.1 million, a full year's sales).

  At the end of July 2011, the Group divested a controlling stake in a non-core subsidiary. FY2011/12 included four months sales for this business amounting to US$21.1 million.

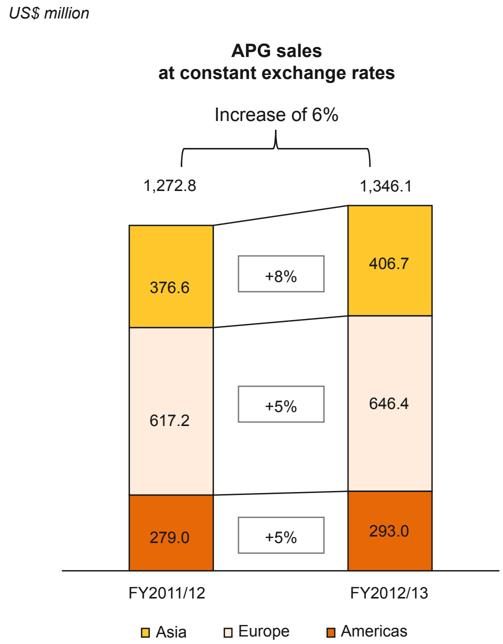
AUTOMOTIVE PRODUCTS GROUP

Sales, excluding currency effects, increased 6% compared to FY2011/12 (Asia: 8% growth, Europe: 5% growth, Americas: 5% growth) as we benefited from new platform launches and the growth of our targeted customers.

- In Asia, we increased sales of our powertrain cooling products. We also saw higher demand for our products for engine air management and doorlock applications, and benefited from new platform launches utilising our products for sunroof applications. This was partially offset by reduced sales of window-lift products.

- In Europe, we increased sales of our cooling fan products and geared motor drive systems for window-lift applications following successful product launches in FY2011/12. This was largely offset by weakness in demand impacting products for heating, ventilation and air conditioning ("HVAC"), power-lift gate and locking applications, as well as weakness in demand from certain French and Italian customers.

- In the Americas, new platform launches during FY2012/13 together with the continued recovery of market demand drove sales growth for many of our products including brushless powertrain cooling systems, stepper actuators for HVAC applications, as well as products for doorlock, and seat adjuster applications.



- The Powertrain Cooling business, primarily engaged in the manufacture and sale of cooling fan modules for OEM and Tier 1 customers, accounted for 22% of our overall business in FY2012/13. Sales for this business unit, excluding currency effects, increased by 14% in FY2012/13 compared to FY2011/12. This was driven by strong growth in revenues in China and Europe, whilst sales in the Americas grew marginally.

- We continue to invest in developing cost-effective, low-weight, high-power-density motors and subsystems for advanced applications that increase safety and fuel efficiency and reduce emissions.

Recent product launches include:

- A new motor product family that improves exhaust gas recirculation ("EGR") to meet EU engine emission standards. These EGR motors employ unique technology to deliver high torque, provide high vibration resistance and high temperature performance to enable fast and precise control and reliable operation;

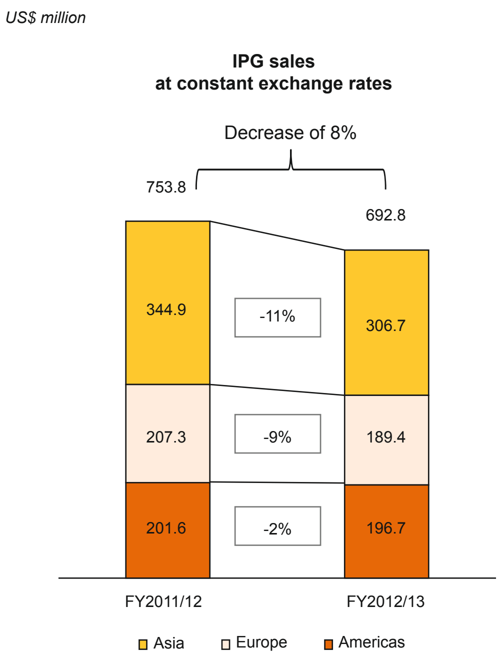
- Low-weight, energy efficient coolant valve actuators that help maintain optimum engine temperature and improve fuel efficiency, reduce emissions, and increase driving range for electric and hybrid cars; and

- A new compact motor product line for power seat adjustment that provides lower weight and smaller size.

Additionally, the Group is maintaining its commitment to global innovation tailored to local markets. We are expanding our engineering footprint in key geographic markets. We are also ensuring our manufacturing sites are well-placed to support regional customers by increasing responsiveness and reducing delivery lead times whilst minimising our logistics costs and inventory levels, as well as reducing our exposure to Chinese Renminbi appreciation.

INDUSTRY PRODUCTS GROUP

Sales, excluding currency effects, declined by 8% compared to FY2011/12 (Asia: 11% decline, Europe: 9% decline, Americas: 2% decline).



In FY2012/13, IPG focused on developing and launching differentiated, leading-edge products and subsystems. This includes products for point-of-sale, smart meter applications, and tactile feedback applications, whilst at the same time exiting certain traditional lower-margin applications. In certain high-potential segments, sales of our new products can be expected to gradually increase over time as customers undertake extensive product trials and pilot programs to ensure durability and suitability.

Lower demand for home entertainment and gaming products, our exit from low margin applications in the personal care and office equipment market segments, as well as continued economic uncertainty in Europe adversely affected sales.

- Sales in Asia declined due to lower demand for home entertainment and gaming products and dimple-flex technology and our exit from selected low margin applications. This was offset somewhat by increased demand for products for food and beverage applications as well as sales from recent product launches for tactile feedback applications. Sales in other market segments were largely flat.

- In Europe, sales declined in several segments due to overall market weakness offset slightly by demand for powertools and certain flexible-circuit products as well as demand for floorcare and HVAC products.

- In the Americas, sales declined due to weakness in demand for products for medical, office equipment and metering applications. This was partially offset by growth across other product lines, including continued recovery of demand in the white goods and HVAC segments reflecting an improving housing market.

- IPG is focused on developing and launching differentiated, leading-edge products and subsystems that offer reduced noise and weight and increased power efficiency and durability. Additionally, our product technology enables us to satisfy increasingly stringent regulations in several key markets.

  Recent product launches include:

  - Patented designs for disconnect relays for smart meters for electricity, gas and water utilities offering high tamper-resistance and long-life;

  - A new motor product family of low-weight, high-power-density long-life motors for professional hair-dryers; and

  - High performance flux-multiplier drives for washing machines that offer the industry's highest energy efficiency, combined with the widest spinning-to-washing speed range.

PROFITABILITY REVIEW

US$ million	FY2012/13	FY2011/12	Increase/ (decrease) in profit
Sales	2,059.7	2,140.8	(81.1)
Gross profit	577.7	584.4	(6.7)
Gross margin %	*28.0%*	*27.3%*	
Other income and gains, net	28.4	18.3	10.1
Selling and administrative expenses ("S&A")	(393.2)	(368.6)	(24.6)
S&A %	*19.1%*	*17.2%*	
Restructuring and other costs	–	(13.0)	13.0
Operating profit	212.9	221.1	(8.2)
Net interest income/(expense)	4.8	(1.1)	5.9
Share of profits of associate	0.3	0.5	(0.2)
Profit before income tax	218.0	220.5	(2.5)
Income tax expense	(21.1)	(31.6)	10.5
Effective tax rate	9.7%	14.3%	
Profit for the year	196.9	188.9	8.0
Non-controlling interests	(5.6)	(2.2)	(3.4)
Profit attributable to shareholders, as reported	191.3	186.7	4.6

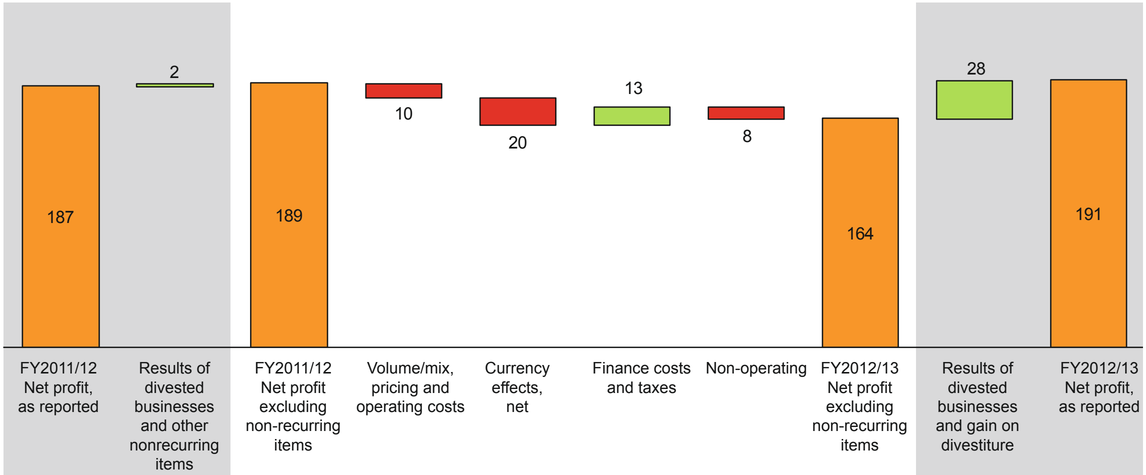
Our operating profit of US$212.9 million benefited from the inclusion of US$24.7 million of non-recurring items (FY2011/12: operating profit of US$221.1 million after deducting US$1.9 million non-recurring items). This is shown in the table below:

US$ million	FY2012/13	FY2011/12	Increase/ (decrease) in profit
Operating profit, as reported	212.9	221.1	(8.2)
Operating margin %	*10.3%*	*10.3%*	
Non-recurring items:			
Operating profit of divested businesses	5.9	11.1	
Gain on divestitures, net	18.8	– (a)	
Restructuring and other costs	–	(13.0)	
Less: Non-recurring items – income/(expense)	24.7	(1.9)	
Operating profit excluding non-recurring items	188.2	223.0	(34.8)
Operating margin %, excluding non-recurring items	*9.1%*	*10.4%*	

(a) The net effect of the divestiture of a controlling stake in a non-core subsidiary in FY2011/12 was negligible.

PROFIT ATTRIBUTABLE TO SHAREHOLDERS

US$ million



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

Total profit attributable to shareholders increased to a record US$191.3 million (FY2011/12: US$186.7 million).

Excluding the results of divested businesses and other non-recurring items, profit attributable to shareholders declined to US$163.6 million for FY2012/13, a decrease of US$25.5 million, 13.5%, from US$189.1 million for FY2011/12. The drivers underlying this change were:

- **Volume/mix, pricing and operating costs**: Profitability was adversely affected by a combination of reduced leverage of fixed costs due to lower sales volumes, wage inflation, especially in China, and increased headcount (e.g. we invested in engineering and quality functions).

  However, this was substantially offset by cost reduction activities that increased productivity and efficiency, as well as selectively implemented price increases, and savings from lower commodity prices.

  The net effect of these changes to volume/mix, pricing, operating costs was to reduce operating profit by approximately US$10 million.

- **Currency effects, net**: Johnson Electric has operations in more than 20 countries around the world, including sales and support offices, manufacturing and assembly plants, and engineering and product design centres. Currency movements therefore affect sales, costs and profits of these operations and create a foreign exchange risk, which the Group partially mitigates through the use of foreign currency hedge contracts.

  A significant part of our operations are based in Europe and are therefore subject to movements in the Euro against the US Dollar. In FY2012/13, the average rate for the Euro against the US Dollar weakened by 7% compared to the average rate in FY2011/12 (FY2012/13: average rate 1.29, FY2011/12: average rate 1.38).

  The overall effect of currency movements in FY2012/13, net of applicable hedges, reduced operating profit by approximately US$20 million.

- **Finance costs and taxes**: Interest expense decreased in line with reduced borrowing levels and the replacement of higher-cost debt with tax efficient, lower-cost debt. Additionally, the Group benefited from increased income from interest bearing deposits in Chinese Renminbi.

  The effective tax rate ("ETR") for FY2012/13 was 9.7%. This is analysed further in the notes to the accounts on page 134. The divestitures had the effect of reducing the ETR by 2.8%. The ETR excluding the tax effect of the divestitures was 12.5%. These divestitures are discussed in the next section.

  Overall, changes to finance costs and taxes increased profit by approximately US$13 million.

- **Non-operating**: The Group's investment property increased in value but at a lower rate than in FY2011/12, resulting in an approximate US$8 million lower mark-to-market gain compared to the gain in FY2011/12.

Divested businesses and other non-recurring items

- The Group divested Saia-Burgess Controls, a non-core business to Honeywell International, Inc. for a gross cash consideration of EUR100.0 million on 1 February 2013, before final closing adjustments, which will occur in FY2013/14 and beyond.

  Additionally, a non-operating company, holding a non-core property asset was divested.

  The net impact of these divestitures on the Group's results for FY2012/13 is shown in the table below.

US$ million	Operating profit	Income tax (expense)/ benefit	Net profit
Results of divested businesses in FY2012/13	5.9	(1.2)	4.7
Gain on divestitures, net	18.8	(3.8)	15.0
Deferred tax liabilities released on divestitures	–	8.0	8.0
Effect of divestitures in FY2012/13	24.7	3.0	27.7

- In FY2011/12, profits were impacted by approximately US$2 million being the net effect of restructuring charges offset by profits relating to divested businesses.

ANALYSIS OF CASH FLOW

Free Cash Flow

US$ million	FY2012/13	FY2011/12	Change
Operating profit *	213.4	221.4	(8.0)
Depreciation and amortisation	90.9	92.9	(2.0)
EBITDA	304.3	314.3	(10.0)
Other non-cash items in profit before taxes	(17.8)	(5.2)	(12.6)
Working capital changes	(37.8)	(42.4)	4.6
Interest paid	(2.5)	(6.0)	3.5
Income taxes paid	(29.4)	(27.6)	(1.8)
Net cash generated from operating activities	216.8	233.1	(16.3)
Capital expenditure	(82.6)	(91.3)	8.7
Proceeds from disposal of fixed assets	19.7	18.4	1.3
Interest received	7.5	5.8	1.7
Free cash flow from operations excluding insourcing	161.4	166.0	(4.6)
Working capital change due to insourcing a European distribution channel	(49.5)	–	(49.5)
Free cash flow from operations including insourcing	111.9	166.0	(54.1)

* *Operating profit as reported plus dividend received from associate of US$0.5 million for FY2012/13 (FY2011/12: US$0.3 million)*

The Group's free cash flow from operations excluding the insourcing of a European distribution channel was US$161.4 million in FY2012/13 (US$111.9 million including insourcing), compared to US$166.0 million in FY2011/12.

- Working capital increased by US$37.8 million, excluding the impact of insourcing a European distribution channel.
- This insourcing further increased working capital requirements by US$49.5 million.

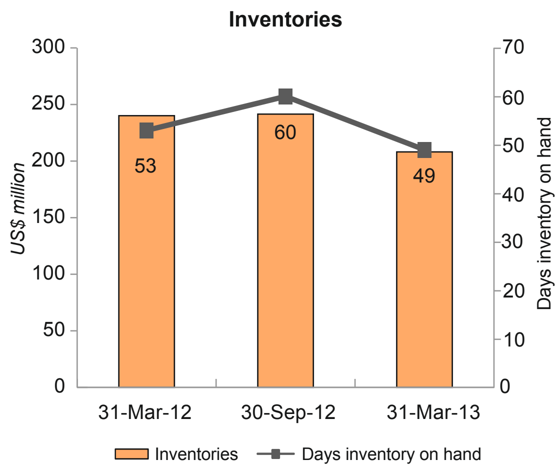
These changes are explained in the following sections.

Working Capital Changes

US$ million	Balance sheet as of 31 Mar 2012	Currency translations	Divestiture	Acquisition	Hedging and others	Investing activity	Working capital changes per cash flow: Insourcing of a European distribution channel	Working capital changes per cash flow: Other working capital changes	Balance sheet as of 31 Mar 2013
Inventories	240.1	(2.1)	(9.7)	4.1	–	–	15.5	(39.8)	208.1
Trade and other receivables	384.4	(9.7)	(13.1)	–	–	2.1	19.6	28.4	411.7
Deposits – non-current	5.9	(0.2)	–	–	–	–	–	(1.2)	4.5
Trade and other payables	(364.1)	2.9	(9.4)	–	(2.0)	(0.6)	13.3	18.2	(341.7)
Provision obligations and other liabilities *	(99.9)	2.5	0.8	–	(1.8)	–	1.1	31.7	(65.6)
Other financial assets/ (liabilities), net *	10.0	–	–	–	30.3	–	–	0.5	40.8
Total working capital per balance sheet	176.4	(6.6)	(31.4)	4.1	26.5	1.5	49.5	37.8	257.8

* *Current and non-current*

- **Inventories** were reduced by US$32.0 million, from US$240.1 million as of 31 March 2012 to US$208.1 million as of 31 March 2013. Excluding non-recurring changes in inventory due to divestiture, acquisition, the insourcing of a European distribution channel and currency effects, inventory decreased by US$39.8 million.
  - Days inventory on hand ("DIOs") decreased from 60 days as of 30 September 2012 to 49 days as of 31 March 2013, largely due to seasonal effects but also reflecting supply chain efficiencies; for example, our ongoing efforts to ensure the responsiveness of our manufacturing operations by reducing supplier delivery lead times.

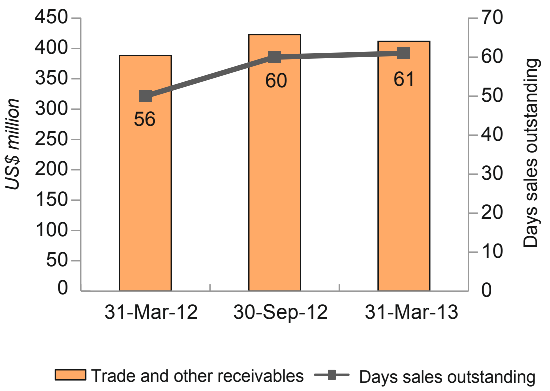


- **Trade and other receivables** increased by US$27.3 million in FY2012/13, from US$384.4 million as of 31 March 2012 to US$411.7 million as of 31 March 2013. Excluding non-recurring changes in trade and other receivables due to divestiture and the insourcing of a European distribution channel and currency effects, trade receivables and other receivables increased by US$28.4 million. This was mainly caused by higher sales in the last two months of FY2012/13 compared to the last two months of FY2011/12, and the impact of increased sales to customers in our Powertrain Cooling business.

  - Days sales outstanding ("DSOs") increased to 61 days as of 31 March 2013, compared to 56 days as of 31 March 2012 mainly due to the insourcing of a European distribution channel as well as the impact of increased sales to customers with longer than average credit terms in our Powertrain Cooling business.

  - The Group's receivables are of high quality. Amounts overdue greater than 30 days amounted to approximately 2.0% of gross trade receivables as of 31 March 2013, a slightly improved level compared to 31 March 2012. This reflects the effectiveness of our management of credit exposure.

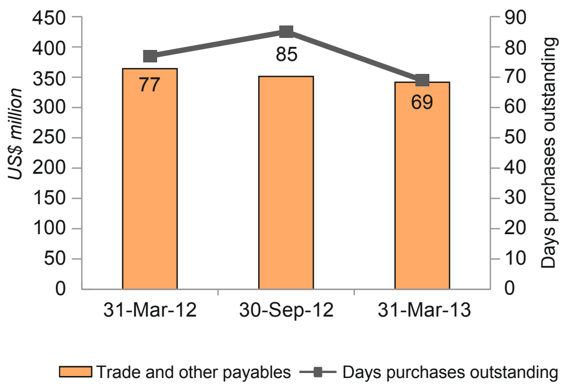
Trade and other receivables
(DSOs calculated on trade receivables only)



- **Trade and other payables** were US$341.7 million as of 31 March 2013, a decrease of US$22.4 million from US$364.1 million as of 31 March 2012. Excluding currency effects and non-recurring changes due to divestiture and the release of an accrued liability for repurchase of inventory due to the insourcing of a European distribution channel, trade and other payables decreased by US$18.2 million. This was mainly caused by the improvements to our procurement processes, as well as lower incentive compensation accruals.

  - Days purchases outstanding ("DPOs") decreased from 77 days as of 31 March 2012 to 69 days as of 31 March 2013, due to changes in minimum-order-quantities, supplier delivery lead times and other procurement processes.

Trade and other payables
(DPOs calculated on trade payables only)



- **Provision obligations and other liabilities** decreased by US$34.3 million to US$65.6 million as of 31 March 2013 compared to US$99.9 million as of 31 March 2012. The overall decrease is mainly due to settlement of warranty claims, utilisation of restructuring liabilities, and contributions toward pension plans, partly offset by an increase in pension obligations (primarily reflecting a reduction in discount rates).

- **Other financial assets/(liabilities)** increased by US$30.8 million from net financial asset of US$10.0 million as of 31 March 2012 to net financial asset of US$40.8 million as of 31 March 2013.

  - Foreign currency forward contracts increased in value by US$39.8 million, due primarily to Chinese Reminbi appreciation against the US Dollar and the weakening of the Euro against the US Dollar. This was somewhat offset by a US$9.0 million decrease in the value of commodity-price forward contracts due to declining commodity prices.

    Details of the spot prices are shown below:

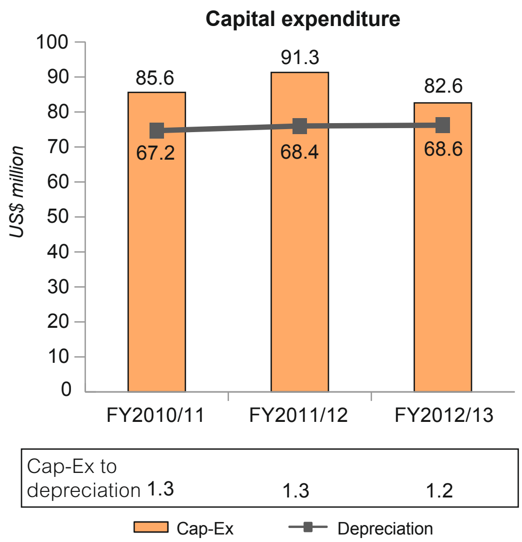
	Spot rates as of 31 Mar 2013	Spot rates as of 31 Mar 2012	Strengthen/ (weaken)
Copper (per metric ton)	7,583	8,480	(11%)
Silver (per ounce)	28.64	32.43	(12%)
US Dollar per Euro	1.28	1.34	(4%)
Chinese Renminbi per US Dollar	6.21	6.31	2%

  - The mark-to-market valuations of these contracts were taken to the hedging reserve. Further details are found in the Financial Management and Treasury Policy section on page 32 and in Note 13 on pages 101 to 102 of the accounts.

Interest paid decreased by US$3.5 million from US$6.0 million for FY2011/12 to US$2.5 million for FY2012/13. This was the combined result of reductions in the Group's borrowings and the replacement of higher-cost debt with tax efficient, lower-cost debt.

Income taxes paid, net of refunds, increased slightly to US$29.4 million, from US$27.6 million for FY2011/12. This was largely due to the expiration of certain tax incentives.

Capital expenditure amounted to US$82.6 million in FY2012/13 as we further developed our manufacturing facilities in Mexico and continued to invest in long term technology development, ongoing replacement of assets and productivity improvements.



Proceeds from disposal of fixed assets were US$19.7 million in FY2012/13, an increase of US$1.3 million from US$18.4 million in FY2011/12. In both FY2012/13 and FY2011/12, disposals largely comprised real estate.

Interest received in FY2012/13 was US$7.5 million, an increase of US$1.7 million from US$5.8 million in FY2011/12, primarily due to Chinese Renminbi deposits.

Other cash flows

US$ million	FY2012/13	FY2011/12	Change
Free cash flow from operations	111.9	166.0	(54.1)
Acquisition	(11.1)	–	(11.1)
Proceeds from divestiture of non-core businesses	137.8	28.9*	108.9
Purchase of shares for cancellation of issued capital	(19.9)	(31.9)	12.0
Purchase of shares held for Long-Term Incentive Share Scheme	–	(2.6)	2.6
Other investing activities	3.7	5.1	(1.4)
Dividends paid	(46.0)	(41.9)	(4.1)
Other financing activities	(2.8)	–	(2.8)
Total cash flow (excluding changes in borrowings)	173.6	123.6	50.0

* *FY2011/12 US$28.9 million comprised cash consideration of US$32.2 million, net of cash divested US$3.3 million. Debt of US$9.6 million owed by the divested subsidiary was also deconsolidated.*

The Group generated US$173.6 million cash in FY2012/13, excluding changes in borrowings and currency effects; up US$50.0 million from US$123.6 million in FY2011/12.

The net movement in cash includes the following:

- **Acquisition**: In FY2012/13 the Group acquired a business for US$11.1 million, including intellectual property, customer lists and inventory. This acquisition will complement our existing solenoids business.

- **Proceeds from divestiture of non-core businesses**: In FY2012/13 the Group disposed of Saia-Burgess Controls for aggregate proceeds of US$133 million cash. The Group also received US$4.8 million for the disposal of a minority stake in a non-core business. The controlling stake in this business was divested in FY2011/12 for US$28.9 million.

- **Purchase of shares**: 31.2 million shares were repurchased at a total cost of US$19.9 million (including brokerage and cancellation fees) and cancelled in FY2012/13 (60.8 million shares were repurchased at a total cost of US$31.9 million in FY2011/12).

  In FY2011/12 the Company purchased 5.5 million shares for US$2.6 million, for use in granting shares to eligible employees and Directors under the Long-Term Incentive Plan. There were no such purchases in FY2012/13.

- **Other investing activities** of US$3.7 million mainly comprised yield-to-maturity deposits which realised US$3.4 million on reaching maturity in FY2012/13 compared to US$5.1 million in FY2011/12.

- **Dividends** paid in FY2012/13 amounted to US$46.0 million (US$13.8 million interim dividend for FY2012/13 and US$32.2 million final dividend for FY2011/12). This was US$4.1 million more than the dividend payments made in FY2011/12 (US$13.8 million interim dividend for FY2011/12 and US$28.1 million final dividend for FY2010/11).

  - The Board has recommended a final dividend of US$36.6 million for FY2012/13, to be paid in July 2013.

- **Other financing activities** in FY2012/13 comprised a cash outlay of US$2.8 million for dividends paid to non-controlling shareholders in the Group's subsidiaries (FY2011/12: nil).

Cash and borrowings

US$ million	FY2012/13	FY2011/12	Change
Total cash flow (excluding changes in borrowings)	173.6	123.6	50.0
Net repayment of borrowings	(77.3)[a]	(96.8)	19.5
Increase in cash (excluding currency effects)	96.3	26.8	69.5
Exchange (losses)/gains on cash	(0.5)	3.6	(4.1)
Net movement in cash	95.8	30.4	65.4

Net debt/cash analysis

US$ million	As of 31 Mar 2013	As of 31 Mar 2012	Change in net cash
Cash	480.9	385.1	95.8
Borrowings	(125.0)	(205.4)	80.4[a]
Net cash	355.9	179.7	176.2

(a) The net decrease in borrowings of US$80.4 million comprised a net repayment of US$77.3 million and an unrealised exchange gain of US$3.3 million, offset by a write-off of upfront fee of US$0.2 million

Net cash increased US$176.2 million to US$355.9 million as of 31 March 2013, from US$179.7 million as of 31 March 2012.

- **Borrowings**: Strong cash generation enabled the Group to make a net repayment of debt of US$77.3 million during FY2012/13. This included the following significant activities:

  - Higher-cost debt of US$49.8 million (net of upfront fees written off) was repaid as we continued to reduce debt at the parent company level. The parent company is now debt free.

  - At the subsidiary level we made a net reduction of borrowings of US$27.3 million.

  - With these changes in borrowings, the Group's total debt to capital ratio was 7% as of 31 March 2013, compared to 12% as of 31 March 2012. On an annualised basis, free cash flow from operations (excluding the working capital changes due to the insourcing of a European distribution channel) as a percentage of gross debt increased to 129% as of 31 March 2013, compared to 81% as of 31 March 2012.

  - Interest coverage (defined as EBITDA divided by gross interest expense – both calculated on the last twelve months actual results) was 113 times for FY2012/13 (46 times for FY2011/12).

- **Cash resources** increased by US$95.8 million (from US$385.1 million as of 31 March 2012). As we have a significant manufacturing footprint in China, the majority of our cash is kept in Chinese Renminbi to hedge the effect of the potential strengthening of the Chinese Renminbi versus the US Dollar on our operating costs.

US$ million	31 Mar 2013	31 Mar 2012
Chinese Renminbi	332.6	306.8
Euro	98.4	23.0
US Dollar	35.8	43.6
Others	14.1	11.7
Total	480.9	385.1

FINANCIAL MANAGEMENT AND TREASURY POLICY

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

Liquidity

As of 31 March 2013, the Group was in compliance with all covenants on its borrowings and expects to be compliant going forward.

Management believes the combination of cash on hand, available credit lines and expected future operating cash flows is sufficient to satisfy our cash needs for our current level of operations and our planned operations for the foreseeable future. The Group had US$165 million of three year committed and unutilised and US$380 million of uncommitted and unutilised short term borrowing facilities provided by its principal bankers. The three year committed facilities have expirations as follows:

- US$35 million 14 February 2014
- US$30 million 25 July 2015
- US$30 million 14 August 2015
- US$20 million 5 November 2015
- US$30 million 10 December 2015
- US$20 million 15 January 2016

Foreign exchange and raw material commodity price risk

The Group operates globally and is therefore exposed to foreign exchange and raw material commodity price risk.

- The Group's sales are primarily denominated in the US Dollar, the Euro and the Chinese Renminbi. In FY2012/13, 47% (FY2011/12: 48%) of the Group's sales were in US Dollars, 33% in Euros (FY2011/12: 34%), 15% in the Chinese Renminbi (FY2011/12: 13%) with the rest being in other currencies including the Japanese Yen.

- The major currencies used to operate the business are the US Dollar, the Chinese Renminbi, the Euro, the Hong Kong Dollar, the Swiss Franc, the Hungarian Forint and the Polish Zloty.

- The Group hedges part of its foreign exchange risk through forward contracts, based on cash flow forecasts from operations denominated in that foreign currency (e.g. Euro, Chinese Renminbi, Swiss Franc, Hungarian Forint, Polish Zloty, Israeli New Shekel and Japanese Yen). The forward contracts mature at various dates to match the underlying cash flows.

- The Group is exposed to raw material commodity price risk, mainly due to the fluctuations in steel, copper and silver purchase prices. The price risks due to steel are reduced through fixed price contracts up to 3 months forward with the Group's suppliers and price risk due to copper and silver is reduced through hedging using appropriate financial instruments. The Group also manages copper and silver prices through incorporating appropriate clauses in certain customer contracts so as to pass increases/decreases in raw material costs onto these customers.

- In order to avoid the potential default by any of its counterparties on its forward contracts and swap agreements, the Group deals with major financial institutions (e.g. the Group's principal bankers) with strong investment grade credit ratings that the Group believes will satisfy their obligations under the contracts.

ENTERPRISE RISK MANAGEMENT

The Group identifies and manages its strategic, operational, financial and compliance risks through proactive management oversight and business processes. Existing and emerging risks are analysed and monitored on a quarterly basis by the Group's Enterprise Risk Management Steering Committee led by the Group's Chief Executive and including key senior leaders from our Engineering, Operations, Supply Chain, Quality, Finance, Corporate Audit Services, Legal and Human Resources departments.

Risks are managed/mitigated through robust business practices, which are monitored and tested to ensure their continuing effectiveness. Specific areas of focus include:

- Ensuring the suitability of our operational footprint to respond quickly and cost effectively to market changes and capacity utilisation.

- Continuously improving our engineering and manufacturing processes and quality standards to maintain our position as the "safe choice" for our customers.

- Developing and managing product differentiation through technology, innovation and intellectual property in order to be the definitive supplier of motion solutions to our customers.

- Attracting and retaining high-calibre management and other key personnel and building effective networks of employees and partners, thus safeguarding the business's success.

- Managing customer relationships, including contract terms and conditions, in accordance with industry standards and Group policy.

- Managing customer credit risk and maintaining a low tolerance for delinquent payments.

- Applying appropriate hedging strategies to manage foreign exchange risks, commodity cost risks and interest rate risks.

- Meeting or exceeding expectations on energy efficiency, environmental responsibility and employee safety.

INVESTING IN PEOPLE

Human Resources, Training and Development, and Environmental, Health and Safety ("EHS") are corporate-wide functions delivered via a shared service structure. Key activities include ensuring equitable and competitive compensation, benefit and incentive structures; a commitment to training and development throughout the Group; and a system-based approach to EHS requirements.

Executive management is committed to these key activities and encourages and invests in people-centred programs, such as those described below, at all of the Group's locations. All of these contribute to differentiating Johnson Electric from its competitors, for business and people.

As of 31 March 2013, total global headcount was approximately 36,000 individuals, located in Asia, the Americas and Europe.

Global Initiatives

During FY2012/13 the corporate human resources function undertook a number of initiatives to enhance and strengthen the Group's organisation:

- Human Resources worked with senior management and the Board on the implementation of an altered global operating model. The organisation has been realigned, and resources shifted to place an increased focus on regional sales, business development and application engineering to improve responsiveness to customers and provide faster, better insight into local market requirements. In support of this, the Group's shared service structure was also strengthened to accelerate continuous improvement and provide direct reporting to corporate by functions.

- A global leader for recruiting joined the Group and, among other responsibilities, is tasked to work closely with senior management in each region to fill key positions throughout the organisation and accelerate attainment of business plan goals.

- During the year, the Annual Incentive Plan was expanded to include all managers globally, and the emphasis on profitability was strengthened across all incentive plans. The team continues to maintain close focus on critical and costly benefits such as the US and Hong Kong health plans as well as on retirement plans in various locations.

- The global training and development team successfully developed and implemented a structured training program associated with a Johnson Electric-specific system for developing and introducing new products. More than 650 key managers around the world were trained and have put the process into practice.

- Johnson Electric continues to expand its group of inter-country transferees. It is critical to this diverse international business to give overseas assignments to as many staff as possible. Direct exposure to business practices at company locations other than at an individual's home location enhances cooperation, productivity and overall performance.

Environmental, Health and Safety

Johnson Electric takes employees' health and safety, and the environment in relation to our communities, business partners and customers, seriously. These are matters addressed through the development of a comprehensive Environmental, Health and Safety ("EHS") management system. The first phase of this system's global implementation has been completed, and in 2012, the Group established a series of leading and lagging indicators to help track EHS performance. The Group now tracks fundamental environmental performance such as wastewater compliance, energy consumption, solid and hazardous waste generation, water consumption and carbon emissions. The continued implementation of this system, which will conform to the ISO14001 framework, is a priority.

We expect to benefit from this management system as the global EHS team continues to oversee compliance and certification activities across the Group, including compliance with the increasingly rigorous requirements in China.

Additionally, the reduction or elimination of waste inherent in EHS improvement resonates with the Group's Genba Kaizen methods. For example, the efforts of the Group's energy saving committee established more than four years ago in Shajing have resulted in significant improvements in energy usage.

Regional Initiatives

FY2012/2013 saw continued time and effort invested in attracting, developing and retaining people. Organisation alignment between the regions and the Hong Kong headquarters was also a priority.

- **Asia**: Our manufacturing facility in Shajing, China recorded its lowest annual employee turnover rate in the past five years. This was achieved through a number of employee-centric programs such as organising a social network within the facility to provide assistance in any form to employees who require it, and forming a "Johnson Electric Parents' Association" to connect employees' families with the workplace and help enhance our positive corporate image.

- **Americas**: We continued to build up the employee base at Johnson Electric's new manufacturing facility in Zacatecas, Mexico, and trained a number of employees at the Group's China facilities. We successfully recruited key regional management positions to further build capability within the region. A number of internal programs and processes have been launched in line with the Shared Services model to enhance employee productivity.

- **Europe**: Efforts to optimise the European manufacturing footprint continued during the fiscal year, which included some relocation of existing production operations and the closure of a plant.

CORPORATE GOVERNANCE REPORT

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

BOARD OF DIRECTORS

As of 31 March 2013, Johnson Electric's board of directors ("Board") consisted of three executive directors and six non-executive directors (of whom four are independent) ("Directors").

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

The profile of the Directors are provided on pages 158 to 160 of this report.

THE BOARD AT WORK

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

Although the capacity of any board to involve itself in the details of a large international business is limited, Johnson Electric aims to provide its independent non-executive directors with extensive exposure and access to its operations and management. The board meeting agendas are structured to address the broad spectrum of key governance issues on a regular and systematic basis. Forming part of the continuous professional development program for Directors, visits to the Group's principal operating facilities are arranged and relevant subject area experts are invited to address the Board from time to time.

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

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

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

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

COMMITTEES

The monitoring and assessment of certain governance matters are allocated to four committees which operate under defined terms of reference and are required to report to the Board on a regular basis. The composition of the committees during FY2012/13 and up to the date of this report is set out in the table below.

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

C – Chairman
M – Member

AUDIT COMMITTEE

The Audit Committee comprises 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 Blackwell Paul (Committee Chairman), Prof. Michael John Enright and Mr. Peter Kin-Chung Wang.

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

Four committee meetings were held in FY2012/13 to discuss and review the following matters together with the Chief Financial Officer, VP and Controller, VP and General Counsel, Head of Tax, Head of Corporate Audit Services and the external auditor:

1. the FY2011/12 annual results and interim results for FY2012/13, to ensure that the related disclosures in the financial statements were complete, accurate and fair and complied with accounting standards, the Listing Rules and legal requirements, and to submit the same to the Board for approval;

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

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

4. the Corporate Audit Services Department's leadership and staffing, its internal audit plan for approval, its report on work performed and the status of open items for remedial action;

5. the overall adequacy and effectiveness of internal controls;

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

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

REMUNERATION COMMITTEE

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

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

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

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

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

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

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

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

Three committee meetings were held in FY2012/13. During the financial year, the Committee addressed the following:

1. Retirement Plan Structures in Europe and the United States;

2. Senior Executive Compensation and Benefits;

3. Long-Term Incentive Plan Awards;

4. Succession and Development Plans for Executives and Managers;

5. Expatriate Program;

6. The Committee's Terms of Reference; and

7. The Company's Compensation Philosophy.

NOMINATION AND CORPORATE GOVERNANCE COMMITTEE

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

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

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

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

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

Two committee meetings were held in FY2012/13. The following is a summary of work performed by the Committee during the financial year:

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

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

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

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

5. review of current changes to corporate governance requirements of the Stock Exchange;

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

7. review of Code of Conduct for Securities Transactions by Directors and Members of Staff;

8. review of amendments of the terms of reference of the Committee; and

9. review and approval of Board Diversity Policy.

BOARD COMMITTEE

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

ATTENDANCE OF DIRECTORS AT VARIOUS MEETINGS

The Board held four board meetings in FY2012/13 and the average attendance rate was 94%. Details of the attendance of individual directors at board meetings, committee meetings and the annual general meeting during FY2012/13 are set out in the table below:

	No. of meetings attended/held				
Directors	Board Meeting	Audit Committee Meeting	Remuneration Committee Meeting	Nomination and Corporate Governance Committee Meeting	Annual General Meeting
Executive Directors					
Patrick Shui-Chung Wang *(Chairman and Chief Executive)*	4/4	–	–	2/2	1/1
Winnie Wing-Yee Wang *(Vice-Chairman)*	4/4	–	3/3	–	1/1
Austin Jesse Wang	4/4	–	–	–	1/1
Non-Executive Directors					
Yik-Chun Koo Wang *(Honorary Chairman)*	3/4	–	–	–	1/1
Peter Kin-Chung Wang	3/4	4/4	–	–	0/1
Independent Non-Executive Directors					
Peter Stuart Allenby Edwards	4/4	–	–	2/2	0/1
Patrick Blackwell Paul	4/4	4/4	–	2/2	0/1
Michael John Enright	4/4	4/4	3/3	–	0/1
Joseph Chi-Kwong Yam	4/4	–	3/3	–	1/1
Average attendance rate	94%	100%	100%	100%	56%
Dates of meetings	17/05/2012 08/09/2012 08/11/2012 14/03/2013	14/05/2012 30/07/2012 05/11/2012 25/02/2013	16/05/2012 08/11/2012 14/03/2013	14/05/2012 14/03/2013	11/07/2012

INTERNAL CONTROL AND ENTERPRISE RISK MANAGEMENT

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

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

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

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

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

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

Based on the results of evaluations and representations made by the management, the Group's Corporate Audit Services Department and the external auditor in FY2012/13, the Audit Committee is satisfied that:

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

- an appropriate system of internal control and enterprise risk management has been in place in FY2012/13, and up to the date of approval of the Annual Report.

EXTERNAL AUDITOR

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

During FY2012/13 and FY2011/12, the services (and associated remuneration) provided to the Group by PricewaterhouseCoopers were as follows:

US$ million	FY2012/13	FY2011/12
Audit	2.30	2.16
Taxation services	1.02	0.35
Other advisory services	0.28	0.18

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

DIRECTORS' AND AUDITOR'S RESPONSIBILITIES FOR ACCOUNTS

The Directors' responsibilities for the accounts are set out on page 58 and the responsibilities of the external auditor to the shareholders are set out on pages 60 to 61.

CORPORATE GOVERNANCE CODE

During the year ended 31 March 2013, the Company complied with the code provisions set out in the Corporate Governance Code contained in Appendix 14 of the Listing Rules, except for the following deviations:

CODE PROVISION A.2.1

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

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

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

CODE PROVISION A.4.1 AND A.4.2

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

Code A.4.2 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 are appointed for a specific term while the non-executive directors do not have a specific term of appointment. However, under Section 3(e) of The Johnson Electric Holdings Limited Company Act, 1988 and the Company's Bye-law 109(A), one-third of the directors who have served longest on the Board since their last election shall retire and be eligible for re-election at each annual general meeting. Accordingly, no director has a term of appointment longer than three years. Bye-law 109(A) also states that the director holding office as the executive chairman is not subject to retirement by rotation and shall not be counted in determining the number of directors to retire.

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

CODE PROVISION A.6.7

Code A.6.7 provides, inter alia, that independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders.

Mr. Peter Kin-Chung Wang, Mr. Peter Stuart Allenby Edwards, Mr. Patrick Blackwell Paul and Prof. Michael John Enright were unable to attend the Annual General Meeting of the Company held on 11 July 2012 due to overseas commitments or other prior business engagements.

CONTINUOUS PROFESSIONAL DEVELOPMENT

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

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

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

SHAREHOLDERS' RIGHTS

CONVENING A SPECIAL GENERAL MEETING

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

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

PUTTING FORWARD PROPOSALS AT GENERAL MEETINGS

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

PROPOSING A PERSON FOR ELECTION AS A DIRECTOR

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

ENQUIRIES TO THE BOARD

Shareholders may send their enquiries and concerns, in written form, to the Board by addressing them to the Company Secretary at 12 Science Park East Avenue, 6/F., Hong Kong Science Park, Shatin, New Territories, Hong Kong. Shareholders may also make enquiries to the Board at the general meetings of the Company. In addition, shareholders can contact Computershare Hong Kong Investor Services Limited, the Hong Kong share registrar of the Company, if they have any enquiries about their shareholdings and entitlements to dividend. There was no change to the Company's constitutional documents during FY2012/13.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted procedures governing directors' securities transactions in compliance with the Model Code as set out in Appendix 10 of the Listing Rules. Specific confirmation has been obtained from all Directors to confirm compliance with the Model Code throughout the year ended 31 March 2013.

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

COMMUNICATIONS WITH SHAREHOLDERS

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

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

SOCIAL RESPONSIBILITIES

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

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

The Group's commitment to business excellence is demonstrated on a continuing basis by focusing on innovation and quality. These goals can only be achieved in a work environment where respect for the highest standard of business ethics is present. Management and the Board are committed to operating in compliance with all applicable national, state and local laws.

ENVIRONMENTAL, HEALTH AND SAFETY

Progressive structures for the management of Environmental Engineering, as well as Health and Safety programs, are central to Johnson Electric's overall business objectives.

We address our employees' health and safety needs and environmental matters, and track critical and measurable indicators, through a global EHS management system. A major component of systems based management is regulatory compliance, driven by auditable standards in place and maintained. All levels of management are committed to this. We will further develop our EHS management system to conform to the ISO14001 framework.

The training and development of EHS staff, committee members, workers, and managers are likewise critical.

RESPONSIBLE CORPORATE CITIZEN

The Group is active in its support of worthy causes. Specifically, support for education and the development of young people is central to Johnson Electric's efforts as a responsible corporate citizen.

Such support may be in the form of donations to education institutions at various locations in the world, or through the provision of financial and other support to young students to increase their general academic qualifications and workplace skills in Group sponsored programs.

Most noteworthy of these latter initiatives is the Johnson Electric Technical College ("JETC"), run out of our Shajing, China location. The JETC program provides a mix of general and technical education for youths from China, administered by staff and educators over a three-year course. This program is successful at producing skilled young technicians, who, it is hoped, will remain with the Group for their careers. Since its foundation in 2004, JETC has accepted a total of 700 students, including the 2013 intake of 60 new students.

JETC also assists with our establishing new locations such as Chennai, India, and Zacatecas, Mexico. Selected individuals from such new locations attend JETC in Shajing, China, for 4-8 months induction and training. This ensures that we have a nucleus of Johnson Electric trained employees in these locations, capable of providing strong support to regional customers.

OUR COMMUNITIES

We are dedicated to being an active participant in every community we do business in around the world. We pursue responsible employment and social practices that are sustainable over time in all our business locations. We also encourage these practices be adopted by our suppliers and business partners.

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

REPORT OF THE DIRECTORS

The Directors have pleasure in submitting their report together with the audited accounts for the year ended 31 March 2013.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are shown in Note 40 to the accounts.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2013 are set out in the consolidated income statement on page 65 of the accounts.

The Directors declared an interim dividend of 0.38 US Cents (3 HK Cents) per share, totalling US$13.8 million which was paid on 3 January 2013.

The Directors recommend the payment of a final dividend of 1.03 US Cents (8 HK Cents) per share, totalling US$36.6 million, payable on 29 July 2013.

RESERVES

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

DISTRIBUTABLE RESERVES

As of 31 March 2013, the distributable reserves of the Company available for distribution as dividends amounted to US$1,479.0 million, comprising retained earnings of US$1,383.7 million and contributed surplus of US$95.3 million arising from the reorganisation of Johnson Electric Group in 1988 less a bonus issue in 1991.

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

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

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

DONATIONS

During the year, the Group made donations of US$0.1 million (FY2011/12: US$0.1 million).

FIXED ASSETS

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

SHARE CAPITAL

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

DIRECTORS

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

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

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

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

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

The Company is managed through the Board which comprises nine directors. As of 31 March 2013, three of the directors are executive and six of the directors are non-executive, of whom four are independent. Their details are set out in the Profile of Directors and Senior Management section on pages 158 to 160.

DISCLOSURE OF INTERESTS

DIRECTORS

As of 31 March 2013, the interests of each Director and Chief Executive of the Company in the shares of the Company or any of the Company's associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept under Section 352 of the SFO were as follows:

Name	Shares of HK$0.0125 each of the Company Personal Interests	 Other Interests	
Yik-Chun Koo Wang	–	2,201,610,880	*(Notes 1 & 2)*
Peter Kin-Chung Wang	–	577,000	*(Note 3)*
Peter Stuart Allenby Edwards	–	135,500	*(Note 4)*
Patrick Blackwell Paul	105,500	–	
Michael John Enright	35,500	–	
Joseph Chi-Kwong Yam	21,500	–	

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 of 31 March 2013, the register maintained by the Company pursuant to Section 352 of the SFO recorded no other interests or short positions of the Directors and Chief Executive in any shares of the Company or its associated corporations (within the meaning of Part XV of the SFO).

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

SUBSTANTIAL SHAREHOLDERS

As of 31 March 2013, 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	Numbers of shares held	Approximate % of shareholding
Yik-Chun Koo Wang	Beneficiary of family trusts	2,201,610,880 *(Notes 1 & 2)*	61.47
Ansbacher (Bahamas) Limited	Trustee	887,040,000 *(Note 1)*	24.77
HSBC International Trustee Limited	Trustee	760,066,228 *(Note 1)*	21.22
Great Sound Global Limited	Interest of controlled corporation	753,655,360 *(Note 3)*	21.04
Winibest Company Limited	Beneficial owner	753,655,360 *(Note 4)*	21.04
Federal Trust Company Limited	Trustee	560,915,520 *(Note 1)*	15.66
Ceress International Investment (PTC) Corporation	Trustee	223,014,080 *(Note 5)*	6.23
Merriland Overseas Limited	Beneficial owner	211,943,040 *(Note 6)*	5.92

Notes:

1. *The shares in which Ansbacher (Bahamas) Limited and Federal Trust Company Limited were interested and 753,655,360 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 formed part of the interests in the Company held by HSBC International Trustee Limited.*
4. *The interests of Winibest Company Limited in the Company were duplicated by the interests in the Company held by Great Sound Global Limited.*
5. *The interests of Ceress International Investment (PTC) Corporation in the Company formed part of the interests in the Company held by Federal Trust Company Limited.*
6. *The interests of Merriland Overseas Limited in the Company formed part of the interests in the Company held by Federal Trust Company Limited.*

Save as disclosed herein, as of 31 March 2013, 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 29 July 2002 adopted a share option scheme ("Option Scheme"). The Option Scheme expired on 28 July 2012 and no options could be granted afterwards. However, the unexercised options under the Option Scheme will continue to be valid and exercisable subject to the provisions of the Option Scheme within their respective exercisable periods.

The major terms of the Option Scheme are as follows:

(a) Purpose

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

(b) Participants

The participants of the Option Scheme are

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

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

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

(c) Maximum number of shares

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

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

(d) Time of acceptance and exercise of an option

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

(e) Subscription price for shares

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

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

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

(f) Period of the Option Scheme

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

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

Type of grantees	Options held at 31/03/2012	Options lapsed during the year	Options held at the date of this report	Subscription price per share (HK$)	Date of grant	Exercisable from	Exercisable until
Employees	350,000	(350,000)	–	8.02	17/09/2002	01/08/2004	16/09/2012
	350,000	(350,000)	–	8.02	17/09/2002	01/08/2005	16/09/2012
	262,500	–	262,500	9.65	31/07/2003	01/07/2005	30/07/2013
	262,500	–	262,500	9.65	31/07/2003	01/07/2006	30/07/2013
	100,000	–	100,000	7.40	28/12/2004	01/01/2007	27/12/2014
	100,000	–	100,000	7.40	28/12/2004	01/01/2008	27/12/2014
	1,425,000	(700,000)	725,000				

LONG-TERM INCENTIVE SHARE SCHEME

The Long-Term Incentive Share Scheme was initially approved by the shareholders on 26 July 1999 and expired on 31 July 2009. Such scheme was replaced by a new Long-Term Incentive Share Scheme ("Incentive Share Scheme") approved by the shareholders on 24 August 2009. The Incentive Share Scheme was further amended, with its amendments being approved by the shareholders, on 20 July 2011. The Board may grant time-vested units (Restricted Stock Units) and performance-vested units (Performance Stock Units) or cash payment in lieu of shares to such eligible employees and directors as the Board may select at its absolute discretion under the Incentive Share Scheme.

Movements in the number of unvested shares granted during the year ended 31 March 2013 and up to the date of this report are as follows:

	Number of unvested shares granted (thousands)		
	Restricted Stock Units	Performance Stock Units	Total
Unvested shares granted, as of 31 March 2012	8,481	5,910	14,391
Unvested shares granted to employees and Independent Non-Executive Directors during the year	6,015	6,100	12,115
Shares vested to employees and Independent Non-Executive Directors during the year	(1,636)	–	(1,636)
Forfeited during the year	(275)	(310)	(585)
Unvested shares granted, as of 31 March 2013	12,585	11,700	24,285
Unvested shares granted to employees in FY2013/14	6,060	9,170	15,230
Shares vested to employees in FY2013/14	(2,440)	–	(2,440)
Forfeited in FY2013/14	(170)	(210)	(380)
Unvested shares granted, as of the date of this report	16,035	20,660	36,695

The number of unvested shares to be vested in the next four financial years are as follows:

	Number of unvested shares granted (thousands)		
Vesting period	Restricted Stock Units	Performance Stock Units	Total
FY2013/14	835	1,900	2,735
FY2014/15	3,445	3,800	7,245
FY2015/16	5,695	5,790	11,485
FY2016/17	6,060	9,170	15,230
Total unvested shares to be vested, as of the date of this report	16,035	20,660	36,695

Apart from the Option 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.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the year ended 31 March 2013, the Company repurchased a total of 31,184,500 ordinary shares of HK$0.0125 each of the Company on the Stock Exchange, all of these shares were cancelled. The number of issued shares of the Company as of 31 March 2013 was 3,581,756,420. Particulars of the shares repurchased are as follows:

Month of repurchase	Number of ordinary shares repurchased	Purchase price paid per share Highest HK$	Purchase price paid per share Lowest HK$	Aggregate consideration paid HK$ million*
May 2012	2,672,500	4.76	4.51	12.50
June 2012	2,926,500	4.77	4.59	13.69
July 2012	638,000	4.39	4.36	2.79
August 2012	2,447,000	4.50	4.35	10.74
September 2012	71,000	4.50	4.49	0.32
November 2012	16,473,000	4.99	4.77	80.62
February 2013	1,661,500	5.50	5.46	9.12
March 2013	4,295,000	5.50	5.48	23.61
	31,184,500			153.39

* *Excluding a brokerage and cancellation fee of HK$0.7 million*

The Directors consider the repurchases a constructive element in the prudent management of the Company's overall capital structure and in enhancing returns to shareholders over time.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased or sold any of the Company's shares during the year. The Company has not redeemed any of its shares during the year.

JOHNSON ELECTRIC GROUP TEN-YEAR SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last ten financial years are set out on pages 156 to 157.

PRE-EMPTIVE RIGHTS

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

MAJOR SUPPLIERS AND CUSTOMERS

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

MANAGEMENT CONTRACTS

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

PUBLIC FLOAT

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

SENIOR MANAGEMENT

The profile of the senior management is set out in the Profile of Directors and Senior Management section on pages 161 to 163.

CORPORATE GOVERNANCE

Principal corporate governance practices as adopted by the Company are set out in the Corporate Governance Report on pages 36 to 49.

DIRECTORS' RESPONSIBILITIES FOR THE ACCOUNTS

The Directors are responsible for the preparation of accounts for each financial period which give a true and fair view of the state of affairs of the Group and of the results and cash flows for that period. In preparing these accounts for the year ended 31 March 2013, the Directors have selected suitable accounting policies and applied them consistently, made judgements and estimates that are prudent and reasonable, and have prepared the accounts on a going concern basis. The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group.

AUDITOR

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

On behalf of the Board

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

Hong Kong, 16 May 2013

FINAL DIVIDEND

The Board will recommend at the Annual General Meeting to be held on 15 July 2013 (Monday) a final dividend of 8 HK Cents equivalent to 1.03 US Cents per share (2012: 7 HK Cents or 0.9 US Cents) payable on 29 July 2013 (Monday) to persons who are registered shareholders of the Company on 23 July 2013 (Tuesday), making a total distribution of 11 HK Cents equivalent to 1.41 US Cents per share for the year ended 31 March 2013 (2012: 10 HK Cents or 1.28 US Cents).

CLOSING REGISTER OF SHAREHOLDERS

ATTENDING ANNUAL GENERAL MEETING

The Register of Shareholders of the Company will be closed from 11 July 2013 (Thursday) to 15 July 2013 (Monday) inclusive, during which no transfer of shares will be registered.

In order to qualify for attending and voting at the Annual General Meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company's registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong (not the registrar in Bermuda) for registration, not later than 4:30 p.m. on 10 July 2013 (Wednesday).

FINAL DIVIDEND

The Register of Shareholders of the Company will be closed from 19 July 2013 (Friday) to 23 July 2013 (Tuesday) inclusive, during which no transfer of shares will be registered.

In order to qualify for the proposed final dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong (not the registrar in Bermuda) for registration, not later than 4:30 p.m. on 18 July 2013 (Thursday).

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF JOHNSON ELECTRIC HOLDINGS LIMITED

(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Johnson Electric Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 62 to 155, which comprise the consolidated and company balance sheets as at 31 March 2013, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2013, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 16 May 2013

CONSOLIDATED BALANCE SHEET

As of 31 March 2013

	Note	2013 US$'000	2012 US$'000
Assets			
Non-current assets			
Property, plant and equipment	5	**358,566**	374,668
Investment property	6	**63,214**	53,705
Land use rights	7	**3,800**	4,677
Intangible assets	8	**621,535**	757,783
Investment in associate	10	**2,064**	2,184
Deferred income tax assets	20	**35,694**	37,726
Available-for-sale financial assets	11	**1,081**	6,307
Other financial assets at fair value through profit and loss	12	**1,102**	1,093
Other financial assets	13	**32,593**	8,441
Deposits		**4,540**	5,859
		1,124,189	1,252,443
Current assets			
Inventories	14	**208,095**	240,103
Trade and other receivables	15	**411,666**	384,388
Other financial assets at fair value through profit and loss	12	**–**	3,359
Other financial assets	13	**15,934**	12,139
Income tax recoverable		**3,141**	2,382
Cash and deposits	16	**480,924**	385,117
		1,119,760	1,027,488
Current liabilities			
Trade and other payables	17	**341,652**	364,124
Current income tax liabilities		**40,491**	34,267
Other financial liabilities	13	**5,260**	8,535
Borrowings	18	**123,260**	203,104
Provision obligations and other liabilities	19	**27,435**	30,373
		538,098	640,403
Net current assets		**581,662**	387,085
Total assets less current liabilities		**1,705,851**	1,639,528

	Note	**2013 US$'000**	2012 US$'000
Non-current liabilities			
Other financial liabilities	13	**2,468**	2,056
Borrowings	18	**1,735**	2,258
Deferred income tax liabilities	20	**64,663**	78,192
Provision obligations and other liabilities	19	**38,222**	69,541
		107,088	152,047
NET ASSETS		**1,598,763**	1,487,481
Equity			
Share capital and share premium	21	**17,361**	36,422
Reserves	22	**1,514,526**	1,392,826
Proposed dividends	22	**36,625**	32,311
		1,568,512	1,461,559
Non-controlling interests		**30,251**	25,922
TOTAL EQUITY		**1,598,763**	1,487,481

The notes on pages 71 to 155 form an integral part of these consolidated financial statements.

COMPANY BALANCE SHEET

As of 31 March 2013

	Note	**2013 US$'000**	2012 US$'000
Assets			
Non-current assets			
Interest in subsidiaries	9	**997,708**	1,016,444
Available-for-sale financial assets	11	**1,081**	1,552
Other financial assets	13	**4,753**	–
		1,003,542	1,017,996
Current assets			
Amounts due from subsidiaries	9	**625,069**	340,272
Other receivables		**–**	217
Cash and deposits	16	**82**	807
		625,151	341,296
Current liabilities			
Amounts due to subsidiaries	9	**120,130**	211,131
Other payables	17	**2,052**	65
Borrowings	18	**–**	49,835
		122,182	261,031
Net current assets		**502,969**	80,265
NET ASSETS		**1,506,511**	1,098,261
Equity			
Share capital and share premium	21	**17,361**	36,422
Reserves	22	**1,452,525**	1,029,528
Proposed dividends	22	**36,625**	32,311
TOTAL EQUITY		**1,506,511**	1,098,261

The notes on pages 71 to 155 form an integral part of these consolidated financial statements.

Patrick Shui-Chung Wang *JP*
Director

Winnie Wing-Yee Wang
Director

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2013

	Note	**2013 US$'000**	2012 US$'000
Sales	4	**2,059,689**	2,140,803
Cost of goods sold		**(1,481,975)**	(1,556,337)
Gross profit		**577,714**	584,466
Other income and gains, net	23	**28,370**	18,309
Selling and administrative expenses	24	**(393,169)**	(368,637)
Restructuring and other costs	25	**–**	(13,033)
Operating profit		**212,915**	221,105
Finance income	28	**7,464**	5,794
Finance costs	28	**(2,698)**	(6,858)
Share of profits of associate	10	**324**	468
Profit before income tax		**218,005**	220,509
Income tax expense	29	**(21,113)**	(31,618)
Profit for the year		**196,892**	188,891
Profit attributable to non-controlling interests		**(5,571)**	(2,191)
Profit attributable to owners	30	**191,321**	186,700
Basic earnings per share for profit attributable to the owners during the year (expressed in US Cents per share)	32	**5.36**	5.16
Diluted earnings per share for profit attributable to the owners during the year (expressed in US Cents per share)	32	**5.33**	5.15

The notes on pages 71 to 155 form an integral part of these consolidated financial statements. Details of recommended final dividends of 1.03 US Cents per share (FY2011/12: 0.90 US Cents) equivalent to US$36.6 million (FY2011/12: US$32.3 million) are set out in Note 31 to the accounts.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2013

	Note	**2013 US$'000**	2012 US$'000
Profit for the year		**196,892**	188,891
Other comprehensive income/(expenses):			
Divestiture of non-core business	22	**(21,560)**	–
Release of reserves on disposal of a property based subsidiary	22	**8,544**	–
Available-for-sale financial assets			
– fair value losses, net	11 & 22	**(218)**	(348)
– release of reserves upon disposal	22	**152**	11
Hedging instruments			
– fair value gains, net	22	**35,862**	4,393
– deferred income tax effect	20 & 22	**(5,065)**	372
– transferred to income statement	22	**(5,548)**	(9,459)
Defined benefit plans			
– actuarial losses, net	19 & 22	**(2,463)**	(10,786)
– deferred income tax effect	20 & 22	**658**	417
Long service payment			
– actuarial gains/(losses), net	19 & 22	**656**	(1,595)
– deferred income tax effect	20 & 22	**76**	–
Investment property			
– revaluation gains on transfer of property, plant and equipment to investment property	6	**3,671**	–
– deferred income tax effect	20 & 22	**(918)**	–
Currency translations of subsidiaries and associate		**(33,503)**	5,352
Other comprehensive expenses for the year, net of tax		**(19,656)**	(11,643)
Total comprehensive income for the year, net of tax		**177,236**	177,248
Total comprehensive income attributable to:			
Owners		**170,156**	173,654
Non-controlling interests			
Share of profits for the year		**5,571**	2,191
Share of revaluation surplus on investment property		**1,101**	–
Currency translations		**408**	1,403
		177,236	177,248

The notes on pages 71 to 155 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2013

	Note	Share capital and share premium US$'000	Other reserves* US$'000	Retained earnings US$'000	Total US$'000	Non-controlling interests US$'000	Total equity US$'000
		Attributable to owners of the Company					
As of 31 March 2012		36,422	96,622	1,328,515	1,461,559	25,922	1,487,481
Profit for the year		–	–	191,321	191,321	5,571	196,892
Other comprehensive income/(expenses):							
Divestiture of non-core business	22	–	(22,772)	1,212	(21,560)	–	(21,560)
Release of reserves on disposal of a property based subsidiary	22	–	7,188	1,356	8,544	–	8,544
Available-for-sale financial assets							
– fair value losses, net	11 & 22	–	(218)	–	(218)	–	(218)
– release of reserves upon disposal	22	–	152	–	152	–	152
Hedging instruments							
– fair value gains, net	22	–	35,862	–	35,862	–	35,862
– deferred income tax effect	20 & 22	–	(5,065)	–	(5,065)	–	(5,065)
– transferred to income statement	22	–	(5,548)	–	(5,548)	–	(5,548)
Defined benefit plans							
– actuarial losses, net	19 & 22	–	–	(2,463)	(2,463)	–	(2,463)
– deferred income tax effect	20 & 22	–	–	658	658	–	658
Long service payment							
– actuarial gains, net	19 & 22	–	–	656	656	–	656
– deferred income tax effect	20 & 22	–	–	76	76	–	76
Investment property							
– revaluation surplus realised upon disposal	22	–	(21)	21	–	–	–
– revaluation gains on transfer of property, plant and equipment to investment property	6 & 22	–	2,570	–	2,570	1,101	3,671
– deferred income tax effect	20 & 22	–	(918)	–	(918)	–	(918)
Currency translations of subsidiaries and associate	22	–	(33,911)	–	(33,911)	408	(33,503)
Total comprehensive income/ (expenses) for FY2012/13		–	(22,681)	192,837	170,156	7,080	177,236
Transactions with owners:							
Appropriation of retained earnings to statutory reserve	22	–	2,261	(2,261)	–	–	–
Cancellation of issued capital	21	(19,873)	–	–	(19,873)	–	(19,873)
Long-Term Incentive Share Scheme							
– shares vested	21 & 22	812	(812)	–	–	–	–
– reserve released upon transfer to cash settled share-based unit	22	–	(1,990)	–	(1,990)	–	(1,990)
– value of employee services	22 & 34	–	4,694	–	4,694	–	4,694
Dividends paid to non-controlling shareholders of a subsidiary		–	–	–	–	(2,751)	(2,751)
FY2011/12 final dividend paid	22	–	–	(32,263)	(32,263)	–	(32,263)
FY2012/13 interim dividend paid	22	–	–	(13,771)	(13,771)	–	(13,771)
Total transactions with owners		(19,061)	4,153	(48,295)	(63,203)	(2,751)	(65,954)
As of 31 March 2013		**17,361**	**78,094**	**1,473,057**	**1,568,512**	**30,251**	**1,598,763**

* *Other reserves mainly represent contributed surplus, capital reserve, property revaluation reserve, investment revaluation reserve, appropriation of retained earnings to statutory reserve, exchange reserve, share-based employee compensation reserve, hedging reserve and goodwill on consolidation.*

The notes on pages 71 to 155 form an integral part of these consolidated financial statements.

For the year ended 31 March 2012

		Attributable to owners of the Company					
	Note	Share capital and share premium US$'000	Other reserves* US$'000	Retained earnings US$'000	Total US$'000	Non-controlling interests US$'000	Total equity US$'000
As of 31 March 2011		69,970	66,508	1,225,724	1,362,202	60,090	1,422,292
Profit for the year		–	–	186,700	186,700	2,191	188,891
Other comprehensive income/(expenses):							
Available-for-sale financial assets							
– fair value losses, net	11 & 22	–	(348)	–	(348)	–	(348)
– release of reserves upon disposal	22	–	11	–	11	–	11
Hedging instruments							
– fair value gains, net	22	–	4,393	–	4,393	–	4,393
– deferred income tax effect	20 & 22	–	372	–	372	–	372
– transferred to income statement	22	–	(9,459)	–	(9,459)	–	(9,459)
Defined benefit plans							
– actuarial losses, net	19 & 22	–	–	(10,786)	(10,786)	–	(10,786)
– deferred income tax effect	20 & 22	–	–	417	417	–	417
Actuarial losses of long service payment	19 & 22	–	–	(1,595)	(1,595)	–	(1,595)
Investment property							
– revaluation surplus realised upon disposal	22	–	(5,339)	5,339	–	–	–
Currency translations of subsidiaries and associate	22	–	3,949	–	3,949	1,403	5,352
Total comprehensive income/(expenses) for FY2011/12		–	(6,421)	180,075	173,654	3,594	177,248
Transactions with owners:							
Appropriation of retained earnings to statutory reserve	22	–	35,382	(35,382)	–	–	–
Cancellation of issued capital	21	(31,884)	–	–	(31,884)	–	(31,884)
Long-Term Incentive Share Scheme							
– shares vested	21 & 22	959	(959)	–	–	–	–
– value of employee services	22 & 34	–	2,112	–	2,112	–	2,112
– purchase of shares	21	(2,623)	–	–	(2,623)	–	(2,623)
Divestiture of non-core business		–	–	–	–	(37,762)	(37,762)
FY2010/11 final dividend paid	22	–	–	(28,095)	(28,095)	–	(28,095)
FY2011/12 interim dividend paid	22	–	–	(13,807)	(13,807)	–	(13,807)
Total transactions with owners		(33,548)	36,535	(77,284)	(74,297)	(37,762)	(112,059)
As of 31 March 2012		36,422	96,622	1,328,515	1,461,559	25,922	1,487,481

* *Other reserves mainly represent contributed surplus, capital reserve, property revaluation reserve, investment revaluation reserve, appropriation of retained earnings to statutory reserve, exchange reserve, share-based employee compensation reserve, hedging reserve and goodwill on consolidation.*

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 March 2013

	Note	2013 US$'000	2012 US$'000
Cash flows from operating activities			
Earnings before interest, taxes, depreciation and amortisation	34	**304,268**	314,318
Other non-cash items and adjustments	34	**(17,790)**	(5,244)
Change in working capital	34	**(87,206)**	(42,424)
Cash generated from operations	34	**199,272**	266,650
Interest paid		**(2,533)**	(5,934)
Income taxes paid		**(29,374)**	(27,567)
Net cash generated from operating activities		**167,365**	233,149
Investing activities			
Purchase of property, plant and equipment		**(82,634)**	(91,252)
Proceeds from disposal of property, plant and equipment, investment property and a property based subsidiary	34	**19,712**	18,356
Interest received		**7,464**	5,794
		(55,458)	(67,102)
Business combination	35	**(11,098)**	–
Proceeds from sale of available-for-sale financial assets and other financial assets at fair value through profit and loss		**3,660**	5,029
Proceeds from divestiture of non-core businesses, net of cash divested *	36	**137,767**	28,962
Decrease in time deposits		**–**	1,925
Net cash generated from/(used in) investing activities		**74,871**	(31,186)

* *Proceeds from divestiture of non-core businesses are as follows:*

	2013 *US$'000*	*2012* *US$'000*
Saia-Burgess Controls business (initiated in FY2012/13)	*133,012*	*–*
A non-core subsidiary (initiated in FY2011/12)	*4,755*	*28,962*
	137,767	*28,962*

	Note	**2013 US$'000**	2012 US$'000
Financing activities			
Purchase of shares for cancellation of issued capital	21	**(19,873)**	(31,884)
Purchase of shares held for Long-Term Incentive Share Scheme	21	**–**	(2,623)
Proceeds from borrowings		**14,543**	62,585
Repayments of borrowings		**(91,814)**	(159,438)
Dividends paid to owners		**(46,034)**	(41,902)
Dividends paid to non-controlling interests		**(2,751)**	–
Net cash used in financing activities		**(145,929)**	(173,262)
Net increase in cash and cash equivalents		**96,307**	28,701
Cash and cash equivalents at beginning of the year		**385,117**	352,790
Currency translations on cash and cash equivalents		**(500)**	3,626
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		**480,924**	385,117

The notes on pages 71 to 155 form an integral part of these consolidated financial statements.

NOTES TO THE ACCOUNTS

1. GENERAL INFORMATION

The principal operations of Johnson Electric Holdings Limited ("the Company") and its subsidiaries (together "the Group") are the manufacture and sale of motion systems. The Group has 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'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.

These consolidated financial statements are presented in US Dollars, unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 16 May 2013.

2. PRINCIPAL ACCOUNTING POLICIES

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

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

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 3.

In FY2012/13, the Group adopted new/revised standards and interpretations of HKFRS effective for the first time in FY2012/13. The effect of adopting the new HKFRSs is disclosed in Note 39.

2.1 Consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiaries made up to 31 March 2013.

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

2.2 Subsidiaries

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

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

The Group applies the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill (Note 2.9). If total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement.

Inter-company transactions and balances between Group companies are eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

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

2.2 Subsidiaries *(Cont'd)*

When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

2.3 Associates

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

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

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

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

2.4 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Group's Executive Committee that makes strategic decisions.

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

2.5 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

Such foreign exchange gains and losses are presented in the income statement within "selling and administrative expenses".

Translation differences on non-monetary financial assets and liabilities, such as equity instruments held at fair value through profit or loss, are recognised in profit or loss as part of the fair value gain or loss.

For equities classified as available-for-sale financial assets, the translation differences are included in other comprehensive income. Where there is an impairment charge, the translation differences are recognised in profit or loss.

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

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

(ii) When the Group ceases to have control or significant influence, any retained interest in the income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(iii) all resulting exchange differences are recognised in other comprehensive income.

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

2.5 Foreign currency translation *(Cont'd)*

(c) Group companies *(Cont'd)*

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to other comprehensive income. When a foreign operation is partially disposed of or sold, such exchange differences (that were recorded in equity) are recognised in the income statement as part of the gain or loss on sale.

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

2.6 Property, plant and equipment

Property, plant and equipment other than investment property (Note 2.7) and leasehold land classified as finance lease are stated at cost less accumulated depreciation and accumulated impairment losses. Freehold land is not amortised. No depreciation is provided for assets under construction.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. Replacement parts, repairs and maintenance are charged in the income statement during the financial period in which they are incurred.

Leasehold land classified as finance lease commences depreciation from the time when the land interest becomes available for its intended use.

Depreciation of property, plant and equipment and leasehold land classified as finance lease is calculated using the straight-line method to allocate their cost or revalued amount to their residual values over their estimated useful lives, as follows:

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

* *50 years for buildings in Hungary, Germany and Switzerland according to local tax legislation*

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

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

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its estimated recoverable amount if this is lower.

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

2.7 Investment property

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

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

After initial recognition, investment property is carried at fair value. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. These valuations are reviewed annually by external appraisers.

The basis of the valuation of investment property is fair value being the amounts for which the property could be exchanged between willing parties in an arm's length transaction, based on current prices in an active market for similar property in the same location and condition and subject to similar leases.

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

Changes in fair values are recognised in the income statement as part of a valuation gain or loss in other income.

If an item of property, plant and equipment becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is recognised in equity as a revaluation of property, plant and equipment under Hong Kong Accounting Standard ("HKAS") 16. If a fair value gain reverses a previous impairment loss, the gain is recognised in the income statement. Any balance of the decrease is recognised as an expense in the income statement.

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

2.8 Land use rights

The up-front prepayments made for land use rights are expensed in the income statement on a straight-line basis over the periods of the lease, or when there is impairment, the impairment is expensed in the income statement.

2.9 Intangible assets

(a) Goodwill

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

Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill cannot be reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

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

(b) Intangible assets (other than goodwill)

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

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

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

Technology, license rights, patents and development costs	4 to 20 years
Brands	25 years
Client relationships	5 to 15 years

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

2.10 Impairment of investments in subsidiaries, associate and non-financial assets

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

Impairment testing of the investments in subsidiaries or associate is required if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.11 Financial assets

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

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

Other financial assets at fair value through profit and loss are held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling. Assets in this category are classified as current and non-current assets based on maturity date.

(b) Loans and receivables

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

(c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either classified in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within twelve months of the end of the reporting period.

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

2.11 Financial assets *(Cont'd)*

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

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

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

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

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

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group adopts the fair value determined by the financial institutions.

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

2.11 Financial assets *(Cont'd)*

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the consolidated income statement. Impairment losses previously recognised in the consolidated income statement on equity instruments are not reversed through the consolidated income statement. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the consolidated income statement.

2.12 Other financial assets and liabilities

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

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

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

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

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

The fair values of various financial instruments used for hedging purposes are disclosed in Note 13. Movements on the hedging reserve in shareholders' equity are shown in Note 22. The full fair value of a hedging financial instrument is classified as a non-current asset or liability when the remaining maturity of the hedge item is more than 12 months. Trading financial instruments are classified as a current asset or liability.

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

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

(a) Cash flow hedge

The effective portion of changes in the fair value of financial instruments that are designated and qualify as cash flow hedges are recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the income statement within other income and gains, net.

Amounts accumulated in equity are reclassified in the income statement in the periods when the hedged item affects profit or loss (for example, when the forecast sale that is hedged takes place). The gain or loss relating to the effective raw material commodity price hedging is recognised in the income statement within cost of goods sold. The gain or loss relating to the effective portion of forward foreign exchange contracts hedging sales transactions denominated in Euro ("EUR") and Japanese Yen ("JPY") are recognised in the income statement within selling and administrative expenses, and hedging manufacturing conversion costs transactions denominated in Chinese Renminbi ("RMB"), Swiss Franc ("CHF"), Hungarian Forint ("HUF"), Polish Zloty ("PLN"), Israeli New Shekel ("ILS") and Mexican Peso ("MXN") are recognised in the income statement within cost of goods sold.

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

(b) Net investment hedge

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss of the hedging instrument relating to the effective portion of the hedge is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the income statement within other income and gains, net.

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

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

Certain financial instruments do not qualify for hedge accounting and are accounted for at fair value through profit and loss. Changes in the fair value of these financial instruments that do not qualify for hedge accounting are recognised immediately in the income statement within other income and gains, net.

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

2.13 Inventories

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

2.14 Trade and other receivables

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

2.15 Cash and deposits

Cash and deposits comprise cash on hand and demand deposits with banks that are readily convertible into known amounts of cash and which are subject to an insignificant risk of change in value, and within three months of maturity at acquisition.

2.16 Share capital

Ordinary shares are classified as equity.

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

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

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

2.17 Trade payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.18 Borrowings

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

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

2.19 Current and deferred income tax

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

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

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

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

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

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and an associate, except for departure income tax liability where the timing of the reversal of the temporary difference can be controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

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

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

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.20 Employee compensation

(a) Pension obligations

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

(i) Defined contribution plan

A defined contribution plan is a pension plan under which the Group and/or the employees pay fixed contributions into a separate entity fund. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee compensation when they are due and are reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(ii) Defined benefit plan

A defined benefit plan is a pension plan that is not a defined contribution plan. Typically, defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

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

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

2.20 Employee compensation *(Cont'd)*

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

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

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in the comprehensive income in the period in which they arise.

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

(b) Share-based compensation

The Group operates a number of share-based compensation plans, settled by equity or cash, under which the entity receives services from employees as consideration for equity instruments of the Group. The fair value of the employee services received in exchange for the grant of the shares/options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the shares/options granted.

(i) Share-based compensation settled by equity or cash

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

For cash settled share-based transaction, at the end of each reporting period and at the date of settlement, the Group re-measures the fair value of the incentive plan payable with any changes in fair value charged as an expense.

(ii) Share options

Under the share option scheme, the fair value of the options granted to the employees for their services rendered is recognised as an expense.

Non-market vesting conditions are included in assumptions about the number of shares that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting period, the entity revises its estimates of the number of shares/options that are expected to vest. It recognised the impact of the revision to original estimates, if any, are recognised in the income statement, with a corresponding adjustment to equity.

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

2.20 Employee compensation *(Cont'd)*

(c) Employee leave entitlements

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

(d) Profit sharing and bonus plans

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

2.21 Judgmental accruals, valuation allowances and provision obligations

Judgmental accruals, valuation allowances and provision obligations are recognised when the company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made.

2.22 Revenue recognition

Revenue is shown net of valued-added tax, returns, rebates and discounts and after eliminating sales within the Group.

(a) Sales of goods

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

(b) Interest income

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

(c) Rental income

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

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

2.23 Leases

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

(a) Finance leases as the lessee

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

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

(b) Operating leases as the lessee

Leases where substantially all the risks and rewards of ownership of assets remain with the leasing company are accounted for as operating leases. Payments made under operating leases, net of any incentives from the leasing company, are recognised in the income statement on a straight-line basis over the lease term.

2.24 Dividend distribution

Dividend distribution to the Company's owners is recognised as a liability in the Group's and Company's financial statements in the period in which the dividends are approved. Approval of the proposed final dividend for the year ended 31 March 2013 will be given by the Company's owners at the Annual General Meeting to be held on 15 July 2013.

2.25 Contingent liabilities

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

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

2.25 Contingent liabilities *(Cont'd)*

A contingent liability is not recognised but is disclosed in the notes to the accounts. When a change in the probability of an outflow occurs so that the outflow is probable (more likely than not), it will then be recognised as a liability on the balance sheet.

2.26 Financial guarantee contracts

A financial guarantee (a kind of insurance contract) is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified customer fails to make payments when due in accordance with the original or modified terms of a debt instrument. The Group does not recognise liabilities for financial guarantees at inception, but performs a liability adequacy test at each reporting date by comparing its carrying amount of the net liability regarding the financial guarantee with its present legal or constructive obligation amount. If the carrying amount of the net liability is less than its present legal or constructive obligation amount, the entire difference is recognised in the consolidated income statement immediately.

3. ACCOUNTING ESTIMATES AND JUDGEMENTS

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

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Assessment of goodwill impairment

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2.9. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates (Note 8).

3. ACCOUNTING ESTIMATES AND JUDGEMENTS *(Cont'd)*

(b) Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues when management assesses that it is probable such issues will impact the current and deferred income tax assets and liabilities.

(c) Warranty and claims

The Group generally offers warranties for its motors and other products. Consequently, management uses historical warranty claims experience as well as recent trends to determine the need for warranty liability. On specific claims brought against the Group by customers, a provision is made based on the consideration of the merits of a warranty claim against the Group, the existence of any obligation under the warranty commitment and legal advice if appropriate.

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

The Group's management determine the estimated useful lives, residual values and related depreciation and amortisation charges for property, plant and equipment and other intangible assets by reference to the estimated periods that the Group intends to derive future economic benefits from the use of these assets. Management will revise the depreciation and amortisation charges where useful lives are different to those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives; actual residual values may differ from estimated residual values. Periodic reviews could result in a change in depreciable lives and residual values and therefore depreciation and amortisation expense in the future periods.

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

(e) Fair value of other financial assets/liabilities

The fair value of other financial assets/liabilities is determined using various valuation techniques such as discounted cash flow analysis. Copper, silver and aluminium prices and foreign currency exchange price are the key inputs in the valuation.

4. 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 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 and expense, rental income, fair value gains/(losses) on investment property and gains/(losses) on disposals of fixed assets and investments.

The Group had one operating segment in FY2012/13.

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

	2013	2012
	US$'000	US$'000
Operating profit presented to management	**182,309**	202,975
Gross rental income from investment property (Note 23)	**4,125**	4,232
Losses on investments, net (Note 23)	**(282)**	(207)
Gain on divestiture of non-core business, net (Note 23, 34 & 36)	**20,404**	–
Loss on disposal of a property based subsidiary (Note 23 & 34)	**(1,602)**	–
Gains on disposal of property, plant and equipment and investment property (Note 23 & 34)	**1,536**	1,586
Fair value gains on investment property (Note 6, 23 & 34)	**3,974**	12,269
Fair value gains on other financial assets/liabilities (Note 23)	**215**	429
Government grants	**1,526**	–
Miscellaneous income/(expenses)	**710**	(179)
Operating profit per consolidated income statement	**212,915**	221,105

4. SEGMENT INFORMATION *(Cont'd)*

Revenue from external customers by business unit was as follows:

	2013 US$'000	2012 US$'000
Automotive Products Group ("APG")	**1,303,896**	1,272,844
Industry Products Group ("IPG")	**685,937**	753,745
Divested businesses	**69,856**	114,214
	2,059,689	2,140,803

The Powertrain Cooling business (included in APG) is primarily engaged in the manufacture and sale of cooling fan modules for OEM and Tier 1 customers. Revenues for this business unit, accounted for 22% of the total revenues of the Group for FY2012/13 (FY2011/12: 19%).

Revenue by geography

Revenue from external customers by country of destination was as follows:

	2013 US$'000	2012 US$'000
Hong Kong/People's Republic of China ("HK/PRC")	**554,689**	581,665
United States of America ("USA")	**421,161**	422,734
Germany	**259,467**	356,046
France	**106,863**	129,450
Poland	**78,726**	51,761
Italy	**75,483**	90,470
Czech Republic	**68,467**	44,973
Korea	**58,609**	58,945
United Kingdom	**51,185**	46,913
Japan	**44,771**	41,423
Spain	**32,454**	29,480
Brazil	**31,630**	22,570
Malaysia	**30,347**	26,481
Switzerland	**29,227**	36,844
Austria	**24,191**	7,893
Others	**192,419**	193,155
	2,059,689	2,140,803

In the prior year, sales to the European distribution channel were reported as sales to Germany. With the insourcing in place this year, they are now reported by the country of the ultimate customers.

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

4. SEGMENT INFORMATION *(Cont'd)*

Segment assets

For FY2012/13, the additions to non-current assets (other than deferred tax assets, available-for-sale financial assets, other financial assets at fair value through profit and loss and other financial assets) were US$82.2 million (FY2011/12: US$89.4 million).

As of 31 March 2013, excluding goodwill, the total of non-current assets (other than deferred tax assets, available-for-sale financial assets, other financial assets at fair value through profit and loss and other financial assets) located in HK/PRC was US$326.0 million (31 March 2012: US$320.0 million) and the total of these non-current assets located in other countries was US$291.1 million (31 March 2012: US$362.2 million).

5. PROPERTY, PLANT AND EQUIPMENT

Group

	Freehold land, leasehold land and buildings US$'000	Machinery and equipment US$'000	Assets under construction US$'000	Moulds and tools US$'000	Other assets* US$'000	Total US$'000
As of 31 March 2011						
Cost	238,111	612,422	30,862	263,211	155,954	1,300,560
Accumulated depreciation and impairment	(108,402)	(475,035)	–	(203,234)	(109,904)	(896,575)
Net book amount	129,709	137,387	30,862	59,977	46,050	403,985
FY2011/12						
Opening net book amount	129,709	137,387	30,862	59,977	46,050	403,985
Currency translations	(76)	905	282	58	17	1,186
Divestiture of non-core business	(13,630)	(27,113)	(5,225)	(1,027)	(346)	(47,341)
Additions	9,226	32,156	27,684	17,017	5,553	91,636
Transfer	5,730	10,072	(21,851)	5,250	799	–
Transfer from investment property (Note 6)	402	–	–	–	–	402
Transfer to investment property	–	–	–	–	(131)	(131)
Disposals	(2,042)	(1,528)	(233)	(316)	(306)	(4,425)
Provision for impairment	(842)	(1,140)	–	(254)	(53)	(2,289)
Depreciation (Note 26)	(10,155)	(30,951)	–	(19,508)	(7,741)	(68,355)
Closing net book amount	118,322	119,788	31,519	61,197	43,842	374,668
As of 31 March 2012						
Cost	236,822	584,564	31,519	274,269	145,035	1,272,209
Accumulated depreciation and impairment	(118,500)	(464,776)	–	(213,072)	(101,193)	(897,541)
Net book amount	118,322	119,788	31,519	61,197	43,842	374,668

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

Group

	Freehold land, leasehold land and buildings US$'000	Machinery and equipment US$'000	Assets under construction US$'000	Moulds and tools US$'000	Other assets* US$'000	Total US$'000
FY2012/13						
Opening net book amount	118,322	119,788	31,519	61,197	43,842	374,668
Currency translations	(1,910)	(323)	(53)	(244)	(97)	(2,627)
Divestiture of non-core business (Note 36)	–	(2,180)	(187)	(152)	(1,839)	(4,358)
Additions	6,605	22,603	31,281	16,672	6,297	83,458
Transfer	12,074	12,260	(33,326)	3,651	5,341	–
Transfer to investment property	(2,005)	–	–	–	–	(2,005)
Disposals	(10,993)	(599)	(142)	(512)	(84)	(12,330)
Provision for impairment	(8,201)	(1,017)	–	(141)	(146)	(9,505)
Depreciation (Note 26)	(11,047)	(28,841)	–	(20,879)	(7,968)	(68,735)
Closing net book amount	**102,845**	**121,691**	**29,092**	**59,592**	**45,346**	**358,566**
As of 31 March 2013						
Cost	226,160	577,500	29,092	267,807	137,541	1,238,100
Accumulated depreciation and impairment	(123,315)	(455,809)	–	(208,215)	(92,195)	(879,534)
Net book amount	**102,845**	**121,691**	**29,092**	**59,592**	**45,346**	**358,566**

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

Freehold land is located in Europe and North America.

The Group's interests in leasehold land were analysed as follows:

	2013 US$'000	2012 US$'000
In Hong Kong:		
On lease between 10 to 50 years	**8,241**	10,815
	8,241	10,815

6. INVESTMENT PROPERTY

Group

	2013 **US$'000**	2012 US$'000
At beginning of the year	**53,705**	44,142
Currency translations	**15**	(57)
Fair value gains (Note 4, 23 & 34)	**3,974**	12,269
Additions	**69**	–
Transfer from property, plant and equipment and land use right		
– Net book value	**2,767**	131
– Revaluation surplus	**3,671**	–
Transfer to property, plant and equipment (Note 5)	**–**	(402)
Disposals	**(987)**	(2,378)
At end of the year	**63,214**	53,705

The Group's investment property was valued on an open market basis as of 31 March 2013. The appraisals were performed by independent, professionally qualified valuers, Chung, Chan & Associates, Chartered Surveyors.

As of 31 March 2013, the Group's investment property has tenancies expiring in the period from April 2013 to May 2027 (31 March 2012: from April 2012 to December 2014).

The Group's interests in investment property were analysed as follows:

	2013 **US$'000**	2012 US$'000
In Hong Kong:		
On lease between 10 to 50 years	**55,847**	52,790
Outside Hong Kong:		
On lease between 10 to 50 years	**7,367**	915
	63,214	53,705

7. LAND USE RIGHTS

Group

	2013 **US$'000**	2012 US$'000
At beginning of the year	**4,677**	9,346
Currency translations	**69**	246
Additions	**77**	–
Divestiture of non-core business	**–**	(4,525)
Transfer to investment property	**(762)**	–
Amortisation of prepaid operating lease payments (Note 26)	**(261)**	(390)
At end of the year	**3,800**	4,677

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

	2013 **US$'000**	2012 US$'000
In PRC:		
On lease between 10 to 50 years	**3,800**	4,677
	3,800	4,677

8. INTANGIBLE ASSETS

Group

	Goodwill US$'000	Technology, license rights, patents and development costs US$'000	Brands US$'000	Client relationships US$'000	Total intangible assets US$'000
As of 31 March 2011					
Cost	512,548	190,592	73,400	124,019	900,559
Accumulated amortisation and impairment	–	(74,143)	(15,537)	(36,191)	(125,871)
Net book amount	512,548	116,449	57,863	87,828	774,688
FY2011/12					
Opening net book amount	512,548	116,449	57,863	87,828	774,688
Currency translations	6,647	1,871	944	1,694	11,156
Divestiture of non-core business	(2,581)	(175)	–	(750)	(3,506)
Amortisation (Note 26)	–	(12,092)	(3,004)	(9,459)	(24,555)
Closing net book amount	516,614	106,053	55,803	79,313	757,783
As of 31 March 2012					
Cost	516,614	192,101	74,490	124,656	907,861
Accumulated amortisation and impairment	–	(86,048)	(18,687)	(45,343)	(150,078)
Net book amount	516,614	106,053	55,803	79,313	757,783
FY2012/13					
Opening net book amount	516,614	106,053	55,803	79,313	757,783
Currency translations	(20,133)	(3,838)	(2,424)	(3,577)	(29,972)
Acquisition (Note 35)	–	5,000	–	2,000	7,000
Divestiture of non-core business (Note 36)	(59,908)	(16,500)	(5,212)	(9,389)	(91,009)
Amortisation (Note 26)	–	(11,074)	(2,763)	(8,396)	(22,233)
Provision for impairment	–	(34)	–	–	(34)
Closing net book amount	**436,573**	**79,607**	**45,404**	**59,951**	**621,535**
As of 31 March 2013					
Cost	436,573	158,233	63,864	106,141	764,811
Accumulated amortisation and impairment	–	(78,626)	(18,460)	(46,190)	(143,276)
Net book amount	**436,573**	**79,607**	**45,404**	**59,951**	**621,535**

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

8. INTANGIBLE ASSETS *(Cont'd)*

Impairment tests for goodwill

The Group is one cash-generating unit ("CGU") for the purpose of testing goodwill. In accordance with HKAS 36 "Impairment of Assets", impairment test for goodwill is carried out by comparing the recoverable amount of the assets including goodwill belonging to a CGU to the carrying amount of those assets as of the balance sheet date. The recoverable amount of the Group is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on the FY2013/14 financial budget.

Forecast profitability is based on past performance and expected future changes in costs and sales prices. Cash flow projections are based on long-range financial forecasts using the estimated sales growth rate of 6% till 2018 and a 2% perpetual growth rate thereafter (FY2011/12: 6% and 2% respectively). Future cash flows are discounted at a pre-tax rate of 11.6% (equivalent to post-tax weighted average cost of capital of 10%) (FY2011/12: pre-tax rate of 11.6%).

There was no evidence of impairment arising from tests of reasonable variations of the assumptions used for the manufacturing CGU.

9. SUBSIDIARIES

Company	***2013 US$'000***	*2012 US$'000*
Unlisted investments, at cost	***983,031***	*1,001,956*
Amounts due from subsidiaries		
– non-current portion (a)	***14,677***	*14,488*
	997,708	*1,016,444*
Amounts due from subsidiaries		
– current portion (b)	***625,069***	*340,272*
Amounts due to subsidiaries		
– current portion (b)	***(120,130)***	*(211,131)*
	504,939	*129,141*
	1,502,647	*1,145,585*

(a) The amount is unsecured, interest-free and is not repayable in the foreseeable future.

(b) US$6.2 million is unsecured, interest bearing at 3% per annum and is repayable on demand. The remaining amounts are unsecured, interest-free and repayable on demand (FY2011/12: US$0.5 million was unsecured, interest bearing at 3% per annum and was not repayable in the foreseeable future. The remaining amounts were unsecured, interest-free and repayable on demand).

Details of principal subsidiaries are shown in Note 40.

10. INVESTMENT IN ASSOCIATE

Group

	2013	2012
	US$'000	US$'000
At beginning of the year	**2,184**	1,926
Currency translations	**30**	87
Share of associate's results		
– profit for the year	**324**	468
Dividend received	**(474)**	(297)
At end of the year	**2,064**	2,184

Details of associate are shown in Note 40.

11. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group		***Company***	
	2013	2012	***2013***	*2012*
	US$'000	US$'000	***US$'000***	*US$'000*
At beginning of the year	**6,307**	1,956	***1,552***	*1,956*
Additions	**–**	5,000	***–***	*–*
Disposals	**(5,008)**	(56)	***(253)***	*(56)*
Provision for impairment	**–**	(245)	***–***	*–*
Fair value losses transferred to equity (Note 22)	**(218)**	(348)	***(218)***	*(348)*
At end of the year	**1,081**	6,307	***1,081***	*1,552*

No impairment charges on available-for-sale financial assets were booked in the income statement in FY2012/13 (FY2011/12: US$0.2 million).

Available-for-sale financial assets included the following:

	Group		***Company***	
	2013	2012	***2013***	*2012*
	US$'000	US$'000	***US$'000***	*US$'000*
Unlisted securities				
– Unlisted equity investments	**1,081**	6,307	***1,081***	*1,552*

11. AVAILABLE-FOR-SALE FINANCIAL ASSETS *(Cont'd)*

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

	Group		Company	
	2013	2012	***2013***	*2012*
	US$'000	US$'000	***US$'000***	*US$'000*
US Dollar	**1,081**	1,552	***1,081***	*1,552*
RMB	**–**	4,755	***–***	*–*
Total	**1,081**	6,307	***1,081***	*1,552*

Of these available-for-sale financial assets, an asset of US$4.8 million was realised with cash proceeds in FY2012/13.

12. OTHER FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS

Group

	2013	2012
	US$'000	US$'000
Unlisted debt securities	**1,102**	4,452

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

Designated as fair value through profit and loss on initial recognition	**1,102**	4,452
Current portion	**–**	3,359
Non-current portion	**1,102**	1,093
	1,102	4,452

The fair values of unlisted debt securities are based on the fair value using discounted cash flows.

The maximum exposure to credit risk at the reporting date is the fair value of these securities.

13. OTHER FINANCIAL ASSETS AND LIABILITIES

Group	Assets		Liabilities	
	2013	2012	**2013**	2012
	US$'000	US$'000	**US$'000**	US$'000
Commodity contracts (Note a)				
– copper hedging contracts (cash flow hedge)	**2,643**	9,494	**3,781**	2,767
– silver and aluminium hedging contracts (cash flow hedge)	**135**	579	**748**	73
Forward foreign currency exchange contracts (Note b)				
– cash flow hedge	**40,963**	10,449	**3,182**	7,718
– net investment hedge	**4,753**	–	**–**	–
– held for trading	**33**	–	**17**	33
Others – held for trading	**–**	58	**–**	–
Total (Note c)	**48,527**	20,580	**7,728**	10,591
Current portion	**15,934**	12,139	**5,260**	8,535
Non-current portion	**32,593**	8,441	**2,468**	2,056
Total	**48,527**	20,580	**7,728**	10,591

Company	*Assets*		*Liabilities*	
	2013	*2012*	***2013***	*2012*
	US$'000	*US$'000*	***US$'000***	*US$'000*
Forward foreign currency exchange contracts (Note b)				
– net investment hedge	***4,753***	*–*	***–***	*–*
Total (non-current)	***4,753***	*–*	***–***	*–*

Note:

(a) Copper, silver and aluminium hedging contracts

Gains and losses on copper, silver and aluminium hedging contracts, including gains and losses recognised in the hedging reserve as of 31 March 2013, are recognised in the income statement in the period or periods in which the underlying hedged copper, silver and aluminium volumes are consumed. As of 31 March 2013, there were outstanding copper hedging contracts of US$115.3 million (31 March 2012: US$127.5 million) with maturities ranging from 1 month to 24 months and silver and aluminium hedging contracts of US$12.8 million (31 March 2012: US$10.0 million) with maturities ranging from 1 month to 24 months.

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

(b) Forward foreign currency exchange contracts

Gains and losses on RMB, EUR, CHF, HUF, PLN, ILS, MXN and JPY forward foreign currency exchange contracts as per table below are designated as hedges, including gains and losses recognised in the hedging reserve as of 31 March 2013, are recognised in the income statement in the period or periods in which the underlying hedged transactions occurred. For currency contracts designated as held for trading, fair value gains and losses on the forward contracts are immediately recognised in the income statement. The net fair value changes recognised in the income statement were not material.

As of 31 March 2013, the Group had the following outstanding forward foreign currency exchange contracts:

	Settlement currency	Notional amount (million)	Remaining maturities ranging (months)
Cash flow hedge			
Chinese Renminbi forward purchase contracts	USD	RMB 6,359.5	1 – 60
Euro forward sales contracts	USD	EUR 520.5	1 – 60
Swiss Franc forward purchase contracts	EUR	CHF 85.2	1 – 22
Hungarian Forint forward purchase contracts	EUR	HUF 25,882.5	1 – 60
Polish Zloty forward purchase contracts	EUR	PLN 114.6	1 – 48
Israeli New Shekel forward purchase contracts	USD	ILS 38.5	1 – 19
Mexican Peso forward purchase contracts	USD	MXN 107.2	1 – 60
Japanese Yen forward sales contracts	USD	JPY 290	1 – 24
Net investment hedge			
Euro forward sales contracts	USD	EUR 100.0	21 – 57
Held for trading			
Indian Rupee forward purchase contracts	USD	INR 60.4	2 – 14

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

(d) The net hedging gain recognised in the income statement during the year was US$5.5 million (FY2011/12: net gain of US$9.5 million).

14. INVENTORIES

Group

	2013 US$'000	2012 US$'000
Raw materials and work in progress	**85,849**	107,005
Finished goods	**122,246**	133,098
	208,095	240,103

15. TRADE AND OTHER RECEIVABLES

Group

	2013 US$'000	2012 US$'000
Trade receivables – gross	**346,707**	321,731
Less: impairment of trade receivables	**(2,472)**	(1,910)
Trade receivables – net	**344,235**	319,821
Prepayments and other receivables	**67,431**	64,567
	411,666	384,388

The Company did not have trade and other receivables as of 31 March 2013 (31 March 2012: US$0.2 million).

All trade and other receivables were due within one year from the end of the reporting period. Accordingly, the fair value of the Group's trade and other receivables was approximately equal to the carrying value.

Ageing of gross trade receivables

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

Group	2013 US$'000	2012 US$'000
Current	**329,807**	299,562
1–60 days	**12,986**	18,242
61–90 days	**584**	597
Over 90 days	**3,330**	3,330
Total	**346,707**	321,731

There was no concentration of credit risk with respect to trade receivables, as the Group has a large number of customers and no single customer represents more than 10% of the total.

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

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

Group

	2013	2012
	US$'000	US$'000
US Dollar	**143,410**	144,360
Euro	**128,047**	122,982
RMB	**64,340**	42,809
Others	**10,910**	11,580
Total	**346,707**	321,731

Ageing of overdue trade receivables but not impaired

The Group has credit policies in place to review the credit worthiness of all existing and potential customers. Credit terms range between 30 and 90 days. As of 31 March 2013, trade receivables of US$14.4 million (31 March 2012: US$20.3 million) were overdue but not impaired. Management assessed the credit quality of this US$14.4 million by reference to the repayment history and current financial position of the customers. Management believes that no provision for impairment is necessary and these balances are expected to be fully recovered. The ageing of these overdue trade receivables but not impaired is as follows:

Group	**2013**	2012
	US$'000	US$'000
1-60 days	**12,978**	18,196
61-90 days	**502**	577
Over 90 days	**948**	1,486
Total	**14,428**	20,259

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

Impairment of trade receivables

Movements on the impairment of trade receivables were as follows:

Group	2013 US$'000	2012 US$'000
At beginning of the year	**1,910**	4,090
Currency translations	**(55)**	(57)
Divestiture of non-core business	**(420)**	(31)
Receivables written off during the year as uncollectible	**(118)**	(1,873)
Impairment of trade receivables/bad debt expense (Note 26)	**1,486**	26
Unused amounts reversed against bad debt expense (Note 26)	**(331)**	(245)
At end of the year	**2,472**	1,910

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

16. CASH AND DEPOSITS

	Group		Company	
	2013	2012	***2013***	*2012*
	US$'000	US$'000	***US$'000***	*US$'000*
Cash at bank and in hand	**182,564**	141,250	***82***	*807*
Short term bank deposits	**298,360**	243,867	***–***	*–*
Cash and cash equivalents	**480,924**	385,117	***82***	*807*

The effective interest rate on bank balances and deposits was 1.8% (FY2011/12: 1.9%). These deposits have an average maturity of 49 days (FY2011/12: 60 days).

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

Group	**2013**	2012
	US$'000	US$'000
RMB	**332,598**	306,751
Euro	**98,391**	22,992
US Dollar	**35,760**	43,559
Japanese Yen	**2,333**	3,341
HK Dollar	**1,218**	2,328
Others	**10,624**	6,146
Total	**480,924**	385,117

17. TRADE AND OTHER PAYABLES

Group	2013 US$'000	2012 US$'000
Trade payables	**184,655**	195,299
Accrued expenses and sundry payables	**156,997**	168,825
	341,652	364,124

Company	*2013 US$'000*	*2012 US$'000*
Accrued expenses and sundry payables	***2,052***	*65*
	2,052	*65*

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

Group	2013 US$'000	2012 US$'000
0-60 days	**137,953**	150,194
61-90 days	**31,048**	26,118
Over 90 days	**15,654**	18,987
Total	**184,655**	195,299

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

Group	2013 US$'000	2012 US$'000
US Dollar	**69,050**	76,514
RMB	**42,980**	35,437
Euro	**36,814**	35,440
HK Dollar	**28,797**	35,898
Others	**7,014**	12,010
Total	**184,655**	195,299

18. BORROWINGS

	Group		Company	
	2013	2012	***2013***	*2012*
	US$'000	US$'000	***US$'000***	*US$'000*
Three-year term loan				
(due on 26 February 2013) (Note a)	**–**	50,000	**–**	*50,000*
Unamortised upfront fees	**–**	(165)	**–**	*(165)*
Carrying value	**–**	49,835	**–**	*49,835*
Loans based on trade receivables (Note b)	**121,860**	142,836	**–**	*–*
Other borrowings – Non-current	**1,735**	2,258	**–**	*–*
– Current	**1,400**	10,433	**–**	*–*
Total borrowings	**124,995**	205,362	**–**	*49,835*
Current borrowings	**123,260**	203,104	**–**	*49,835*
Non-current borrowings	**1,735**	2,258	**–**	*–*

Note:

(a) As of 31 March 2012, the three-year term loan was classified as a current borrowing. The Company repaid the remaining US$50.0 million outstanding term loan on 31 May 2012.

(b) Subsidiary companies have borrowed US$121.9 million in the USA, Europe and Hong Kong as of 31 March 2013 (as of 31 March 2012: US$142.8 million) based on trade receivables. These loans are placed such that the interest expense will match the geography of the operating income:

- Unsecured borrowings in the USA of US$50.0 million, with a covenant that trade receivables shall not be pledged to other parties (31 March 2012: US$55.0 million).

- Borrowings in Europe of US$57.5 million (EUR45.0 million) (31 March 2012: US$73.4 million (EUR55.0 million)), which are secured by trade receivables require an over-collateralisation level of 20% of the amount loaned (US$69.0 million as of 31 March 2013 and US$88.1 million as of 31 March 2012).

- Unsecured borrowings in Hong Kong of US$14.4 million based on trade receivables (31 March 2012: US$14.4 million).

18. BORROWINGS *(Cont'd)*

The maturity of borrowings was as follows:

	Group				Company	
	Bank borrowings		Other loans		*Bank borrowings*	
	2013	2012	**2013**	2012	***2013***	*2012*
	US$'000	US$'000	**US$'000**	US$'000	***US$'000***	*US$'000*
Within one year	**122,833**	202,671	**427**	433	**–**	*49,835*
In the second year	**–**	–	**440**	446	**–**	*–*
In the third to fifth year	**–**	–	**1,105**	1,420	**–**	*–*
After the fifth year	**–**	–	**190**	392	**–**	*–*
	122,833	202,671	**2,162**	2,691	**–**	*49,835*

As of 31 March 2013, the interest rate charged on outstanding balances ranged from 0.6% to 3.2% per annum (31 March 2012: 0.7% to 3.2% per annum) and the weighted average effective interest rate of the borrowings was approximately 0.8% (31 March 2012: 1.2%). Net interest income/expense is discussed in Note 28.

As of 31 March 2013, borrowings of subsidiary companies amounting to US$122.8 million (31 March 2012: US$152.8 million) were guaranteed by the Company. The Group has two key financial covenants as part of its various borrowing agreements. These covenants are the net debt outstanding compared to EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortisation) test and a net worth (Total Equity) test. The Group was in compliance with all covenants as of 31 March 2013 and expects to remain compliant in future periods.

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

	Group		Company	
	2013	2012	***2013***	*2012*
	US$'000	US$'000	***US$'000***	*US$'000*
US Dollar	**65,107**	129,235	**–**	*49,835*
Euro	**59,672**	76,127	**–**	*–*
ILS	**216**	–	**–**	*–*
Total borrowings	**124,995**	205,362	**–**	*49,835*

19. PROVISION OBLIGATIONS AND OTHER LIABILITIES

Group	Retirement benefit obligations US$'000	Other pension costs US$'000	Finance lease liabilities US$'000	Restructuring US$'000	Legal and warranty US$'000	Long service payment and sundries US$'000	Total US$'000
As of 31 March 2011	25,753	1,249	6,845	13,788	35,682	2,051	85,368
Currency translations	(784)	(8)	(17)	(843)	(209)	(11)	(1,872)
Divestiture of non-core business	–	–	–	–	(356)	–	(356)
Provisions (Note 24)	3,446	3,742	21	11,774	8,403	553	27,939
Utilised	(6,615)	(3,408)	(729)	(4,164)	(8,610)	(20)	(23,546)
Actuarial losses recognised in equity (Note 22)	10,786	–	–	–	–	1,595	12,381
As of 31 March 2012	32,586	1,575	6,120	20,555	34,910	4,168	99,914
Current portion	–	348	702	17,867	11,456	–	30,373
Non-current portion	32,586	1,227	5,418	2,688	23,454	4,168	69,541
As of 31 March 2012	32,586	1,575	6,120	20,555	34,910	4,168	99,914
As of 31 March 2012	32,586	1,575	6,120	20,555	34,910	4,168	99,914
Currency translations	(1,253)	(8)	(2)	(713)	(616)	129	(2,463)
Divestiture of non-core business	(5,651)	(43)	–	–	4,928	–	(766)
Provisions (Note 24)	2,710	3,790	–	–	11,660	99	18,259
Utilised	(7,577)	(4,893)	(700)	(9,517)	(28,300)*	(107)	(51,094)
Actuarial losses/(gains) recognised in equity (Note 22)	2,463	–	–	–	–	(656)	1,807
As of 31 March 2013	**23,278**	**421**	**5,418**	**10,325**	**22,582**	**3,633**	**65,657**
Current portion	–	413	800	9,856	16,366	–	27,435
Non-current portion	23,278	8	4,618	469	6,216	3,633	38,222
As of 31 March 2013	**23,278**	**421**	**5,418**	**10,325**	**22,582**	**3,633**	**65,657**

* *The Group reached a settlement of US$20.0 million for product recall claims relating to its power cooling product line for parts produced in 2005 – 2006. The design of the application as well as the customer's system design were modified in 2007 – 2008 to remove the problem. This settlement occurred in November 2012.*

19. PROVISION OBLIGATIONS AND OTHER LIABILITIES *(Cont'd)*

19.1 Retirement benefit plans and obligations

Defined benefit pension plans

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

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

The assets of funded plans are held independently of the Group's assets in separate trustee administered funds. The Group's major plans were valued by qualified actuaries using the projected unit credit method to account for the Group's pension accounting costs.

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

	2013 US$'000	2012 US$'000
Present value of obligations that are funded	**(153,073)**	(185,449)
Present value of obligations that are unfunded	**(15,469)**	(13,007)
Gross present value of obligations (Note (a))	**(168,542)**	(198,456)
Less: Fair value of plan assets (Note (b))	**145,264**	165,870
Total retirement benefit obligations (net liability)	**(23,278)**	(32,586)

(a) Present value of defined benefit obligations

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

	2013 US$'000	2012 US$'000
At beginning of the year	**198,456**	180,993
Current service cost (Note 19.1.2)	**3,547**	4,045
Interest cost (Note 19.1.2)	**4,973**	5,951
Actuarial losses (Note 19.1.3)	**10,019**	9,764
Currency translations	**(10,111)**	928
Divestiture of non-core business	**(34,268)**	–
Contributions by plan participants	**4,409**	4,376
Benefits paid	**(8,346)**	(7,601)
Settlement	**(137)**	–
At end of the year (Note 19.1.1)	**168,542**	198,456

19. PROVISION OBLIGATIONS AND OTHER LIABILITIES *(Cont'd)*

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

Defined benefit pension plans *(Cont'd)*

19.1.1 (b) Fair value of plan assets

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

	2013 US$'000	2012 US$'000
At beginning of the year	**165,870**	155,240
Expected return on plan assets (Note 19.1.2)	**5,741**	6,551
Actuarial gains/(losses) (Note 19.1.3)	**7,556**	(1,022)
Currency translations	**(8,858)**	1,712
Divestiture of non-core business	**(28,617)**	–
Employer contributions	**6,314**	5,922
Employee contributions	**4,409**	4,376
Benefits paid	**(7,083)**	(6,909)
Settlement	**(68)**	–
At end of the year (Note 19.1.1)	**145,264**	165,870

The actual gains on plan assets were US$13.3 million (FY2011/12: US$5.5 million).

19.1.2 The amounts recognised in the income statement were as follows:

	2013 US$'000	2012 US$'000
Current service cost (Note 19.1.1.(a))	**3,547**	4,045
Interest cost (Note 19.1.1.(a))	**4,973**	5,951
Expected return on plan assets (Note 19.1.1.(b))	**(5,741)**	(6,551)
Past service cost	**(47)**	25
Gain on settlement	**(69)**	–
Expensed in income statement for pensions benefits included in staff costs (Note 27)	**2,663**	3,470

19.1.3 The amounts recognised through equity were as follows:

	2013 US$'000	2012 US$'000
Actuarial losses on obligations (Note 19.1.1.(a))	**(10,019)**	(9,764)
Actuarial gains/(losses) on plan assets (Note 19.1.1.(b))	**7,556**	(1,022)
Net actuarial losses (Note 22)	**(2,463)**	(10,786)
Deferred income tax effect (Note 20 & 22)	**658**	417
Total losses, included in equity	**(1,805)**	(10,369)

19. PROVISION OBLIGATIONS AND OTHER LIABILITIES *(Cont'd)*

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

Defined benefit pension plans *(Cont'd)*

Plan assets

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

Over the past 8 years, the weighted average rate of return for the defined benefits pension plans was 3.6% per annum (FY2011/12: 2.7% per annum).

Plan assets comprised the following:

	2013		2012	
	US$'000	**Percentage**	US$'000	Percentage
Equities	**57,651**	**40%**	61,572	37%
Bonds	**53,815**	**37%**	64,628	39%
Property investment	**25,880**	**18%**	31,475	19%
Others	**7,918**	**5%**	8,195	5%
	145,264	**100%**	165,870	100%

Experience adjustments were as follows:

	2013	2012	2011	2010	2009
	US$'000	US$'000	US$'000	US$'000	US$'000
As of 31 March					
Present value of funded defined benefit obligations	**153,073**	185,449	168,349	135,303	114,112
Less: Fair value of plan assets	**(145,264)**	(165,870)	(155,240)	(131,220)	(103,907)
Deficit in funded plan	**7,809**	19,579	13,109	4,083	10,205
Present value of unfunded defined benefit obligations	**15,469**	13,007	12,644	18,385	22,059
Total deficit	**23,278**	32,586	25,753	22,468	32,264
(Gains)/losses in period related to:					
Experience adjustments on plan liabilities	**(4,128)**	862	(289)	2,073	926
Experience adjustments on plan assets	**(2,808)**	337	2,827	(2)	41

19. PROVISION OBLIGATIONS AND OTHER LIABILITIES *(Cont'd)*

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

Defined benefit pension plans *(Cont'd)*

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

The Group will make contributions of US$4.9 million to post-employment benefit plans for the year ending 31 March 2014.

The principal actuarial assumptions used were as follows:

	2013 Percentage	2012 Percentage
Discount rate	**2% – 5%**	2% – 5%
Expected return on plan assets	**4% – 5%**	4% – 5%
Future salary increases	**0% – 4%**	0% – 3%
Future pension increases	**0% – 3%**	0% – 3%

Excluding the divestiture of non-core business, the increase in the present value of funded defined benefit obligations was primarily due to a decrease in the discount rate:

	2013	2012
Switzerland	**2.1%**	2.3%
United Kingdom	**4.7%**	4.5%
Germany	**3.8%**	4.7%

The most significant driver of present value of the defined benefit obligations is the discount rate. As of 31 March 2013, a 0.5% increase in the discount rate would reduce the present value of defined benefit obligations by 7%.

19. PROVISION OBLIGATIONS AND OTHER LIABILITIES *(Cont'd)*

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

Defined benefit pension plans *(Cont'd)*

Mortality rates

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

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

	2013	2012
Male	**20.7**	19.5
Female	**24.5**	22.9

19.2 Pensions – Defined contribution plans

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

Contributions are charged to the income statement as incurred and may be reduced by contributions forfeited from those employees who leave the ORSO scheme prior to the contributions fully vesting. As of 31 March 2013, the balance of the forfeited contributions was US$1.2 million (31 March 2012: US$1.2 million).

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

19. PROVISION OBLIGATIONS AND OTHER LIABILITIES *(Cont'd)*

19.3 Finance lease liabilities

Property, plant and equipment included the following amounts held under finance leases:

	2013 **US$'000**	2012 US$'000
Cost – capitalised finance leases	**10,658**	10,780
Accumulated depreciation and impairment	**(7,667)**	(7,401)
Net book amount	**2,991**	3,379

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

Gross finance lease obligation – minimum lease payments:

	2013 **US$'000**	2012 US$'000
Less than 1 year	**1,392**	1,377
1 – 5 years	**5,600**	5,592
Over 5 years	**262**	1,662
	7,254	8,631
Future finance charges on finance leases	**(1,836)**	(2,511)
Present value of finance lease liabilities	**5,418**	6,120

The present value of finance lease liabilities was as follows:

	2013 **US$'000**	2012 US$'000
Less than 1 year	**800**	702
1 – 5 years	**4,360**	3,872
Over 5 years	**258**	1,546
	5,418	6,120

20. DEFERRED INCOME TAX

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. Income tax expense is discussed in Note 29.

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

	2013 **US$'000**	2012 US$'000
Deferred income tax assets	**35,694**	37,726
Deferred income tax liabilities	**(64,663)**	(78,192)
Deferred income tax liabilities, net	**(28,969)**	(40,466)

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

	2013 **US$'000**	2012 US$'000
Gross deferred income tax assets	**46,422**	48,415
Gross deferred income tax liabilities	**(75,391)**	(88,881)
Deferred income tax liabilities, net	**(28,969)**	(40,466)

The details of the change in components of book and tax accounting differences are shown in the next section.

20. DEFERRED INCOME TAX *(Cont'd)*

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

	Accrued liabilities		Accelerated tax depreciation		Tax losses		Fair value gains/(losses)		Others		Total	
	2013	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012
	US$'000	US$'000	**US$'000**	US$'000	**US$'000**	US$'000	**US$'000**	US$'000	**US$'000**	US$'000	**US$'000**	US$'000
Deferred income tax assets												
At beginning of the year	**18,180**	12,441	**1,254**	1,481	**18,411**	20,304	**649**	1,211	**9,921**	13,803	**48,415**	49,240
Currency translations	**(386)**	(131)	**1**	(43)	**(67)**	(37)	**–**	56	**(329)**	(74)	**(781)**	(229)
Divestiture of non-core business	**–**	(89)	**–**	–	**–**	–	**–**	–	**(1,173)**	–	**(1,173)**	(89)
Credited/(charged) to income statement	**(5,514)**	5,951	**1,056**	(184)	**2,917**	(1,230)	**–**	(1,260)	**1,181**	(1,381)	**(360)**	1,896
Impairment of deferred income tax assets (Note 29)	**(223)**	–	**–**	–	**(24)**	(626)	**–**	–	**–**	(2,836)	**(247)**	(3,462)
Credited/(charged) to equity	**(24)**	8	**–**	–	**–**	–	**(175)**	642	**767**	409	**568**	1,059
Assets at end of the year	**12,033**	18,180	**2,311**	1,254	**21,237**	18,411	**474**	649	**10,367**	9,921	**46,422**	48,415
Deferred income tax (liabilities)												
At beginning of the year	**(6,487)**	(2,383)	**(14,448)**	(15,410)	**–**	–	**(59,241)**	(63,804)	**(8,705)**	(9,846)	**(88,881)**	(91,443)
Currency translations	**284**	73	**199**	(121)	**–**	–	**2,699**	(1,131)	**6**	(25)	**3,188**	(1,204)
Divestiture of non-core business	**477**	–	**–**	–	**–**	–	**–**	–	**–**	–	**477**	–
Credited/(charged) to income statement	**131**	(4,177)	**3,377**	1,083	**–**	–	**13,350**	5,964	**(1,216)**	1,166	**15,642**	4,036
(Charged) to equity	**–**	–	**–**	–	**–**	–	**(5,816)**	(270)	**(1)**	–	**(5,817)**	(270)
(Liabilities) at end of year	**(5,595)**	(6,487)	**(10,872)**	(14,448)	**–**	–	**(49,008)**	(59,241)	**(9,916)**	(8,705)	**(75,391)**	(88,881)
Deferred income tax assets/(liabilities), net	**6,438**	11,693	**(8,561)**	(13,194)	**21,237**	18,411	**(48,534)**	(58,592)	**451**	1,216	**(28,969)**	(40,466)

Deferred income tax liabilities of US$12.8 million (FY2011/12: US$7.7 million) have not been recognised in respect of the tax payable upon the distribution of these undistributed profits as the Company controls the dividend policy of its subsidiaries and it has been determined that these undistributed profits will not be distributed in the foreseeable future.

20. DEFERRED INCOME TAX *(Cont'd)*

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

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

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

Tax losses:
This represents the value of current losses which can be offset against future profits to reduce future taxation charges. As of 31 March 2013, the Group's US subsidiaries have net operating losses carried forward of US$52.6 million (31 March 2012: US$44.6 million) to offset future taxable income.

Fair value gains/(losses):
The extent to which a change in value resulting from the reassessment of an asset's carrying value is not treated as current year taxable income.

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

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

	2013 US$'000	2012 US$'000
Deferred income tax assets:		
Deferred income tax assets to be recovered after more than twelve months	**34,567**	36,658
Deferred income tax assets to be recovered within twelve months	**11,855**	11,757
Deferred income tax assets	**46,422**	48,415
Deferred income tax liabilities:		
Deferred income tax liabilities to be settled after more than twelve months	**(68,413)**	(82,295)
Deferred income tax liabilities to be settled within twelve months	**(6,978)**	(6,586)
Deferred income tax liabilities	**(75,391)**	(88,881)
Deferred income tax liabilities, net	**(28,969)**	(40,466)

20. DEFERRED INCOME TAX *(Cont'd)*

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

	2013 US$'000	2012 US$'000
At beginning of the year, net (liability)	**(40,466)**	(42,203)
Currency translations	**2,407**	(1,433)
Divestiture of non-core business	**(696)**	(89)
Transfer to income statement (Note 29)	**15,282**	5,932
Impairment of deferred income tax assets (Note 29)	**(247)**	(3,462)
(Charged)/credited to equity – other reserves	**(5,249)**	789
At end of the year, net (liability)	**(28,969)**	(40,466)

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

	2013 US$'000	2012 US$'000
Net fair value gains of hedging instruments (Note 22)	**(5,065)**	372
Actuarial losses of long service payment (Note 22)	**76**	–
Actuarial losses of defined benefit plans (Note 19.1.3 & 22)	**658**	417
Revaluation gains on transfer of property, plant and equipment to investment property (Note 22)	**(918)**	–
	(5,249)	789

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

The Group did not recognise deferred income tax assets in respect of cumulative tax losses amounting to US$101.9 million (FY2011/12: US$115.9 million) that can be carried forward against future taxable income.

20. DEFERRED INCOME TAX *(Cont'd)*

The movement on the Group's unrecognised tax losses for FY2012/13 and FY2011/12 is presented below:

	2013 **US$'000**	2012 US$'000
At beginning of the year	**115,890**	125,565
Currency translations	**(3,699)**	(3,327)
(Utilised)/addition during the year	**(9,970)**	5,172
Reductions for tax positions of prior years	**(56)**	(274)
Liquidation, divestiture and other reductions	**(232)**	(11,246)
At end of the year	**101,933**	115,890

The ageing of unrecognised tax losses by their expiry dates was as follows:

	2013 **US$'000**	2012 US$'000
Less than 1 year	**2,397**	1,559
1-2 years	**833**	1,352
3-5 years	**1,316**	410
5-20 years	**54,803**	57,834
Unlimited	**42,584**	54,735
	101,933	115,890

Deferred income tax assets have also not been recognised with respect to other deductible temporary differences amounting to US$5.2 million (FY2011/12: US$6.7 million), for which no taxable profit is probable to be available to offset the deductible temporary difference.

The Company files income tax returns in Hong Kong and its subsidiaries file income tax returns in Hong Kong or various foreign jurisdictions.

The Company and/or its subsidiaries are no longer subject to income tax examinations by tax authorities in its major tax jurisdictions as follows:

	Years no longer subject to standard audit
Hong Kong	Fiscal year 2006 and prior
China	2007 and prior
U.S. Federal	Fiscal year 2009 and prior
Switzerland	Fiscal year 2010 and prior
Germany	2002 and prior
Italy	Fiscal year 2007 and prior
Hungary	2005 and prior

21. SHARE CAPITAL AND SHARE PREMIUM

	Number of shares (thousands)		
	Ordinary shares	Shares held for the Share Scheme	Total
As of 31 March 2011	3,673,789	(26,171)	3,647,618
Repurchase and cancellation of issued capital	(60,848)	–	(60,848)
Shares purchased by trustee for the Long-Term Incentive Share Scheme ("Share Scheme")	–	(5,499)	(5,499)
Shares vested to employees and Independent Non-Executive Directors ("INED") for the Share Scheme	–	2,480	2,480
As of 31 March 2012	3,612,941	(29,190)	3,583,751
Repurchase and cancellation of issued capital	(31,185)	–	(31,185)
Shares vested to employees and INED for the Share Scheme	–	1,636	1,636
As of 31 March 2013	**3,581,756**	**(27,554)**	**3,554,202**

	Ordinary shares US$'000	Shares held for the Share Scheme US$'000	Share premium US$'000	Total US$'000
As of 31 March 2011	5,925	(13,454)	77,499	69,970
Repurchase and cancellation of issued capital	(98)	–	(31,786)	(31,884)
Shares purchased by trustee for the Share Scheme	–	(2,623)	–	(2,623)
Shares vested to employees and INED for the Share Scheme (Note 22)	–	1,336	(377)	959
As of 31 March 2012	5,827	(14,741)	45,336	36,422
Repurchase and cancellation of issued capital	(50)	–	(19,823)	(19,873)
Shares vested to employees and INED for the Share Scheme (Note 22)	–	892	(80)	812
As of 31 March 2013	**5,777**	**(13,849)**	**25,433**	**17,361**

As of 31 March 2013, the total authorised number of ordinary shares was 7,040.0 million (31 March 2012: 7,040.0 million) with a par value of HK$0.0125 per share (31 March 2012: HK$0.0125 per share). All issued shares were fully paid.

21. SHARE CAPITAL AND SHARE PREMIUM *(Cont'd)*

Cancellation of issued capital

A general mandate was approved and given to the Board by shareholders at the Company's Annual General Meeting held on 11 July 2012 empowering the Board to repurchase shares up to 10% (360.7 million shares) of the aggregate nominal amount of the issued share capital of the Company. This mandate which had also existed the previous year and was extended to the next 12 month period. 31.2 million shares have been repurchased and cancelled at a total cost including brokerage and cancellation fees of US$19.9 million (HK$154.1 million) in FY2012/13 (FY2011/12: 60.8 million shares at a total cost of US$31.9 million).

Long-Term Incentive Share Scheme

Share awards under the Long-Term Incentive Share Scheme ("Share Scheme") were granted to directors, senior management and other employees as recommended by the Chairman and Chief Executive and approved by the Remuneration Committee of the Company.

The Share Scheme was initially approved by the shareholders on 26 July 1999 and expired on 31 July 2009. This scheme was replaced by a new Long-Term Incentive Share Scheme approved by the shareholders on 24 August 2009. The Share Scheme was further amended, with its amendments being approved by the shareholders, on 20 July 2011. The directors may grant shares to such eligible employees and directors as the directors may select in their absolute discretion under the Share Scheme.

Senior management of the Company regularly receive annual grants of time-vested units (Restricted Stock Units or RSUs) and performance-vested units (Performance Stock Units or PSUs). Time-vested units vest after three years. Performance-vested units vest after three years, subject to achievement of the performance conditions over the three-year vesting period. The performance conditions consist of a combination of a three-year cumulative earnings per share target set at the time of grant and a series of one-year earnings per share targets set at the beginning of each year of the three-year vesting period. The full vesting of performance-vested units is subject to achievement of the three-year cumulative earnings per share target; partial vesting occurs if one or more of the one-year earnings per share targets are met.

Prior to April 2010, the Company only granted time-vested units (RSUs), with 20% of the grant vesting each year for the five years following the date of the grant.

The Company makes grants of time-vested units to key staff below the senior management level. These are subject to a three-year vesting period.

Once vested, the directors have the discretion to deliver either shares or the cash equivalent of the vested shares to eligible employees.

The Company makes annual grants of fully-vested shares to the Independent Non-Executive Directors ("INED"). The shares granted must be held by each director for the remainder of the board term in which the grant was made. Each year, the Company grants each of the INED shares equivalent in value to US$6,000.

21. SHARE CAPITAL AND SHARE PREMIUM *(Cont'd)*

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

	Number of unvested units granted (thousands)		
	Restricted Stock Units	Performance Stock Units	Total
Unvested shares granted, as of 31 March 2011	8,035	2,150	10,185
Shares granted to employees and INED during the year	3,751	4,430	8,181
Shares vested to employees and INED during the year	(2,480)	–	(2,480)
Forfeited during the year	(825)	(670)	(1,495)
Unvested shares granted, as of 31 March 2012	8,481	5,910	14,391
Shares granted to employees and INED during the year	6,015	6,100	12,115
Shares vested to employees and INED during the year	(1,636)	–	(1,636)
Forfeited during the year	(275)	(310)	(585)
Unvested shares granted, as of 31 March 2013	**12,585**	**11,700**	**24,285**

The weighted average fair value of the unvested shares granted during the year was HK$4.85.

As of 31 March 2013, the number of unvested shares to be vested in the next three financial years is as follows:

	Number of unvested units granted (thousands)		
Vesting period	Restricted Stock Units	Performance Stock Units	Total
FY2013/14	3,275	1,900	5,175
FY2014/15	3,505	3,870	7,375
FY2015/16	5,805	5,930	11,735
Total unvested shares to be vested	**12,585**	**11,700**	**24,285**

21. SHARE CAPITAL AND SHARE PREMIUM *(Cont'd)*

Share Options

Pursuant to the Share Option Scheme (the "Scheme") approved at the Annual General Meeting of the Company held on 29 July 2002 and adopted by the Company on the same day, 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, and any executive or non-executive directors of the Company or any affiliate as defined in the Scheme).

Under the Scheme, the Company granted options to purchase the Company's shares at the subscription price which was set at the higher of the closing price on the date of the grant and the average closing price for the five trading days immediately preceding the date of the offer of grant. No option may be exercised more than 10 years after it has been granted.

As of 31 March 2013, share options granted to employees under the Scheme were as follows:

Held at 31/03/2012	Options lapsed during the year	Held at 31/03/2013	Subscription price per share (HK$)	Date of grant	Exercisable from	Exercisable until
350,000	(350,000)	–	8.02	17/09/2002	01/08/2004	16/09/2012
350,000	(350,000)	–	8.02	17/09/2002	01/08/2005	16/09/2012
262,500	–	262,500	9.65	31/07/2003	01/07/2005	30/07/2013
262,500	–	262,500	9.65	31/07/2003	01/07/2006	30/07/2013
100,000	–	100,000	7.40	28/12/2004	01/01/2007	27/12/2014
100,000	–	100,000	7.40	28/12/2004	01/01/2008	27/12/2014
1,425,000	(700,000)	725,000				

No share option was granted or exercised in FY2012/13 (FY2011/12: nil).

The fair value of the options was determined using binomial valuation method at the date of grant; no subsequent revaluation at the year end is required. 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 which varied depending on the grant date.

The aggregate fair value of the options as of 31 March 2013 was US$0.3 million (31 March 2012: US$0.3 million).

There was no profit and loss impact relating to the Scheme in FY2012/13 (FY2011/12: nil).

22. RESERVES

Group

	Contributed surplus US$'000	Capital reserve US$'000	Goodwill on consolidation US$'000	Exchange reserve US$'000	Share-based employee compensation reserve US$'000	Hedging reserve US$'000	Other reserves* US$'000	Retained earnings US$'000	Total US$'000
As of 31 March 2012	15,499	38,904	(233,885)	218,747	3,967	7,055	46,335	1,328,515	1,425,137
Divestiture of non-core business (Note 36)	–	–	–	(23,441)	–	1,881	(1,212)	1,212	(21,560)
Release of reserves on disposal of a property based subsidiary	–	–	–	8,544	–	–	(1,356)	1,356	8,544
Available-for-sale financial assets									
– fair value losses, net (Note 11)	–	–	–	–	–	–	(218)	–	(218)
– release of reserves upon disposal	–	–	–	–	–	–	152	–	152
Hedging instruments									
– fair value gains, net	–	–	–	–	–	35,862	–	–	35,862
– deferred income tax effect (Note 20)	–	–	–	–	–	(5,065)	–	–	(5,065)
– transferred to income statement	–	–	–	–	–	(5,548)	–	–	(5,548)
Defined benefit plans									
– actuarial losses, net (Note 19)	–	–	–	–	–	–	–	(2,463)	(2,463)
– deferred income tax effect (Note 19.1.3 & 20)	–	–	–	–	–	–	–	658	658
Long service payment									
– actuarial gains, net (Note 19)	–	–	–	–	–	–	–	656	656
– deferred income tax effect (Note 20)	–	–	–	–	–	–	–	76	76
Investment property									
– revaluation surplus realised upon disposal	–	–	–	–	–	–	(21)	21	–
– revaluation gains on transfer of property, plant and equipment to investment property	–	–	–	–	–	–	2,570	–	2,570
– deferred income tax effect (Note 20)	–	–	–	–	–	–	(918)	–	(918)
Currency translations of subsidiaries and associate	–	–	–	(33,963)	–	52	–	–	(33,911)
Net income recognised directly in equity	–	–	–	(48,860)	–	27,182	(1,003)	1,516	(21,165)
Profit for the year	–	–	–	–	–	–	–	191,321	191,321
Total comprehensive income for the year	–	–	–	(48,860)	–	27,182	(1,003)	192,837	170,156
Appropriation of retained earnings to statutory reserve	–	–	–	–	–	–	2,261	(2,261)	–
Long-Term Incentive Share Scheme									
– shares vested (Note 21)	–	–	–	–	(812)	–	–	–	(812)
– reserve released upon transfer to cash settled share-based unit	–	–	–	–	(1,990)	–	–	–	(1,990)
– value of employee services (Note 34)	–	–	–	–	4,694	–	–	–	4,694
FY2011/12 final dividend paid	–	–	–	–	–	–	–	(32,263)	(32,263)
FY2012/13 interim dividend paid	–	–	–	–	–	–	–	(13,771)	(13,771)
	–	–	–	(48,860)	1,892	27,182	1,258	144,542	126,014
As of 31 March 2013	**15,499**	**38,904**	**(233,885)**	**169,887**	**5,859**	**34,237**	**47,593**	**1,473,057**	**1,551,151**
Final dividend proposed (Note 31)	–	–	–	–	–	–	–	36,625	36,625
Other	15,499	38,904	(233,885)	169,887	5,859	34,237	47,593	1,436,432	1,514,526
As of 31 March 2013	**15,499**	**38,904**	**(233,885)**	**169,887**	**5,859**	**34,237**	**47,593**	**1,473,057**	**1,551,151**
Company and subsidiaries	15,499	38,904	(233,885)	169,887	5,859	34,237	47,593	1,470,633	1,548,727
Associate	–	–	–	–	–	–	–	2,424	2,424
As of 31 March 2013	**15,499**	**38,904**	**(233,885)**	**169,887**	**5,859**	**34,237**	**47,593**	**1,473,057**	**1,551,151**

* *Other reserves mainly represent property revaluation reserve, investment revaluation reserve and statutory reserve.*

22. RESERVES *(Cont'd)*

Group

	Contributed surplus US$'000	Capital reserve US$'000	Goodwill on consolidation US$'000	Exchange reserve US$'000	Share-based employee compensation reserve US$'000	Hedging reserve US$'000	Other reserves* US$'000	Retained earnings US$'000	Total US$'000
As of 31 March 2011	15,499	38,904	(233,885)	214,798	2,814	11,749	16,629	1,225,724	1,292,232
Available-for-sale financial assets									
– fair value losses, net (Note 11)	–	–	–	–	–	–	(348)	–	(348)
– release of reserves upon disposal	–	–	–	–	–	–	11	–	11
Hedging instruments									
– fair value gains, net	–	–	–	–	–	4,393	–	–	4,393
– deferred income tax effect (Note 20)	–	–	–	–	–	372	–	–	372
– transferred to income statement	–	–	–	–	–	(9,459)	–	–	(9,459)
Defined benefit plans									
– actuarial losses, net (Note 19)	–	–	–	–	–	–	–	(10,786)	(10,786)
– deferred income tax effect (Note 19.1.3 & 20)	–	–	–	–	–	–	–	417	417
Actuarial losses of long service payment (Note 19)	–	–	–	–	–	–	–	(1,595)	(1,595)
Investment property									
– revaluation surplus realised upon disposal	–	–	–	–	–	–	(5,339)	5,339	–
Currency translations of subsidiaries and associate	–	–	–	3,949	–	–	–	–	3,949
Net income recognised directly in equity	–	–	–	3,949	–	(4,694)	(5,676)	(6,625)	(13,046)
Profit for the year	–	–	–	–	–	–	–	186,700	186,700
Total comprehensive income for the year	–	–	–	3,949	–	(4,694)	(5,676)	180,075	173,654
Appropriation of retained earnings to statutory reserve	–	–	–	–	–	–	35,382	(35,382)	–
Long-Term Incentive Share Scheme									
– shares vested (Note 21)	–	–	–	–	(959)	–	–	–	(959)
– value of employee services (Note 34)	–	–	–	–	2,112	–	–	–	2,112
FY2010/11 final dividend paid	–	–	–	–	–	–	–	(28,095)	(28,095)
FY2011/12 interim dividend paid	–	–	–	–	–	–	–	(13,807)	(13,807)
	–	–	–	3,949	1,153	(4,694)	29,706	102,791	132,905
As of 31 March 2012	15,499	38,904	(233,885)	218,747	3,967	7,055	46,335	1,328,515	1,425,137
Final dividend proposed (Note 31)	–	–	–	–	–	–	–	32,311	32,311
Other	15,499	38,904	(233,885)	218,747	3,967	7,055	46,335	1,296,204	1,392,826
As of 31 March 2012	15,499	38,904	(233,885)	218,747	3,967	7,055	46,335	1,328,515	1,425,137
Company and subsidiaries	15,499	38,904	(233,885)	218,747	3,967	7,055	46,335	1,326,415	1,423,037
Associate	–	–	–	–	–	–	–	2,100	2,100
As of 31 March 2012	15,499	38,904	(233,885)	218,747	3,967	7,055	46,335	1,328,515	1,425,137

* *Other reserves mainly represent property revaluation reserve, investment revaluation reserve and statutory reserve.*

22. RESERVES *(Cont'd)*

Company

	Contributed surplus US$'000	Share-based employee compensation reserve US$'000	Other reserve US$'000	Hedging reserve US$'000	Retained earnings US$'000	Total US$'000
As of 31 March 2011	95,273	2,814	23	(147)	684,398	782,361
Long-Term Incentive Share Scheme						
– shares vested (Note 21)	–	(959)	–	–	–	(959)
– value of employee services (Note 34)	–	2,112	–	–	–	2,112
Available-for-sale financial assets						
– fair value losses (Note 11)	–	–	(348)	–	–	(348)
– release of reserves upon disposal	–	–	11	–	–	11
Hedging instruments						
– transferred to income statement	–	–	–	147	–	147
Profit for the year	–	–	–	–	320,417	320,417
FY2010/11 final dividend paid	–	–	–	–	(28,095)	(28,095)
FY2011/12 interim dividend paid	–	–	–	–	(13,807)	(13,807)
As of 31 March 2012	95,273	3,967	(314)	–	962,913	1,061,839
Final dividend proposed (Note 31)	–	–	–	–	32,311	32,311
Other	95,273	3,967	(314)	–	930,602	1,029,528
As of 31 March 2012	95,273	3,967	(314)	–	962,913	1,061,839
Long-Term Incentive Share Scheme						
– shares vested (Note 21)	–	(812)	–	–	–	(812)
– released upon transfer to cash settled shared based unit	–	(1,990)	–	–	–	(1,990)
– value of employee services (Note 34)	–	4,694	–	–	–	4,694
Available-for-sale financial assets						
– fair value losses (Note 11)	–	–	(218)	–	–	(218)
– release of reserves upon disposal	–	–	152	–	–	152
Hedging instruments						
– fair value gains, net	–	–	–	4,706	–	4,706
Profit for the year	–	–	–	–	466,813	466,813
FY2011/12 final dividend paid	–	–	–	–	(32,263)	(32,263)
FY2012/13 interim dividend paid	–	–	–	–	(13,771)	(13,771)
As of 31 March 2013	**95,273**	**5,859**	**(380)**	**4,706**	**1,383,692**	**1,489,150**
Final dividend proposed (Note 31)	–	–	–	–	36,625	36,625
Other	95,273	5,859	(380)	4,706	1,347,067	1,452,525
As of 31 March 2013	**95,273**	**5,859**	**(380)**	**4,706**	**1,383,692**	**1,489,150**

Distributable reserves of the Company as of 31 March 2013 amounted to US$1,479.0 million (31 March 2012: US$1,058.2 million).

23. OTHER INCOME AND GAINS, NET

	2013 US$'000	2012 US$'000
Gross rental income from investment property (Note 4)	**4,125**	4,232
Losses on investments, net (Note 4)	**(282)**	(207)
Gain on divestiture of non-core business, net (Note 4, 34 & 36)	**20,404**	–
Loss on disposal of a property based subsidiary (Note 4 & 34)	**(1,602)**	–
Gains on disposal of property, plant and equipment and investment property (Note 4 & 34)	**1,536**	1,586
Fair value gains on investment property (Note 4, 6 & 34)	**3,974**	12,269
Fair value gains on other financial assets/liabilities (Note 4)	**215**	429
	28,370	18,309

24. SELLING AND ADMINISTRATIVE EXPENSES

	2013 US$'000	2012 US$'000
Selling expenses	**113,714**	112,479
Administrative expenses	**273,260**	258,714
Legal and warranty (Note 19)	**11,660**	8,403
Net exchange gains on revaluation of monetary assets and liabilities (Note 26)	**(5,465)**	(10,959)
	393,169	368,637

Note: Selling and administrative expenses included operating lease payments for the year of US$7.0 million (FY2011/12: US$6.5 million).

25. RESTRUCTURING AND OTHER COSTS

	2013 US$'000	2012 US$'000
Restructuring costs	**–**	11,774
Impairment of property (Note 26)	**–**	850
Impairment of other assets	**–**	409
Total provisions	**–**	13,033

26. EXPENSES BY NATURE

Operating profit is stated after crediting and charging the following:

	2013 US$'000	2012 US$'000
Depreciation		
Depreciation of property, plant and equipment (Note 5)	**68,735**	68,355
Less: amounts capitalised in assets under construction	**(350)**	(384)
	68,385	67,971
Employee compensation (Note 27)	**506,651**	479,907
Less: amounts capitalised in assets under construction	**(3,260)**	(2,450)
	503,391	477,457
Impairment of property, plant and equipment and intangibles (excluding the divestiture of non-core business)		
– Relating to restructuring (Note 25)	**–**	850
– Included in selling and administrative expenses and cost of goods sold	**1,733**	1,439
	1,733	2,289
Other items:		
Cost of goods sold*	**1,481,975**	1,556,337
Auditors' remuneration**	**2,300**	1,661
Amortisation of land use rights (Note 7)	**261**	390
Amortisation of intangible assets (Note 8)	**22,233**	24,555
Net exchange gains on revaluation of monetary assets and liabilities (Note 24)	**(5,465)**	(10,959)
Impairment of trade receivables/bad debt expense (Note 15)	**1,486**	26
Unused amounts of impairment of trade receivables reversed against bad debt expense (Note 15)	**(331)**	(245)

* *Cost of goods sold comprised materials, direct labour costs (including their social costs) and production overheads including operating lease payments of US$15.7 million (FY2011/12: US$17.2 million).*

** *FY2011/12 excluded US$0.5 million of contracted fees for work to be performed subsequent to 31 March.*

27. EMPLOYEE COMPENSATION

	2013 US$'000	2012 US$'000
Wages and salaries	**449,655**	429,729
Share-based payments	**4,670**	2,087
Social security costs	**45,873**	41,211
Pension costs – defined contribution plans	**3,790**	3,410
Pension costs – defined benefit plans (Note 19.1.2)	**2,663**	3,470
Total employee compensation (Note 26)	**506,651**	479,907

27. EMPLOYEE COMPENSATION *(Cont'd)*

27.1 Pensions – Defined benefit plans

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

27.2 Directors' remuneration

The remuneration of directors for FY2012/13 is set out below:

Name of director	Fees US$'000	Salary US$'000	Bonus US$'000	Other US$'000	Employer's contribution to pension scheme US$'000	**Total US$'000**
Yik-Chun Koo Wang	–	72	–	–	–	**72**
Patrick Shui-Chung Wang	–	844	971	–	97	**1,912**
Winnie Wing-Yee Wang	–	595	342	–	68	**1,005**
Austin Jesse Wang	–	232	54	18	8	**312**
Peter Kin-Chung Wang	32	–	–	–	–	**32**
Peter Stuart Allenby Edwards	43*	–	–	–	–	**43**
Patrick Blackwell Paul	55*	–	–	–	–	**55**
Michael John Enright	50*	–	–	–	–	**50**
Joseph Chi-Kwong Yam	40*	–	–	–	–	**40**
	220	1,743	1,367	18	173	**3,521**

The remuneration of directors for FY2011/12 is set out below:

Name of director	Fees US$'000	Salary US$'000	Bonus US$'000	Other US$'000	Employer's contribution to pension scheme US$'000	Total US$'000
Yik-Chun Koo Wang	–	72	–	–	–	72
Patrick Shui-Chung Wang	–	809	–	–	81	890
Winnie Wing-Yee Wang	–	571	–	–	57	628
Austin Jesse Wang	–	155	17	–	2	174
Peter Kin-Chung Wang	36	–	–	–	–	36
Peter Stuart Allenby Edwards	39*	–	–	–	–	39
Patrick Blackwell Paul	52*	–	–	–	–	52
Oscar de Paula Bernardes Neto	8	–	–	–	–	8
Michael John Enright	49*	–	–	–	–	49
Joseph Chi-Kwong Yam	39*	–	–	–	–	39
	223	1,607	17	–	140	1,987

* *Includes the value of the grant of shares to independent non-executive directors*

27. EMPLOYEE COMPENSATION *(Cont'd)*

27.3 Key/senior management compensation

Other than the directors' remuneration disclosed above, emoluments paid to 11 key/senior management as set out in the section-Profile of Directors and Senior Management on pages 158 to 163 of the annual report were as follows:

	2013	2012
	US$'000	US$'000
Salaries, allowances and other benefits	**6,296**	5,989
Retirement scheme contributions	**510**	432
Share-based payment	**631**	1,009
Bonuses	**3,019**	3,667
	10,456	11,097

Remuneration bands

	Number of individuals	
	2013	2012
US$641,001 – US$769,000 (HK$5,000,001 – HK$6,000,000)	**2**	1
US$769,001 – US$897,000 (HK$6,000,001 – HK$7,000,000)	**3**	2
US$897,001 – US$1,026,000 (HK$7,000,001 – HK$8,000,000)	**2**	3
US$1,026,001 – US$1,154,000 (HK$8,000,001 – HK$9,000,000)	**2**	2
US$1,154,001 – US$1,282,000 (HK$9,000,001 – HK$10,000,000)	**2**	3

27. EMPLOYEE COMPENSATION *(Cont'd)*

27.3 Key/senior management compensation *(Cont'd)*

Of the five highest paid individuals of the Group, one is a director of the Company whose remuneration is included in Note 27.2 (the amount for FY2011/12 was below the following table's remuneration band). The compensation paid to the 5 (FY2011/12: 5) highest paid employees were as follows:

	2013	2012
	US$'000	US$'000
Salaries, allowances and other benefits	**3,430**	3,135
Retirement scheme contributions	**318**	217
Share-based payment	**430**	416
Bonuses	**2,419**	2,027
	6,597	5,795

Remuneration bands

	Number of individuals	
	2013	2012
US$1,026,001 – US$1,090,000 (HK$8,000,001 – HK$8,500,000)	**1**	2
US$1,090,001 – US$1,154,000 (HK$8,500,001 – HK$9,000,000)	**1**	–
US$1,218,001 – US$1,282,000 (HK$9,500,001 – HK$10,000,000)	**2**	3
US$1,795,001 – US$1,923,000 (HK$14,000,001 – HK$15,000,000)	**1**	–

28. FINANCE (INCOME)/COSTS, NET

	2013 US$'000	2012 US$'000
Interest expense on borrowings wholly repayable within five years and overdrafts	**2,693**	6,847
Interest expense on borrowings wholly repayable later than five years	**5**	11
Interest income	**(7,464)**	(5,794)
Net interest (income)/expense on borrowings and overdrafts (Note 34)	**(4,766)**	1,064

See Note 18 for a discussion on Borrowings.

29. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (FY2011/12: 16.5%) on the estimated assessable profit for the year. Overseas tax has been provided at the applicable rates on the estimated assessable profit in the respective countries of operations for the year. The overall global effective tax rate for FY2012/13 was 9.7% (FY2011/12: 14.3%).

	2013 US$'000	2012 US$'000
Current income tax		
Hong Kong profits tax	**10,985**	11,997
Overseas taxation	**24,451**	21,345
Under provision in prior years	**712**	746
	36,148	34,088
Deferred income tax (Note 20)	**(15,282)***	(5,932)
Impairment of deferred income tax assets (Note 20)	**247**	3,462
Total income tax expense	**21,113**	31,618
Effective tax rate	**9.7%**	14.3%

* *The deferred income tax of US$15.3 million represents the release of deferred tax liabilities in relation to the divestiture of Saia-Burgess Controls business of US$8.0 million, amortisation of intangibles of US$5.4 million and the reversal of other timing differences of US$1.9 million.*

29. INCOME TAX EXPENSE *(Cont'd)*

The effective tax rate of the Group of 9.7% differed from the statutory tax rate of Hong Kong of 16.5% as follows:

	2013	2012	2013 US$'000	2012 US$'000
Profit before income tax			**218,005**	220,509
Tax charged at Hong Kong profits tax rate	**16.5%**	16.5%	**35,971**	36,384
Effect of different tax rates in other countries				
– Countries with taxable profit	**0.6%**	2.3%	**1,332**	5,023
– Countries with loss	**(2.2)%**	(1.8)%	**(4,790)**	(3,854)
Income, net of expenses not subject to tax	**(3.9)%**	(6.1)%	**(8,496)**	(13,413)
Under/(over) provisions in prior years	**0.2%**	(0.1)%	**488**	(289)
Tax losses and other timing differences not recognised as an asset and other tax, net of (utilisation)	**(1.6)%**	2.0%	**(3,639)**	4,305
Impairment of deferred income tax assets	**0.1%**	1.5%	**247**	3,462
	9.7%	14.3%	**21,113**	31,618

The effective tax rate for FY2012/13 excluding the tax effect of the divestitures was 12.5%.

See Note 20 for a discussion of deferred income tax assets and liabilities.

30. PROFIT ATTRIBUTABLE TO OWNERS

The Group's consolidated profit attributable to owners was US$191.3 million (FY2011/12: US$186.7 million). Profit of the Company for the year was US$466.8 million (FY2011/12: US$320.4 million).

Details of movement in reserves are shown in Note 22.

31. DIVIDENDS

	2013 US$'000	2012 US$'000
Interim, of 0.38 US Cents (3 HK Cents) per share, paid in January (FY2011/12: 0.38 US Cents or 3 HK Cents)	**13,771**	13,807
Final, proposed, of 1.03 US Cents (8 HK Cents) per share, to be paid in July (FY2011/12: 0.90 US Cents or 7 HK Cents)	**36,625**	32,311
	50,396	46,118

Total dividend per share for the year is 11 HK Cents (FY2011/12: 10 HK Cents).

At a meeting held on 16 May 2013 the directors recommended a final dividend of 1.03 US Cents (8 HK Cents) per share to be paid out in July 2013. The recommended final dividend will be reflected as an appropriation of retained earnings for FY2013/14.

32. EARNINGS PER SHARE

Basic earnings per share

Basic earnings per share was calculated by dividing the profit attributable to owners by the weighted average number of ordinary shares in issue during the year excluding ordinary shares purchased by the Company and held for the Long-Term Incentive Share Scheme.

	2013	2012
Profit attributable to owners (thousands US Dollar)	**191,321**	186,700
Weighted average number of ordinary shares in issue (thousands)	**3,571,644**	3,614,874
Basic earnings per share (US Cents per share)	**5.36**	5.16
Basic earnings per share (HK Cents per share)	**41.55**	40.17

Diluted earnings per share

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

	2013	2012
Weighted average number of ordinary shares issued and outstanding (thousands)	**3,571,644**	3,614,874
Adjustments for restricted shares granted:		
– Share Scheme (Time vesting)	**12,585**	8,481
– Share Scheme (Performance earned)	**5,318**	1,953
Weighted average number of ordinary shares (diluted) (thousands)	**3,589,547**	3,625,308
Diluted earnings per share (US Cents per share)	**5.33**	5.15
Diluted earnings per share (HK Cents per share)	**41.34**	40.05

33. COMMITMENTS

33.1 Capital commitments

Group	**2013**	2012
	US$'000	US$'000
Capital commitments for property, plant and equipment		
Authorised but not contracted for *	**22,500**	24,658
Contracted but not yet accrued	**6,749**	9,568
	29,249	34,226

* *As of the balance sheet date, capital commitment authorised but not contracted for represented the management's budget for the coming quarter.*

The Company did not have capital commitments as of 31 March 2013 (31 March 2012: nil).

33.2 Operating lease commitments

(i) As of 31 March 2013, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	2013		2012	
	Land and buildings	**Others**	Land and buildings	Others
	US$'000	**US$'000**	US$'000	US$'000
Less than 1 year	**17,534**	**1,269**	16,521	1,580
1 – 5 years	**55,411**	**1,445**	58,386	2,532
Over 5 years	**26,044**	**–**	34,360	–
	98,989	**2,714**	109,267	4,112

(ii) As of 31 March 2013, the Group had future aggregate minimum lease rental receivable under non-cancellable operating leases on land and buildings as follows:

	2013	2012
	US$'000	US$'000
Less than 1 year	**2,326**	2,963
1 – 5 years	**3,680**	1,624
Over 5 years	**7,843**	–
	13,849	4,587

The Company did not have any operating lease commitments as of 31 March 2013 (31 March 2012: nil).

34. CASH GENERATED FROM OPERATIONS

	2013 US$'000	2012 US$'000
Profit before income tax	**218,005**	220,509
Add: Depreciation of property, plant and equipment and amortisation of land use rights	**68,646**	68,361
Amortisation of intangible assets	**22,233**	24,555
Finance (income)/cost, net (Note 28)	**(4,766)**	1,064
Associate dividend receipts less share of profits	**150**	(171)
EBITDA*	**304,268**	314,318
Other non-cash items and adjustments		
Gain on divestiture of non-core business, net (Note 4, 23 & 36)	**(20,404)**	–
Loss on disposal of a property based subsidiary (Note 4 & 23)	**1,602**	–
Gains on disposal of property, plant and equipment and investment property (Note 4 & 23)	**(1,536)**	(1,586)
Provision for impairment on property, plant and equipment and intangibles	**1,733**	2,289
Insourcing of a European distribution channel	**–**	3,732
Net realised and unrealised (gains)/losses on disposals of other financial assets at fair value through profit and loss	**(57)**	223
Share-based compensation (Note 22)	**4,694**	2,112
Fair value gains on investment property (Note 4, 6 & 23)	**(3,974)**	(12,269)
Net realised losses on available-for-sale financial assets	**152**	255
	(17,790)	(5,244)
EBITDA* net of other non-cash items and adjustments	**286,478**	309,074
Change in working capital		
Insourcing of a European distribution channel	**(49,462)**	–
Decrease in inventories	**39,835**	7,267
Increase in trade and other receivables	**(28,410)**	(1,221)
Decrease/(increase) in non-current deposits	**1,258**	(299)
Decrease in trade and other payables	**(18,206)**	(45,584)
(Decrease)/increase in provision obligations and other liabilities	**(31,769)**	3,327
Increase in net financial assets	**(452)**	(5,914)
	(87,206)	(42,424)
Cash generated from operations	**199,272**	266,650

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

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

In the cash flow statement, proceeds from disposal of property, plant and equipment, investment property and a property based subsidiary comprises:

	2013 US$'000	2012 US$'000
Net book amount	**21,861**	16,770
Gains on disposal of property, plant and equipment and investment property (Note 4 & 23)	**1,536**	1,586
Loss on disposal of a property based subsidiary (Note 4 & 23)	**(1,602)**	–
Less: receivable from disposal of property	**(2,083)**	–
Proceeds from disposal of property, plant and equipment, investment property and a property based subsidiary	**19,712**	18,356

35. BUSINESS COMBINATION

On 2 July 2012, the Group entered into an agreement with Dialight Europe Limited to acquire certain assets, to expand the market share in the smart meter segment for electric utilities.

The aggregate revenue and net profit contributed by this acquisition are insignificant to the Group's results for the year. The acquisition does not have any significant impact to the Group's revenue and profit for the year if it had occurred on 1 April 2012.

The following table summarises the consideration paid for the fair value of the assets.

	2013 US$'000
Consideration	**11,098**

	Provisional fair value US$'000
Assets acquired	
Intangibles (Note 8)	**7,000**
Inventories	**4,098**
Total identifiable net assets	**11,098**
Goodwill	**–**
	11,098

The above does not include US$1 million contingent consideration, which is considered unlikely based on management's current assessment on future performance.

The purchase price allocations for this acquisition are preliminary. Adjustments to the allocations may occur as a result of obtaining more information on the asset valuations.

36. PROCEEDS FROM DIVESTITURE OF NON-CORE BUSINESSES

On 24 October 2012, the Group entered into a conditional shares and asset purchase agreement to sell the Saia-Burgess Controls business to Honeywell International, Inc. Completion occurred on 1 February 2013 as all conditions precedent set out in the agreement were satisfied.

Details of net assets of divested non-core businesses at date of disposal are set out below:

	2013 **US$'000**
Saia-Burgess Controls:	
Gross consideration received	133,897
Adjustment to consideration	(5,072)
Net consideration	128,825
Aggregate net assets disposed:	
Property, plant and equipment (Note 5)	(4,358)
Goodwill and intangibles (Note 8)	(91,009)
Inventory	(9,692)
Trade and other receivables	(13,115)
Exchange reserve (Note 22)	23,441
Others	8,988
	(85,745)
Disposal gain on divestiture of non-core business	43,080
Less: transactions costs	(3,554)
Net disposal gain on divestiture of non-core business	39,526
Less: impairment of property and other costs	(19,122)
Total pre-tax gain in relation to divestiture of non-core business, impairments and other costs (Note 4, 23 & 34)	**20,404**
Income taxes – benefit from release of liability assigned to intangibles, net of tax expense on the disposal gain	4,209
Net gain after-tax	24,613
Analysis of net inflow of cash and cash equivalents directly attributable to divestiture of non-core businesses:	
Gross consideration received	133,897
Less: cash and cash equivalents divested	(885)
Gross proceeds from divestiture of Saia-Burgess Controls, net of cash divested	**133,012**
Proceeds from divestiture of other non-core business, net of cash divested	**4,755**
Combined proceeds	**137,767**

Post-closing adjustments for the divestiture of Saia-Burgess Controls will result in cash outlays in FY2013/14. For the period 1 April through 16 May 2013, cash outlays were about US$5.5 million.

37. RELATED-PARTY TRANSACTIONS

Details of substantial owners are shown in Disclosure of Interests in the Report of the Directors. The Group had no material related party transactions during the year. Details of key/senior management compensation are disclosed in Note 27.3 in these financial statements.

38. FINANCIAL RISK MANAGEMENT

38.1 Financial risk factors

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

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

(a) Market risk

(i) Foreign exchange risk

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

For FY2012/13, of the sales, 47% (FY2011/12: 48%) were in US Dollar, 33% (FY2011/12: 34%) in Euro, 15% (FY2011/12: 13%) in RMB with the rest being in other currencies including Japanese Yen.

The major currencies used for raw material purchases, production overhead costs and S&A costs are the US Dollar, the Chinese Renminbi, the Euro, the Hong Kong Dollar, the Swiss Franc, the Hungarian Forint and the Polish Zloty. Aside from the US Dollar and the Hong Kong Dollar (which is pegged to the US Dollar), open foreign exchange exposures are hedged with forward foreign exchange contracts, with a view to reducing the net exposure to currency fluctuation. At the year end, contracts for the forward purchase of foreign currencies had durations of up to 60 months.

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

38.1 Financial risk factors *(Cont'd)*

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

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

The Group's most significant currency exposures relate to the RMB and Euro. As of 31 March 2013, if the US Dollar had weakened/strengthened by 5% against the RMB with all other variables held constant, post-tax profit for the year would be 6.1% (FY2011/12: 4.8%) higher/lower, mainly a result of foreign exchange differences on translation of RMB denominated net current assets. If the US Dollar had weakened/strengthened by 5% against the Euro with all other variables held constant, post-tax profit for the year would be 0.9% (FY2011/12: 1.2%) higher/lower, mainly a result of foreign exchange differences on translation of Euro denominated net current assets. The above sensitivity ignores the potential impact of cash flow hedges.

(ii) Interest rate risk

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

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

The bank balances and deposits as of 31 March 2013 were US$480.9 million (31 March 2012: US$385.1 million) and were interest bearing at weighted average rate of approximately 1.8% (31 March 2012: 1.9%). Other than the bank deposits, the Group has no significant interest-bearing assets. Management does not anticipate significant impact resulting from the changes in interest rates on interest-bearing assets and borrowings.

(iii) Raw material commodity price risk

The Group is exposed to raw material commodity price risk, mainly due to fluctuations in steel, copper and silver purchase prices. Price risks due to steel are reduced through fixed price contracts up to 3 months forward with the Group's suppliers, and price risk due to copper and silver is also reduced through hedging through the appropriate financial instruments. The Group also manages copper and silver prices through incorporating appropriate clauses in contracts with certain customers so as to have the flexibility to pass increases in raw material costs onto these customers. At the year end, the copper hedging contracts had a maturity ranging from 1 month to 24 months, and silver hedging contracts had a maturity ranging from 1 month to 24 months from the balance sheet date.

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

38.1 Financial risk factors *(Cont'd)*

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

(iii) Raw material commodity price risk *(Cont'd)*

The Group's most significant raw material commodity price risk exposures relate to copper. A 10% increase/decrease in the copper price would increase/decrease the equity by US$11.4 million (31 March 2012: US$13.4 million), representing the change in fair value of copper hedging contracts at the balance sheet date.

(b) Credit and customer collection risks

The credit and customer collection risks of the Group mainly arises from trade and other receivables. The Group has no significant concentrations of credit risks. During the year, the Group sold approximately 20% of its goods and services to its 5 largest customers and the largest single customer was less than 7% of sales (FY2011/12: less than 5% of sales). The Group normally grants credit terms ranging from 30 to 90 days to trade customers. It has a policy in place to evaluate customers' credit risk by considering their current financial position and past repayment history. Management reviews the collectability of the overdue accounts receivable according to the Group's credit and provision for doubtful debt policies. The Group's customer credit management has resulted in a continuing low rate of bad debt.

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

As of 31 March 2013, the Company's maximum exposure to credit risk for financial guarantees is US$122.8 million (31 March 2012: US$152.8 million).

(c) Liquidity risk

Management believes the combination of cash on hand, available credit lines and expected future operating cash flows is sufficient to satisfy our cash needs for our current level of operations and our planned operations for the foreseeable future. Available credit lines include financing of trade receivables by subsidiary companies in USA, Europe and Hong Kong, guaranteed by the Company.

The Group had cash and cash equivalents of US$480.9 million as of 31 March 2013 (31 March 2012: US$385.1 million), which constitute 21% of its total assets. The Group had US$165 million of three year committed and unutilised (31 March 2012: US$35 million) and US$380 million of uncommitted and unutilised short term borrowing facilities provided by its principal bankers (31 March 2012: US$320 million).

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

38.1 Financial risk factors *(Cont'd)*

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

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

	Less than 1 year US$'000	1 – 2 years US$'000	2 – 5 years US$'000	Over 5 years US$'000
Group				
As of 31 March 2013				
Borrowings	122,924	64	1,246	1,072
Other financial assets and liabilities				
– Forward foreign exchange contracts				
– Net settled	(9)	(7)	(10,603)	–
– Gross settled:				
– inflow	(658,491)	(507,855)	(690,118)	–
– outflow	640,292	490,791	658,091	–
– Others	2,519	(767)	–	–
Finance lease	1,392	1,400	4,200	262
Trade and other payables	341,652	–	–	–
Company				
As of 31 March 2013				
Other financial assets and liabilities				
– Forward foreign exchange contracts				
– Gross settled:				
– inflow	*–*	*(33,568)*	*(101,207)*	*–*
– outflow	*–*	*31,950*	*95,850*	*–*
Trade and other payables	*2,052*	*–*	*–*	*–*
Amounts due to subsidiaries	*120,130*	*–*	*–*	*–*
Financial guarantee contracts	*122,834*	*–*	*–*	*–*

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

38.1 Financial risk factors *(Cont'd)*

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

	Less than 1 year US$'000	1 – 2 years US$'000	2 – 5 years US$'000	Over 5 years US$'000
Group				
As of 31 March 2012				
Borrowings	203,778	80	1,641	1,324
Other financial assets and liabilities				
– Forward foreign exchange contracts				
– Net settled	166	71	–	–
– Gross settled:				
– inflow	(517,948)	(275,434)	(66,680)	–
– outflow	514,012	271,099	63,098	–
– Others	2,766	74	–	–
Finance lease	1,377	1,392	4,200	1,662
Trade and other payables	364,124	–	–	–
Company				
As of 31 March 2012				
Borrowings	*50,792*	–	–	–
Trade and other payables	*65*	–	–	–
Amounts due to subsidiaries	*211,131*	–	–	–
Financial guarantee contracts	*152,835*	–	–	–

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

38.2 Capital risk management

As of 31 March 2013, the Group's total debt to capital ratio was 7% compared to 12% as of 31 March 2012.

Total debt to capital ratio as of 31 March 2013 and 31 March 2012 was as follows:

	2013 **US$'000**	2012 US$'000
Short term borrowings	**123,260**	203,104
Long term borrowings	**1,735**	2,258
Total debt (Note 18)	**124,995**	205,362
Total equity	**1,598,763**	1,487,481
Total capital (equity + debt)	**1,723,758**	1,692,843
Total debt to capital ratio	**7%**	12%

The net cash position as of 31 March 2013 and 31 March 2012 was as follows:

Total debt	**(124,995)**	(205,362)
Cash and deposits (Note 16)	**480,924**	385,117
Net cash (total debt less cash)	**355,929**	179,755

Funding requirements for capital expenditures are expected to be met by internal cash flows.

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

38.3 Fair value estimation

The fair value of the Group's financial assets and liabilities are classified into 3 levels of the fair value measurement hierarchy according to HKFRS 7 requirements and disclosed as below:

Level 1: No financial assets and liabilities of the Group are quoted in public markets.

Level 2: The Group's level 2 financial assets and liabilities are traded in the market and the fair values are obtained from the bank statements.

Level 3: The Group's level 3 financial assets and liabilities are not traded in the market and the fair values are obtained from the statements issued by the investment bank.

The following table presents the Group's and the Company's assets and liabilities other than investment property that are measured at fair value as of 31 March 2013.

	Level 1 US$'000	Level 2 US$'000	Level 3 US$'000	Total US$'000
Group				
Assets				
Other financial assets				
– Derivatives held for trading	–	33	–	33
– Derivatives used for hedging	–	48,494	–	48,494
Other financial assets at fair value through profit and loss				
– Unlisted debt securities	–	1,102	–	1,102
Available-for-sale financial assets				
– Unlisted securities	–	–	1,081	1,081
Total assets	–	49,629	1,081	50,710
Liabilities				
Other financial liabilities				
– Derivatives held for trading	–	17	–	17
– Derivatives used for hedging	–	7,711	–	7,711
Total liabilities	–	7,728	–	7,728
Company				
Assets				
Available-for-sale financial assets				
– Unlisted securities	–	–	*1,081*	*1,081*
Total assets	–	–	*1,081*	*1,081*

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

38.3 Fair value estimation *(Cont'd)*

The following table presents the Group's and the Company's assets and liabilities other than investment property that are measured at fair value as of 31 March 2012:

	Level 1 US$'000	Level 2 US$'000	Level 3 US$'000	Total US$'000
Group				
Assets				
Other financial assets				
– Derivatives held for trading	–	58	–	58
– Derivatives used for hedging	–	20,522	–	20,522
Other financial assets at fair value through profit and loss				
– Unlisted debt securities	–	4,452	–	4,452
Available-for-sale financial assets				
– Unlisted securities	–	–	6,307	6,307
Total assets	–	25,032	6,307	31,339
Liabilities				
Other financial liabilities				
– Derivatives held for trading	–	33	–	33
– Derivatives used for hedging	–	10,558	–	10,558
Total liabilities	–	10,591	–	10,591
Company				
Assets				
Available-for-sale financial assets				
– Unlisted securities	–	–	*1,552*	*1,552*
Total assets	–	–	*1,552*	*1,552*

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

38.3 Fair value estimation *(Cont'd)*

The following table presents the changes in level 3 instruments for FY2012/13 and FY2011/12:

	Available-for-sale financial assets	
	2013	2012
	US$'000	US$'000
At beginning of the year	**6,307**	1,956
Additions	**–**	5,000
Disposal	**(5,008)**	(56)
Fair value losses recorded in equity	**(218)**	(348)
Provision for impairment	**–**	(245)
At end of the year	**1,081**	6,307
Total losses for the year included in profit or loss	**–**	(245)

The following summarises the major methods and assumptions used in estimating the fair values of the financial assets and liabilities:

(i) Other financial assets/liabilities
The Group relies on bank valuations to determine the fair value of financial assets/liabilities which in turn are determined using various valuation techniques such as discounted cash flow analysis. Copper price and foreign currency exchange prices are the key inputs in the valuation.

(ii) Other financial assets at fair value through profit and loss
The fair values of unlisted debt securities are based on the fair value using discounted cash flow analysis valued by the financial institutions.

(iii) Available-for-sale financial assets
The fair values of unlisted securities are based on the fair value using discounted cash flow analysis valued by the financial institutions.

39. EFFECT OF ADOPTING NEW HKFRS

Interpretations and amendments to published standards effective in FY2012/13 which are relevant to the Group

In FY2012/13, the Group adopted the revised and amended standards and interpretations of HKFRS below, which are relevant to its operations.

HKFRS 7 (amendment)	Disclosures – Transfers of financial assets

The adoption of such revised and amended standards and interpretations do not have material impact on the consolidated financial statements. A summary of these new standards and interpretation is as follows:

HKFRS 7 (amendment), "Disclosures – Transfers of financial assets"
The amendments promote transparency in the reporting of transfer transactions and improve users' understanding of the risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position, particularly those involving securitisation of financial assets.

39. EFFECT OF ADOPTING NEW HKFRS *(Cont'd)*

Standards, interpretations and amendments to published standards that are not effective in FY2012/13 which are relevant to the Group's operations

Certain new standards, interpretations and amendments to existing standards have been published that are mandatory for the Group's accounting periods beginning on or after 1 April 2013 or later periods, which the Group has not early adopted, are as follows:

HKAS 1 (amendment)	Presentation of financial statements[1]
HKAS 7 (amendment)	Financial instruments: Disclosures – offsetting financial assets and financial liabilities[2]
HKAS 19 (amendment)	Employee benefits[2]
HKAS 27 (revised 2011)	Separate financial statements[2]
HKAS 28 (revised 2011)	Associates and joint ventures[2]
HKAS 32 (amendment)	Financial instruments: Presentations – offsetting financial assets and financial liabilities[3]
HKFRS 1 (amendment)	First-time adoption on government loans[2]
HKFRS 9	Financial instruments[4]
HKFRS 10	Consolidated financial statements[2]
HKFRS 11	Joint arrangements[2]
HKFRS 12	Disclosure of interests in other entities[2]
HKFRS 13	Fair value measurements[2]
Annual Improvements Project	Improvements to HKFRSs 2011[2]

Note

(1) Effective on or after 1 July 2012
(2) Effective on or after 1 January 2013
(3) Effective on or after 1 January 2014
(4) Effective on or after 1 January 2015

The Group is in the process of making an assessment of the impact of these amendments, new standards and new interpretations in the period of initial application. In addition to above, there are a number of minor amendments to HKAS/HKFRS under the annual improvement project of HKICPA. These amendments are not likely to have a significant impact on the Group's financial statements and are not analysed in detail.

40. PRINCIPAL SUBSIDIARIES AND ASSOCIATE

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

Name	Principal activities	Place of incorporation/ establishment and operation	Issued and paid up capital	Effective shareholding by Company	Effective shareholding by subsidiary
Subsidiaries					
Changchun Ri Yong JEA Gate Electric Co., Ltd. #	Manufacturing	China	RMB10,000,000	–	60%
Easy Fortune (H.K.) Ltd.	Property holding	British Virgin Islands	50,000 shares of US$1 each	–	100%
Gate do Brasil Ltda.	Sales and manufacturing	Brazil	BRL35,547,848.56	–	100%
Gate France SAS	Manufacturing	France	EUR382,000	–	100%
Harbour Sky (BVI) Ltd.	Property holding	British Virgin Islands	50,000 shares of US$1 each	–	100%
Hwa Sun (Guangdong) Co., Limited *	Manufacturing	China	US$8,000,000	–	100%
JE (DWS) Co., Ltd. *	Manufacturing	China	US$7,200,000	–	100%
Johnson Electric Asti S.r.l. (formerly known as Gate S.r.l.)	Manufacturing	Italy	EUR2,600,000	–	100%
Johnson Electric Hatvan Kft	Manufacturing	Hungary	EUR103,376	–	100%
Johnson Electric (Beihai) Co., Ltd. *	Manufacturing, sales and marketing and R&D	China	US$10,000,000	–	100%
Johnson Electric Germany GmbH & Co. KG (formerly known as Johnson Electric Oldenburg GmbH & Co. KG)	Manufacturing, sales and marketing and R&D	Germany	EUR15,338,800	–	100%
Johnson Electric (Guangdong) Co., Ltd. *	Manufacturing, sales and marketing	China	US$4,250,000	–	100%

* *Wholly foreign owned enterprises*

\# *Equity joint ventures*

40. PRINCIPAL SUBSIDIARIES AND ASSOCIATE *(Cont'd)*

Name	Principal activities	Place of incorporation/ establishment and operation	Issued and paid up capital	Effective shareholding by Company	Effective shareholding by subsidiary
Subsidiaries					
Johnson Electric Group Mexico, S. de R.L. de C.V.	Manufacturing	Mexico	MXN3,000	–	100%
Johnson Electric Services Mexico, S. de R.L. de C.V.	Provision of service	Mexico	MXN3,000	–	100%
Johnson Electric Trading Mexico, S. de R.L. de C.V.	Sales and marketing	Mexico	MXN3,000	–	100%
Johnson Electric Industrial Manufactory, Limited	Trading	Hong Kong	308,000,000 shares of HK$0.5 each	100%	–
Johnson Electric International AG	R&D, sales and marketing	Switzerland	643,200 shares of CHF18.66 each	–	100%
Johnson Electric International Limited	Manufacturing, sales and marketing	Hong Kong	80,000,000 shares of HK$1 each	–	100%
Johnson Electric North America, Inc.	Sales and marketing	United States of America	12 shares without par value issued at US$120,000	–	100%
Johnson Electric (Nanjing) Co., Ltd. *	Manufacturing	China	US$6,100,000	–	100%
Johnson Electric Ózd Kft	Manufacturing	Hungary	EUR56,753.96	–	100%
Johnson Electric Poland Sp.zo.o.	Manufacturing	Poland	49,554 shares of PLN500 each	–	100%
Johnson Electric Private Limited	Manufacturing, sales and marketing	India	INR140,168,700	–	100%
Johnson Electric (Shanghai) Company Limited *	Sales and marketing	China	US$200,000	–	100%
Johnson Electric (Shenzhen) Co., Ltd. *	R&D	China	HK$30,000,000	–	100%

* *Wholly foreign owned enterprises*

\# *Equity joint ventures*

40. PRINCIPAL SUBSIDIARIES AND ASSOCIATE *(Cont'd)*

Name	Principal activities	Place of incorporation/ establishment and operation	Issued and paid up capital	Effective shareholding by Company	Effective shareholding by subsidiary
Subsidiaries					
Johnson Electric Switzerland AG	R&D, manufacturing, sales and marketing	Switzerland	5,000 shares of CHF1,000 each	–	100%
Johnson Electric World Trade Limited	Sales and marketing	Hong Kong	100,000 shares of HK$1 each	100%	–
M.M.A (Manufactura de Motores Argentinos) S.r.l.	Manufacturing	Argentina	388,000 shares of 10 Pesos each	–	100%
Nanomotion Ltd.	R&D, manufacturing, sales and marketing	Israel	18,669,985 shares of NIS0.01 each	–	98.57%
Parlex Pacific Limited	Sales and marketing	Hong Kong	10,000 shares of HK$1 each	–	100%
Parlex Dynaflex Corporation	Manufacturing	United States of America	1,000 shares issued without par value	–	100%
Parlex (Shanghai) Electronics Co., Ltd. *	R&D, manufacturing, sales and marketing	China	US$15,000,000	–	100%
Parlex USA Inc.	R&D, manufacturing, sales and marketing	United States of America	100 shares issued without par value	–	100%
Saia-Burgess Automotive Actuators Inc.	R&D, manufacturing, sales and marketing	United States of America	300,000 shares issued without par value	–	100%
Saia-Burgess Benelux B.V.	Sales and marketing	Netherlands	3,000 shares of EUR45 each	–	100%
Saia-Burgess (China) Limited *	Manufacturing	China	US$6,500,000	–	100%
Saia-Burgess Inc.	R&D, manufacturing, sales and marketing	United States of America	36 common shares of US$0.01 each and 3,600 preferred shares of US$0.01 each	–	100%

* *Wholly foreign owned enterprises*

\# *Equity joint ventures*

40. PRINCIPAL SUBSIDIARIES AND ASSOCIATE *(Cont'd)*

Name	Principal activities	Place of incorporation/ establishment and operation	Issued and paid up capital	Effective shareholding by Company	Effective shareholding by subsidiary
Subsidiaries					
Saia-Burgess Milano S.r.l.	Sales and marketing	Italy	EUR3,700,000	–	100%
Saia-Burgess Paris Sarl	Sales and marketing	France	6,250 shares of EUR16 each	–	100%
Shanghai Malu Ri Yong-JEA Gate Electric Co., Ltd. #	Manufacturing	China	RMB85,000,000	–	60%
V Motor (China) Limited *	R&D, manufacturing, sales and marketing	China	US$6,000,000	–	100%
Associate					
Shenzhen SMART Micromotor Co., Ltd. #	Manufacturing, sales and marketing	China	US$2,100,000	–	49%

* *Wholly foreign owned enterprises*

\# *Equity joint ventures*

JOHNSON ELECTRIC GROUP TEN-YEAR SUMMARY

US$ million	**2013**	2012	2011
Consolidated income statement			
Sales	**2,059.7**	2,140.8	2,104.0
Earnings before interest and tax (EBIT) [1]	**213.2**	221.6	235.8
Profit before income tax	**218.0**	220.5	226.4
Income tax (expense)/income	**(21.1)**	(31.6)	(36.1)
Discontinued operations	**–**	–	–
Profit for the year	**196.9**	188.9	190.3
Non-controlling interests	**(5.6)**	(2.2)	(8.6)
Profit attributable to owners	**191.3**	186.7	181.7
Consolidated balance sheet			
Fixed assets	**425.6**	433.1	457.5
Goodwill and intangible assets	**621.5**	757.8	774.7
Other current and non-current assets	**1,196.8**	1,089.1	1,110.2
Total assets	**2,243.9**	2,280.0	2,342.4
Equity attributable to owners	**1,568.5**	1,461.6	1,362.2
Non-controlling interests	**30.3**	25.9	60.1
Total equity	**1,598.8**	1,487.5	1,422.3
Debt (total borrowings)	**125.0**	205.4	313.7
Capital employed [2]	**1,723.8**	1,692.9	1,736.0
Other current and non-current liabilities	**520.2**	587.1	606.4
Total equity and liabilities	**2,244.0**	2,280.0	2,342.4
Per share data			
Basic earnings per share (US Cents) – continuing operations	**5.4**	5.2	5.0
Dividend per share (US Cents)	**1.4**	1.3	1.2
Shareholders' funds per share (US Cents)	**43.9**	40.4	37.2
Other information			
Free cash flow from operations [3]	**111.9**	166.0	169.6
Earnings before interest, tax, depreciation and amortisation	**304.3**	314.3	322.5
Ratios			
EBIT to sales %	**10%**	10%	11%
Return on total equity % [4]	**12%**	13%	13%
Free cash flow from operations to debt %	**90%**	81%	54%
Total debt to EBITDA (times)	**0.4**	0.7	1.0
Total debt to capital %	**7%**	12%	18%
Interest coverage (times)	**79.0**	32.1	18.2

1 *Earnings before interest and tax (EBIT) is defined as operating profit (per accounts) plus share of profits/(losses) of associate*
2 *Capital employed is defined as total equity plus total borrowings (long term debt plus short term debt)*
3 *Net cash generated from operating activities plus interest received, less capital expenditure net of proceeds from sale of assets*
4 *Return on total equity is calculated as profit for the year over total equity*

* *Historical data for FY2009/10 had been restated for the adoption of HKAS 12(amendment), and historical data for FY2003/04 to FY2008/09 had not been restated in this summary for the adoption of HKAS 12 (amendment).*

As restated 2010	2009	2008	2007	2006	2005	2004
1,741.0	1,828.2	2,220.8	2,086.6	1,526.3	1,143.8	1,050.7
110.5	47.0	188.9	157.5	117.8	153.9	132.6
103.8	37.4	170.1	135.9	116.3	156.4	134.5
(16.4)	0.4	(31.9)	(22.9)	(21.9)	(15.2)	(17.9)
–	(31.1)	–	–	–	–	–
87.4	6.7	138.2	113.0	94.4	141.2	116.6
(10.4)	(4.1)	(7.4)	(3.3)	(0.4)	–	–
77.0	2.6	130.8	109.7	94.0	141.2	116.6
440.6	428.3	471.3	439.0	421.1	280.3	257.0
699.9	662.1	775.2	667.2	631.6	43.3	20.1
990.3	859.5	1,108.2	914.1	961.3	738.2	676.0
2,130.8	1,949.9	2,354.7	2,020.3	2,014.0	1,061.8	953.1
1,121.7	964.4	1,101.9	940.7	845.5	818.3	734.1
51.5	33.7	31.0	22.7	10.3	1.1	–
1,173.2	998.1	1,132.9	963.4	855.8	819.4	734.1
408.7	528.9	564.5	573.5	708.1	16.0	3.1
1,581.9	1,527.0	1,697.4	1,536.9	1,563.9	835.4	737.2
548.9	422.9	657.3	483.4	450.1	226.4	215.9
2,130.8	1,949.9	2,354.7	2,020.3	2,014.0	1,061.8	953.1
2.1	0.9	3.6	3.0	2.6	3.8	3.2
0.6	–	1.8	1.7	1.7	2.0	1.7
30.6	26.3	30.0	25.6	23.0	22.3	20.0
215.1	168.5	186.7	106.8	110.3	76.5	144.9
197.9	136.2	279.5	246.0	178.0	203.5	172.2
6%	3%	9%	8%	8%	13%	13%
7%	1%	12%	12%	11%	17%	16%
53%	32%	33%	19%	16%	The Group was substantively debt-free before FY2005/06	
2.1	3.9	2.0	2.3	4.0		
26%	35%	33%	37%	45%		
12.4	3.0	7.2	5.5	15.5		

PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Yik-Chun Koo Wang

Non-Executive Director

Honorary Chairman

Yik-Chun Koo Wang, age 96, is Honorary Chairman of the Company and co-founder of the Johnson Electric Group. She was Vice-Chairman of the Group from 1984 to 1996 and was actively involved in the development of the Group in its early stages. Madam Wang is the Honorary Chairlady of Tristate Holdings Limited.

Patrick Shui-Chung Wang *JP*

Chairman and Chief Executive

Member of Nomination and Corporate Governance Committee

Patrick Shui-Chung Wang, age 62, obtained his BSc and MSc degrees in Electrical Engineering and received an Honorary Doctorate of Engineering from Purdue University in Indiana, USA. He joined the Johnson Electric Group in 1972 and became a director in 1976 and Managing Director in 1984. In 1996 he was elected Chairman and Chief Executive of the Company. He also serves on the boards of various subsidiaries of the Company. Dr. Wang is the Chairman and a director of the Hong Kong Applied Science and Technology Research Institute Company Limited, a non-executive director and a member of the Nomination Committee of VTech Holdings Limited and a non-executive director of Tristate Holdings Limited. He is a son of the Honorary Chairman, Ms. Yik-Chun Koo Wang.

Winnie Wing-Yee Wang

Vice-Chairman

Member of Remuneration Committee

Winnie Wing-Yee Wang, age 66, obtained her BSc degree from Ohio University in USA. She joined the Johnson Electric Group in 1969. She became a director in 1971 and Executive Director in 1984 and was elected Vice-Chairman in 1996. She also serves on the boards of various subsidiaries of the Company. Ms. Wang is a non-executive director of Tristate Holdings Limited. She is a sister of the Chairman and Chief Executive, Dr. Patrick Wang.

Austin Jesse Wang

Executive Director

Austin Jesse Wang, age 32, graduated from Massachusetts Institute of Technology with M.Eng and B.S. degrees in Computer Science and Electrical Engineering. He joined the Johnson Electric Group in 2006 and became a director in 2009. He also serves on the boards of various subsidiaries of the Company. Mr. Wang is a committee member of Shenzhen Committee of The Chinese People's Political Consultative Conference. He has previously worked as a consulting engineer in the computing industry. Mr. Wang is the son of the Chairman and Chief Executive, Dr. Patrick Wang.

Peter Kin-Chung Wang

Non-Executive Director

Member of Audit Committee

Peter Kin-Chung Wang, age 59, has been a Non-Executive Director of the Company since 1982. He obtained a BSc degree in Industrial Engineering from Purdue University and an MBA degree from Boston University. He is the Chairman and Chief Executive Officer of Tristate Holdings Limited and the Chairman and Managing Director of Hua Thai Manufacturing Public Company Limited (formerly listed on The Stock Exchange of Thailand). Mr. Wang won the Young Industrialist Award of Hong Kong in 1998. In 2005, he received the Outstanding Industrial Engineer Award from the School of Industrial Engineering of Purdue University. He is a member of Anhui Provincial Committee of Chinese People's Political Consultative Conference, the honorary chairman of the Hong Kong Garment Manufacturers Association, a general committee member of the Textile Council of Hong Kong Limited and a director of The Federation of Hong Kong Garment Manufacturers. He is a brother of the Chairman and Chief Executive, Dr. Patrick Wang.

Peter Stuart Allenby Edwards

Independent Non-Executive Director

Chairman of Nomination and

Corporate Governance Committee

Peter Stuart Allenby Edwards, age 64, has been an Independent Non-Executive Director of the Company since 1995. He is a solicitor and was Senior Partner of Johnson, Stokes & Master until he retired on 30 September 1996. Mr. Edwards was Chairman of the Hong Kong Branch of the International Fiscal Association, Chairman of the Revenue Law Committee of the Hong Kong Law Society and a member of the Joint Liaison Committee on Taxation which advises the Government of the Hong Kong Special Administrative Region. He is also a member of the International Academy of Estate and Trust Law, an honorary lecturer in law at the University of Hong Kong and a director of a number of investment and holding companies. He is a director of Martin Currie Pacific Trust plc.

Patrick Blackwell Paul

Independent Non-Executive Director

Chairman of Audit Committee and

Member of Nomination and

Corporate Governance Committee

Patrick Blackwell Paul, age 65, has been an Independent Non-Executive Director of the Company since 2002. He had been Chairman and Senior Partner of PricewaterhouseCoopers in Hong Kong from 1994 to 2001. He is an independent non-executive director of The Hongkong and Shanghai Hotels, Ltd. and Pacific Basin Shipping Limited. His civic commitments include chairing the Supervisory Board of the British Chamber of Commerce in Hong Kong.

Michael John Enright

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

Michael John Enright, age 54, has been an Independent Non-Executive Director of the Company since 2004. He obtained his A.B. (in Chemistry), MBA, and Ph.D. (in Business Economics) degrees all from Harvard University. He was formerly a professor at the Harvard Business School. Prof. Enright is currently a professor at the University of Hong Kong School of Business and a director in Enright, Scott & Associates, a Hong Kong-based consulting firm.

Joseph Chi-Kwong Yam *GBM, GBS, CBE, JP*

Independent Non-Executive Director
Member of Remuneration Committee

Joseph Chi-Kwong Yam, age 65, has been an Independent Non-Executive Director of the Company since 2010. He graduated from the University of Hong Kong with first class honours in 1970. Over the years, he has received a number of honorary doctorate degrees and professorships from universities in Hong Kong and overseas. Mr. Yam was awarded the highest honour of the Grand Bauhinia Medal by the Government of the Hong Kong Special Administrative Region in 2009. He was Chief Executive of the Hong Kong Monetary Authority from 1993 to September 2009. He is Executive Vice President of the China Society for Finance and Banking, a society managed by the People's Bank of China, Distinguished Research Fellow of the Institute of Global Economics and Finance at The Chinese University of Hong Kong and Chairman of Macroprudential Consultancy Limited. Mr. Yam is a member of the Board of Directors, the Corporate Responsibility Committee and the Risk Committee of UBS AG. He is also an independent non-executive director, chairman of the Risk Management Committee and member of the Strategic Development Committee of China Construction Bank Corporation and a member of the advisory committees of a number of academic and private institutions focusing in finance.

SENIOR MANAGEMENT

Tung-Sing Choi

Senior Vice President,
Global Manufacturing

Tung-Sing Choi, age 63, is responsible for the global manufacturing management of the Group. He joined the Johnson Electric Group in 1968 and has more than 40 years of experience in motor component manufacturing, motor assembly processes and the utilisation of machines and fixtures.

James Randolph Dick

Senior Vice President,
Strategic Marketing & Sales

James Randolph Dick, age 59, holds a BSc in Electrical and Electronic Engineering from the University of Paisley in Scotland. He is responsible for developing responses to macro market issues and leading the Company's productizing and selling process. He joined the Johnson Electric Group in 1999. He has 35 years of experience in high technology management throughout the world. Prior to joining the Group, he held executive positions with Xerox in the USA, IBM in Europe and with Astec (BSR) Plc, an Emerson Electric company, based in Hong Kong.

Robert Allen Gillette

Senior Vice President,
Supply Chain Services

Robert Allen Gillette, age 47, holds a BS degree in Electrical Engineering from Washington University and an MBA concentrating in Operations and Finance from Vanderbilt University. He is responsible for providing leadership and strategic direction in supply chain management for all business units of Johnson Electric. Prior to joining the Group in 2007, he worked for Emerson Electric where he held various operations, marketing and supply chain positions in North America and Asia.

Joseph Alan Guisinger

Senior Vice President,
Industry Products Group – Americas

Joseph Alan Guisinger, age 46, holds a BSBA degree in Transportation and Logistics from Ohio State University and a Master's Degree from the Thunderbird School of Global Management. He joined Johnson Electric in 2004 and is currently responsible for the strategic, commercial and operational direction of the Industry Products Group in the Americas. Prior to joining Johnson Electric, he worked for Emerson Electric and held senior positions in Supply Chain Management in Asia and North America.

Christopher John Hasson

Executive Vice President

Christopher John Hasson, age 50, educated at Manchester University and London Business School (Corporate Finance and Accounting). He is responsible for corporate business development, mergers and acquisitions, corporate strategic planning, and for supervision of the legal and company secretarial functions. Prior to joining Johnson Electric in 2002, he was a partner at The Boston Consulting Group.

Kam-Chin Ko

Senior Vice President,
Automotive Products Group – Asia

Kam-Chin Ko, age 47, holds a MSc degree in Manufacturing System Engineering from the University of Warwick, UK and a Doctor of Engineering from the Hong Kong Polytechnic University. He is responsible for the business and strategic objectives for sales, business development and engineering of the Automotive Products Group in Asia. He joined Johnson Electric in 1988 and in previous positions led the Components and Services Group and the Corporate Engineering function. He is a member of The Institute of Engineering and Technology and a member of the Institute of Industrial Engineers.

Yiu-Cheung Kwong

Senior Vice President,
Industry Products Group – Asia

Yiu-Cheung Kwong, age 47, holds a Mechanical Engineering degree from Sunderland Polytechnics, UK, and a MBA degree from City University of Hong Kong. He is responsible for the strategic, commercial and operational direction of the Industry Products Group in Asia. He joined Johnson Electric in 1999, and had been a General Manager for Home Appliance Business Unit. Prior to joining the Group, he has 10 years experience with TDK, NHK and Philips, where he held a variety of positions in product engineering, product procurement, and sales & marketing.

Peter Henry Langdon

Senior Vice President,
Human Resources

Peter Henry Langdon, age 64, holds Bachelor's (Hons.) and Master's degrees in Politics and Economics. He joined Johnson Electric in December 2007 and is responsible for Human Resources, Global Environmental, Health and Safety, and Training and Development. Prior to joining Johnson Electric, he was responsible for Human Resources and was the Assistant Corporate Secretary for a major international energy service company.

Yue Li

Senior Vice President,
Corporate Engineering

Yue Li, age 53, obtained a Bachelor of Science degree from Tsinghua University and also a Ph.D from University of Wisconsin-Madison. He is responsible for overall corporate technology, engineering operations and Value Innovation Programs. Prior to joining Johnson Electric in 2004, he worked for Emerson Electric in St. Louis as director of new products, also for Carrier Corporation in Syracuse as director of power electronics and motor technologies, and for Emergency One Inc. in Florida as vice president of product management.

Jeffrey L. Obermayer

Senior Vice President and
Chief Financial Officer

Jeffrey L. Obermayer, age 57, has a BS degree (Hons.) in Business Administration and an MS degree in Accounting from Illinois State University. He holds a MBA degree from Northwestern University. He is a member of the American Institute of Certified Public Accountants, the Institute of Management Accountants and the Institute of Internal Auditors. Prior to joining Johnson Electric in 2010, he had 28 years experience with BorgWarner Inc. in the USA and Germany, where he held a variety of senior executive positions in finance, business development, treasury & enterprise risk management, capital markets, pension plans and accounting. His last position was Vice President & Controller and Principal Accounting Officer. He also worked with Arthur Andersen & Co. in Chicago.

CHANGES IN INFORMATION OF DIRECTORS

In accordance with Rule 13.51(B)(1) of the Listing Rules, the changes in information of Directors of the Company subsequent to the date of the Interim Report 2012 of the Company are set out below:

Name of Director	Details of Changes
Patrick Shui-Chung Wang	He ceased to be a non-executive director and a member of the Audit Committee of The Hongkong and Shanghai Banking Corporation Limited with effect from 31 December 2012.

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*
Michael John Enright*
Joseph Chi-Kwong Yam
*GBM, GBS, CBE, JP**

** Independent Non-Executive Director*

Company Secretary

Lai-Chu Cheng

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

Registrars and Transfer Offices

Principal Registrar:
HSBC Securities Services
(Bermuda) Limited
6 Front Street
Hamilton HM 11
Bermuda

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

American Depositary Receipt (ADR)

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

ADR Bank

JPMorgan Chase Bank
JPMorgan Service Center
P.O. Box 43013
Providence, RI 02940-3013
USA
Tel : Domestic Toll Free:
+1 (800) 990-1135
International:
+1 (781) 575-4328
Fax : +1 (781) 575-4088
Email : adr@jpmorgan.com

Principal Bankers

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

LISTING INFORMATION

Share Listing

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

Stock Code

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

SHAREHOLDERS' CALENDAR

Annual General Meeting (AGM)

15 July 2013 (Mon)

Register of Shareholders

Closure of Register (both dates inclusive)
For attending AGM: 11 – 15 July 2013 (Thu – Mon)
For final dividend : 19 – 23 July 2013 (Fri – Tue)

Dividend (per Share)

Interim Dividend : 3 HK Cents
Paid on : 3 January 2013 (Thu)
Final Dividend : 8 HK Cents
Payable on : 29 July 2013 (Mon)

Johnson Electric Holdings Limited

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Shatin, New Territories
Hong Kong
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