Johnson Electric Holdings Limited
Annual Report 2014

JOHNSON ELECTRIC
innovating motion

(Stock Code: **179**)

REPORT FOR THE YEAR ENDED 31 MARCH 2014

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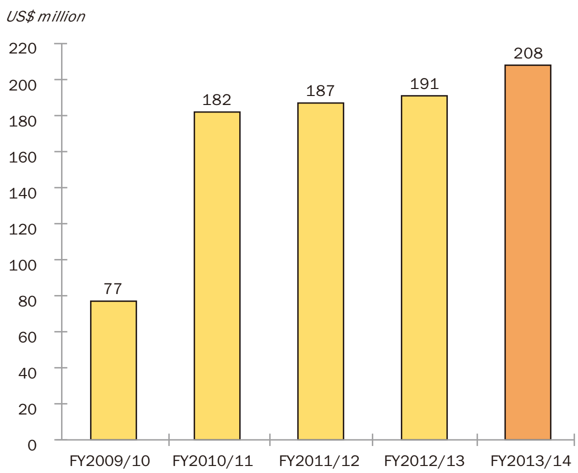
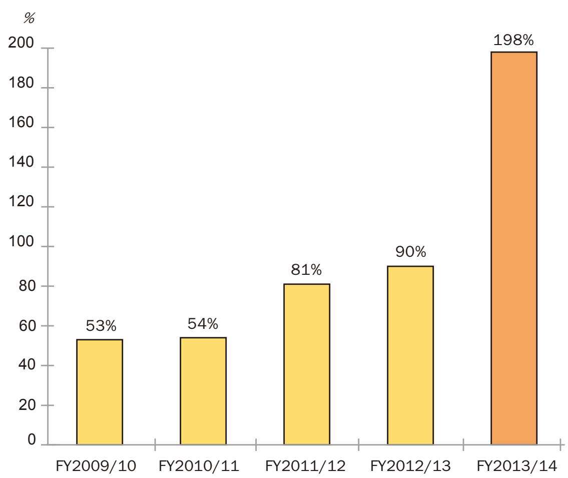
HIGHLIGHTS

- For the financial year ended 31 March 2014, total sales amounted to US$2,098 million – an increase of 2% compared to the prior financial year. Excluding the effects of non-recurring items and foreign currency changes, underlying sales increased by 3%
- Gross profit margins increased to 29.5% from 28.0% in the prior year
- EBITDA totalled US$322 million – up 6%
- Operating profits increased by 10% to US$233 million (11.1% of sales). Excluding the one-time gain associated with the divestiture of a non-core business and other non-recurring items recorded in the prior financial year, operating profits increased by 24%
- Net profit attributable to shareholders increased to a record US$208 million, an increase of 9%
- Earnings per share increased by 9% to 5.85 US cents
- The Group's gearing level remained low with a debt to total capital ratio declining from 7% to 6%. At the financial year end, the Group had total borrowings of US$117 million and total cash reserves of US$644 million

Profit Attributable to Shareholders



Free Cash Flow from Operations to Debt



LETTER TO SHAREHOLDERS

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

Johnson Electric achieved strong results in the financial year 2013/14. A gradually improving global economy, subdued raw material prices, and on-going operating efficiency gains provided the foundation for a record profit and further strengthening of the Group's balance sheet.

The macro-economic environment has shown clear signs of recovery over the course of the past year, particularly in developed economies. As the threat of further post-crisis economic disruptions recedes, consumer confidence is beginning to strengthen and unemployment levels are declining in the US and have stabilised in Europe. Although the prospects for a near-term acceleration in global growth rates remain low (and are not helped by rising geopolitical concerns in Eastern Europe), these more stable operating conditions were reflected in Johnson Electric's positive financial results in the past year and are encouraging us to pursue longer term new growth initiatives aggressively.

HIGHLIGHTS OF 2013/14 RESULTS

- For the financial year ended 31st March 2014, total sales amounted to US$2,098 million – an increase of 2% compared to the prior financial year. Excluding the effects of non-recurring items and foreign currency changes, underlying sales increased by 3%

- Gross profit margins increased to 29.5% from 28.0% in the prior year

- EBITDA totalled US$322 million – up 6%

- Operating profits increased by 10% to US$233 million (11.1% of sales). Excluding the one-time gain associated with the divestiture of a non-core business and other non-recurring items recorded in the prior financial year, operating profits increased by 24%

- Net profit attributable to shareholders increased to a record US$208 million, an increase of 9%

- Earnings per share increased by 9% to 5.85 US cents

- The Group's gearing level remained low with a debt to total capital ratio declining from 7% to 6%. At the financial year end, the Group had total borrowings of US$117 million and total cash reserves of US$644 million

DIVIDENDS AND PROPOSED SHARE CAPITAL CONSOLIDATION

The Board has recommended increasing the final dividend paid to shareholders by 6% to 8.5 HK cents (1.09 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 11.5 HK cents (1.47 US cents) per share.

It is the intention of the Board to increase, gradually and over the long term, the ratio of interim dividends such that it represents approximately one-third of the prior financial year's total dividends paid. Related to this, the Board is also proposing a 1 for 4 consolidation of Johnson Electric ordinary shares which, if approved by shareholders, will enable greater flexibility in future dividend distributions. Subject to the performance of the Group in the first half of the 2014/15 financial year and taking into account its overall financial condition and prospects at the time, the Board intends to give consideration to increasing the 2014/15 interim dividend which has remained constant at 3 HK cents per share (or 12 HK cents per share assuming the proposed share consolidation is implemented) for the past three years.

SALES PERFORMANCE

The 2% increase in total sales to US$2,098 million reflected the combination of strong demand from automotive customers, lower sales to industrial customers, foreign exchange rate movements, the effects of divesting a non-core business and other non-recurring items in the prior financial year. Assuming constant exchange rates and excluding those non-recurring items, Johnson Electric's underlying sales increased by 3%.

The Automotive Products Group ("APG"), the largest operating division, achieved sales of US$1,437 million. In constant currency terms and excluding the one-time effect of in-sourcing a distribution channel in Europe in the prior year, APG's sales increased by 7% with all major geographic regions delivering improved results.

APG's focus on providing innovative motion subsystems that improve fuel economy, reduce fuel emissions or enhance safety and comfort is continuing to bring it success in the marketplace.

The result of these compelling product offerings was especially evident in Europe where, despite car sales dropping to a two decade low in 2013, APG grew its sales in constant currency terms by 10% compared to the prior year. Sales to Asia grew by 4% in constant currency terms reflecting the combination of solid sales to China and India offset somewhat by comparatively weaker sales in other countries in the region. APG's sales to the Americas, presently its smallest geographic end market, recorded only a slight improvement due to soft demand in South America and the end of some programmes affecting the Body Comfort and Actuator Systems business units in North America.

The Industry Products Group ("IPG") reported a 4% decline in sales to US$661 million. As has been discussed in prior reports to shareholders, IPG has been undergoing an important repositioning in the past few years by which it has sought to reduce its exposure to some more commoditised product applications and focus instead on market segments which value more differentiated technology solutions. While competitive pressures in lower end product applications continue to depress IPG's total sales, we are increasingly encouraged by the response of customers to our range of new product innovations and by the improved gross margins the division is achieving overall.

A key product development strategy of IPG is to improve energy efficiency and to create "human value" in end-user products. To this end, Johnson Electric has continued to invest in developing and launching new patent-protected products to align with the "Smart Grid" remote management initiatives that are becoming major features in the electricity and gas distribution industries worldwide. Remotely activated shut-off valves for gas meters and connection/disconnection modules for electric meters have been designed to exceed local regulatory requirements for safety and performance – and over the course of the past few months this has resulted in important new business wins in the US, Europe and Asia.

IMPROVED PROFITABILITY AND CASH FLOW FROM OPERATIONS

On the cost side of the business, the Group has continued to benefit from relatively stable raw material prices and from management's perennial efforts to eliminate waste and improve the efficiency of our operations. Partly offsetting this was the impact of continued high wage inflation in China where the majority of our labour force is located. These factors, together with improved sales volumes and product mix, resulted in gross profit margins increasing by 1.5 percentage points to 29.5%.

Operating profitability also improved with margins rising to 11.1% from 10.3% in the prior year. This improvement reflected a combination of factors including favourable foreign exchange movements and hedging gains, cost reductions including quality and reliability improvements, and year-on-year variations in provisions and other one-time gains or losses. The prior year's operating profit also included a number of non-recurring items including a gain on the divestiture of a non-core business.

Johnson Electric's consistently robust cash generative qualities were reflected in its free cash flow from operations which, excluding the effects of in-sourcing a distribution channel in the prior year, increased by 43% to US$231 million.

INVESTING FOR LONG-TERM GROWTH AND IMPROVED OPERATING EFFECTIVENESS

Capital expenditure in the year under review increased by 12% to US$92 million. Taken on its own, this figure tends to understate the breadth of activity that is underway inside the Group to improve the effectiveness of our operating model and strengthen our competitive position over the longer term.

The in-house design and manufacture of customised production equipment and assembly lines has been a key factor in Johnson Electric's success for decades and we are leveraging this expertise to bring much higher levels of automation into our production processes. A key benefit of this new equipment is the ability to offset part of the substantial and ongoing rise in direct labour costs in China. In addition, the new equipment and processes that have been developed in China are being introduced directly into the new facilities that are being built in other countries. This is helping to standardise operating processes, accelerate production ramp-up and improve product quality and reliability.

During the past year the Group commenced construction of a new production facility in Niš, Serbia and is close to completing the fitting out of an expanded facility in Chennai, India. In Zacatecas, Mexico, a significant increase in production is underway to serve APG and IPG customers in both North and South America. These initiatives are important elements in the creation of a truly global operating footprint that has the flexibility, responsiveness and close proximity to customers that we believe will be critical for success in our industry in the future.

Supplementing these investments in organic growth, we are continuing to explore and evaluate potential acquisitions that can add value to the Group. Among the characteristics upon which we place a high priority in determining the attractiveness of acquisition candidates are differentiated technology, entrenched positions in markets where local contextual knowledge are essential, and a focus on applications with favourable long-term growth and competitive dynamics.

OUTLOOK

Notwithstanding the risks and uncertainties created by the current political turmoil in Ukraine, the overall outlook for the markets where Johnson Electric operates is broadly stable with signs of a gradual pick-up in demand in the US and Europe. Ultimately more substantive structural reforms will likely be needed to bring about a return to higher pre-crisis levels of global economic growth. Hence, in the near term the Group's sales will continue to reflect the combination of continued strength from our automotive division and a more gradual turnaround from our industrial division where fierce competition in some lower end segments will remain a constraining factor.

As noted earlier, the Group is investing aggressively to strengthen its global operating footprint, expand its production capacity and capabilities, and improve its supporting infrastructure in areas such as information technology and quality assurance. In the 2014/15 financial year, we plan to commence production in newly built plants in India and Serbia, as well as significantly expand our existing facility in Mexico to meet customer demand. The effect of these longer term growth projects will be higher capital expenditures and operating costs in the short term as new plants go through their normal start-up phase to achieve targeted higher production volumes. In addition, we face the recurrent headwind of sharply rising labour rates in China which will again require further efforts on the part of management to identify cost savings and new areas for efficiency improvements and automation.

Overall, I believe it is realistic to expect operating margins and net profits in the 2014/15 financial year to be somewhat lower than those high levels achieved in 2013/14. Looking further to the future, however, I am confident that our business strategy and the investments we are currently undertaking will deliver sustained benefits to all of our stakeholders.

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

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

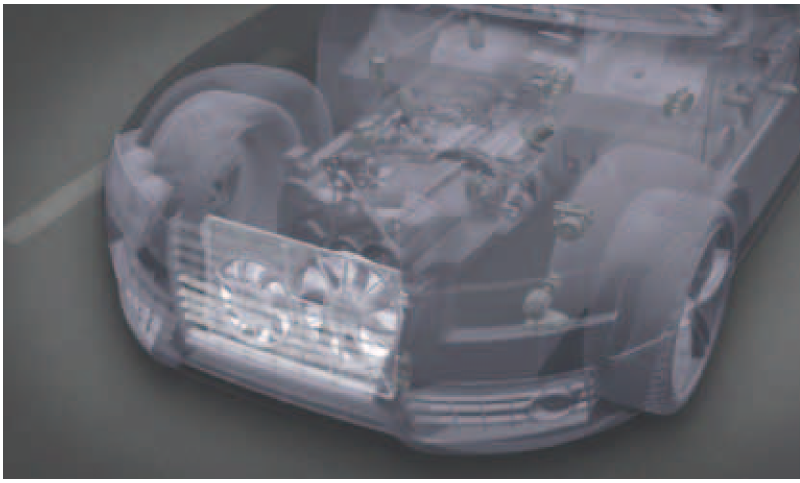
Hong Kong, 15 May 2014

Johnson Electric Solutions

Johnson Electric is a global leader in providing motion subsystems to address the macro trends affecting our customers' products.

In the Automotive industry the demand for improved fuel economy and emissions reduction is the major driver of our research and development. In multiple other industries that we serve, the drivers are overall energy efficiency, ease of use and safety of the end-user products. From state of the art drive technology in medical devices, robust switching technology in smart meters and electrical subsystems in automobiles, Johnson Electric has developed custom solutions and products to deliver human value in the market segments we serve.

Understanding human value, the direct benefit to the ultimate end user of a product, is the starting point in the Johnson Electric Product Development System.



ENGINE THERMAL MANAGEMENT

From the understanding of human value, the critical quality functions are determined from the systems level to the physics of materials science in the components used. In parallel with product development, the Johnson Electric Production System is deployed for the creation of a manufacturing process to ensure the attainment of the highest process capability, quality and efficiency.

SMART METER DISCONNECT

Johnson Electric custom solutions combine product innovation with manufacturing excellence

Technology Leadership & Safe Choice

To ensure that Johnson Electric solutions create differentiation in our customers' products, our engineers focus on product innovation that deploys proven technologies and precision manufacturing processes.

From the physics of the materials that our engineers select, to the precision of the tools and equipment they design to produce the product, all are aligned with the Johnson Electric vision to be the world's definitive provider of innovative and reliable motion systems.

Our engineers focus on product innovation that deploys proven technologies and precision manufacturing processes

TOTAL QUALITY ASSURANCE

JOHNSON ELECTRIC QUALITY LAB

In addition to offering "Technology Leadership" to our customers, we are also committed to being their "Safe Choice" partner. Our global manufacturing footprint is aligned with our customers' global and regional production strategies. At all Johnson Electric plants throughout the world, an identical production process and total quality assurance process is in place. The unique Johnson Electric Production System ensures that each plant has the same process capability everywhere in the world. The integrity and performance compliance of every item in a Johnson Electric solution is assured; the quality of raw materials, mechanical subsystem performance and electronic system reliability, all result from the disciplined execution of the Johnson Electric Product Development System and the Johnson Electric Production System.

Johnson Electric's global logistics capability in combination with our total quality assurance process, provides our customers with a "Safe Choice Solution"

Automotive Products Group

Powertrain Cooling and Engine Management are vehicle functions that demand technology innovation to comply with fuel economy and emissions regulations.

COOLING FAN MODULE

The Automotive Products Group is focused on creating solutions that improve fuel economy and reduce emissions. Johnson Electric is the technology leader in the development of engine cooling fan modules using electronically controlled brushless motors. Powerful airflow, speed control, compact and low weight cooling fan modules are essential to maximize fuel economy. Vehicles equipped with the latest "Start-Stop" feature for fuel economy require much quieter cooling fan modules with very long operating life. Johnson Electric's cooling fan module designs are tailored to meet the exact requirements of any vehicle platform from the luxury segment to compact cars.

Electric valves for engine coolant circuits are being used in new model cars to further improve engine thermal management, resulting in fuel economy and reduced emissions. Johnson Electric has developed a coolant valve actuator product line that is custom designed to operate reliably in the high temperature and vibration conditions experienced within engine compartments.

ENGINE MANAGEMENT SOLUTIONS

Next generation fuel efficient vehicles are designed with significant weight reduction targets

Engine Valve Actuator

Johnson Electric has created new light weight and high power density products to improve fuel economy and driver/passenger comfort. Our new products include window lift drives, sun roof drives, seat adjust motors, power steering motors and power lift gate drives. The combination of more motors per car and low vehicle weight targets requires solutions that are compact, light weight and powerful.

New product development at Johnson Electric is focused on creating actuation solutions for more fuel efficient and greener vehicles. New engine subsystems are being introduced for exhaust gas recirculation, variable valve timing, selective catalytic reduction, electric throttle control and fuel pumps. New subsystems have been developed to support the latest innovations in dual clutch transmissions and automatic manual transmissions, and also for four-wheel and all-wheel drive train systems.

Power Lift Gate Drive

POWER LIFE GATE DRIVES

ELECTRIC POWER STEERING

Johnson Electric is the technology leader for light weight and high power density motion solutions

Power Steering Motor

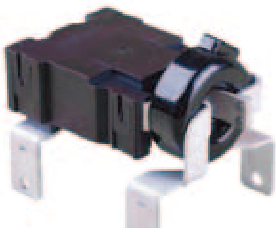
Another important innovation to improve aerodynamic performance and fuel economy is the introduction of active grill shutters to manage the airflow across the engine and to reduce the drag coefficient of a vehicle. Johnson Electric is a global leader in providing custom engineered grill shutter actuators.

Industry Products Group

The Industry Products Group is focused on developing solutions to improve energy efficiency and to create human value in end-user products.

Our product development activity is aligned with the regulatory and technology shifts in the industries we serve. Examples include the smart grid in the electricity and gas distribution industry; the replacement of corded power tools by battery operated tools; the "motorizing" of mechanical surgical tools; the portability of medication delivery systems; increased security demands for point of sale terminals; and the legislative requirements to improve the energy efficiency of electrical products and domestic heating systems.

SMART METER DISCONNECT MODULES

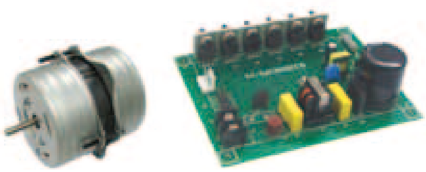


Electric Disconnect Module

The energy usage of many home appliances is reduced by the deployment of Johnson Electric's Tippmatic™ switch technology. The switches are custom engineered to automatically disconnect standby power from coffee machines, washing machines and dishwashers.

Domestic energy efficiency is also enhanced by the deployment of Johnson Electric electronically controlled brushless motor solutions in kitchen range hoods and home ventilation extractor fans.

Brushless Motor and Controller



RANGE HOOD BRUSHLESS MOTOR SOLUTIONS

To align with the motorizing trend in the medical device industry, Johnson Electric has created high power density motor drives for surgical instruments, and also miniature precision pumps for various medication delivery systems.

Surgical Drive

SURGICAL INSTRUMENT DRIVES

PAYMENT SECURITY TECHNOLOGY

To increase the security of point of sale transactions, Johnson Electric has developed an innovative contact plate technology for payment cards, and has strengthened anti-tampering protection by the introduction of Secure-Flex™ technology solutions for payment terminals.

Bank Card Contact Plates

To meet the product demands of the smart grid programs of the electric and gas utility companies throughout the world, Johnson Electric has developed electric disconnect modules and gas shut-off valves for smart meters. The performance of these meter modules exceeds all international standards for safety and reliability.

In many other high performance industry segments, Johnson Electric is productizing to create innovative solutions. Examples include, engine starter systems for marine and lawn & garden products; brushless motors and electronic control modules for professional power tools; optronic solutions and precision shutters for thermal imagers; and electrical switches for outdoor products using Tough Seal™ technology.

Tough Seal™ Switch

OUTDOOR PRODUCTS

Global Manufacturing Footprint

Johnson Electric's manufacturing strategy is designed to align with the globalization trends of the industries we serve. Our production footprint is deployed throughout the world in Asia, Europe and the Americas. In addition to our existing major plants in China, India, Poland, Hungary, Switzerland, Italy, and USA, we are expanding production capacity with new plants in Beihai, China; Chennai, India; Zacatecas, Mexico; and Nis, Serbia. All of our plants use the Johnson Electric Production System to achieve the same high level of process capability worldwide. The increased production capacity includes the roll-out of Johnson Electric's custom "Economation" production lines. The Economation equipment is designed and manufactured in-house to automate the most critical steps in the manufacturing process. The combination of the Johnson Electric production system and the Economation lines provide our customers with unmatched levels of quality and service. Our global manufacturing footprint is a significant benefit for our customers who manufacture in multiple regions. Johnson Electric production plants located in proximity to customer points of manufacture provide them with assurance of supply and reduces their logistics and currency risks.

Global Assurance of Supply and Consistent Process Capability

GLOSSARY OF TERMS

GENERAL TERMS

JEHL / Company	Johnson Electric Holdings Limited
Group / Johnson Electric / JE	JEHL and its subsidiaries
APG	Automotive Products Group
Board	The board of directors of JEHL
Bye-laws	The bye-laws of JEHL
Director(s)	The director(s) of JEHL
EHS	Environmental, Health and Safety
Executive Committee	Comprises of chairman, vice-chairman and the senior management as set out in the Profile of Directors and Senior Management section
HKAS	Hong Kong Accounting Standard
HKFRS	Hong Kong Financial Reporting Standard
HKICPA	Hong Kong Institute of Certified Public Accountants
Hong Kong / HK	The Hong Kong Special Administrative Region of the People's Republic of China
HVAC	Heating, ventilation and air conditioning
INED	Independent Non-Executive Director
IPG	Industry Products Group
Listing Rules	The Rules Governing the Listing of Securities on the Stock Exchange
Option Scheme	Share Option Scheme of the Company adopted on 29 July 2002
PSUs	Performance Stock Units
R&D	Research and development
RSUs	Restricted Stock Units
SFO	The Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)
Share Scheme	Long-Term Incentive Share Scheme of the Company adopted on 24 August 2009
Stock Exchange	The Stock Exchange of Hong Kong Limited

CURRENCY

US$ or USD	US Dollars
HK$ or HKD	Hong Kong Dollars
CHF	Swiss Franc
EUR	Euro
GBP	British Pound Sterling
HUF	Hungarian Forint
ILS	Israeli Shekel
INR	Indian Rupee
JPY	Japanese Yen
MXN	Mexican Peso
PLN	Polish Zloty
RMB	Chinese Renminbi

FINANCIAL TERMS

CB	Convertible bonds
DIOs	Days inventory on hand
DPOs	Days purchases outstanding
DSOs	Days sales outstanding
EBITDA	Earnings before interest, taxes, depreciation and amortisation
ETR	Effective tax rate
OCI	Other comprehensive income

MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL PERFORMANCE

US$ million	FY2013/14	FY2012/13
Sales	2,097.6	2,059.7
Gross profit	618.9	577.7
Gross margin	*29.5%*	*28.0%*
Profit attributable to shareholders	207.9	191.3
Diluted earnings per share (US Cents)	5.81	5.33
EBITDA	321.8	304.3
EBITDA margin	*15.3%*	*14.8%*
Free cash flow from operations [1]	231.1	161.4

US$ million	31 Mar 2014	31 Mar 2013
Cash	644.0	480.9
Total debt (borrowings)	(116.9)	(125.0)
Net cash	527.1	355.9
Total equity	1,766.3	1,598.8
Market capitalisation at balance sheet date [2]	3,282.2	2,646.2
Enterprise value [3]	2,789.1	2,320.5
Enterprise value to EBITDA [4]	8.7	7.6

Credit Quality – Financial Ratios [4]	31 Mar 2014	31 Mar 2013
Free cash flow from operations [1] (annualised) to debt	198%	129%
Total debt to EBITDA (annualised)	0.4	0.4
Total debt to capital (total equity + debt)	6%	7%

1 Net cash generated from operating activities plus net interest received, less capital expenditure (net of proceeds from disposal of fixed assets) and capitalisation of engineering development costs. FY2012/13 excludes cash outflow due to insourcing a European distribution channel

2 Outstanding number of shares multiplied by the closing share price (HK$7.17 as of 31 March 2014 and HK$5.78 as of 31 March 2013) converted to USD 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

- **Record EBITDA, profit attributable to shareholders and earnings per share.**
- **Sales, as reported, increased by 2%; excluding currency effects and nonrecurring items, sales increased by 3%. This was primarily driven by growth in our Automotive Products Group.**
- **Gross profit and EBITDA improved as we benefited from new product launches, productivity improvements and lower commodity costs.**
- **Free cash flow from operations improved due to increased profitability and working capital performance.**
- **On 2 April 2014, the Group issued convertible bonds ("CB") in an aggregate principal amount of US$200 million with a cash coupon rate of 1% per annum, and a 7 year life with a 5 year put option. Further information on the CB can be found on page 130 of the Annual Report.**

SALES AND PROFITABILITY

Johnson Electric's Operating Model

Johnson Electric is one of the world's largest providers of motion subsystems, with a global customer base across many industries.

From its innovation and product design centres, the Group continuously adds to its range of product platforms including motors, solenoids, actuators, micro-switches, flexible printed circuits and microelectronics that are then customised to provide high-quality solutions for its customers' needs.

The Group has established a flexible and responsive operating footprint that provides an annual production capacity of over one billion units, from facilities in over a dozen countries on four continents.

Operations throughout the Group share many commonalities including advanced technologies, manufacturing processes, vertical integration with the majority of components manufactured in-house, supply chain, brands, distribution channels and program management.

This creates opportunities for growth by leveraging the strength of the Group's technology and for cost efficiencies through the sharing of resources and continuous improvement of standardised methods and processes.

Sales Review

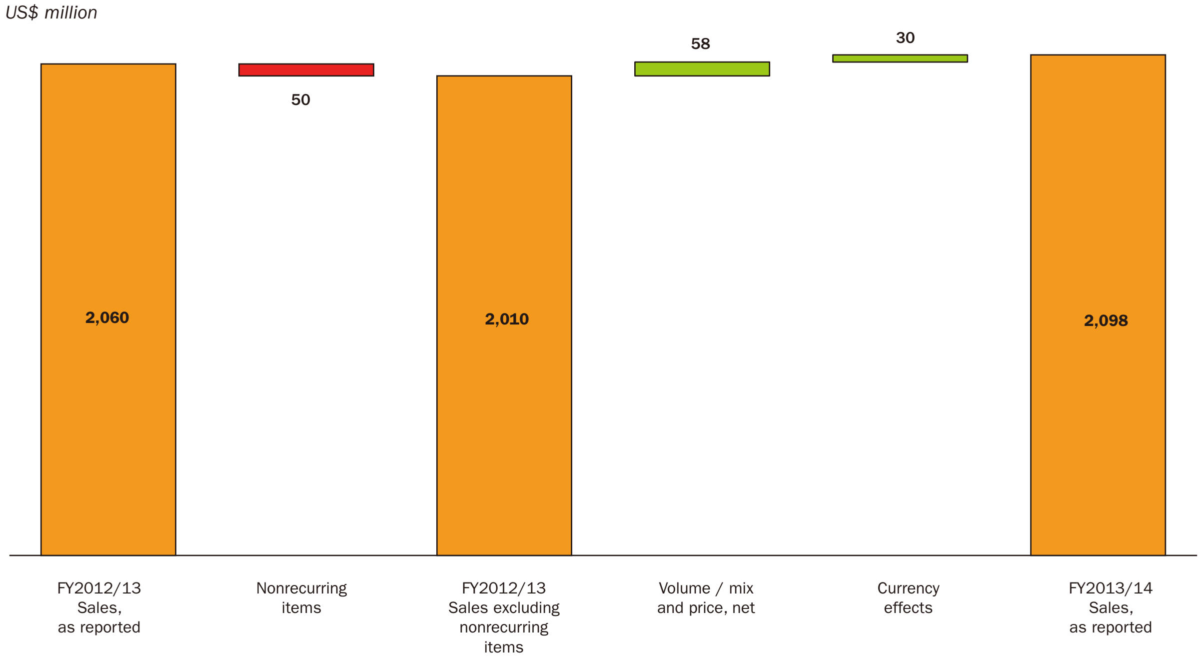
Group sales in FY2013/14 were US$2,097.6 million, an increase of US$37.9 million, 2%, compared to US$2,059.7 million for FY2012/13.

Sales in FY2013/14, excluding currency effects and nonrecurring items, increased by US$57.6 million, 3%, compared to FY2012/13, as shown below:

US$ million	FY2013/14	%	FY2012/13	%	Sales growth/ (decline)
Automotive Products Group ("APG")					
— Sales, excluding currency effects and nonrecurring items	1,409.2	68%	1,323.2	66%	**7%**
— Impact from insourcing of a European distribution channel	–		(19.3)		
— Currency effects	27.6		n/a		
APG sales, as reported	1,436.8		1,303.9		
Industry Products Group ("IPG")					
— Sales, excluding currency effects and nonrecurring items	658.2	32%	686.6	34%	**(4%)**
— Impact from insourcing of a European distribution channel	–		(0.7)		
— Currency effects	2.6		n/a		
IPG sales, as reported	660.8		685.9		
Group sales					
— Sales, excluding currency effects and nonrecurring items	**2,067.4**	100%	**2,009.8**	100%	**3%**
— Impact from insourcing of a European distribution channel	–		(20.0)		
— Divested businesses	–		69.9		
— Currency effects	30.2		n/a		
Group sales, as reported	**2,097.6**		**2,059.7**		**2%**

The drivers underlying sales growth in FY2013/14 are shown in the following chart:

FY2013/14 Sales versus FY2012/13



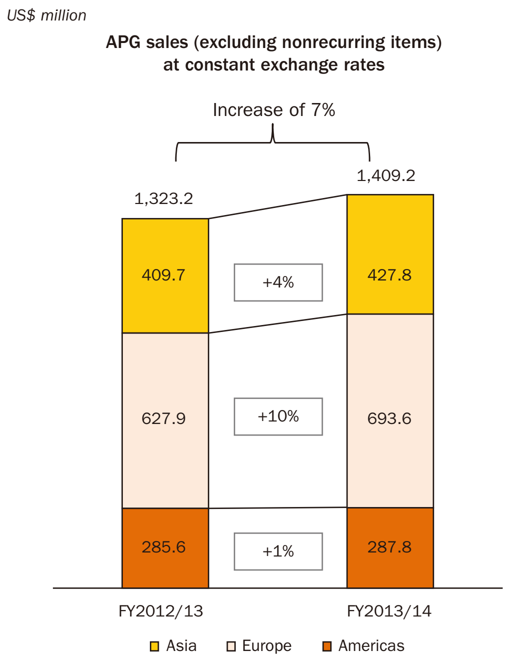
Note: Numbers do not add across due to the effect of rounding

Volume / mix and price, net: Excluding currency effects and nonrecurring items, changes in volume, mix and price increased sales by US$57.6 million. The underlying changes in the sales of our Automotive Products Group and Industry Products Group are discussed on pages 20 to 22.

Currency effects: The Group's sales are largely denominated in the US Dollar, the Euro and the Chinese Renminbi. Currency movements, primarily the strengthening of the Euro and the Chinese Renminbi against the US Dollar over the course of FY2013/14 increased revenues by US$30.2 million compared to FY2012/13.

Nonrecurring items: In FY2012/13, the Group divested Saia-Burgess Controls; a non-core business based in Europe and engaged in the manufacture of programmable logic controllers. Sales for 10 months of this business, up to the business's divestiture on 1 February 2013, amounted to US$69.9 million. Additionally, sales, in the first half of FY2012/13, were adversely affected by an estimated US$20 million as a result of the insourcing of a European distribution channel in May 2012. There were no such nonrecurring items in FY2013/14.

Automotive Products Group



Sales, excluding currency effects and nonrecurring items, increased 7% compared to the same period last year (Asia: 4% growth, Europe: 10% growth and Americas: 1% growth).

In Asia, sales increased across products for powertrain cooling, window-lift, engine fuel management and electric power steering applications. This was partially offset by lower demand for our products for engine air management and switches.

In Europe, sales increased across a broad range of our products, most notably in products for powertrain cooling, electric parking brake, engine air management, HVAC and window-lift applications. This increase was the result of increased market share and ramp-up of production of products launched in earlier years, partially offset by reduced sales of switches and products for power lift gate applications.

In the Americas, the continued benefit from platform launches in earlier years and ongoing strength in the market drove sales growth for many of our products including powertrain cooling systems, and products for transmission shift and power transfer, engine air and fuel management applications. This was largely offset by a reduction in sales of products for seat adjustment applications and switches as some older products reached end of life; and HVAC applications as our customer lost market share.

The Powertrain Cooling business, is primarily engaged in the manufacture and sale of cooling fan modules for OEM and Tier 1 customers, and accounted for 25% of the Group's sales in FY2013/14. Sales for this business unit, excluding currency effects, increased by 12% in FY2013/14 compared to last year. This was driven by increase in production of key customer platforms incorporating our brushless powertrain cooling products as well as continued growth in China.

We focus on innovation, providing custom engineered solutions, and investing in developing low-weight, high-power-density motors and subsystems for advanced applications that increase fuel efficiency, reduce emissions and electromagnetic interference and improve safety.

Our APG design teams are organised into engineering centres, based on specific product technologies, including powertrain cooling, 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 subsystems.

Recent product launches include:

- A new high-power brushed motor product line for electric power steering in mid-range cars. Our brushed motors meet the high-power requirements for this segment, provide a good driving experience with low cogging torque and, with their compact size, are highly suitable for this space-critical application. Additionally, they have a significant cost advantage over brushless solutions;

- A range of power tailgate solutions including compact motors for power lift-gate struts and custom motors to tightly close the tailgate and securely lock it. These allow the use of power lift gates to be extended from larger SUVs to compact SUVs and hatchbacks. Our products enable increased convenience without reducing trunk space, and also ensure that the tailgate closes securely, and

- A custom engineered electric parking brake motor with an extended operating life. By increasing the operating life, the parking brake can be integrated into electric stability control systems to go beyond parking use and provide additional braking functionality when the car is moving.

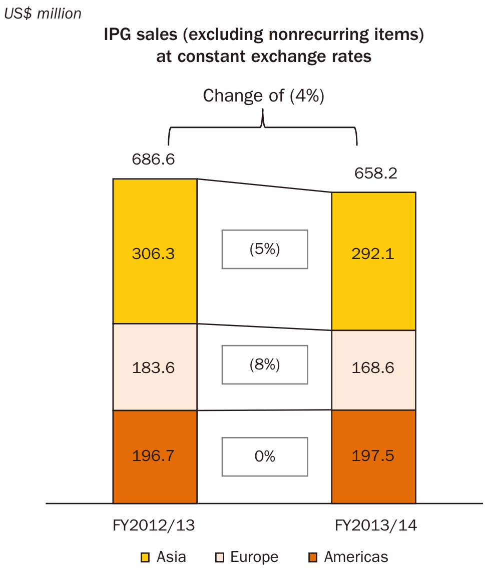
Our on-the-ground engineering presence in key geographic markets enables us to identify particular customer needs and customise our products accordingly. We are also ensuring that our manufacturing sites are well-placed to support regional customers, increase responsiveness and reduce delivery lead times whilst minimising our logistics costs and inventory levels.

Industry Products Group

As discussed in the FY2013/14 interim report, IPG has been undergoing a shift in its go-to-market strategy, developing and launching unique and customised products for specialised market segments that demand precision motor and motion subsystem solutions, while reducing its exposure to several lower end product applications. As expected, this focus on differentiated products has produced encouraging results.

The adjacent table reflects the quarterly trend in sales for FY2013/14, excluding currency effects and nonrecurring items, as compared to FY2012/13. This gradual turnaround resulted in an overall 4% decline in sales, excluding currency effects and nonrecurring items, for FY2013/14 compared to FY2012/13 (Asia: 5% decline, Europe: 8% decline, Americas: flat).

Quarter Ended	Sales growth/ (decline)
30 June 2013	(8%)
30 September 2013	(6%)
31 December 2013	(3%)
31 March 2014	2%



Sales in Asia declined as we saw reduced market share for our smartcard business, reduced sales of products for commoditised food and beverage and power tools applications. We also saw reduced sales of our products for HVAC and bathroom applications due to customer overstocking, and reduced use of motion products in certain home entertainment and gaming, and car stereo applications. These adverse factors were partially offset by sales of new products for high-end power tool applications, increased market share of products for business machine applications and certain flexible-circuit products and growth in demand for products for floor care, infrastructure equipment and security, and switches.

In Europe, sales declined due to reductions in demand for products for white goods and food and beverage applications, and customers in the lower end of the power tools market. This was partially offset by growth in demand for products for HVAC applications and sales of recent products for lawn and garden applications. Sales in other market segments were largely flat.

In the Americas, sales remained flat. We saw increased customer demand for recently launched innovative products for medical applications as well as continued recovery of demand for products for white goods. This was offset by weakness in demand for lawn and garden and home entertainment and gaming, and reduced sales of our products for HVAC and bathroom applications as well as flexible circuit products.

IPG continues to pursue technology leadership in multiple industry segments, developing products and subsystems that deliver productivity enhancements and increased power efficiency. These product platforms can then be tailored to provide customer-specific solutions.

Our IPG design teams are organised by technology disciplines including micro-switches, DC motors, brushless motors, high voltage DC motors, AC motors, solenoids, stepper motors and piezo actuators. Recent product launches from these teams include:

- New compact, low-weight, high-power-density brushless and brush motors that push the performance envelope for cordless professional power tools. We see increasing demand for cordless power tools by professional users, requiring the mobility of a cordless tool with the same performance as corded power tools. Our motors meet that challenge, delivering extremely high efficiency to extend battery life while still delivering the power and functionality needed for professional applications. For example, our high torque motor for power wrenches deliver instant torque for the toughest jobs, releasing tightly screwed or frozen nuts; and

- A miniature drive platform for insulin pumps. Custom engineered in our regulatory authority-compliant development process, to meet the uncompromising demands on portable devices in the medical market, this robust medication delivery subsystem powers an insulin pump for personal use by diabetes sufferers. Its energy efficient design allows the pump to give accurate self-dosing of insulin all day long, as the user gets on with the routines of daily life.

Profitability Review

Profit attributable to shareholders increased to a record US$207.9 million in FY2013/14, an increase of US$16.6 million (9%) from US$191.3 million in FY2012/13.

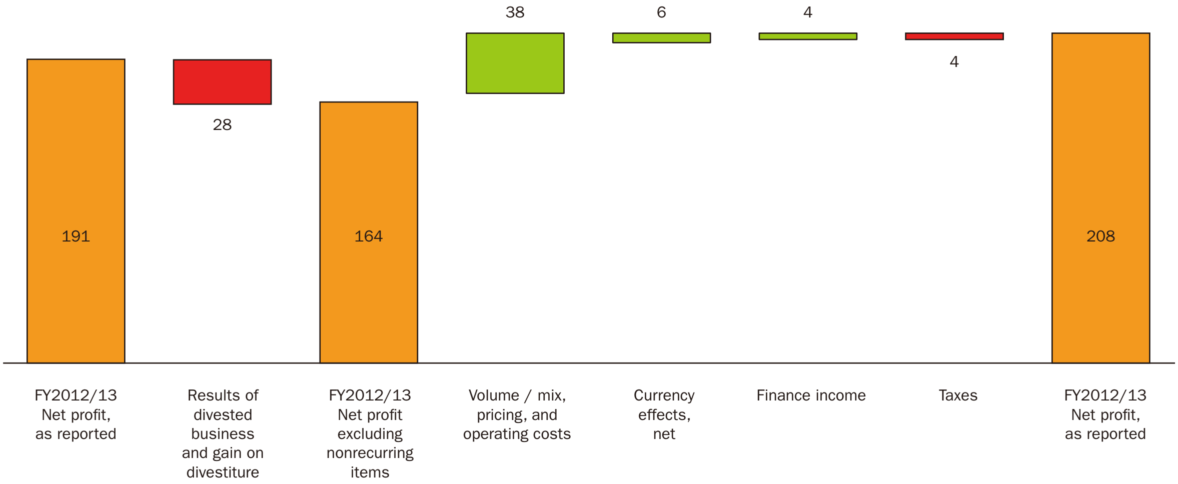
US$ million	FY2013/14	FY2012/13	Increase/ (decrease) in profit
Sales	2,097.6	2,059.7	37.9
Gross profit	618.9	577.7	41.2
Gross margin %	*29.5%*	*28.0%*	
Other income and gains, net	19.8	28.4	(8.6)
Selling and administrative expenses ("S&A")	(405.2)	(393.2)	(12.0)
S&A %	*19.3%*	*19.1%*	
Operating profit	233.5	212.9	20.6
Net interest income	9.1	4.8	4.3
Share of profit of associate	0.4	0.3	0.1
Profit before income tax	243.0	218.0	25.0
Income tax expense	(28.1)	(21.1)	(7.0)
Effective tax rate	*11.6%*	*9.7%*	
Profit for the year	214.9	196.9	18.0
Non-controlling interests	(7.0)	(5.6)	(1.4)
Profit attributable to shareholders, as reported	207.9	191.3	16.6

Operating profit in FY2012/13, benefited from the inclusion of US$24.7 million of nonrecurring items, as shown in the table below:

US$ million	FY2013/14	FY2012/13	Increase in profit
Operating profit, as reported	233.5	212.9	20.6
Operating margin %	*11.1%*	*10.3%*	
Nonrecurring items:			
Operating profit of divested business	–	5.9	
Gain on divestitures, net	–	18.8	
Less: Nonrecurring income	–	24.7	
Operating profit excluding nonrecurring items	233.5	188.2	45.3
Operating margin %, excluding nonrecurring items	*11.1%*	*9.1%*	

Profit Attributable to Shareholders

US$ million



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

Volume / mix, pricing and operating costs: Margins and profits improved as we benefited from new value-added products; cost reduction activities that increased productivity and efficiency; initiatives to improve quality and reliability; and lower raw material costs including certain commodities. These gains were partially offset by increased labour costs, especially in China. The net effect of these changes was to increase profit by US$38.2 million.

Currency effects, net: JE has operations in over twenty countries around the world, including sales and support offices, manufacturing and assembly plants, and innovation and product design centres. This diverse footprint creates foreign exchange risk, partially mitigated through the use of foreign currency hedging contracts. Overall, currency movements in FY2013/14, including applicable hedges, increased operating profit by US$5.7 million. The biggest contributor to this increase was the strengthening of the Euro against the US Dollar (average EUR to USD exchange rate: FY2013/14 was US$1.34; FY2012/13 was US$1.29, an increase of 4%).

Finance income: Net interest income increased by US$4.3 million, due to the combined effect of lower interest expense and increased interest income from interest bearing deposits, primarily in the Chinese Renminbi.

Taxes: Tax expense, compared to the prior year (excluding the impact of prior year divestiture), increased by US$3.9 million in line with the increase in profits. The effective tax rate ("ETR") for FY2013/14 was 11.6%. This is analysed further in the notes to the accounts on page 125.

Nonrecurring items: Net profit reported for FY2012/13 included US$27.7 million, net of tax, relating to the divestiture of Saia-Burgess Controls as well as a non-core property. There were no such nonrecurring items in FY2013/14.

Excluding prior-year nonrecurring items, profit attributable to shareholders increased by US$44.3 million (27%) from US$163.6 million to US$207.9 million for FY2013/14.

ANALYSIS OF CASH FLOW

US$ million	FY2013/14	FY2012/13	Change
Operating profit *	233.7	213.4	20.3
Depreciation and amortisation	88.1	90.9	(2.8)
EBITDA	321.8	304.3	17.5
Other non-cash items in profit before taxes	0.9	(17.8)	18.7
Working capital changes	17.8	(37.8)	55.6
Interest paid	(1.8)	(2.5)	0.7
Income taxes paid	(31.3)	(29.4)	(1.9)
Net cash generated from operating activities	307.4	216.8	90.6
Capital expenditure, net of subsidies	(92.2)	(82.6)	(9.6)
Capitalisation of engineering development costs	(5.8)	–	(5.8)
Proceeds from disposal of fixed assets	10.8	19.7	(8.9)
Interest received	10.9	7.5	3.4
Free cash flow from operations excluding insourcing	231.1	161.4	69.7
Working capital change due to insourcing a European distribution channel	–	(49.5)	49.5
Free cash flow from operations	231.1	111.9	119.2
Acquisition	–	(11.1)	11.1
(Subsequent payments) / proceeds of divestiture of non-core business	(6.1)	137.8	(143.9)
Purchase of shares for cancellation of issued capital	(1.7)	(19.9)	18.2
Purchase of shares held for Long-Term Incentive Share Scheme	(2.9)	–	(2.9)
Other investing activities	1.5	3.7	(2.2)
Dividends paid	(50.4)	(46.0)	(4.4)
Other financing activities	(3.2)	(2.8)	(0.4)
Total cash flow (excluding changes in borrowings and currency effects)	168.3	173.6	(5.3)
Net repayment of borrowings	(12.7)	(77.3)	64.6
Increase in cash (excluding currency effects)	155.6	96.3	59.3
Exchange gains / (losses) on cash	7.5	(0.5)	8.0
Net movement in cash	163.1	95.8	67.3

* Operating profit as reported plus US$0.3 million dividend received from associate in FY2013/14 (FY2012/13: US$0.5 million)

The Group generated US$231.1 million free cash flow from operations in FY2013/14, an increase of US$119.2 million compared to US$111.9 million in FY2012/13.

- Of the US$119.2 million change between the two years, US$49.5 million relates to working capital changes due to the insourcing of a European distribution channel in FY2012/13.

Changes in our cash movements and in our working capital are discussed below:

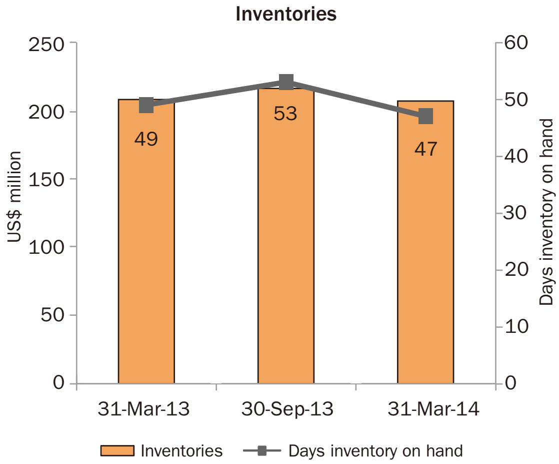
Working Capital Changes

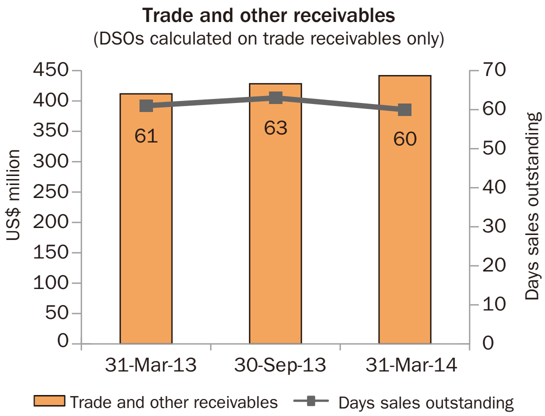
US$ million	Balance sheet as of 31 Mar 2013	Currency translations	Divestiture	Hedging and others	Investing [3] activity	Working capital changes per cash flow	Balance sheet as of 31 Mar 2014
Inventories	208.1	1.9	–	–	–	(3.0)	207.0
Trade and other receivables	411.7	11.5	–	–	(2.1)	20.5	441.6
Deposits – non-current	4.5	0.1	–	–	–	1.9	6.5
Trade and other payables [1]	(341.7)	(5.8)	6.1	1.8	(12.6)	(49.7)	(401.9)
Provision obligations and other liabilities [1,2]	(65.6)	(3.1)	–	9.1	–	12.1	(47.5)
Other financial assets / (liabilities), net [1]	40.8	(0.1)	–	(62.7)	–	0.4	(21.6)
Total working capital per balance sheet	257.8	4.5	6.1	(51.8)	(14.7)	(17.8)	184.1

1 Current and non-current
2 Net of defined benefit pension plan assets
3 Comprises amounts due from disposal of property, amounts due to capital expenditure and subsidies received

Inventories decreased slightly by US$1.1 million, from US$208.1 million as of 31 March 2013 to US$207.0 million as of 31 March 2014.

Days inventory on hand decreased to 47 days as of 31 March 2014 from 49 days as of 31 March 2013, due to supply chain efficiencies gained over the last twelve months.



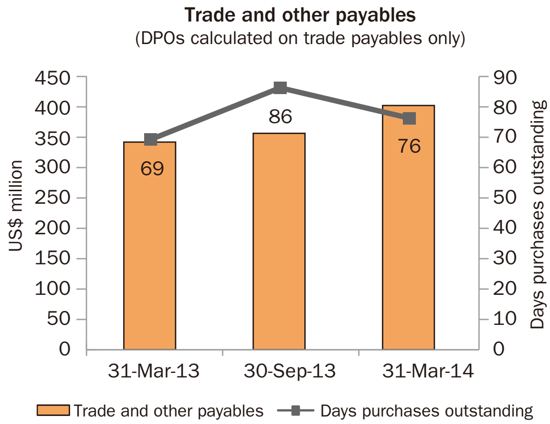


Trade and other receivables increased by US$29.9 million in FY2013/14, from US$411.7 million as of 31 March 2013 to US$441.6 million as of 31 March 2014. Excluding currency effects, trade receivables and other receivables increased by US$18.4 million. This was mainly due to the impact of increased sales volumes in APG.

Days sales outstanding decreased slightly from 61 days as of 31 March 2013 to 60 days as of 31 March 2014.

The Group's receivables are of high quality. Amounts overdue greater than 30 days increased to approximately 3.8% of gross trade receivables as of 31 March 2014 (2.0% as of 31 March 2013). For further details, see Note 13 on pages 88 to 90 of the accounts.

Trade and other payables were US$401.9 million as of 31 March 2014, an increase of US$60.2 million from US$341.7 million as of 31 March 2013. Per the cash flow, trade and other payables increased by US$49.7 million, due to increased volumes, extended payment terms to suppliers in China, higher incentive compensation in line with our profits and wage increases, especially in China and increases in value added taxes payable in various tax jurisdictions reflecting our increased sales this year.



Days purchases outstanding increased by 7 days to 76 days as of 31 March 2014 compared to 69 days as 31 March 2013 reflecting increased business levels in China.

Provision obligations and other liabilities: Per the cash flow, the Group's provision obligations and other liabilities decreased by US$12.1 million driven mainly by actual contributions made towards pension plans and the utilisation of restructuring liabilities.

Other financial assets / (liabilities), net decreased by US$62.4 million from a net financial asset of US$40.8 million as of 31 March 2013 to a net financial liability of US$21.6 million as of 31 March 2014.

- The mark-to-market valuation of our foreign currency forward contracts decreased in value by US$52.2 million, primarily as the Euro strengthened 7% against the US Dollar.
- The mark-to-market valuation of our commodity forward contracts decreased by US$10.2 million, due to declining commodity prices.
- Details of the spot prices of significant items are shown in the adjacent table.

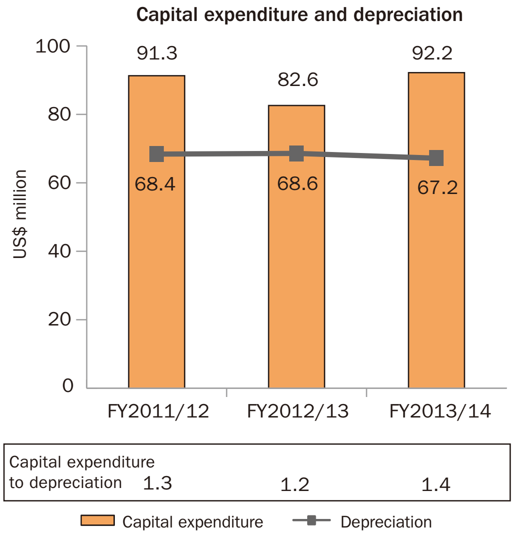
	Spot rates as of 31 Mar 2014	Spot rates as of 31 Mar 2013	Strengthen/ (weaken)
EUR / USD	1.38	1.28	7%
RMB per USD	6.21	6.21	0%
Copper (per metric ton)	6,636	7,583	(12%)
Silver (per ounce)	19.97	28.64	(30%)

Further details can be found in the Financial Management and Treasury Policy section on page 31 and in Note 11 on pages 85 to 87 of the accounts.

Interest paid decreased slightly by US$0.7 million to US$1.8 million for FY2013/14, from US$2.5 million for FY2012/13, as we made a net repayment of loans.

Income taxes paid, net of refunds, increased slightly by US$1.9 million to US$31.3 million for FY2013/14.

Capital expenditure amounted to US$92.2 million in FY2013/14, comprising expenditure of US$96.9 million plus a grant of land with a value of US$2.9 million, less cash subsidies of US$7.6 million. This reflected expansion of our manufacturing footprint and continued investment in new product launches and long-term technology development, ongoing productivity improvements, and replacement of assets.



Capitalisation of engineering development costs: Starting in FY2013/14, we capitalised engineering development costs of US$5.8 million relating to engineering design and the development of products that are planned to be launched in the coming years. An intangible asset is created for costs incurred after assessing the technical feasibility of completing the project, our ability to use the asset and the probability that the asset will generate future economic benefits. Any costs incurred prior to this assessment, or subsequent to the commercial launch of the product are expensed as incurred.

Proceeds from disposal of fixed assets were US$10.8 million in FY2013/14, a decrease of US$8.9 million from US$19.7 million in FY2012/13. In both years, disposals largely comprised surplus real estate.

Interest received in FY2013/14 was US$10.9 million, an increase of US$3.4 million from US$7.5 million in FY2012/13, primarily due to an increase in our Chinese Renminbi deposits.

Total cash flow, excluding changes in borrowings and currency effects: The Group generated US$168.3 million cash in FY2013/14, excluding changes in borrowings and currency effects compared to US$173.6 million in FY2012/13.

This movement in cash includes the following:

Acquisition: There was no acquisition activity in FY2013/14. In FY2012/13, the Group paid US$11.1 million to acquire a business including intellectual property, customer lists and inventory, to complement the Group's existing solenoids business.

(Subsequent payments) / proceeds of divestiture of non-core business:

The Group disposed of Saia-Burgess Controls in FY2012/13. This resulted in the following cash flows:

- In FY2013/14, the Group paid US$6.1 million to settle purchase price adjustments and fees relating to the divestiture of Saia-Burgess Controls. This amount was accrued in FY2012/13.

- In FY2012/13, the Group received aggregate proceeds of US$133.0 million for the above mentioned disposal.

In FY2012/13, 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 comprised:

- In FY2013/14, the Company repurchased 2.6 million shares for cancellation at a total cost of US$1.7 million, including brokerage and cancellation fees. In FY2012/13, the Company repurchased 31.2 million shares at a total cost of US$19.9 million.

- In FY2013/14, the Company purchased 4.9 million shares for US$2.9 million, for use in granting shares to eligible employees and Directors under the Long-Term Incentive Share Scheme, further discussed on page 56. There were no such purchases in FY2012/13.

Dividends paid in FY2013/14 amounted to US$50.4 million (US$36.7 million final dividend for FY2012/13 and US$13.7 million interim dividend for FY2013/14). This was US$4.4 million more than the dividend payments made in the same period last year.

The Board has recommended a share consolidation such that every four issued and unissued ordinary shares of HK$0.0125 each will be consolidated into one share of HK$0.05 each. Subject to shareholder and regulatory approval of this share consolidation, the recommended final dividend per share will be adjusted accordingly, as explained below.

The Board has recommended a final dividend of US$38.9 million (8.5 HK Cents per share) for FY2013/14, to be paid in July 2014. This compares to a final dividend of US$36.6 million (8 HK Cents per share) for FY2012/13, paid in July 2013. Subject to approval of the share consolidation, the proposed final dividend will be adjusted to 34 HK Cents per consolidated share (compared to 32 HK Cents for FY2012/13).

The Board intends over the longer-term, to increase the ratio of the interim dividend to represent approximately one-third of the previous fiscal year's total dividend. In this regard, the Board is proposing a 1 for 4 consolidation of Johnson Electric ordinary shares, which when completed will enable greater flexibility in future dividends.

Other financing activities comprised dividends of US$3.9 million paid to non-controlling interests in the Group's subsidiaries (FY2012/13 dividends of US$2.8 million paid to non-controlling interests), partially offset by a proportional equity contribution of US$0.7 million (FY2012/13 US$ nil) from the non-controlling interests in our 60% owned subsidiary in China to fund expansion.

Net Debt / Cash

US$ million	31 Mar 2014	31 Mar 2013	Change
Cash	644.0	480.9	163.1
Borrowings	(116.9)	(125.0)	8.1
Net cash	527.1	355.9	171.2

Net cash increased by US$171.2 million to US$527.1 million as of 31 March 2014, from US$355.9 million as of 31 March 2013.

Borrowings decreased by US$8.1 million to US$116.9 million as of 31 March 2014.

The Group's total debt to capital ratio decreased to 6% as of 31 March 2014 compared to 7% as of 31 March 2013. On an annualised basis, free cash flow from operations as a percentage of gross debt increased to 198% as of 31 March 2014, compared to 129% (excluding the working capital changes due to the insourcing of a European distribution channel) as of 31 March 2013. Interest coverage was 179 times for FY2013/14 compared to 113 times for FY2012/13 (EBITDA divided by gross interest expense; both calculated using the last twelve months actual results).

Cash resources increased by US$163.1 million to US$644.0 million as of 31 March 2014. As we have a significant manufacturing footprint in China, the majority of our cash is kept in the 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 2014	31 Mar 2013
RMB	445.3	332.6
EUR	99.4	98.4
USD	47.3	35.8
Others	52.0	14.1
Total	644.0	480.9

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 2014, 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$491 million unutilised *revolving credit* facilities provided by its principal bankers, comprised of:

- US$165 million committed and unutilised facilities, with the following expiry dates:
  - 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
  - US$35 million – 28 February 2017
- US$326 million of uncommitted and unutilised facilities.

The Group also had US$201 million in uncommitted **trade receivable financing** lines in place, of which US$115 million was borrowed as of 31 March 2014 and US$86 million was undrawn.

On 2 April 2014, the Group issued convertible bonds in an aggregate principal amount of US$200 million with a cash coupon rate of 1% per annum, and a 7 year life with a 5 year put option. This post balance sheet event is discussed in Note 33 on page 130 of the accounts.

Foreign Exchange and Raw Material Commodity Purchase Price Risk

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

The Group's sales are primarily denominated in the currencies shown in the adjacent table:

The major currencies used to operate the business are USD, RMB, EUR, HUF, MXN, CHF and PLN.

% of sales	FY2013/14	FY2012/13
USD	46%	47%
EUR	35%	33%
RMB	16%	15%
Others	3%	5%

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. RMB, EUR, HUF, MXN, CHF, PLN, INR, JPY and ILS). The forward contracts mature at various dates to match the underlying cash flows.

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

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

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 that 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 Group'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 environmental responsibility, employee safety and energy efficiency.

INVESTING IN PEOPLE

Our investment in people is critical in fulfilling our vision to be the world's definitive provider of innovative and reliable motion systems.

As of 31 March 2014, total global headcount was approximately 35,000 located in Asia, the Americas and Europe.

Building the future to achieve sustainable growth

JE aims to attract, retain and develop great people. We facilitate this with a standardised global approach to talent acquisition, compensation and benefits, and staff development, as we seek to cultivate a motivated and committed workforce for sustained business success. These processes also provide a career path that allows staff to succeed.

Our recruiting teams partner with our business operations, to identify and acquire highly qualified regional business / engineering leaders and technical specialists around the world, who bring diverse experience and contribute innovative ideas. With our soon to be established manufacturing facility in Serbia, we have begun the recruitment of key management staff and made plans for core members of the workforce to be trained in the Group's China facilities. Additionally, we are providing ongoing support to recruit and develop employees in our plants in Zacatecas, Mexico; Chennai, India; and Behai, China.

Our global salary structure, compensation and benefit policies are based on a "pay-for-performance" philosophy. By providing a competitive package that rewards results, enterprise, coaching and teamwork, we are able to attract and retain talent, and ensure that JE's and the employee's interests are aligned to drive business results.

We continue to create opportunities for inter-country assignments. Such international exposure enhances global teamwork and strengthens sharing of core values and management philosophy, group-wide.

We are strengthening the ties between our strategic human resources planning and our business development activities. This integrated "Global Resources Planning Program" will enable JE to identify, acquire, develop and retain the right talent to meet the Group's global requirements and ensure we have a strong talent pipeline to maintain JE's position as a global leader in motion solutions.

Well-rounded Training and Development

We drive improvements in productivity and increase operational efficiency and develop the skills for our global operating needs and business growth through our focus on constant learning, with an extensive range of in-house training and continuing development programs.

During FY2013/14 employees participated in over 40,000 days of formal training. This includes 2,500 managers and engineers trained in the "JE Product Development System" and the "JE Production System". We introduced a technical development program to meet JE's global skills requirements by providing employees with a mix of customised training, on-the-job practical experience and mentoring by experienced staff. Additionally, we continue to add content to our global e-learning platform for technical and engineering knowledge transfer.

Ethical organisation

We reviewed and strengthened our Code of Ethics policy to ensure that we conduct our business with integrity and honesty. Managers and staff are required to complete an annual certification to ensure their familiarity with, and confirm their adherence to, our corporate policies.

Environmental, Health and Safety

The Group takes a proactive approach to managing its Environmental, Health and Safety ("EHS") risks. For example, our facilities in Shajing have commenced participation in the Carbon Emission Trading Scheme in Shenzhen, a pilot city for such schemes in China.

Our EHS management system tracks performance, month by month, with 22 key indicators for health and safety and environmental issues. This comprises a mix of leading and lagging measures including indicators for wastewater compliance, energy consumption, solid and hazardous waste generation, water consumption and carbon emissions. We also conduct compliance audits across the Group, with comprehensive baseline assessments and due diligence processes.

We continuously improve our EHS performance through developing health and safety skills as well as pursuing energy savings and waste reductions. Further development of the EHS management system to conform to the ISO 14001 and OHSAS 18001 frameworks remains a priority.

CORPORATE GOVERNANCE REPORT

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

BOARD OF DIRECTORS

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

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

The profile of the Directors are provided on pages 174 to 177 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"). Directors meet in person on a quarterly basis and on other occasions when a board-level decision on a particular matter is required. The Board has reserved for its decision or consideration matters covering corporate strategy, annual and interim results, directors' appointment, succession planning, enterprise risk management, major acquisitions, disposals and capital transactions and other significant operational and financial matters.

Although the capacity of any board to involve itself in the details of a large international business is limited, the Company 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.

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

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

The Group's Executive Vice President and the Chief Financial Officer also attend all board meetings to advise on corporate governance, enterprise risk management, statutory compliance, mergers and acquisitions, and accounting, financial and tax 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 delegated to four committees which operate under defined terms of reference and are required to report to the Board on a regular basis. The composition of the committees during FY2013/14 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 and one non-executive director who together have substantial experience in the fields of accounting, taxation, business, corporate governance and regulatory affairs. The current members are Mr. Patrick Blackwell Paul (Committee Chairman), Prof. Michael John Enright and Mr. Peter Kin-Chung Wang.

The Committee is responsible for monitoring the financial reporting, accounting, enterprise risk management and internal control aspects of the Group's activities. It has full access to the Group's 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, function and remuneration of the Group's external auditor. The Committee's authority and duties are set out in the terms of reference which are available on the websites of the Group and the Stock Exchange.

Four committee meetings were held in FY2013/14 to discuss and review the following matters together with the Chief Financial Officer, the Controller, the General Counsel, Head of Tax, Head of Corporate Audit Services and the external auditor:

1. the FY2012/13 annual results and interim results for FY2013/14, to ensure that the related disclosures in the financial statements were complete, accurate and fair and complied with accounting standards, the Listing Rules and legal requirements, and to submit the same to the Board for approval;

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

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

4. the 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;

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

8. the status of the Group's global tax position; and

9. the feasibility of share consolidation and recommending the same to the Board for approval.

Remuneration Committee

The Remuneration Committee consists of two independent non-executive directors 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 Share Scheme for senior management provides for the grant of JEHL Restricted Stock Units ("RSUs") and Performance Stock Units ("PSUs"). Vesting of these is subject to attainment of service milestones in the case of RSUs and, in the case of PSUs, the attainment over time of identified group wide financial goals. RSUs and PSUs are used to retain and motivate senior staff and are designed to maximise long term shareholder value.

In determining the level of remuneration and fees paid to 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.

Four committee meetings were held in FY2013/14. During the financial year, the Committee addressed the following:

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

2. Director and Senior Executive Compensation and Benefits;

3. Long-Term Incentive Share Scheme Awards;

4. Annual Incentive Plan Measurement;

5. Succession and Development Plans for Executives and Managers;

6. Expatriate Program and Healthcare Benefit;

7. New Plan Manager and Trustee for the Long-Term Incentive Share Scheme; and

8. Delegation of Authorities to the New Senior Vice President, Human Resources.

Nomination and Corporate Governance Committee

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

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

The Board has adopted a Board Diversity Policy. The Committee monitors the implementation of this policy and has responsibility for leading the process for Board appointments and for identifying and nominating, for approval by the Board, candidates for appointment to the Board. Selection of candidates 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 FY2013/14. The following is a summary of work performed by the Committee during the financial year:

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

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

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

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

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

6. consideration of candidates and recommendation to the Board for appointing an independent non-executive director.

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 five board meetings in FY2013/14 and the average attendance rate was 91%. Details of the attendance of individual directors at board meetings, committee meetings and the annual general meeting during FY2013/14 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)*	5/5	–	–	2/2	1/1
Winnie Wing-Yee Wang *(Vice-Chairman)*	5/5	–	4/4	–	1/1
Austin Jesse Wang	5/5	–	–	–	0/1
Non-Executive Directors					
Yik-Chun Koo Wang *(Honorary Chairman)*	4/5	–	–	–	0/1
Peter Kin-Chung Wang	3/5	4/4	–	–	0/1
Independent Non-Executive Directors					
Peter Stuart Allenby Edwards	5/5	–	–	2/2	0/1
Patrick Blackwell Paul	5/5	4/4	–	2/2	0/1
Michael John Enright	4/5	4/4	4/4	–	0/1
Joseph Chi-Kwong Yam	5/5	–	4/4	–	1/1
Average attendance rate	91%	100%	100%	100%	33%
Dates of meetings	16/05/2013 05/09/2013 07/11/2013 25/02/2014 13/03/2014	13/05/2013 05/08/2013 04/11/2013 17/02/2014	15/05/2013 16/05/2013 06/11/2013 12/03/2014	16/05/2013 13/03/2014	15/07/2013

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 regular 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 the Johnson Electric Whistleblower Hotline or in writing in confidence without the fear of recrimination in particular.

Based on the results of evaluations and representations made by the management, the Group's Corporate Audit Services Department and the external auditor in FY2013/14, 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 FY2013/14, 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 FY2013/14 and FY2012/13, the services (and associated remuneration) provided to the Group by PricewaterhouseCoopers were as follows:

US$ million	FY2013/14	FY2012/13
Audit	2.35	2.30
Taxation services	1.28	1.02
Other advisory services	0.43	0.28

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 59 and the responsibilities of the external auditor to the shareholders are set out on pages 62 to 63.

CORPORATE GOVERNANCE CODE

During the year ended 31 March 2014, 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.

Ms. Yik-Chun Koo Wang, 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 15 July 2013 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 share registrar of the Company in Hong Kong, if they have any enquiries about their shareholdings and entitlements to dividend.

There was no change to the Company's constitutional documents during FY2013/14.

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 2014.

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

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

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

SOCIAL RESPONSIBILITIES

Johnson Electric is a global organisation which is dedicated to act in a socially responsible way in its interactions with 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, Health and Safety programs are central to Johnson Electric's overall business objectives.

We address our employees' health and safety needs and environmental matters proactively, and track critical and measurable indicators, through a global EHS management system. A major component of systems based management is regulatory compliance maintained to auditable standards. All levels of management are committed to this. We will further develop our EHS management system to conform to the ISO 14001 and OHSAS 18001 framework.

The training and development of EHS staff, committee members, workers, and managers are likewise critical to achieve a high standard of EHS culture in the Group.

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 consists of donations to education institutions at various locations in the world and the provision of financial and other support to young students to increase their general academic qualifications and workplace skills in Group sponsored programs.

For example, the Johnson Electric Technical College ("JETC"), based in our Shajing, China location 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 throughout their careers. Since its foundation in 2004, JETC has accepted over 700 students, with a further intake of 150 students expected to join in September 2014.

JETC also assists in the establishment of our new locations such as Chennai, India; Zacatecas, Mexico; and soon, Niš, Serbia. 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 sound 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 2014.

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 2014 are set out in the consolidated income statement on page 67 of the accounts.

The Directors declared an interim dividend of 0.38 US Cents (3 HK Cents) per share, totalling US$13.7 million which was paid on 4 December 2013.

The Board recommends a share consolidation ("Share Consolidation") on the basis that every 4 issued and unissued ordinary shares of HK$0.0125 each in the share capital of the Company will be consolidated into 1 consolidated share of HK$0.05 each ("Consolidated Share"), subject to the approval of shareholders at annual general meeting of the Company ("AGM") and the Stock Exchange granting the listing of, and permission to deal in, the Consolidated Shares to be issued upon the Share Consolidation becoming effective on 15 July 2014.

The Board recommends the payment of a final dividend of 1.09 US Cents (8.5 HK Cents) per share (2013: 1.03 US Cents or 8 HK Cents), totalling US$38.9 million, payable on 29 July 2014, which is subject to the approval of the Shareholders at the AGM based on the number of issued shares of HK$0.0125 each in the share capital of the Company without taking into account the Share Consolidation. Subject to the approval of the Shareholders and upon the Share Consolidation becoming effective, the proposed final dividend will be adjusted to take into account the Share Consolidation to 4.36 US Cents (34 HK Cents) per Consolidation Share.

RESERVES

Movements in the reserves of the Group and the Company during the year are set out in Note 20 to the accounts.

DISTRIBUTABLE RESERVES

As of 31 March 2014, the distributable reserves of the Company available for distribution as dividends amounted to US$1,584.9 million, comprising retained earnings of US$1,489.6 million and contributed surplus of US$95.3 million arising from the reorganisation of the 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$0.2 million (FY2012/13: US$0.1 million).

FIXED ASSETS

Details of the movements in property, plant and equipment are shown in Note 3 to the accounts.

SHARE CAPITAL

Details of the share capital are shown in Note 19 to the accounts.

CONVERTIBLE BONDS

On 2 April 2014, the Group issued convertible bonds ("CB") in an aggregate principal amount of US$200 million with a cash coupon rate of 1% per annum, and a 7 year life with a 5 year put option. Further information on the CB can be found in page 130 of the Annual Report.

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*
Christopher Dale Pratt *CBE* (appointed on 3 April 2014)

In accordance with Bye-law 100 of the Company's Bye-laws, Mr. Christopher Dale Pratt shall retire from office and being eligible, offer himself for re-election.

In accordance with Bye-law 109(A) of the Company's Bye-laws, Ms. Winnie Wing-Yee Wang, Mr. Peter Stuart Allenby Edwards, Mr. Patrick Blackwell Paul and Prof. Michael John Enright 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 currently comprises ten directors. As of the date of this report, three of the directors are executive and seven of the directors are non-executive, of whom five are independent. Their details are set out in the Profile of Directors and Senior Management section on pages 174 to 177.

DISCLOSURE OF INTERESTS

Directors

As of 31 March 2014, the interests of each Director and Chief Executive of the Company in the shares of the Company or any of the Company's associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept under Section 352 of the SFO were as follows:

	Shares of HK$0.0125 each of the Company		
Name	Personal Interests	Other Interests	
Yik-Chun Koo Wang	–	2,201,610,880	(Notes 1 & 2)
Peter Kin-Chung Wang	–	577,000	(Note 3)
Peter Stuart Allenby Edwards	–	145,000	(Note 4)
Patrick Blackwell Paul	115,000	–	
Michael John Enright	45,000	–	
Joseph Chi-Kwong Yam	31,000	–	

Notes:

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

Save as disclosed herein, as of 31 March 2014, 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 2014, 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)	61.51
Ansbacher (Bahamas) Limited	Trustee	887,040,000 (Note 1)	24.78
HSBC International Trustee Limited	Trustee	760,066,228 (Note 1)	21.24
Great Sound Global Limited	Interest of controlled corporation	753,655,360 (Note 3)	21.06
Winibest Company Limited	Beneficial owner	753,655,360 (Note 4)	21.06
Federal Trust Company Limited	Trustee	560,915,520 (Note 1)	15.67
Ceress International Investment (PTC) Corporation	Trustee	223,014,080 (Note 5)	6.23
Schroders Plc	Investment manager	215,251,088	6.01
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 2014, 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 31/03/2013	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	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
	725,000	(525,000)	200,000				

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 ("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 Board may grant time-vested units (RSUs) and performance-vested units (PSUs) or cash payment in lieu of shares to such eligible employees and directors as the Board may select at its absolute discretion under the Share Scheme.

During the year ended 31 March 2014, the Company purchased 4,896,500 shares of the Company at a cost of HK$22.3 million in connection with the Share Scheme for eligible employees and directors. The highest and the lowest purchase price paid per share was HK$4.59 and HK$4.50, respectively.

Movements in the number of unvested shares granted as of 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 2013	12,585	11,700	24,285
Shares granted to employees and Independent Non-Executive Directors during the year	6,918	9,820	16,738
Shares vested to employees and Independent Non-Executive Directors during the year	(3,583)	(2,063)	(5,646)
Forfeited during the year	(1,425)	(2,257)	(3,682)
Unvested shares granted, as of 31 March 2014	14,495	17,200	31,695
Shares vested to employees in FY2014/15	(3,095)	–	(3,095)
Unvested shares granted, as of the date of this report	11,400	17,200	28,600

The number of unvested shares are as follows:

Vesting period	Number of unvested shares granted (thousands) Restricted Stock Units	Performance Stock Units	Total
FY2014/15	20	3,260	3,280
FY2015/16	5,175	5,220	10,395
FY2016/17	5,705	8,720	14,425
FY2018/19	500	–	500
Total unvested shares, as of the date of this report	11,400	17,200	28,600

Apart from the Option Scheme and the 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 2014, the Company repurchased a total of 2,560,000 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 2014 was 3,579,196,420. Particulars of the shares repurchased are as follows:

Month of repurchase	Number of ordinary shares repurchased	Purchase price paid per share Highest HK$	Lowest HK$	Aggregate consideration paid HK$ million*
August 2013	2,399,500	5.00	4.83	11.82
September 2013	8,000	5.00	5.00	0.04
November 2013	152,500	5.80	5.79	0.88
	2,560,000			12.74

* Excluding a brokerage and cancellation fee of HK$0.06 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 172 to 173.

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 177 to 179.

CORPORATE GOVERNANCE

Principal corporate governance practices as adopted by the Company are set out in the Corporate Governance Report on pages 35 to 48.

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 2014, 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, 15 May 2014

FINAL DIVIDEND

The Board recommends a share consolidation ("Share Consolidation") on the basis that every 4 issued and unissued ordinary shares of HK$0.0125 each in the share capital of the Company will be consolidated into 1 consolidated share of HK$0.05 each ("Consolidated Share"), subject to the approval of shareholders at annual general meeting of the Company ("AGM") and the Stock Exchange granting the listing of, and permission to deal in, the Consolidated Shares to be issued upon the Share Consolidation becoming effective on 15 July 2014.

The Board recommends the payment of a final dividend of 1.09 US Cents (8.5 HK Cents) per share (2013: 1.03 US Cents or 8 HK Cents), totalling US$38.9 million, payable on 29 July 2014, which is subject to the approval of the Shareholders at the AGM based on the number of issued shares of HK$0.0125 each in the share capital of the Company without taking into account the Share Consolidation. Subject to the approval of the Shareholders and upon the Share Consolidation becoming effective, the proposed final dividend will be adjusted to take into account the Share Consolidation to 4.36 US Cents (34 HK Cents) per Consolidation Share.

CLOSING REGISTER OF SHAREHOLDERS

ATTENDING ANNUAL GENERAL MEETING

The Register of Shareholders of the Company will be closed from 8 July 2014 (Tuesday) to 10 July 2014 (Thursday) inclusive, during which no transfer of shares will be registered.

In order to qualify for attending and voting at the Annual General Meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company's registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong (not the registrar in Bermuda) for registration, not later than 4:30 p.m. on 7 July 2014 (Monday).

FINAL DIVIDEND

The Register of Shareholders of the Company will be closed from 21 July 2014 (Monday) to 23 July 2014 (Wednesday) 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 2014 (Friday).

STATEMENT OF ACCOUNTS

CONTENTS

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 ("JEHL") and its subsidiaries (together, the "Group") set out on pages 64 to 171, which comprise the consolidated and JEHL balance sheets as at 31 March 2014, 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 JEHL 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 JEHL and of the Group as at 31 March 2014, 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, 15 May 2014

CONSOLIDATED BALANCE SHEET

As of 31 March 2014

	Note	2014 US$'000	2013 US$'000
Assets			
Non-current assets			
Property, plant and equipment	3	**392,226**	358,566
Investment property	4	**68,371**	63,214
Land use rights	5	**3,564**	3,800
Intangible assets	6	**647,169**	621,535
Investment in associate	8	**2,202**	2,064
Deferred income tax assets	18	**37,508**	35,694
Available-for-sale financial assets	9	**–**	1,081
Financial assets at fair value through profit and loss	10	**198**	1,102
Other financial assets	11	**29,689**	32,593
Deposits		**6,513**	4,540
Defined benefit pension plan assets	17	**6,929**	–
		1,194,369	1,124,189
Current assets			
Inventories	12	**207,041**	208,095
Trade and other receivables	13	**441,637**	411,666
Financial assets at fair value through profit and loss	10	**1,085**	–
Other financial assets	11	**10,590**	15,934
Income tax recoverable		**2,004**	3,141
Cash and deposits	14	**643,986**	480,924
		1,306,343	1,119,760
Current liabilities			
Trade and other payables	15	**386,406**	341,652
Current income tax liabilities		**45,660**	40,491
Other financial liabilities	11	**21,500**	5,260
Borrowings	16	**115,459**	123,260
Provision obligations and other liabilities	17	**24,330**	27,435
		593,355	538,098
Net current assets		**712,988**	581,662
Total assets less current liabilities		**1,907,357**	1,705,851

	Note	2014 US$'000	2013 US$'000
Non-current liabilities			
Other payables	15	**15,524**	–
Other financial liabilities	11	**40,386**	2,468
Borrowings	16	**1,394**	1,735
Deferred income tax liabilities	18	**53,609**	64,663
Provision obligations and other liabilities	17	**30,126**	38,222
		141,039	107,088
NET ASSETS		**1,766,318**	1,598,763
Equity			
Share capital			
Ordinary shares	19	**5,773**	5,777
Shares held for the Share Scheme	19	**(13,896)**	(13,849)
Share premium	19	**23,628**	25,433
Reserves	20	**1,677,884**	1,514,526
Proposed dividends	29	**38,910**	36,625
		1,732,299	1,568,512
Non-controlling interests		**34,019**	30,251
TOTAL EQUITY		**1,766,318**	1,598,763

The notes on pages 73 to 171 form an integral part of these consolidated financial statements.

Patrick Shui-Chung Wang *JP*
Director

Winnie Wing-Yee Wang
Director

JEHL BALANCE SHEET

As of 31 March 2014

	Note	**2014 US$'000**	2013 US$'000
Assets			
Non-current assets			
Interest in subsidiaries	7	**997,638**	997,708
Available-for-sale financial assets	9	**–**	1,081
Financial assets at fair value through profit and loss	10	**198**	–
Other financial assets	11	**3**	4,753
		997,839	1,003,542
Current assets			
Amounts due from subsidiaries	7	**613,132**	625,069
Other financial assets	11	**5**	–
Cash and deposits	14	**53**	82
		613,190	625,151
Current liabilities			
Amounts due to subsidiaries	7	**58**	120,130
Other financial liabilities	11	**1,071**	–
Other payables	15	**85**	2,052
		1,214	122,182
Non-current liabilities			
Other financial liabilities	11	**6,622**	–
		6,622	–
NET ASSETS		**1,603,193**	1,506,511
Equity			
Share capital			
Ordinary shares	19	**5,773**	5,777
Shares held for the Share Scheme	19	**(13,896)**	(13,849)
Share premium	19	**23,628**	25,433
Reserves	20	**1,548,778**	1,452,525
Proposed dividends	29	**38,910**	36,625
TOTAL EQUITY		**1,603,193**	1,506,511

The notes on pages 73 to 171 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 2014

	Note	2014 US$'000	2013 US$'000
Sales	2	**2,097,618**	2,059,689
Cost of goods sold		**(1,478,711)**	(1,481,975)
Gross profit		**618,907**	577,714
Other income and gains, net	21	**19,762**	28,370
Selling and administrative expenses	22	**(405,180)**	(393,169)
Operating profit		**233,489**	212,915
Finance income	25	**10,927**	7,464
Finance costs	25	**(1,830)**	(2,698)
Share of profit of associate	8	**408**	324
Profit before income tax		**242,994**	218,005
Income tax expense	26	**(28,098)**	(21,113)
Profit for the year		**214,896**	196,892
Profit attributable to non-controlling interests		**(7,031)**	(5,571)
Profit attributable to owners	27	**207,865**	191,321
Basic earnings per share for profit attributable to the owners during the year (expressed in US Cents per share)	28	**5.85**	5.36
Diluted earnings per share for profit attributable to the owners during the year (expressed in US Cents per share)	28	**5.81**	5.33

The notes on pages 73 to 171 form an integral part of these consolidated financial statements.

The Board has recommended a final dividend of 1.09 US Cents per share (FY2012/13: 1.03 US Cents) equivalent to US$38.9 million (FY2012/13: US$36.6 million), details are set out in Note 29.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2014

	Note	**2014 US$'000**	2013 US$'000
Profit for the year		**214,896**	196,892
Other comprehensive income / (expenses)			
Items that will not be recycled subsequently to profit and loss:			
Defined benefit plans			
– remeasurements	17 & 20	**8,466**	(2,463)
– deferred income tax effect	18 & 20	**(1,084)**	658
Long service payment			
– remeasurements	17 & 20	**623**	656
– deferred income tax effect	18 & 20	**(63)**	76
Investment property			
– revaluation surplus on transfer of property, plant and equipment to investment property	4	**–**	3,671
– deferred income tax effect	18 & 20	**–**	(918)
Total items that will not be recycled subsequently to profit and loss		**7,942**	1,680
Items that will be recycled to profit and loss:			
Available-for-sale financial assets			
– fair value losses, net	9 & 20	**–**	(218)
– release of reserves upon disposal	20	**–**	152
Hedging instruments			
– fair value (losses) / gains, net	20	**(56,635)**	35,862
– deferred income tax effect	18 & 20	**8,197**	(5,065)
– transferred to income statement	20	**(6,106)**	(5,548)
Divestiture of non-core business		**–**	(21,560)
Release of reserves on disposal of a property based subsidiary	20	**–**	8,544
Currency translations of subsidiaries and associate		**49,882**	(33,503)
Total items that will be recycled to profit and loss		**(4,662)**	(21,336)
Other comprehensive income / (expenses) for the year, net of tax		**3,280**	(19,656)
Total comprehensive income for the year, net of tax		**218,176**	177,236
Total comprehensive income attributable to:			
Owners		**211,160**	170,156
Non-controlling interests			
Share of profits for the year		**7,031**	5,571
Share of revaluation surplus on investment property		**–**	1,101
Currency translations		**(15)**	408
		218,176	177,236

The notes on pages 73 to 171 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2014

	Note	Attributable to owners of JEHL					
		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 2013		17,361	78,094	1,473,057	1,568,512	30,251	1,598,763
Profit for the year		–	–	207,865	207,865	7,031	214,896
Other comprehensive income / (expenses):							
Available-for-sale financial assets							
– adoption of HKFRS 9	20	–	380	(380)	–	–	–
Hedging instruments							
– fair value losses, net	20	–	(56,635)	–	(56,635)	–	(56,635)
– deferred income tax effect	18 & 20	–	8,197	–	8,197	–	8,197
– transferred to income statement	20	–	(6,106)	–	(6,106)	–	(6,106)
Defined benefit plans							
– remeasurements	17 & 20	–	–	8,466	8,466	–	8,466
– deferred income tax effect	18 & 20	–	–	(1,084)	(1,084)	–	(1,084)
Long service payment							
– remeasurements	17 & 20	–	–	623	623	–	623
– deferred income tax effect	18 & 20	–	–	(63)	(63)	–	(63)
Investment property							
– revaluation surplus realised upon disposal	20	–	(583)	583	–	–	–
Currency translations of subsidiaries and associate	20	–	49,897	–	49,897	(15)	49,882
Total comprehensive income / (expenses) for FY2013/14		–	(4,850)	216,010	211,160	7,016	218,176
Transactions with owners:							
Appropriation of retained earnings to statutory reserve	20	–	(1,446)	1,446	–	–	–
Cancellation of issued capital	19	(1,650)	–	–	(1,650)	–	(1,650)
Long-Term Incentive Share Scheme							
– shares vested	19 & 20	2,685	(2,685)	–	–	–	–
– value of employee services	20 & 31	–	5,799	–	5,799	–	5,799
– purchase of shares	19	(2,891)	–	–	(2,891)	–	(2,891)
– transfer from cash settled share-based unit	20	–	1,771	–	1,771	–	1,771
Share options							
– options lapsed	20	–	(274)	274	–	–	–
Contribution from non-controlling interests		–	–	–	–	650	650
Dividend paid to non-controlling shareholders of a subsidiary		–	–	–	–	(3,898)	(3,898)
FY2012/13 final dividend paid	20	–	–	(36,664)	(36,664)	–	(36,664)
FY2013/14 interim dividend paid	20	–	–	(13,738)	(13,738)	–	(13,738)
Total transactions with owners		(1,856)	3,165	(48,682)	(47,373)	(3,248)	(50,621)
As of 31 March 2014		**15,505**	**76,409**	**1,640,385**	**1,732,299**	**34,019**	**1,766,318**

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

The notes on pages 73 to 171 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2013

		Attributable to owners of JEHL					
	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 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	20	–	(22,772)	1,212	(21,560)	–	(21,560)
Release of reserves on disposal of a property based subsidiary	20	–	7,188	1,356	8,544	–	8,544
Available-for-sale financial assets							
– fair value losses, net	9 & 20	–	(218)	–	(218)	–	(218)
– release of reserves upon disposal	20	–	152	–	152	–	152
Hedging instruments							
– fair value gain, net	20	–	35,862	–	35,862	–	35,862
– deferred income tax effect	18 & 20	–	(5,065)	–	(5,065)	–	(5,065)
– transferred to income statement	20	–	(5,548)	–	(5,548)	–	(5,548)
Defined benefit plans							
– remeasurements	17 & 20	–	–	(2,463)	(2,463)	–	(2,463)
– deferred income tax effect	18 & 20	–	–	658	658	–	658
Long service payment							
– remeasurements	17 & 20	–	–	656	656	–	656
– deferred income tax effect	18 & 20	–	–	76	76	–	76
Investment property							
– revaluation surplus realised upon disposal	20	–	(21)	21	–	–	–
– revaluation surplus on transfer of property, plant and equipment to investment property	4 & 20	–	2,570	–	2,570	1,101	3,671
– deferred income tax effect	18 & 20	–	(918)	–	(918)	–	(918)
Currency translations of subsidiaries and associate	20	–	(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	20	–	2,261	(2,261)	–	–	–
Cancellation of issued capital	19	(19,873)	–	–	(19,873)	–	(19,873)
Long-Term Incentive Share Scheme							
– shares vested	19 & 20	812	(812)	–	–	–	–
– reserve released upon transfer to cash settled share-based unit	20	–	(1,990)	–	(1,990)	–	(1,990)
– value of employee services	20 & 31	–	4,694	–	4,694	–	4,694
Dividends paid to non-controlling shareholders of a subsidiary		–	–	–	–	(2,751)	(2,751)
FY2011/12 final dividend paid	20	–	–	(32,263)	(32,263)	–	(32,263)
FY2012/13 interim dividend paid	20	–	–	(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, 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 2014

	Note	2014 US$'000	2013 US$'000
Cash flows from operating activities			
Earnings before interest, taxes, depreciation and amortisation	31	**321,811**	304,268
Other non-cash items and adjustments	31	**856**	(17,790)
Change in working capital	31	**17,787**	(87,206)
Cash generated from operations	31	**340,454**	199,272
Interest paid		**(1,830)**	(2,533)
Income taxes paid		**(31,329)**	(29,374)
Net cash generated from operating activities		**307,295**	167,365
Investing activities			
Purchase of property, plant and equipment and capitalised expenditure of investment property, net of subsidies		**(92,171)**	(82,634)
Capitalisation of engineering development costs	6	**(5,804)**	–
Proceeds from disposal of property, plant and equipment, investment property and a property based subsidiary	31	**10,807**	19,712
Interest received		**10,927**	7,464
		(76,241)	(55,458)
Business combination *		**–**	(11,098)
Proceeds from sale of available-for-sale financial assets and financial assets at fair value through profit and loss		**1,458**	3,660
Proceeds from divestiture of non-core business, net of cash divested **		**–**	137,767
Subsequent payments due to divestiture of non-core business **		**(6,071)**	–
Net cash (used in) / generated from investing activities		**(80,854)**	74,871

* 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 total consideration of the acquisition was US$11.1 million and was completed in FY2012/13.

** In FY2012/13, proceeds from divestiture of non-core business was comprised of US$133.0 million for the divestiture of Saia-Burgess Controls business and US$4.8 million for the disposal of a minority stake in a non-core business. In FY2013/14, the payment was to the buyer of the Saia-Burgess Controls business for the anticipated post-closing adjustments as agreed at closing (1 February 2013).

	Note	2014 US$'000	2013 US$'000
Financing activities			
Purchase of shares for cancellation of issued capital	19	**(1,650)**	(19,873)
Purchase of shares held for Long-Term Incentive Share Scheme	19	**(2,891)**	–
Proceeds from borrowings		**5,628**	14,543
Repayments of borrowings		**(18,309)**	(91,814)
Dividends paid to owners		**(50,402)**	(46,034)
Dividends paid to non-controlling interests		**(3,898)**	(2,751)
Contribution from non-controlling interests		**650**	–
Net cash used in financing activities		**(70,872)**	(145,929)
Net increase in cash and cash equivalents		**155,569**	96,307
Cash and cash equivalents at beginning of the year		**480,924**	385,117
Currency translations on cash and cash equivalents		**7,493**	(500)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		**643,986**	480,924

The notes on pages 73 to 171 form an integral part of these consolidated financial statements.

NOTES TO THE ACCOUNTS

1. GENERAL INFORMATION AND BASIS OF PREPARATION

The principal operations of Johnson Electric Holdings Limited ("JEHL") and its subsidiaries (together, "the Group") are the manufacture and sale of motion systems. The Group has manufacturing plants and sales operations throughout the world.

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

The shares of JEHL are listed on The Stock Exchange of Hong Kong Limited.

These consolidated financial statements are presented in US Dollars, unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 15 May 2014.

The consolidated financial statements of JEHL 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 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 38.

Detailed accounting policies are set in Note 37. In FY2013/14, the Group adopted new / revised standards and interpretations of HKFRS effective for the first time in FY2013/14. The effect of adopting the new / revised HKFRSs is disclosed in Note 39.

2. SEGMENT INFORMATION

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

The Group's management assesses the performance of its operating segment based on the measure of operating profit, excluding items which are not directly related to the segment performance. These include non-operating income / (expenses) such as interest income and expense, rental income, fair value gains / (losses) on investment property and gains / (losses) on disposals of fixed assets and investments.

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

	2014	2013
	US$'000	US$'000
Operating profit presented to management	**213,727**	182,309
Gross rental income from investment property (Note 21)	**4,569**	4,125
Gains / (losses) on investments, net (Note 21)	**1,590**	(282)
Gain on divestiture of non-core business, net (Note 21 & 31)	**–**	20,404
Loss on disposal of a property based subsidiary (Note 21 & 31)	**–**	(1,602)
Gains on disposal of property, plant and equipment and investment property (Note 21 & 31)	**2,529**	1,536
Fair value gains on investment property (Note 4, 21 & 31)	**5,239**	3,974
Fair value (losses) / gains on other financial assets / liabilities (Note 21)	**(429)**	215
Subsidies and other income (Note 21)	**6,264**	–
Others	**–**	2,236
Operating profit per consolidated income statement	**233,489**	212,915

Revenue from external customers by business unit was as follows:

	2014	2013
	US$'000	US$'000
Automotive Products Group ("APG")	**1,436,801**	1,303,896
Industry Products Group ("IPG")	**660,817**	685,937
Divested business	**–**	69,856
	2,097,618	2,059,689

2. SEGMENT INFORMATION *(Cont'd)*

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 25% of the total revenues of the Group for FY2013/14 (FY2012/13: 22%).

Revenue by geography

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

	2014	2013
	US$'000	US$'000
Europe *	**885,738**	846,936
People's Republic of China ("PRC")	**570,071**	554,689
North America	**439,805**	440,632
Asia (excluding PRC)	**156,095**	162,841
South America	**41,490**	49,138
Others	**4,419**	5,453
	2,097,618	2,059,689

* Included in Europe, sales to Germany was US$254.6 million for FY2013/14 (FY2012/13: US$259.5 million).

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

Segment assets

For FY2013/14, the additions to non-current assets (other than deferred tax assets, available-for-sale financial assets, financial assets at fair value through profit and loss, other financial assets and defined benefit pension plan assets) were US$112.1 million (FY2012/13: US$82.2 million).

As of 31 March 2014, excluding goodwill, the total of non-current assets (other than deferred tax assets, available-for-sale financial assets, financial assets at fair value through profit and loss, other financial assets and defined benefit pension plan assets) located in HK/PRC was US$328.3 million (31 March 2013: US$326.0 million) and the total of these non-current assets located in other countries was US$326.7 million (31 March 2013: US$291.1 million).

3. 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 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
FY2012/13						
As of 31 March 2012	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	–	(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 23)	(11,047)	(28,841)	–	(20,879)	(7,968)	(68,735)
As of 31 March 2013	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.

3. 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
FY2013/14						
As of 31 March 2013	102,845	121,691	29,092	59,592	45,346	358,566
Currency translations	2,907	844	679	640	226	5,296
Additions	6,740	17,693	64,062	8,554	4,740	101,789
Transfer	5,063	21,181	(39,790)	10,771	2,775	–
Transfer from investment property (Note 4)	1,520	–	–	–	–	1,520
Disposals	(2,597)	(998)	–	(267)	(157)	(4,019)
Provision for impairment	(9)	(681)	(2,172)	(512)	(9)	(3,383)
Depreciation (Note 23)	(11,405)	(27,636)	–	(20,369)	(8,133)	(67,543)
As of 31 March 2014	**105,064**	**132,094**	**51,871**	**58,409**	**44,788**	**392,226**
As of 31 March 2014						
Cost	239,568	596,129	54,043	285,041	140,793	1,315,574
Accumulated depreciation and impairment	(134,504)	(464,035)	(2,172)	(226,632)	(96,005)	(923,348)
Net book amount	**105,064**	**132,094**	**51,871**	**58,409**	**44,788**	**392,226**

* 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:

	2014 US$'000	2013 US$'000
In Hong Kong:		
On lease between 10 to 50 years	**7,638**	8,241
	7,638	8,241

4. INVESTMENT PROPERTY

Group

	2014 US$'000	2013 US$'000
At beginning of the year	**63,214**	53,705
Currency translations	**(1)**	15
Fair value gains (Note 2, 21 & 31)	**5,239**	3,974
Capitalised expenditure	**2,523**	69
Transfer from property, plant and equipment and land use right		
– Net book value	**–**	2,767
– Revaluation surplus	**–**	3,671
Transfer to property, plant and equipment (Note 3)	**(1,520)**	–
Disposals	**(1,084)**	(987)
At end of the year	**68,371**	63,214

The Group's investment property was valued on an open market basis as of 31 March 2014. The appraisals were performed by independent, professionally qualified valuers, Chung, Chan & Associates, Chartered Surveyors.

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

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

	2014 US$'000	2013 US$'000
In Hong Kong:		
On lease between 10 to 50 years	**61,444**	55,847
Outside Hong Kong:		
On lease between 10 to 50 years	**6,927**	7,367
	68,371	63,214

5. LAND USE RIGHTS

Group

	2014 **US$'000**	2013 US$'000
At beginning of the year	**3,800**	4,677
Currency translations	**6**	69
Additions	**–**	77
Transfer to investment property	**–**	(762)
Amortisation (Note 23)	**(242)**	(261)
At end of the year	**3,564**	3,800

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

	2014 **US$'000**	2013 US$'000
In PRC:		
On lease between 10 to 50 years	**3,564**	3,800
	3,564	3,800

6. INTANGIBLE ASSETS

Group

	Goodwill US$'000	Technology US$'000	Patents and engineering development US$'000	Brands US$'000	Client relationships US$'000	Total US$'000
As of 31 March 2012						
Cost	516,614	180,442	11,659	74,490	124,656	907,861
Accumulated amortisation and impairment	–	(74,440)	(11,608)	(18,687)	(45,343)	(150,078)
Net book amount	516,614	106,002	51	55,803	79,313	757,783
FY2012/13						
As of 31 March 2012	516,614	106,002	51	55,803	79,313	757,783
Currency translations	(20,133)	(3,708)	(130)	(2,424)	(3,577)	(29,972)
Acquisition	–	–	5,000	–	2,000	7,000
Divestiture of non-core business	(59,908)	(16,500)	–	(5,212)	(9,389)	(91,009)
Amortisation (Note 23 & 31)	–	(11,018)	(56)	(2,763)	(8,396)	(22,233)
Provision for impairment	–	–	(34)	–	–	(34)
As of 31 March 2013	436,573	74,776	4,831	45,404	59,951	621,535
As of 31 March 2013						
Cost	436,573	142,026	16,207	63,864	106,141	764,811
Accumulated amortisation and impairment	–	(67,250)	(11,376)	(18,460)	(46,190)	(143,276)
Net book amount	436,573	74,776	4,831	45,404	59,951	621,535
FY2013/14						
As of 31 March 2013	436,573	74,776	4,831	45,404	59,951	621,535
Currency translations	28,438	4,412	452	3,219	4,163	40,684
Additions	–	–	5,804	–	–	5,804
Amortisation (Note 23 & 31)	–	(9,497)	(641)	(2,591)	(8,125)	(20,854)
As of 31 March 2014	**465,011**	**69,691**	**10,446**	**46,032**	**55,989**	**647,169***
As of 31 March 2014						
Cost	465,011	151,335	22,958	68,571	113,877	821,752
Accumulated amortisation and impairment	–	(81,644)	(12,512)	(22,539)	(57,888)	(174,583)
Net book amount	**465,011**	**69,691**	**10,446**	**46,032**	**55,989**	**647,169**

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

6. INTANGIBLE ASSETS *(Cont'd)*

* Total intangible assets as of 31 March 2014 and 31 March 2013 are denominated in the following underlying currencies:

	USD equivalent	
	2014	2013
	US$'000	US$'000
In CHF	**551,052**	529,619
In USD	**83,055**	83,737
In EUR	**6,534**	1,385
In GBP	**6,528**	6,794
Total intangible assets	**647,169**	621,535

Impairment tests for goodwill

The Group is one cash-generating unit ("CGU") for the purpose of testing goodwill impairment. 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 FY2014/15 financial budget and future forecast.

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% until 2019 and a 2% perpetual growth rate thereafter (FY2012/13: 6% and 2% respectively) and operating margin of 10% (FY2012/13: 10%). Future cash flows are discounted at a pre-tax rate of 11.6% (equivalent to post-tax weighted average cost of capital of 10.0%) (FY2012/13: pre-tax rate of 11.6%).

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

7. SUBSIDIARIES

JEHL

	2014	*2013*
	US$'000	*US$'000*
Unlisted investments, at cost	***983,147***	*983,031*
Amounts due from subsidiaries		
– non-current portion(a)	***14,491***	*14,677*
	997,638	*997,708*
Amounts due from subsidiaries		
– current portion(b)	***613,132***	*625,069*
Amounts due to subsidiaries		
– current portion(b)	***(58)***	*(120,130)*
	613,074	*504,939*
	1,610,712	*1,502,647*

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

(b) US$6.6 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 (FY2012/13: US$6.2 million was unsecured, interest bearing at 3% per annum and is repayable on demand. The remaining amounts were unsecured, interest-free and repayable on demand).

Details of principal subsidiaries are shown in Note 40.

8. INVESTMENT IN ASSOCIATE

Group

	2014	2013
	US$'000	US$'000
At beginning of the year	**2,064**	2,184
Currency translations	**1**	30
Share of associate's profit for the year	**408**	324
Dividend received	**(271)**	(474)
At end of the year	**2,202**	2,064

Details of associate are shown in Note 40.

9. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group		JEHL	
	2014	2013	***2014***	*2013*
	US$'000	US$'000	***US$'000***	*US$'000*
At beginning of the year	**1,081**	6,307	***1,081***	*1,552*
Adoption of HKFRS 9	**(1,081)**	–	***(1,081)***	*–*
Disposals	**–**	(5,008)	***–***	*(253)*
Fair value losses transferred to equity (Note 20)	**–**	(218)	***–***	*(218)*
At end of the year	**–**	1,081	***–***	*1,081*

In FY2013/14, the Group adopted HKFRS 9. Investments in unlisted equity instruments previously classified as available-for-sale are now classified as financial assets at fair value through profit and loss. Details are set out in Note 10.

No impairment charges on available-for-sale financial assets were booked in the income statement in FY2013/14 (FY2012/13: nil).

Available-for-sale financial assets included the following:

	Group		JEHL	
	2014	2013	***2014***	*2013*
	US$'000	US$'000	***US$'000***	*US$'000*
Unlisted securities				
– Unlisted equity investments	**–**	1,081	***–***	*1,081*

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

	Group		JEHL	
	2014	2013	***2014***	*2013*
	US$'000	US$'000	***US$'000***	*US$'000*
USD	**–**	1,081	***–***	*1,081*

10. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS

	Group		JEHL	
	2014	2013	***2014***	*2013*
	US$'000	US$'000	***US$'000***	*US$'000*
Unlisted debt securities	**1,085**	1,102	–	–
Unlisted equity investments	**198**	–	***198***	–
Total	**1,283**	1,102	***198***	–
Current portion	**1,085**	–	–	–
Non-current portion	**198**	1,102	***198***	–
	1,283	1,102	***198***	–

The basis of the fair value of above financial assets is discussed in Note 35.

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

11. OTHER FINANCIAL ASSETS AND LIABILITIES

Group

	Assets		Liabilities	
	2014	2013	**2014**	2013
	US$'000	US$'000	**US$'000**	US$'000
Raw material commodity contracts (Note a)				
– cash flow hedge	**634**	2,778	**12,614**	4,529
Forward foreign currency exchange contracts (Note b)				
– cash flow hedge	**39,627**	40,963	**41,575**	3,182
– net investment hedge	**8**	4,753	**7,693**	–
– held for trading	**10**	33	**4**	17
Total (Note c)	**40,279**	48,527	**61,886**	7,728
Current portion	**10,590**	15,934	**21,500**	5,260
Non-current portion	**29,689**	32,593	**40,386**	2,468
Total	**40,279**	48,527	**61,886**	7,728

JEHL

	Assets		*Liabilities*	
	2014	*2013*	***2014***	*2013*
	US$'000	*US$'000*	***US$'000***	*US$'000*
Forward foreign currency exchange contracts (Note b)				
– net investment hedge	***8***	*4,753*	***7,693***	*–*

Note:

(a) Raw material commodity contracts

Copper, silver and aluminium forward commodity contracts as per table in the following page are designated as hedges. Gains and losses initially recognised in the hedging reserve as of 31 March 2014, will be recognised in the income statement in the period or periods in which the underlying hedged copper, silver and aluminium volumes are consumed.

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

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

As of 31 March 2014, the Group had the following outstanding raw material commodity contracts:

	Notional amount	Contract value (US$ million)	Remaining maturities range (months)
Cash flow hedge			
Copper commodity contracts	30,850 metric ton	215.3	1 – 59
Silver commodity contracts	625,000 oz	14.7	1 – 48
Aluminium commodity contracts	825 metric ton	1.5	1 – 13

(b) Forward foreign currency exchange contracts

The RMB, EUR, HUF, MXN, CHF, PLN, INR, JPY and ILS forward foreign currency exchange contracts as per table in the following page are designated as hedges. Gains and losses initially recognised in the hedging reserve as of 31 March 2014, will be recognised in the income statement in the period or periods in which the underlying hedged transactions occur. 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.

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

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

As of 31 March 2014, the Group had the following outstanding forward foreign currency exchange contracts:

	Settlement currency	Notional amount (million)	Contract value in USD equivalent (US$ million)	Remaining maturities range (months)
Cash flow hedge				
RMB forward purchase contracts	USD	RMB 7,426.8	1,149.8	1 – 60
EUR forward sales contracts	USD	EUR 768.5	1,043.8	1 – 73
HUF forward purchase contracts	EUR	HUF 24,251.0	101.6	1 – 61
MXN forward purchase contracts	USD	MXN 991.2	70.5	1 – 60
CHF forward purchase contracts	EUR	CHF 40.2	45.2	1 – 12
PLN forward purchase contracts	EUR	PLN 90.0	27.6	1 – 60
INR forward purchase contracts	USD	INR 727.3	10.2	13 – 59
JPY forward sales contracts	USD	JPY 496.0	5.1	1 – 24
ILS forward purchase contracts	USD	ILS 9.8	2.5	1 – 7
Net investment hedge				
EUR forward sales contracts	USD	EUR 225.0	310.1	9 – 69
Held for trading				
INR forward purchase contracts	USD	INR 74.9	1.2	1 – 12

(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 gain from raw material commodity and foreign currency exchange hedge contracts recognised in the income statement during the year was US$6.1 million (FY2012/13: net gain of US$5.5 million).

12. INVENTORIES

Group

	2014	2013
	US$'000	US$'000
Raw materials	**84,667**	85,849
Finished goods	**122,374**	122,246
	207,041	208,095

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

13. TRADE AND OTHER RECEIVABLES

Group

	2014	2013
	US$'000	US$'000
Trade receivables – gross	**387,408**	346,707
Less: impairment of trade receivables *	**(9,186)**	(2,472)
Trade receivables – net	**378,222**	344,235
Prepayments and other receivables	**63,415**	67,431
	441,637	411,666

* Impairment of trade receivables is discussed on page 90

JEHL did not have trade and other receivables as of 31 March 2014 (31 March 2013: nil).

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.

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

Ageing of gross trade receivables

The Group normally grants credit terms ranging from 30 to 120 days to its trade customers. The ageing of gross trade receivables based on overdue date was as follows:

Group

	2014 US$'000	2013 US$'000
Current	**364,823**	329,807
1–30 days overdue	**7,999**	9,939
31–90 days overdue	**7,051**	3,631
Over 90 days overdue	**7,535**	3,330
Total	**387,408**	346,707

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.

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

Group

	2014 US$'000	2013 US$'000
USD	**144,114**	143,410
EUR	**153,279**	128,047
RMB	**78,850**	64,340
Others	**11,165**	10,910
Total	**387,408**	346,707

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 120 days. As of 31 March 2014, trade receivables of US$13.4 million (31 March 2013: US$14.4 million) were overdue but not impaired. Management assessed the credit quality of this US$13.4 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.

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

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

Group

	2014	2013
	US$'000	US$'000
1-30 days overdue	**7,999**	9,939
31-90 days overdue	**3,166**	3,546
Over 90 days overdue	**2,234**	943
Total	**13,399**	14,428

Impairment of trade receivables

Movements on the impairment of trade receivables were as follows:

Group

	2014	2013
	US$'000	US$'000
At beginning of the year	**2,472**	1,910
Currency translations	**263**	(55)
Divestiture of non-core business	**–**	(420)
Receivables written off during the year as uncollectible	**(481)**	(118)
Impairment of trade receivables / bad debt expense (Note 23)	**6,932***	1,155
At end of the year	**9,186**	2,472

* The increase of bad debt was primarily due to a customer that entered into a court approved rehabilitation process.

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

14. CASH AND DEPOSITS

	Group		*JEHL*	
	2014	2013	***2014***	*2013*
	US$'000	US$'000	***US$'000***	*US$'000*
Cash at bank and in hand	**164,265**	182,564	***53***	*82*
Short term bank deposits	**479,721**	298,360	***–***	*–*
Cash and cash equivalents	**643,986**	480,924	***53***	*82*

The effective interest rate on bank balances and deposits was 2.3% (FY2012/13: 1.8%). These deposits have an average maturity of 77 days (FY2012/13: 49 days).

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

Group

	2014	2013
	US$'000	US$'000
RMB	**445,261**	332,598
EUR	**99,364**	98,391
USD	**47,291**	35,760
Others	**52,070**	14,175
Total	**643,986**	480,924

15. TRADE AND OTHER PAYABLES

Group	**2014 US$'000**	2013 US$'000
Trade payables	**207,234**	184,655
Accrued expenses and sundry payables	**194,696**	156,997
	401,930	341,652
Current portion	**386,406**	341,652
Non-current portion	**15,524**	–

JEHL	***2014 US$'000***	*2013 US$'000*
Accrued expenses and sundry payables	***85***	*2,052*

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	**2014 US$'000**	2013 US$'000
0-60 days	**153,592**	137,953
61-90 days	**39,892**	31,048
Over 90 days	**13,750**	15,654
Total	**207,234**	184,655

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

Group	**2014 US$'000**	2013 US$'000
RMB	**76,762**	42,980
USD	**57,492**	69,050
EUR	**42,871**	36,814
HKD	**23,344**	28,797
Others	**6,765**	7,014
Total	**207,234**	184,655

16. BORROWINGS

Group

	2014	2013
	US$'000	US$'000
Loans based on trade receivables (Note)	**114,986**	121,860
Other borrowings – Non-current	**1,394**	1,735
– Current	**473**	1,400
Total borrowings	**116,853**	124,995
Current borrowings	**115,459**	123,260
Non-current borrowings	**1,394**	1,735

JEHL did not have borrowings as of 31 March 2014 (31 March 2013: nil).

Note:

Subsidiary companies have borrowed US$115.0 million in the USA, Europe and Hong Kong as of 31 March 2014 (as of 31 March 2013: US$121.9 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$40.0 million, with a covenant that trade receivables shall not be pledged to other parties (31 March 2013: US$50.0 million).
- Borrowings in Europe of US$55.0 million (EUR40.0 million) (31 March 2013: US$57.5 million (EUR45.0 million)), which are secured by trade receivables and require an over-collateralisation level of 20% of the amount loaned (US$66.0 million as of 31 March 2014 and US$69.0 million as of 31 March 2013).
- Unsecured borrowings in Hong Kong of US$20.0 million based on trade receivables (31 March 2013: US$14.4 million).

16. BORROWINGS *(Cont'd)*

The maturity of borrowings was as follows:

Group

	Bank borrowings		Other loans	
	2014	2013	**2014**	2013
	US$'000	US$'000	**US$'000**	US$'000
Less than 1 year	**114,986**	122,833	**473**	427
1 – 2 years	**–**	–	**488**	440
2 – 5 years	**–**	–	**906**	1,105
Over 5 years	**–**	–	**–**	190
	114,986	122,833	**1,867**	2,162

As of 31 March 2014, the interest rate charged on outstanding balances ranged from 0.7% to 3.2% per annum (31 March 2013: 0.6% to 3.2% per annum) and the weighted average effective interest rate of the borrowings was approximately 0.8% (31 March 2013: 0.8%). Interest expense is discussed in Note 25.

As of 31 March 2014, borrowings of subsidiary companies amounting to US$115.0 million (31 March 2013: US$122.8 million) were guaranteed by JEHL. The Group has two key financial covenants as part of its various borrowing agreements. These covenants are the net debt outstanding compared to EBITDA test and a net worth (Total Equity) test. The Group was in compliance with all covenants as of 31 March 2014 and expects to remain compliant in future periods.

The fair value of current borrowings equals their carrying amount, as the impact of discounting is not significant. The fair values are based on cash flows discounted using a rate based on the borrowing rate and are within level 2 of the fair value hierarchy.

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

Group

	2014	2013
	US$'000	US$'000
USD	**59,978**	65,107
EUR	**56,875**	59,672
ILS	**–**	216
Total borrowings	**116,853**	124,995

17. PROVISION OBLIGATIONS AND OTHER LIABILITIES

	Retirement benefit obligations 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 2012	32,586	6,120	20,555	34,910	5,743	99,914
Currency translations	(1,253)	(2)	(713)	(616)	121	(2,463)
Divestiture of non-core business	(5,651)	–	–	4,928	(43)	(766)
Provisions (Note 22)	2,710	–	–	11,660	3,889	18,259
Utilised	(7,577)	(700)	(9,517)	(28,300)	(5,000)	(51,094)
Remeasurements (Note 20)	2,463	–	–	–	(656)	1,807
As of 31 March 2013	23,278	5,418	10,325	22,582	4,054	65,657
Current portion	–	800	9,856	16,366	413	27,435
Non-current portion	23,278	4,618	469	6,216	3,641	38,222
As of 31 March 2013	23,278	5,418	10,325	22,582	4,054	65,657
As of 31 March 2013	23,278	5,418	10,325	22,582	4,054	65,657
Currency translations	1,648	–	587	774	49	3,058
Provisions (Note 22)	(123)	–	–	7,195	4,701	11,773
Utilised	(6,280)	(800)	(4,514)	(8,023)	(4,255)	(23,872)
Remeasurements (Note 20)	(8,466)	–	–	–	(623)	(9,089)
As of 31 March 2014	**10,057** *	**4,618**	**6,398**	**22,528**	**3,926**	**47,527**
Provision obligations and other liabilities:						
Current portion	–	908	6,398	16,606	418	24,330
Non-current portion	16,986	3,710	–	5,922	3,508	30,126
Defined benefit pension plan assets:						
Non-current portion	(6,929)	–	–	–	–	(6,929)
As of 31 March 2014	**10,057**	**4,618**	**6,398**	**22,528**	**3,926**	**47,527**

* The retirement benefit obligations were mainly denominated in CHF, GBP and EUR as of 31 March 2014.

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

17.1 Retirement benefit obligations

Defined benefit pension plans

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

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

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.

The Group has adopted HKAS 19 (2011) prospectively as the impacts on prior years is not material.

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

	2014 **US$'000**	2013 US$'000
Present value of obligations that are funded	**(155,126)**	(153,073)
Present value of obligations that are unfunded	**(16,551)**	(15,469)
Gross present value of obligations (Note (a))	**(171,677)**	(168,542)
Less: Fair value of plan assets (Note (b))	**161,620**	145,264
Total retirement benefit obligations (net liability)	**(10,057)**	(23,278)
Represented by:		
Defined benefit pension plan assets	**6,929**	–
Provisions obligations and other liabilities	**(16,986)**	(23,278)

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

17.1 Retirement benefit obligations *(Cont'd)*

(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:

	2014 US$'000	2013 US$'000
At beginning of the year	**168,542**	198,456
Current service cost * (Note 17.1(ii))	**(396)**	3,547
Interest cost (Note 17.1(ii))	**4,182**	4,973
Remeasurements (Note 17.1(iii)):		
– Loss from change in demographic assumptions	**288**	3,881
– (Gain) / loss from change in financial assumptions	**(2,656)**	9,964
– Experience gains	**(3,314)**	(3,826)
Currency translations	**13,614**	(10,111)
Divestiture of non-core business	**–**	(34,268)
Contributions by plan participants	**2,705**	4,409
Benefits paid	**(11,288)**	(8,346)
Settlement	**–**	(137)
At end of the year (Note 17.1(i))	**171,677**	168,542

* Included the effect of adoption of HKAS 19 (2011) "Employee benefits". Details please refer to Note 39.

(b) Fair value of plan asset

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

	2014 US$'000	2013 US$'000
At beginning of the year	**145,264**	165,870
Interest income (Note 17.1(ii))	**3,909**	5,741
Remeasurements (Note 17.1(iii)):		
– Experience gains	**56**	34
– Return on plan assets, excluding amounts included in interest income	**2,728**	7,522
Currency translations	**11,966**	(8,858)
Divestiture of non-core business	**–**	(28,617)
Employer contributions	**5,415**	6,314
Employee contributions	**2,705**	4,409
Benefits paid	**(10,423)**	(7,083)
Settlement	**–**	(68)
At end of the year (Note 17.1(i))	**161,620**	145,264

The actual gains on plan assets were US$6.7 million (FY2012/13: US$13.3 million).

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

17.1 Retirement benefit obligations *(Cont'd)*

(ii) The amounts recognised in the income statement were as follows:

	2014 **US$'000**	2013 US$'000
Current service cost * (Note 17.1(i)(a))	**(396)**	3,547
Interest cost (Note 17.1(i)(a))	**4,182**	4,973
Interest income (Note 17.1(i)(b))	**(3,909)**	(5,741)
Past service cost	**–**	(47)
Gain on settlement	**–**	(69)
Expensed in income statement for pensions benefits included in staff costs (Note 24)	**(123)**	2,663

* Included the effect of adoption of HKAS 19 (2011) "Employee benefits". Details please refer to Note 39.

(iii) The amounts recognised through equity were as follows:

	2014 **US$'000**	2013 US$'000
Remeasurements of obligations (Note 17.1(i)(a))	**5,682**	(10,019)
Remeasurements of plan assets (Note 17.1(i)(b))	**2,784**	7,556
Net remeasurements (Note 20)	**8,466**	(2,463)
Deferred income tax effect (Note 18 & 20)	**(1,084)**	658
Total gains / (losses), included in equity	**7,382**	(1,805)

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.

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

17.1 Retirement benefit obligations *(Cont'd)*

Plan assets comprised the following:

	2014		2013	
	US$'000	**Percentage**	US$'000	Percentage
Quoted				
Equities	**68,376**	**43%**	57,651	40%
Bonds	**35,343**	**22%**	53,408	37%
Cash	**29,623**	**18%**	6,455	4%
	133,342	**83%**	117,514	81%
Unquoted				
Property investment	**26,335**	**16%**	25,880	18%
Others	**1,943**	**1%**	1,870	1%
	28,278	**17%**	27,750	19%
	161,620	**100%**	145,264	100%

The board of trustees performs periodically an asset-liability matching study. The last study was performed in 2013. As a consequence, the asset strategy was amended and the level of plan assets return were adjusted. To manage high exposures of death and disability risks, the pension fund has contracted stop-loss insurance.

In case of coverage ratio according to a statutory valuation below 100%, the board of trustees may introduce additional contributions from the employer and the employees as a recovery measure.

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

17.1 Retirement benefit obligations *(Cont'd)*

The Group will make contributions of US$5.2 million to post-employment benefit plans for fiscal year FY2014/15 (FY2013/14: US$5.4 million).

The principal actuarial assumptions used were as follows:

	2014 Percentage	2013 Percentage
Discount rate	**2% – 5%**	2% – 5%
Future salary growth rate	**0% – 4%**	0% – 4%
Future pension growth rate	**0% – 3%**	0% – 3%

The increase in the present value of funded defined benefit obligations was primarily due to a decrease in the discount rate:

	2014	2013
Switzerland	**2.2%**	1.7% – 2.1%
United Kingdom	**4.4%**	4.7%
Germany	**3.3%**	3.8%

Mortality rates

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

The average life expectancy assumption used, assuming retirement at the age of 65, was as follows:

	2014	2013
Male	**20.1**	20.7
Female	**23.6**	24.5

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

17.1 Retirement benefit obligations *(Cont'd)*

Sensitivity analysis

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions was:

	Impact on defined benefit obligation	
	Increase in assumption	Decrease in assumption
Discount rate – change by 0.5%	Decrease by 6.8%	Increase by 7.5%
Salary growth rate – change by 0.5%	Increase by 0.4%	Decrease by 0.5%
Inflation rate – change by 0.25%	Increase by 2.8%	Decrease by 1.0%
Life expectancy – change by 1 year	Increase by 2.3%	Decrease by 2.4%

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

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

The weighted average duration of the defined benefit obligation is 15.4 years.

The expected maturity analysis of undiscounted pension benefits for the coming 5 years was:

	Pension benefits US$'000
Less than 1 year	6,685
1 – 2 years	6,688
2 – 5 years	21,670
	35,043

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

17.2 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. The charge to income statement for FY2013/14 was US$4.3 million (FY2012/13: US$3.8 million) as shown in Note 24 on page 120.

If employees leave the ORSO scheme prior to the contributions fully vesting, these may be forfeited and the charge to income statement reduced accordingly. As of 31 March 2014, the balance of forfeited contributions was US$1.6 million (31 March 2013: 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.

17.3 Finance lease liabilities

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

	2014 **US$'000**	2013 US$'000
Cost – capitalised finance leases	**10,658**	10,658
Accumulated depreciation and impairment	**(8,046)**	(7,667)
Net book amount	**2,612**	2,991

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

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

17.3 Finance lease liabilities *(Cont'd)*

Gross finance lease obligation – minimum lease payments:

	2014 US$'000	2013 US$'000
Less than 1 year	**1,400**	1,392
1 – 5 years	**4,463**	5,600
Over 5 years	**–**	262
	5,863	7,254
Future finance charges on finance leases	**(1,245)**	(1,836)
Present value of finance lease liabilities	**4,618**	5,418

The present value of finance lease liabilities was as follows:

	2014 US$'000	2013 US$'000
Less than 1 year	**908**	800
1 – 5 years	**3,710**	4,360
Over 5 years	**–**	258
	4,618	5,418

18. 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 26.

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

	2014 **US$'000**	2013 US$'000
Deferred income tax assets	**37,508**	35,694
Deferred income tax liabilities	**(53,609)**	(64,663)
Deferred income tax liabilities, net	**(16,101)**	(28,969)

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

	2014 **US$'000**	2013 US$'000
Gross deferred income tax assets	**54,221**	46,422
Gross deferred income tax liabilities	**(70,322)**	(75,391)
Deferred income tax liabilities, net	**(16,101)**	(28,969)

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

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

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

	Accrued liabilities		Accelerated tax depreciation		Tax losses		Fair value gains / (losses)		Others		Total	
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013
	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	12,033	18,180	2,311	1,254	21,237	18,411	474	649	10,367	9,921	46,422	48,415
Currency translations	544	(386)	6	1	(68)	(67)	-	–	333	(329)	815	(781)
Divestiture of non-core business	-	–	-	–	-	–	-	–	-	(1,173)	-	(1,173)
Credited / (charged) to income statement	3,541	(5,514)	925	1,056	(3,996)	2,917	(44)	–	(585)	1,181	(159)	(360)
Impairment of deferred income tax assets (Note 26)	-	(223)	-	–	-	(24)	-	–	-	–	-	(247)
Credited / (charged) to equity	-	(24)	-	–	-	–	8,283	(175)	(1,140)	767	7,143	568
Assets at end of the year	16,118	12,033	3,242	2,311	17,173	21,237	8,713	474	8,975	10,367	54,221	46,422
Deferred income tax (liabilities)												
At beginning of the year	(5,595)	(6,487)	(10,872)	(14,448)	-	–	(49,008)	(59,241)	(9,916)	(8,705)	(75,391)	(88,881)
Currency translations	(424)	284	(226)	199	-	–	(3,026)	2,699	(12)	6	(3,688)	3,188
Divestiture of non-core business	-	477	-	–	-	–	-	–	-	–	-	477
Credited / (charged) to income statement	(161)	131	5,666	3,377	-	–	4,860	13,350	(1,515)	(1,216)	8,850	15,642
(Charged) to equity	-	–	-	–	-	–	(88)	(5,816)	(5)	(1)	(93)	(5,817)
(Liabilities) at end of the year	(6,180)	(5,595)	(5,432)	(10,872)	-	–	(47,262)	(49,008)	(11,448)	(9,916)	(70,322)	(75,391)
Deferred income tax assets / (liabilities), net	9,938	6,438	(2,190)	(8,561)	17,173	21,237	(38,549)	(48,534)	(2,473)	451	(16,101)	(28,969)

Deferred income tax liabilities of US$2.2 million (FY2012/13: US$12.8 million) have not been recognised in respect of the tax payable upon the distribution of these undistributed profits as JEHL controls the dividend policy of its subsidiaries and it has been determined that these undistributed profits will not be distributed in the foreseeable future.

18. 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 2014, the Group's US and Japan subsidiaries have net operating losses carried forward of US$38.7 million and US$6.1 million respectively (31 March 2013: US$52.6 million and US$0.2 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.

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

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

	2014 **US$'000**	2013 US$'000
Deferred income tax assets:		
Deferred income tax assets to be recovered after more than twelve months	**29,906**	34,567
Deferred income tax assets to be recovered within twelve months	**24,315**	11,855
Deferred income tax assets	**54,221**	46,422
Deferred income tax liabilities:		
Deferred income tax liabilities to be settled after more than twelve months	**(55,543)**	(68,413)
Deferred income tax liabilities to be settled within twelve months	**(14,779)**	(6,978)
Deferred income tax liabilities	**(70,322)**	(75,391)
Deferred income tax liabilities, net	**(16,101)**	(28,969)

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

	2014 **US$'000**	2013 US$'000
At beginning of the year, net (liability)	**(28,969)**	(40,466)
Currency translations	**(2,873)**	2,407
Divestiture of non-core business	**–**	(696)
Transfer to income statement (Note 26)	**8,691**	15,282
Impairment of deferred income tax assets (Note 26)	**–**	(247)
Credited / (charged) to equity – other reserves	**7,050**	(5,249)
At end of the year, net (liability)	**(16,101)**	(28,969)

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

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

	2014 US$'000	2013 US$'000
Net fair value gains of hedging instruments (Note 20)	**8,197**	(5,065)
Remeasurements of long service payment (Note 20)	**(63)**	76
Remeasurements of defined benefit plans (Note 17.1 & 20)	**(1,084)**	658
Revaluation gains on transfer of property, plant and equipment to investment property (Note 20)	**–**	(918)
	7,050	(5,249)

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$112.1 million (FY2012/13: US$101.9 million) that can be carried forward against future taxable income.

The movement on the Group's unrecognised tax losses for FY2013/14 and FY2012/13 was presented below:

	2014 US$'000	2013 US$'000
At beginning of the year	**101,933**	115,890
Currency translations	**(1,891)**	(3,699)
Addition / (utilised) during the year	**8,666**	(9,970)
Addition / (reductions) for tax positions of prior years	**5,788**	(56)
Liquidation, divestiture and other reductions	**(2,369)**	(232)
At end of the year	**112,127**	101,933

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

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

	2014	2013
	US$'000	US$'000
Less than 1 year	**470**	2,397
1 – 2 years	**158**	833
2 – 5 years	**3,642**	1,316
5 – 20 years	**59,636**	54,803
Unlimited	**48,221**	42,584
	112,127	101,933

Deferred income tax assets have also not been recognised with respect to other deductible temporary differences amounting to US$5.9 million (FY2012/13: US$5.2 million), for which no taxable profit is probable to be available to offset the deductible temporary difference.

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

JEHL 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 tax audit
Hong Kong	Fiscal year 2007 and prior
China	2008 and prior
US Federal	Fiscal year 2009 and prior
Switzerland	Fiscal year 2012 and prior
Germany	Fiscal year 2006 and prior
Italy	Fiscal year 2008 and prior
Hungary	Fiscal year 2008 and prior

19. SHARE CAPITAL

	Number of shares (thousands)		
	Ordinary shares	Shares held for the Share Scheme	Total
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 Independent Non-Executive Directors ("INED") for the Long-Term Incentive Share Scheme ("Share Scheme")	–	1,636	1,636
As of 31 March 2013	3,581,756	(27,554)	3,554,202
Repurchase and cancellation of issued capital	(2,560)	–	(2,560)
Shares purchased by trustee for the Share Scheme	–	(4,897)	(4,897)
Shares vested to employees and INED for the Share Scheme	–	4,581	4,581
As of 31 March 2014	**3,579,196**	**(27,870)**	**3,551,326**

	Ordinary shares US$'000	Shares held for the Share Scheme US$'000	Share premium US$'000	Total US$'000
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 20)	–	892	(80)	812
As of 31 March 2013	5,777	(13,849)	25,433	17,361
Repurchase and cancellation of issued capital	(4)	–	(1,646)	(1,650)
Shares purchased by trustee for the Share Scheme	–	(2,891)	–	(2,891)
Shares vested to employees and INED for the Share Scheme (Note 20)	–	2,844	(159)	2,685
As of 31 March 2014	**5,773**	**(13,896)**	**23,628**	**15,505**

19. SHARE CAPITAL *(Cont'd)*

As of 31 March 2014, the total authorised number of ordinary shares was 7,040.0 million (31 March 2013: 7,040.0 million) with a par value of HK$0.0125 per share (31 March 2013: HK$0.0125 per share). All issued shares were fully paid.

The Board recommends a share consolidation ("Share Consolidation") on the basis that every 4 issued and unissued ordinary shares of HK$0.0125 each in the share capital of JEHL will be consolidated into 1 consolidated share of HK$0.05 each ("Consolidated Share"), subject to the approval of shareholders at annual general meeting of the Company ("AGM") and the Stock Exchange granting the listing of, and permission to deal in, the Consolidated Shares to be issued upon the Share Consolidation becoming effective on 15 July 2014.

Cancellation of issued capital

A general mandate was approved and given to the Board by shareholders at JEHL's Annual General Meeting held on 15 July 2013 empowering the Board to repurchase shares up to 10% (358.2 million shares) of the aggregate nominal amount of the issued share capital of JEHL. This mandate which had also existed in the previous year was extended to the next 12 month period. 2.6 million shares have been repurchased and cancelled at a total cost including brokerage and cancellation fees of US$1.7 million (HK$12.8 million) in FY2013/14 (FY2012/13: 31.2 million shares at a total cost of US$19.9 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 Group.

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. Under the Share Scheme, the directors have absolute discretion to grant shares to such eligible employees and directors.

Senior management of the Group 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.

19. SHARE CAPITAL *(Cont'd)*

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

JEHL 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.

JEHL 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, JEHL grants each of the INED shares equivalent in value to US$6,000.

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 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
Shares granted to employees and INED during the year	6,918	9,820	16,738
Shares vested to employees and INED during the year	(2,818)	(1,763)	(4,581)
Cash settled share-based units vested to employees during the year	(765)	(300)	(1,065)
Forfeited during the year	(1,425)	(2,257)	(3,682)
Unvested shares granted, as of 31 March 2014	**14,495**	**17,200**	**31,695**

The weighted average fair value of the unvested shares granted during the year was HK$5.74 (US$0.74).

19. SHARE CAPITAL *(Cont'd)*

As of 31 March 2014, the number of unvested shares was as follows:

	Number of unvested units granted (thousands)		
Vesting year	Restricted Stock Units	Performance Stock Units	Total
FY2014/15	3,115	3,260	6,375
FY2015/16	5,175	5,220	10,395
FY2016/17	5,705	8,720	14,425
FY2018/19	500	–	500
Total unvested shares granted	**14,495**	**17,200**	**31,695**

Share options

Pursuant to the Share Option Scheme (the "Scheme") approved at the Annual General Meeting of JEHL held on 29 July 2002 and adopted by JEHL 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 JEHL or any affiliate as defined in the Scheme).

Under the Scheme, JEHL granted options to purchase JEHL'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.

19. SHARE CAPITAL *(Cont'd)*

As of 31 March 2014, share options granted to employees under the Scheme were as follows:

Held at 31/03/2013	Options lapsed during the year	Held at 31/03/2014	Subscription price per share (HK$)	Date of grant	Exercisable from	Exercisable until
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
725,000	(525,000)	200,000				

No share option was granted or exercised in FY2013/14 (FY2012/13: nil).

The fair value of the options was determined using the 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 2014 was US$0.1 million (31 March 2013: US$0.3 million).

There was no profit and loss impact relating to the Scheme in FY2013/14 (FY2012/13: nil).

20. 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 2013	15,499	38,904	(233,885)	169,887	5,859	34,237	47,593	1,473,057	1,551,151
Available-for-sale financial assets									
– adoption of HKFRS 9	–	–	–	–	–	–	380	(380)	–
Hedging instruments									
– fair value losses, net	–	–	–	–	–	(56,635)	–	–	(56,635)
– deferred income tax effect (Note 18)	–	–	–	–	–	8,197	–	–	8,197
– transferred to income statement	–	–	–	–	–	(6,106)	–	–	(6,106)
Defined benefit plans									
– remeasurements (Note 17)	–	–	–	–	–	–	–	8,466	8,466
– deferred income tax effect (Note 17.1(iii) & 18)	–	–	–	–	–	–	–	(1,084)	(1,084)
Long service payment									
– remeasurements (Note 17)	–	–	–	–	–	–	–	623	623
– deferred income tax effect (Note 18)	–	–	–	–	–	–	–	(63)	(63)
Investment property									
– revaluation surplus realised upon disposal	–	–	–	–	–	–	(583)	583	–
Currency translations of subsidiaries and associate	–	–	–	49,968	–	(71)	–	–	49,897
Net income recognised directly in equity	–	–	–	49,968	–	(54,615)	(203)	8,145	3,295
Profit for the year	–	–	–	–	–	–	–	207,865	207,865
Total comprehensive income for the year	–	–	–	49,968	–	(54,615)	(203)	216,010	211,160
Appropriation of retained earnings to statutory reserve	–	–	–	–	–	–	(1,446)	1,446	–
Long-Term Incentive Share Scheme									
– shares vested (Note 19)	–	–	–	–	(2,685)	–	–	–	(2,685)
– value of employee services (Note 31)	–	–	–	–	5,799	–	–	–	5,799
– transfer from cash settled shared-based unit	–	–	–	–	1,771	–	–	–	1,771
Share options									
– options lapsed	–	–	–	–	(274)	–	–	274	–
FY2012/13 final dividend paid	–	–	–	–	–	–	–	(36,664)	(36,664)
FY2013/14 interim dividend paid	–	–	–	–	–	–	–	(13,738)	(13,738)
	–	–	–	49,968	4,611	(54,615)	(1,649)	167,328	165,643
As of 31 March 2014	**15,499**	**38,904**	**(233,885)**	**219,855**	**10,470**	**(20,378)**	**45,944**	**1,640,385**	**1,716,794**
Final dividend proposed (Note 29)	–	–	–	–	–	–	–	38,910	38,910
Other	15,499	38,904	(233,885)	219,855	10,470	(20,378)	45,944	1,601,475	1,677,884
As of 31 March 2014	**15,499**	**38,904**	**(233,885)**	**219,855**	**10,470**	**(20,378)**	**45,944**	**1,640,385**	**1,716,794**

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

20. 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 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	–	–	–	(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 9)	–	–	–	–	–	–	(218)	–	(218)
– release of reserves upon disposal	–	–	–	–	–	–	152	–	152
Hedging instruments									
– fair value gains, net	–	–	–	–	–	35,862	–	–	35,862
– deferred income tax effect (Note 18)	–	–	–	–	–	(5,065)	–	–	(5,065)
– transferred to income statement	–	–	–	–	–	(5,548)	–	–	(5,548)
Defined benefit plans									
– remeasurements (Note 17)	–	–	–	–	–	–	–	(2,463)	(2,463)
– deferred income tax effect (Note 17.1(iii) & 18)	–	–	–	–	–	–	–	658	658
Long service payment									
– remeasurements (Note 17)	–	–	–	–	–	–	–	656	656
– deferred income tax effect (Note 18)	–	–	–	–	–	–	–	76	76
Investment property									
– revaluation surplus realised upon disposal	–	–	–	–	–	–	(21)	21	–
– revaluation surplus on transfer of property, plant and equipment to investment property	–	–	–	–	–	–	2,570	–	2,570
– deferred income tax effect (Note 18)	–	–	–	–	–	–	(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 19)	–	–	–	–	(812)	–	–	–	(812)
– reserve released upon transfer to cash settled share-based unit	–	–	–	–	(1,990)	–	–	–	(1,990)
– value of employee services (Note 31)	–	–	–	–	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 29)	–	–	–	–	–	–	–	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

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

20. RESERVES *(Cont'd)*

JEHL

	Contributed surplus US$'000	Share–based employee compensation reserve US$'000	Hedging reserve US$'000	Other reserve US$'000	Retained earnings US$'000	Total US$'000
As of 31 March 2012	95,273	3,967	–	(314)	962,913	1,061,839
Available-for-sale financial assets						
–fair value losses (Note 9)	–	–	–	(218)	–	(218)
–release of reserves upon disposal	–	–	–	152	–	152
Hedging instruments						
– fair value gains, net	–	–	4,706	–	–	4,706
Long-Term Incentive Share Scheme						
– shares vested (Note 19)	–	(812)	–	–	–	(812)
– released upon transfer to cash settled shared-based unit	–	(1,990)	–	–	–	(1,990)
– value of employee services (Note 31)	–	4,694	–	–	–	4,694
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	4,706	(380)	1,383,692	1,489,150
Final dividend proposed (Note 29)	–	–	–	–	36,625	36,625
Other	95,273	5,859	4,706	(380)	1,347,067	1,452,525
As of 31 March 2013	95,273	5,859	4,706	(380)	1,383,692	1,489,150
Available-for-sale financial assets						
– adoption of HKFRS 9	–	–	–	380	(380)	–
Hedging instruments						
– fair value losses, net	–	–	(12,362)	–	–	(12,362)
Long-Term Incentive Share Scheme						
– shares vested (Note 19)	–	(2,685)	–	–	–	(2,685)
– value of employee services (Note 31)	–	5,799	–	–	–	5,799
– transfer from cash settled shared-based unit	–	1,771	–	–	–	1,771
Share options						
– options lapsed	–	(274)	–	–	274	–
Profit for the year	–	–	–	–	156,417	156,417
FY2012/13 final dividend paid	–	–	–	–	(36,664)	(36,664)
FY2013/14 interim dividend paid	–	–	–	–	(13,738)	(13,738)
As of 31 March 2014	**95,273**	**10,470**	**(7,656)**	**–**	**1,489,601**	**1,587,688**
Final dividend proposed (Note 29)	–	–	–	–	38,910	38,910
Other	95,273	10,470	(7,656)	–	1,450,691	1,548,778
As of 31 March 2014	**95,273**	**10,470**	**(7,656)**	**–**	**1,489,601**	**1,587,688**

21. OTHER INCOME AND GAINS, NET

	2014 US$'000	2013 US$'000
Gross rental income from investment property (Note 2)	**4,569**	4,125
Gains / (losses) on investments, net (Note 2)	**1,590**	(282)
Gain on divestiture of non-core business, net (Note 2 & 31)	**–**	20,404
Loss on disposal of a property based subsidiary (Note 2 & 31)	**–**	(1,602)
Gains on disposal of property, plant and equipment and investment property (Note 2 & 31)	**2,529**	1,536
Fair value gains on investment property (Note 2, 4 & 31)	**5,239**	3,974
Fair value (losses) / gains on other financial assets / liabilities (Note 2)	**(429)**	215
Subsidies and other income (Note 2)	**6,264**	–
	19,762	28,370

22. SELLING AND ADMINISTRATIVE EXPENSES

	2014 US$'000	2013 US$'000
Selling expenses	**106,372**	113,714
Administrative expenses	**287,562**	273,260
Legal and warranty (Note 17)	**7,195**	11,660
Net exchange losses / (gains) on revaluation of monetary assets and liabilities (Note 23)	**4,051**	(5,465)
	405,180	393,169

Note: Selling and administrative expenses included operating lease payments for FY2013/14 of US$6.9 million (FY2012/13: US$7.0 million). Selling expenses were lower in FY2013/14 as compared to FY2012/13, primarily because of the divestiture of the Saia-Burgess Controls business in February 2013.

23. EXPENSES BY NATURE

Operating profit was stated after crediting and charging the following:

	2014 US$'000	2013 US$'000
Depreciation		
Depreciation of property, plant and equipment (Note 3)	**67,543**	68,735
Less: amounts capitalised in assets under construction	**(588)**	(350)
	66,955	68,385
Employee compensation (Note 24)	**586,105**	506,651
Less: amounts capitalised in assets under construction	**(3,530)**	(3,260)
	582,575	503,391
Impairment of property, plant and equipment and intangibles		
– Included in selling and administrative expenses and cost of goods sold (Note 31)	**3,383**	1,733
	3,383	1,733
Other items:		
Cost of goods sold*	**1,478,711**	1,481,975
Engineering expenditure**	**116,686**	121,078
Auditors' remuneration	**2,354**	2,300
Amortisation of land use rights (Note 5)	**242**	261
Amortisation of intangible assets (Note 6 & 31)	**20,854**	22,233
Net exchange losses / (gains) on revaluation of monetary assets and liabilities (Note 22)	**4,051**	(5,465)
Impairment of trade receivables / bad debt expense (Note 13)	**6,932**	1,155

* Cost of goods sold comprised materials, direct labour costs (including their social costs) and production overheads including operating lease payments of US$15.0 million (FY2012/13: US$15.7 million).

23. EXPENSES BY NATURE *(Cont'd)*

** Engineering expenditure
The Group's engineering expenditure for FY2013/14 and FY2012/13 were as follow:

	2014	2013
	US$'000	US$'000
Engineering expenditure	**122,490**	121,078
Capitalisation of engineering development costs	**(5,804)**	–
Net engineering expenditure	**116,686**	121,078

Engineering expenditure as a percentage of sales were 5.8% in FY2013/14 (FY2012/13: 5.9%).

24. EMPLOYEE COMPENSATION

	2014	2013
	US$'000	US$'000
Wages and salaries	**523,924**	449,655
Share-based payments	**6,301**	4,670
Social security costs	**51,731**	45,873
Pension costs – defined contribution plans (Note 17.2)	**4,272**	3,790
Pension costs – defined benefit plans (Note 17.1(ii))	**(123)**	2,663
Total employee compensation (Note 23)	**586,105**	506,651

24. EMPLOYEE COMPENSATION *(Cont'd)*

24.1 Directors' remuneration

The remuneration of directors for FY2013/14 was as follows:

Name of director	Fees US$'000	Salary US$'000	Bonus US$'000	Others US$'000	Employer's contribution to pension scheme US$'000	**Total US$'000**
Yik-Chun Koo Wang	–	72	–	–	–	**72**
Patrick Shui-Chung Wang	–	865	752	–	104	**1,721**
Winnie Wing-Yee Wang	–	610	265	–	73	**948**
Austin Jesse Wang	–	259	60	61	21	**401**
Peter Kin-Chung Wang	36	–	–	–	–	**36**
Peter Stuart Allenby Edwards	49*	–	–	–	–	**49**
Patrick Blackwell Paul	60*	–	–	–	–	**60**
Michael John Enright	50*	–	–	–	–	**50**
Joseph Chi-Kwong Yam	45*	–	–	–	–	**45**
	240	1,806	1,077	61	198	**3,382**

The remuneration of directors for FY2012/13 was as follows:

Name of director	Fees US$'000	Salary US$'000	Bonus US$'000	Others US$'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

* Included the value of the grant of shares to Independent Non-Executive Directors.

24. EMPLOYEE COMPENSATION *(Cont'd)*

24.2 Key / senior management compensation

Other than the directors' remuneration disclosed above, emoluments paid to 11 (10 active; 1 retired during FY2013/14) (FY2012/13: 11) key / senior management as set out in the section-Profile of Directors and Senior Management on pages 177 to 179 of the annual report were as follows:

	2014 **US$'000**	2013 US$'000
Salaries, allowances and other benefits	**6,128**	6,296
Retirement scheme contributions	**509**	510
Share-based payment	**1,858**	631
Bonuses	**1,941**	3,019
	10,436	10,456

Remuneration bands

	Number of individuals **2014**	2013
US$512,001 – US$641,000 (HK$4,000,001 – HK$5,000,000)	**1**	–
US$641,001 – US$769,000 (HK$5,000,001 – HK$6,000,000)	**–**	2
US$769,001 – US$897,000 (HK$6,000,001 – HK$7,000,000)	**3**	3
US$897,001 – US$1,026,000 (HK$7,000,001 – HK$8,000,000)	**4**	2
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
US$1,282,001 – US$1,410,000 (HK$10,000,001 – HK$11,000,000)	**1**	–

24. EMPLOYEE COMPENSATION *(Cont'd)*

24.3 Five highest individuals compensation

Of the five highest paid individuals of the Group, one is a director of the Group whose remuneration is included in Note 24.1 (FY2012/13: one director in the five highest paid individuals). The compensation paid to the 5 (FY2012/13: 5) highest paid employees were as follows:

	2014 US$'000	2013 US$'000
Salaries, allowances and other benefits	**3,525**	3,430
Retirement scheme contributions	**342**	318
Share-based payment	**665**	430
Bonuses	**1,695**	2,419
	6,227	6,597

Remuneration bands

	Number of individuals **2014**	2013
US$961,001 – US$1,026,000 (HK$7,500,001 – HK$8,000,000)	**1**	–
US$1,026,001 – US$1,090,000 (HK$8,000,001 – HK$8,500,000)	**2**	1
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
US$1,346,001 – US$1,410,000 (HK$10,500,001 – HK$11,000,000)	**1**	–
US$1,666,001 – US$1,731,000 (HK$13,000,001 – HK$13,500,000)	**1**	–
US$1,795,001 – US$1,923,000 (HK$14,000,001 – HK$15,000,000)	**–**	1

25. FINANCE INCOME / (COSTS), NET

	2014 US$'000	2013 US$'000
Interest income	**10,927**	7,464
Interest expense on borrowings wholly repayable within five years and overdrafts	**(1,830)**	(2,693)
Interest expense on borrowings wholly repayable later than five years	**–**	(5)
Net interest income (Note 31)	**9,097**	4,766

See Note 16 for a discussion on Borrowings.

26. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (FY2012/13: 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 FY2013/14 was 11.6% (FY2012/13: 9.7%).

	2014 US$'000	2013 US$'000
Current income tax		
Hong Kong profits tax	**16,870**	10,985
Overseas taxation	**21,771**	24,451
(Over) / under provision in prior years	**(1,852)**	712
	36,789	36,148
Deferred income tax (Note 18)	**(8,691)**	(15,282)*
Impairment of deferred income tax assets (Note 18)	**–**	247
Total income tax expense	**28,098**	21,113
Effective tax rate	**11.6%**	9.7% **

* For FY2012/13, the deferred income tax of US$15.3 million represented the 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.

** For FY2012/13, the net tax effect of divestiture of Saia-Burgess Controls business was US$3.0 million (reversed deferred tax liability of US$8.0 million on divestiture, offset by US$5.0 million comprising taxes on gains on divestment and 10 months' results of business).

Excluding this tax effect of the divestiture, the effective tax rate for FY2012/13 was 12.5%.

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

The effective tax rate of the Group of 11.6% differed from the statutory tax rate of Hong Kong of 16.5% as follows:

	2014		2013	
		US$'000		US$'000
Profit before income tax		**242,994**		218,005
Tax charged at Hong Kong profits tax rate	**16.5%**	**40,094**	16.5%	35,971
Effect of different tax rates in other countries				
– Countries with taxable profit	**1.3%**	**3,224**	0.6%	1,332
– Countries with loss	**(1.1)%**	**(2,686)**	(2.2)%	(4,790)
Income, net of expenses, not subject to tax	**(5.5)%**	**(13,288)**	(3.9)%	(8,496)
(Over) / under provisions in prior years (current and deferred)	**(1.1)%**	**(2,802)**	0.2%	488
Tax losses and other timing differences not recognised as an asset and other tax, net of (utilisation)	**1.5%**	**3,556**	(1.6)%	(3,639)
Impairment of deferred income tax assets	**0.0%**	**–**	0.1%	247
	11.6%	**28,098**	9.7%*	21,113

* Excluding the tax effect of the divestiture, the effective tax rate for FY2012/13 was 12.5% as explained on page 124.

See Note 18 for a discussion of deferred income tax assets and liabilities.

27. PROFIT ATTRIBUTABLE TO OWNERS

The Group's consolidated profit attributable to owners was US$207.9 million (FY2012/13: US$191.3 million). Profit of JEHL for the year was US$156.4 million (FY2012/13: US$466.8 million).

Details of movement in reserves are shown in Note 20.

28. 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 JEHL and held for the Long-Term Incentive Share Scheme.

	2014	2013
Profit attributable to owners (thousands US Dollar)	**207,865**	191,321
Weighted average number of ordinary shares in issue (thousands)	**3,553,504**	3,571,644
Basic earnings per share (US Cents per share)	**5.85**	5.36
Basic earnings per share (HK Cents per share)	**45.38**	41.55

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.

	2014	2013
Weighted average number of ordinary shares issued and outstanding (thousands)	**3,553,504**	3,571,644
Adjustments for restricted shares granted:		
– Share Scheme (Time vesting)	**14,495**	12,585
– Share Scheme (Performance earned)	**8,050**	5,318
Weighted average number of ordinary shares (diluted) (thousands)	**3,576,049**	3,589,547
Diluted earnings per share (US Cents per share)	**5.81**	5.33
Diluted earnings per share (HK Cents per share)	**45.09**	41.34

29. DIVIDENDS

	2014 **US$'000**	2013 US$'000
Interim, of 0.38 US Cents (3 HK Cents) per share, paid in December 2013 (first half of FY2012/13: 0.38 US Cents or 3 HK Cents)	**13,738**	13,771
Final, proposed, of 1.09 US Cents (8.5 HK Cents) per share, to be paid in July 2014 (FY2012/13: 1.03 US Cents or 8 HK Cents) (Note 20)	**38,910**	36,625
	52,648	50,396

Total dividend per share for the year is 11.5 HK Cents (FY2012/13 was 11 HK Cents).

At a meeting held on 15 May 2014 the Directors recommended a final dividend of 1.09 US Cents (8.5 HK Cents) per share to be paid out in July 2014. The recommended final dividend will be reflected as an appropriation of retained earnings for FY2014/15.

Dividends for the periods FY2010/11 through FY2013/14 are shown in the table below:

	Interim HK Cents per share	Final HK Cents per share	Total HK Cents per share	Total dividend US$'000
FY2010/11	3.0	6.0	9.0	42,488
FY2011/12	3.0	7.0	10.0	46,118
FY2012/13	3.0	8.0	11.0	50,396
FY2013/14	3.0	8.5*	11.5	52,648

* Final dividend for FY2013/14 has been recommended by the Board of Directors and is subject to shareholder approval.

The Board intends over the longer-term, to increase the ratio of the interim dividend to represent approximately one-third of the previous fiscal year's total dividend. In this regard, the Board is proposing a 1 for 4 consolidation of Johnson Electric ordinary shares, which when completed will enable greater flexibility in future dividends.

30. COMMITMENTS

30.1 Capital commitments

Group

	2014 US$'000	2013 US$'000
Capital commitments for property, plant and equipment		
Authorised but not contracted for *	**56,150**	22,500
Contracted but not provided for	**11,215**	6,749
	67,365	29,249

* As of the balance sheet date, capital commitments authorised but not contracted for represented the management's budget for the coming quarter except for new manufacturing facilities in Mexico and Serbia where we have included FY2014/15 capital expenditure budget.

JEHL did not have any capital commitments as of 31 March 2014 (31 March 2013: nil).

30.2 Operating lease commitments

(i) The Group's future aggregate minimum lease payments under non-cancellable operating leases as of 31 March 2014 and 31 March 2013 were as follows:

	2014		2013	
	Land and buildings US$'000	**Others US$'000**	Land and buildings US$'000	Others US$'000
Less than 1 year	**18,115**	**1,162**	17,534	1,269
1 – 5 years	**52,842**	**1,487**	55,411	1,445
Over 5 years	**19,384**	**–**	26,044	–
	90,341	**2,649**	98,989	2,714

(ii) The Group's future aggregate minimum lease rental receivable under non-cancellable operating leases on land and buildings as of 31 March 2014 and 31 March 2013 were as follows:

	2014 US$'000	2013 US$'000
Less than 1 year	**3,027**	2,326
1 – 5 years	**3,436**	3,680
Over 5 years	**6,993**	7,843
	13,456	13,849

JEHL did not have any operating lease commitments as of 31 March 2014 (31 March 2013: nil).

31. CASH GENERATED FROM OPERATIONS

	2014 US$'000	2013 US$'000
Profit before income tax	**242,994**	218,005
Add: Depreciation of property, plant and equipment and amortisation of land use rights	**67,197**	68,646
Amortisation of intangible assets (Note 6 & 23)	**20,854**	22,233
Finance income, net (Note 25)	**(9,097)**	(4,766)
Associate dividend receipts less share of profits	**(137)**	150
EBITDA*	**321,811**	304,268
Other non-cash items and adjustments		
Gain on divestiture of non-core business, net (Note 2 & 21)	**–**	(20,404)
Loss on disposal of a property based subsidiary (Note 2 & 21)	**–**	1,602
Gains on disposal of property, plant and equipment and investment property (Note 2 & 21)	**(2,529)**	(1,536)
Impairment of property, plant and equipment and intangibles (Note 23)	**3,383**	1,733
Net realised and unrealised gains on financial assets at fair value through profit and loss	**(558)**	(57)
Share-based compensation (Note 20)	**5,799**	4,694
Fair value gains on investment property (Note 2, 4 & 21)	**(5,239)**	(3,974)
Net realised losses on available-for-sale financial assets	**–**	152
	856	(17,790)
EBITDA* net of other non-cash items and adjustments	**322,667**	286,478
Change in working capital		
Decrease in inventories	**2,999**	39,835
Increase in trade and other receivables	**(20,532)**	(28,410)
(Increase) / decrease in non-current deposits	**(1,883)**	1,258
Increase / (decrease) in trade and other payables	**49,685**	(18,206)
Decrease in provision obligations and other liabilities **	**(12,099)**	(31,769)
Change in financial assets / liabilities	**(383)**	(452)
Insourcing of a European distribution channel	**–**	(49,462)
	17,787	(87,206)
Cash generated from operations	**340,454**	199,272

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

** Net of defined benefit pension plan assets

31. 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:

	2014 US$'000	2013 US$'000
Net book amount	**6,195**	21,861
Gains on disposal of property, plant and equipment and investment property (Note 2 & 21)	**2,529**	1,536
Loss on disposal of a property based subsidiary (Note 2 & 21)	**–**	(1,602)
Cash from disposal of property not received at balance sheet date	**–**	(2,083)
Subsequent receipt of cash from disposal of property	**2,083**	–
Proceeds from disposal of property, plant and equipment, investment property and a property based subsidiary	**10,807**	19,712

32. 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 24.2 in these financial statements.

33. POST BALANCE SHEET EVENT

On 2 April 2014, the Group issued convertible bonds ("CB") in an aggregate principal amount of US$200 million. The CB carries interest as cash coupon at the rate of 1% per annum, payable semi-annually, and a 7 year life with a 5 year put option for the bondholders. If the bonds are put, they would have a gross yield of 2.75% per annum. The net proceeds from the CB issue, after deduction of commission and expenses, amounted to approximately US$197.3 million. If converted into ordinary shares, the CB would create approximately 4.1% additional shares outstanding for JEHL. The conversion premium on the CB was 37.5%, with a market closing price of HK$7.46 per share, so the initial conversion price would be HK$10.26 per share, subject to reduction for future dividend payments.

34. FINANCIAL RISK MANAGEMENT

34.1 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 purchase 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 FY2013/14, of the sales, 46% (FY2012/13: 47%) were in USD, 35% (FY2012/13: 33%) in EUR, 16% (FY2012/13: 15%) in RMB with the rest being in other currencies including JPY.

The major currencies used for raw material commodity purchases, production overhead costs and S&A costs are USD, HKD, RMB, EUR, HUF, MXN, CHF, PLN and ILS.

Aside from USD and HKD (which is pegged to USD), 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 73 months.

The Group's most significant currency exposures relate to RMB and EUR. As of 31 March 2014, if USD had weakened / strengthened by 5% against RMB with all other variables held constant, post-tax profit for the year would be 10.2% (FY2012/13: 6.1%) higher / lower, mainly a result of foreign exchange differences on translation of RMB denominated net current assets. If USD had weakened / strengthened by 5% against EUR with all other variables held constant, post-tax profit for the year would be 0.3% (FY2012/13: 0.9%) higher / lower, mainly a result of foreign exchange differences on translation of EUR denominated net current assets. The above sensitivity ignores the potential impact of cash flow hedges.

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

34.1 Financial risk factors *(Cont'd)*

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

(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 2014 were US$644.0 million (31 March 2013: US$480.9 million) and were interest bearing at a weighted average rate of approximately 2.3% (31 March 2013: 1.8%). 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 purchase price risk

The Group is exposed to raw material commodity purchase price risk, mainly due to fluctuations in steel, copper, silver and aluminium 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, silver and aluminium is also reduced through hedging through the appropriate financial instruments. The Group also manages copper, silver and aluminium 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 59 months, silver hedging contracts had a maturity ranging from 1 month to 48 months, and aluminium hedging contracts had a maturity ranging from 1 month to 13 months from the balance sheet date.

The Group's most significant raw material commodity purchase price risk exposures relate to copper. A 10% increase / decrease in the copper price would increase / decrease the equity by US$20.6 million (31 March 2013: US$11.4 million), representing the change in fair value of copper hedging contracts at the balance sheet date.

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

34.1 Financial risk factors *(Cont'd)*

(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 22% (FY2012/13: 20%) of its goods and services to its 5 largest customers and the largest single customer was less than 8% of sales (FY2012/13: less than 7% of sales). The Group normally grants credit terms ranging from 30 to 120 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 2014, JEHL's maximum exposure to credit risk for financial guarantees is US$115.0 million (31 March 2013: US$122.8 million).

(c) Liquidity risks

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 JEHL.

The Group had cash and cash equivalents of US$644.0 million as of 31 March 2014 (31 March 2013: US$480.9 million), which constitute 26% (31 March 2013: 21%) of its total assets. The Group had US$165 million of three year committed and unutilised facilities (31 March 2013: US$165 million) and US$326 million of uncommitted and unutilised short term borrowing facilities provided by its principal bankers (31 March 2013: US$308 million). The Group also had US$201 million in uncommitted trade receivable financing lines available, of which US$115 million was borrowed as of 31 March 2014 and US$86 million was undrawn (31 March 2013: US$194 million of which US$122 million was borrowed and US$72 million was undrawn).

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

34.1 Financial risk factors *(Cont'd)*

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

The table below analyses the Group's and JEHL'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 2014				
Borrowings	115,062	55	1,948	–
Other financial assets and liabilities				
– Forward foreign exchange contracts				
– Net settled	(230)	(6,104)	(11,462)	–
– Gross settled:				
– inflow	(709,924)	(434,006)	(1,050,612)	(217,445)
– outflow	710,263	437,974	1,034,259	205,957
– Others	8,770	2,173	1,037	–
Finance lease	1,400	1,400	3,063	–
Trade and other payables	386,406	–	–	–
JEHL				
As of 31 March 2014				
Other financial assets and liabilities				
– Forward foreign exchange contracts				
– Gross settled:				
– inflow	*(51,289)*	*(51,401)*	*(156,440)*	*(50,969)*
– outflow	*52,258*	*52,258*	*156,773*	*48,132*
Other payables	*85*	–	–	–
Amounts due to subsidiaries	*58*	–	–	–
Financial guarantee contracts	*114,986*	–	–	–

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

34.1 Financial risk factors *(Cont'd)*

(c) Liquidity risks *(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 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	–	–	–
JEHL				
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*	*–*
Other payables	*2,052*	*–*	*–*	*–*
Amounts due to subsidiaries	*120,130*	*–*	*–*	*–*
Financial guarantee contracts	*122,834*	*–*	*–*	*–*

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

34.2 Capital risk management

As of 31 March 2014, the Group's total debt to capital ratio was 6% compared to 7% as of 31 March 2013.

Total debt to capital ratio as of 31 March 2014 and 31 March 2013 was as follows:

	2014 **US$'000**	2013 US$'000
Short term borrowings	**115,459**	123,260
Long term borrowings	**1,394**	1,735
Total debt (Note 16)	**116,853**	124,995
Total equity	**1,766,318**	1,598,763
Total capital (equity + debt)	**1,883,171**	1,723,758
Total debt to capital ratio	**6%**	7%

The net cash position as of 31 March 2014 and 31 March 2013 was as follows:

Total debt	**(116,853)**	(124,995)
Cash and deposits (Note 14)	**643,986**	480,924
Net cash (total debt less cash)	**527,133**	355,929

Funding requirements for capital expenditure are expected to be met by cash on hand, available credit lines and expected future operating cash flows.

35. FAIR VALUE ESTIMATION

The fair value of the Group's assets and liabilities are classified into 3 levels of the fair value measurement hierarchy according to HKFRS 7 and HKFRS 13 requirements and disclosed as below:

Level 1: No financial assets and liabilities of the Group are quoted in public markets.

Level 2: The Group's level 2 financial assets and liabilities are traded in the market and the fair values are obtained from the bank statements. The Group's level 2 investment property is valued on an open market basis.

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 Group's level 3 investment property is not traded actively in the market and the fair values are obtained by appraisals performed by independent, professional qualified valuers.

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

The following table presents the Group's and JEHL's assets and liabilities that are measured at fair value as of 31 March 2014.

	Level 1 US$'000	Level 2 US$'000	Level 3 US$'000	Total US$'000
Group				
As of 31 March 2014				
Assets				
Investment property				
– Residential property and car parks	–	732	5,672	6,404
– Industrial property	–	–	61,967	61,967
Other financial assets				
– Derivatives held for trading	–	10	–	10
– Derivatives used for hedging	–	40,269	–	40,269
Financial assets at fair value through profit and loss				
– Unlisted debt securities	–	1,085	–	1,085
– Unlisted equity investments	–	–	198	198
Total assets	–	42,096	67,837	109,933
Liabilities				
Other financial liabilities				
– Derivatives held for trading	–	4	–	4
– Derivatives used for hedging	–	61,882	–	61,882
Total liabilities	–	61,886	–	61,886
JEHL				
Assets				
Other financial assets				
– Derivatives used for hedging	*–*	*8*	*–*	*8*
Financial assets at fair value through profit and loss				
– Unlisted equity investments	*–*	*–*	*198*	*198*
Total assets	*–*	*8*	*198*	*206*
Liabilities				
Other financial liabilities				
– Derivatives used for hedging	*–*	*7,693*	*–*	*7,693*
Total liabilities	*–*	*7,693*	*–*	*7,693*

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

The following table presents the Group's and JEHL's assets and liabilities 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				
As of 31 March 2013				
Assets				
Investment property				
– Residential property and car parks	–	1,815	5,410	7,225
– Industrial property	–	–	55,989	55,989
Other financial assets				
– Derivatives held for trading	–	33	–	33
– Derivatives used for hedging	–	48,494	–	48,494
Financial assets at fair value through profit and loss				
– Unlisted debt securities	–	1,102	–	1,102
Available-for-sale financial assets				
– Unlisted equity investments	–	–	1,081	1,081
Total assets	–	51,444	62,480	113,924
Liabilities				
Other financial liabilities				
– Derivatives held for trading	–	17	–	17
– Derivatives used for hedging	–	7,711	–	7,711
Total liabilities	–	7,728	–	7,728
JEHL				
Assets				
Other financial assets				
– Derivatives used for hedging	*–*	*4,753*	*–*	*4,753*
Available-for-sale financial assets				
– Unlisted equity investments	*–*	*–*	*1,081*	*1,081*
Total assets	*–*	*4,753*	*1,081*	*5,834*

There were no significant transfer of assets between level 1, level 2 and level 3 fair value hierarchy classification during the year.

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

The following summarises the major methods and assumptions used in estimating the fair values of the assets and liabilities classified as level 2 or 3 and the valuation process for assets and liabilities classified as level 3:

(i) Investment property

Level 2

Fair values of car parks are generally derived using the direct comparison method. This valuation method is based on comparing the property to be valued directly with other comparable properties in close proximity, which have recently transacted. The most significant input into this valuation approach is price per square feet.

Level 3

Fair values of industrial property and residential property are generally derived using the income capitalisation method. This valuation method is based on the capitalisation of the net income and reversionary income potential by adopting appropriate capitalisation rates, which are derived from analysis of sale transactions and valuers' interpretation of prevailing investor requirements or expectations. The prevailing market rents adopted in the valuation have reference to valuers' view of recent lettings, within the subject property and other comparable property.

Discussion of valuation processes and results are held between the Group's senior management and valuers. The Group's senior management:

- verifies all major inputs to the independent valuation report;
- assess property valuations movements when compared to the prior period valuation report;
- holds discussions with the independent valuer.

Changes in level 2 and 3 fair values are also analysed at each reporting date during the biannual valuations discussions date between the Group's senior management.

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

(i) Investment property *(Cont'd)*

Significant inputs used to determine fair value of investment property as of 31 March 2014:

	Valuation method	Market rate / rent per month	Market yield
Industrial property	Income capitalisation	HK$4.2 to HK$9.9/sq.ft	4.5% to 11%
Industrial property	Market comparison	HK$2,590/sq.ft	
Residential property	Market comparison	HK$19,230/sq. ft	

Market rents are estimated based on valuers' view of recent lettings, within the subject property and other comparable property. The higher the rents, the higher the fair value.

Capitalisation rates are estimated by valuers based on the risk profile of the property being valued. The lower the rates, the higher the fair value.

(ii) Other financial assets / liabilities

Other financial assets / liabilities of the Group are classified as level 2. The Group relies on bank valuations to determine the fair value of financial assets / liabilities which in turn are determined using discounted cash flow analysis. These valuation maximise the use of observable market data. Copper price and foreign currency exchange prices are the key observable inputs in the valuation.

(iii) Financial assets at fair value through profit and loss

Unlisted debt securities of the Group are classified as level 2, are valued by the financial institutions who calculate the fair value using discounted cash flow analysis based on open market data such as exchange rates.

Unlisted equity investments of the Group are classified as level 3, are valued by the financial institutions who calculate the fair value using discounted cash flow analysis, in which the key inputs are unobservable and the unobservable inputs reflecting the equity partners' own assumptions about what market participants would use in pricing the asset and liability. The non-publicity-traded securities initially are recorded at cost and are adjusted to fair value using methods determined by the equity partner after consideration of all relevant information, such as type of security, purchase price, purchases of the same and similar securities by other investors, current financial position and operating results, public and private company comparables, discounted cash flow analysis, and other pertinent information.

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

The following table presents the changes in level 3 assets for FY2013/14 and FY2012/13:

	Investment property				Financial assets at fair value through profit and loss		Available-for sale financial assets		Total	
	Residential property		Industrial property							
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013
	US$'000	US$'000	**US$'000**	US$'000	**US$'000**	US$'000	**US$'000**	US$'000	**US$'000**	US$'000
At beginning of the year	**5,410**	5,152	**55,989**	45,927	**–**	–	**1,081**	6,307	**62,480**	57,386
Currency translations	**–**	–	**(2)**	–	**–**	–	**–**	–	**(2)**	–
Capitalised expenditure	**–**	69	**2,523**	–	**–**	–	**–**	–	**2,523**	69
Adoption of HKFRS 9	**–**	–	**–**	–	**1,081**	–	**(1,081)**	–	**–**	–
Transfer from / (to) property, plant and equipment and land use right	**–**	–	**(1,520)**	2,767	**–**	–	**–**	–	**(1,520)**	2,767
Disposal	**–**	–	**–**	–	**(1,458)**	–	**–**	(5,008)	**(1,458)**	(5,008)
Fair value gains recorded in income statement	**262**	189	**4,977**	3,624	**575**	–	**–**	–	**5,814**	3,813
Fair value gains / (losses) recorded in equity	**–**	–	**–**	3,671	**–**	–	**–**	(218)	**–**	3,453
At end of the year	**5,672**	5,410	**61,967**	55,989	**198**	–	**–**	1,081	**67,837**	62,480
Change in unrealised gains for the year included in income statement for assets held at balance sheet date	**262**	189	**4,977**	3,624	**560**	–	**–**	–	**5,799**	3,813
Total gains for the year included in income statement under "Other income and gains, net"	**262**	189	**4,977**	3,624	**575**	–	**–**	–	**5,814**	3,813

36. FINANCIAL INSTRUMENTS BY CATEGORY

According to HKFRS 7 and HKFRS 9, financial assets represent assets with contractual rights to receive cash flows. Financial liabilities represent liabilities with contractual obligation to pay the cash flows to one or more recipients. The financial instruments of the Group are classified into 3 categories disclosed as below:

	Financial assets / (liabilities) at amortised cost US$'000	Financial assets / (liabilities) at fair value US$'000	Others US$'000	Total US$'000
Group				
As of 31 March 2014				
Assets as per balance sheet				
Financial assets at fair value through profit and loss	–	1,283	–	1,283
Other financial assets	–	40,279	–	40,279
Trade and other receivables excluding prepayments	434,693	–	–	434,693
Defined benefit pension plan assets	–	–	6,929	6,929
Cash and deposits	643,986	–	–	643,986
Total financial assets	1,078,679	41,562	6,929	1,127,170
Liabilities as per balance sheet				
Other financial liabilities	–	(61,886)	–	(61,886)
Trade and other payables excluding non-financial liabilities	(303,270)	–	(79,156)	(382,426)
Borrowings	(116,853)	–	–	(116,853)
Provision obligations and other liabilities	(33,544)	–	(20,912)	(54,456)
Total financial liabilities	(453,667)	(61,886)	(100,068)	(615,621)

37. 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.

37.1 Consolidation

The consolidated financial statements include the financial statements of JEHL and all its subsidiaries made up to 31 March 2014.

37.2 Subsidiaries

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

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

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets 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 37.9). If the 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.

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

37.2 Subsidiaries *(Cont'd)*

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

When the Group ceases to have control, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in income statement. 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 and loss.

37.3 Associates

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

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

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

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

37.3 Associates *(Cont'd)*

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.

37.4 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.

37.5 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

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 and loss, are recognised in income statement as part of the fair value gain or loss.

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

37.5 Foreign currency translation *(Cont'd)*

(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) 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.

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 other comprehensive income.

37.6 Property, plant and equipment

Property, plant and equipment other than investment property (Note 37.7) 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 to 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.

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

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

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

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

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.

37.7 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.

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

37.7 Investment property *(Cont'd)*

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.

37.8 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.

37.9 Intangible assets

(a) Goodwill

Goodwill arises on the acquisition of subsidiaries and associates represents the excess of the cost of acquisition over the net fair value of the Group's share of the net identifiable assets of the acquired subsidiary and the fair value of the non-controlling interest in the acquired subsidiary.

Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is tested annually for impairment or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Goodwill is carried at cost less accumulated impairment losses. Impairment losses on goodwill is recognised immediately as an expense and cannot be reversed subsequently. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

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

37.9 Intangible assets *(Cont'd)*

(a) Goodwill *(Cont'd)*

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, 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 reliable to measure 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, patents and engineering development costs capitalised	4 to 20 years
Brands	25 years
Client relationships	5 to 15 years

37.10 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.

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

37.10 Impairment of investments in subsidiaries, associate and non-financial assets *(Cont'd)*

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.

37.11 Financial assets

The Group has early adopted HKFRS 9 that address the classification and measurement of financial assets of financial liabilities since 1 April 2013. The accounting policy of the financial assets and financial liabilities prior to the adoption of HKFRS 9 was stated out in the consolidated financial statements for the year ended 31 March 2013.

The Group classifies its financial assets in the following categories: those to be measured subsequently at fair value, and those to be measured at amortised cost. This classification depends on whether the financial asset is a debt or equity investment.

(a) Debt investments

(i) Financial assets at amortised cost
A debt investment is classified as 'amortised cost' only if both of the following criteria are met: the objective of the Group's business model is to hold the asset to collect the contractual cash flows; and the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. The nature of any derivatives embedded in the debt investment are considered in determining whether the cash flows of the investment are solely payment of principal and interest on the principal outstanding and are not accounted for separately.

"Cash and deposits" and "trade and other receivables" are also classified under this category.

(ii) Financial assets at fair value
If either of the two criteria above are not met, the debt instrument is classified as 'fair value through profit and loss'.

(b) Equity investments
All equity investments are measured at fair value. Equity investments that are held for trading are measured at fair value through profit and loss. For all other equity investments, the Group can make an irrevocable election at initial recognition to recognise changes in fair value through other comprehensive income rather than profit and loss.

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

37.11 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. Financial assets are derecognised 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.

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

A gain or loss on a debt investment that is subsequently measured at fair value and is not part of a hedging relationship is recognised in profit and loss and presented in the income statement within other income and gains, net in the period in which they arise.

A gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit and loss when the financial asset is derecognised or impaired and through the amortisation process using the effective interest rate method.

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present unrealised and realised fair value gains and losses on equity investments in other comprehensive income, there is no subsequent recycling of fair value gains and losses to profit and loss. Dividends from such investments continue to be recognised in profit and loss as long as they represent a return on investment.

The Group is required to reclassify all affected debt investments when and only when its business model for managing those assets changes.

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

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

37.11 Financial assets *(Cont'd)*

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, The Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

37.12 Other financial assets and liabilities

Other financial assets and liabilities are related to hedging activities.

Financial instruments for hedging 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 for hedging 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).

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

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

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

The fair values of various financial instruments used for hedging purposes are disclosed in Note 11. Movements on the hedging reserve in shareholders' equity are shown in Note 20. The full fair value of a hedging financial instrument is classified as a non-current asset or liability when the remaining maturity of the hedge item is more than 12 months, and is classified as a current asset or liability when the remaining maturing of the hedge item is less than 12 months.

(a) Cash flow hedge

The effective portion of changes in the fair value of financial instruments for hedging 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 and loss (for example, when the forecast sale that is hedged takes place). The gain or loss relating to the effective raw material commodity purchase 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 EUR and JPY are recognised in the income statement within selling and administrative expenses, and hedging manufacturing conversion costs transactions denominated in RMB, CHF, HUF, PLN, ILS and 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.

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

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

(b) Net investment hedge *(Cont'd)*

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 held for trading that do not qualify for hedge accounting

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

37.13 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.

37.14 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 original 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.

37.15 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 with original maturities of three months or less.

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

37.16 Trade payables

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

37.17 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.

37.18 Current and deferred income tax

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

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

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

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

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and joint arrangements only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

Deferred income tax liability 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.

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.

37.19 Share capital

Ordinary shares are classified as equity.

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

Where any Group company purchases JEHL's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity attributable to JEHL'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 JEHL's owners.

37.20 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.

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

37.20 Employee compensation *(Cont'd)*

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

(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. 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.

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

Past-service costs are recognised immediately in the income statement.

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

37.20 Employee compensation *(Cont'd)*

(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.

(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.

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

37.21 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.

37.22 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.

37.23 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.

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

37.23 Leases *(Cont'd)*

(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.

37.24 Dividend distribution

Dividend distribution to JEHL's owners is recognised as a liability in the Group's and JEHL's financial statements in the period in which the dividends are approved. Approval of the proposed final dividend for the year ended 31 March 2014 will be given by JEHL's owners at the Annual General Meeting to be held on 10 July 2014.

37.25 Contingent liabilities

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

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

37.26 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.

38. 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 37.9. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates (Note 6).

(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.

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

(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.

(f) Fair value of investment property

The Group's investment property is revalued at the balance sheet date on the open market value basis by independent professional valuers. Such valuations were based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. In making the judgement on whether such valuations and assumptions made by the valuers are reasonable, the Group considers information from comparable current prices in an active market for similar property, capitalisation rates, terminal yield, rental income from current leases and assumptions about rental from future leases and the reversionary income potential and uses assumptions that are mainly based on market conditions existing at each balance sheet date. The main assumptions have been disclosed in Note 35.

39. EFFECT OF ADOPTING NEW, REVISED AND AMENDED HKFRS

Standards and amendments to published standards effective in FY2013/14 which are relevant to the Group

In FY2013/14, the Group adopted the following new, revised and amended standards of HKFRSs below, which are relevant to its operations and have an impact on the consolidated financial statements:

HKAS 1 (amendment)	Presentation of financial statements
HKAS 19 (2011)	Employee benefits
HKAS 27 (2011)	Separate financial statements
HKAS 28 (2011)	Investments in associates and joint venture
HKFRS 7 (amendment)	Financial instruments: disclosure – offsetting financial assets and financial liabilities
HKFRS 10	Consolidated financial statement
HKFRS 12	Disclosure of interests in other entities
HKFRS 13	Fair value measurement
Annual improvement 2011	Annual improvements 2009–2011 reporting cycle
Annual improvement 2012	Amendment to HKFRS 13, “Fair value measurement”

The adoption of such new, revised and amended standards did not have material impact on the consolidated financial statements except as described below:

HKAS 1 (amendment), “Presentation of financial statements”
The main change resulting from these amendments is a requirement for entities to group items presented in “other comprehensive income” (“OCI”) on the basis of whether they are potentially reclassifiable to profit and loss subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI.

39. EFFECT OF ADOPTING NEW, REVISED AND AMENDED HKFRS *(Cont'd)*

HKAS 19 (2011), "Employee benefits"

HKAS 19 (2011) amends the accounting for retirement benefit obligations and long service payment. The adoption of this revised standard did not have material impact to the Group.

- The standard requires past service cost to be recognised immediately in income statement.
- The standard replaces the interest cost on the defined benefit obligation and the expected return on plan assets with a net interest cost based on the net defined benefit asset or liability and the discount rate, measured at the beginning of the year. There is no change to determining the discount rate; this continues to reflect the yield on high-quality corporate bonds. This has increased the income statement charge as the discount rate applied to assets is lower than the expected return on assets. This has no effect on total comprehensive income as the increased charge in profit and loss is offset by a credit in other comprehensive income.
- There is a new term "remeasurements". This is made up of actuarial gains and losses, the difference between actual investment returns and the return implied by the net interest cost.
- The standard clarifies that the benefit to be attributed to period of service is net of the effect of any employee contributions in respect of service.
- HKAS 19 (2011) has been adopted prospectively as the impact on prior years is not material.

HKFRS 13, "Fair value measurement"

HKFRS 13 introduces enhanced disclosure requirements. These requirements are similar to those in HKFRS 7 but apply to all assets and liabilities (not just financial ones) measured at fair value or whose fair value is disclosed. The major changes are:

- Disclosures are required for non-financial assets (e.g. land and buildings, investment property) and liabilities whose fair values are disclosed even though they are not measured at fair value in the balance sheet.
- Fair value hierarchy disclosures now include non-financial and financial assets and liabilities and also any fair values disclosed in footnotes.
- More detailed disclosure for level 3 fair values (e.g. quantitative information about the significant unobservable inputs, a description of valuation processes used and qualitative discussion about the sensitivity of the measurements).
- The change has no significant impact to the measurements of the Group's assets and liabilities.

39. EFFECT OF ADOPTING NEW, REVISED AND AMENDED HKFRS *(Cont'd)*

Standards early adopted by the Group

The Group has early adopted the revised standards of HKFRS below, which are relevant to its operations.

HKFRS 9	Financial instruments (classification, measurement and recognition)
Amendments to HKAS 36	Recoverable amount disclosures for non-financial assets
Amendments to HKAS 19 (2011)	Defined benefit plans

HKFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. HKFRS 9 was issued in November 2009 and October 2010. It replaces the parts of HKAS 39 that relate to the classification and measurement of financial instruments. HKFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the HKAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch.

The Group has adopted HKFRS 9 as well as the related consequential amendments to other HKFRSs in FY2013/14, because this new accounting policy provides reliable and more relevant information for users to assess the amounts, timing and uncertainty of future cash flows. In accordance with the transition provisions of the standard, comparative figures have not been restated.

The Group's management has assessed the financial assets held by the Group at the date of initial application of HKFRS 9 (1 April 2013). The main effects resulting from this assessment were:

- Equity instruments not held for trading that were previously measured at fair value and classified as available-for-sale have been designated as fair value through profit and loss. As a result, fair value losses of US$0.4 million were reclassified from the available-for-sale investment reserve to retained earnings.

- There was no difference between the previous carrying amount (HKAS 39) and the revised carrying amount (HKFRS 9) of the financial assets as of 1 April 2013 to be recognised in opening retained earnings.

39. EFFECT OF ADOPTING NEW, REVISED AND AMENDED HKFRS *(Cont'd)*

Amendments to HKAS 36, 'Recoverable amount disclosures for non-financial assets', removes the disclosure requirement of the recoverable amount of each cash-generating unit for which the carrying amount of goodwill is significant to total carrying amount of goodwill and addresses the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less cost of disposal.

Standards, interpretations and amendments to published standards that are not effective in FY2013/14

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 2014 or later periods, which the Group has not early adopted, are as follows:

HKAS 32 (amendment)	Financial instruments: presentation – offsetting financial assets and financial liabilities [1]
HKFRS 9	Financial instruments (Hedge accounting and amendments to HKFRS 9, HKFRS 7 and HKAS 39) [4]
HKFRS 10, HKFRS 12 and HKAS 27(2011)(amendment)	Consolidation for investment entities [1]
HKFRS 14	Regulatory deferral accounts [3]
HK (IFRIC) – Int 21	Levies [1]
Annual improvements 2012	Annual improvements 2010-2012 reporting cycle [2]
Annual improvements 2013	Annual improvements 2011-2013 reporting cycle [2]

Note:
(1) Effective for annual periods beginning on or after 1 January 2014
(2) Effective for annual periods beginning on or after 1 July 2014
(3) Effective for annual periods beginning on or after 1 January 2016
(4) Effective date not yet determined

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 JEHL	Effective shareholding by subsidiary
Subsidiaries					
Changchun Ri Yong – JEA Gate Electric Co., Ltd. #	Manufacturing	China	RMB10,000,000	–	60%
Chengdu Ri Yong – JEA Gate Electric Co Ltd #	Manufacturing	China	RMB20,000,000	–	60%
Easy Fortune (H.K.) Ltd.	Property holding	British Virgin Islands	50,000 shares of US$1 each	–	100%
Gate do Brasil Ltda.	Manufacturing, sales and marketing	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 Ltd *	Manufacturing	China	US$8,000,000	–	100%
Johnson Electric Asti S.r.l.	Manufacturing	Italy	EUR2,600,000	–	100%
Johnson Electric (Beihai) Co Ltd *	Manufacturing, sales and marketing, R&D	China	US$12,000,000	–	100%
Johnson Electric Doo Beograd	Manufacturing	Serbia	RSD100	–	100%
Johnson Electric Germany GmbH & Co. KG	Manufacturing, sales and marketing, R&D	Germany	EUR15,338,800	–	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 JEHL	Effective shareholding by subsidiary
Subsidiaries					
Johnson Electric (Guangdong) Co., Ltd. *	Manufacturing, sales and marketing	China	US$4,250,000	–	100%
Johnson Electric Group Mexico, S. de R.L. de C.V.	Manufacturing	Mexico	MXN3,000	–	100%
Johnson Electric Hatvan Kft	Manufacturing	Hungary	EUR103,376	–	100%
Johnson Electric Industrial Manufactory, Limited	Trading	Hong Kong	HK$154,000,000	100%	–
Johnson Electric International (IT) S.r.l.	Sales and marketing	Italy	EUR3,700,000	–	100%
Johnson Electric International AG	Sales and marketing, R&D	Switzerland	643,200 shares of CHF18.66 each	–	100%
Johnson Electric International Limited	Manufacturing, sales and marketing	Hong Kong	HK$80,000,000	–	100%
Johnson Electric Nanjing Co., Ltd. *	Manufacturing	China	US$6,100,000	–	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 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	INR152,363,800	–	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 JEHL	Effective shareholding by subsidiary
Subsidiaries					
Johnson Electric Services Italia S.r.l.	Provision of service	Italy	EUR10,000	–	100%
Johnson Electric Services Mexico, S. de R.L. de C.V.	Provision of service	Mexico	MXN3,000	–	100%
Johnson Electric (Shanghai) Company Limited *	Sales and marketing	China	US$200,000	–	100%
Johnson Electric (Shenzhen) Co., Ltd. *	R&D	China	HK$30,000,000	–	100%
Johnson Electric Switzerland AG	Manufacturing, sales and marketing, R&D	Switzerland	5,000 shares of CHF1,000 each	–	100%
Johnson Electric Technology Service (Shenzhen) Co Ltd *	R&D, sales and marketing	China	USD130,000	–	100%
Johnson Electric Trading Mexico, S. de R.L. de C.V.	Sales and marketing	Mexico	MXN3,000	–	100%
Johnson Electric World Trade Limited	Sales and marketing	Hong Kong	HK$100,000	100%	–
M.M.A. (Manufactura de Motores Argentinos) S.r.l.	Manufacturing	Argentina	388,000 shares of 10 Pesos each	–	100%
Nanomotion Ltd.	Manufacturing, sales and marketing, R&D	Israel	18,669,985 shares of ILS0.01 each	–	98.57%
Parlex Dynaflex Corporation	Manufacturing	United States of America	1,000 shares issued without par value	–	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 JEHL	Effective shareholding by subsidiary
Subsidiaries					
Parlex Pacific Limited	Manufacturing, sales and marketing	Hong Kong	HK$10,000	–	100%
Parlex (Shanghai) Electronics Co., Ltd. *	Manufacturing, sales and marketing, R&D	China	US$15,000,000	–	100%
Parlex USA Inc.	Manufacturing, sales and marketing, R&D	United States of America	100 shares issued without par value	–	100%
Saia-Burgess Automotive Actuators Inc.	Manufacturing, sales and marketing, R&D	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) Ltd *	Manufacturing	China	US$6,500,000	–	100%
Saia-Burgess Inc.	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%
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) Ltd *	Manufacturing, sales and marketing, R&D	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	**2014**	2013	2012
Consolidated income statement			
Sales	**2,097.6**	2,059.7	2,140.8
Earnings before interest and tax (EBIT) [1]	**233.9**	213.2	221.6
Profit before income tax	**243.0**	218.0	220.5
Income tax (expense) / income	**(28.1)**	(21.1)	(31.6)
Discontinued operations	**–**	–	–
Profit for the year	**214.9**	196.9	188.9
Non-controlling interests	**(7.0)**	(5.6)	(2.2)
Profit attributable to owners	**207.9**	191.3	186.7
Consolidated balance sheet			
Fixed assets	**464.2**	425.6	433.1
Goodwill and intangible assets	**647.2**	621.5	757.8
Other current and non-current assets	**1,389.3**	1,196.8	1,089.1
Total assets	**2,500.7**	2,243.9	2,280.0
Equity attributable to owners	**1,732.3**	1,568.5	1,461.6
Non-controlling interests	**34.0**	30.3	25.9
Total equity	**1,766.3**	1,598.8	1,487.5
Debt (total borrowings)	**116.9**	125.0	205.4
Capital employed [2]	**1,883.2**	1,723.8	1,692.9
Other current and non-current liabilities	**617.5**	520.1	587.1
Total equity and liabilities	**2,500.7**	2,243.9	2,280.0
Per share data			
Basic earnings per share (US Cents) – continuing operations	**5.8**	5.4	5.2
Dividend per share (US Cents)	**1.5**	1.4	1.3
Shareholders' funds per share (US Cents)	**48.7**	43.9	40.4
Other information			
Free cash flow from operations [3]	**231.1**	111.9	166.0
Earnings before interest, tax, depreciation and amortisation	**321.8**	304.3	314.3
Ratios			
EBIT to sales %	**11%**	10%	10%
Return on average total equity % [4]	**13%**	13%	13%
Free cash flow from operations to debt %	**198%**	90%	81%
Total debt to EBITDA (times)	**0.4**	0.4	0.7
Total debt to capital %	**6%**	7%	12%
Interest coverage (times)	**129.9**	79.0	32.1

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 disposal of assets) and capitalisation of engineering development costs

4 Return on average total equity is calculated as profit for the year over average total equity during the year

* Historical data for FY2009/10 had been restated for the adoption of HKAS 12(amendment), and historical data for FY2004/05 to FY2008/09 had not been restated in this summary for the adoption of HKAS 12 (amendment).

2011	As restated 2010	2009	2008	2007	2006	2005
2,104.0	1,741.0	1,828.2	2,220.8	2,086.6	1,526.3	1,143.8
235.8	110.5	47.0	188.9	157.5	117.8	153.9
226.4	103.8	37.4	170.1	135.9	116.3	156.4
(36.1)	(16.4)	0.4	(31.9)	(22.9)	(21.9)	(15.2)
–	–	(31.1)	–	–	–	–
190.3	87.4	6.7	138.2	113.0	94.4	141.2
(8.6)	(10.4)	(4.1)	(7.4)	(3.3)	(0.4)	–
181.7	77.0	2.6	130.8	109.7	94.0	141.2
457.5	440.6	428.3	471.3	439.0	421.1	280.3
774.7	699.9	662.1	775.2	667.2	631.6	43.3
1,110.2	990.3	859.5	1,108.2	914.1	961.3	738.2
2,342.4	2,130.8	1,949.9	2,354.7	2,020.3	2,014.0	1,061.8
1,362.2	1,121.7	964.4	1,101.9	940.7	845.5	818.3
60.1	51.5	33.7	31.0	22.7	10.3	1.1
1,422.3	1,173.2	998.1	1,132.9	963.4	855.8	819.4
313.7	408.7	528.9	564.5	573.5	708.1	16.0
1,736.0	1,581.9	1,527.0	1,697.4	1,536.9	1,563.9	835.4
606.4	548.9	422.9	657.3	483.4	450.1	226.4
2,342.4	2,130.8	1,949.9	2,354.7	2,020.3	2,014.0	1,061.8
5.0	2.1	0.9	3.6	3.0	2.6	3.8
1.2	0.6	–	1.8	1.7	1.7	2.0
37.2	30.6	26.3	30.0	25.6	23.0	22.3
169.6	215.1	168.5	186.7	106.8	110.3	76.5
322.5	197.9	136.2	279.5	246.0	178.0	203.5
11%	6%	3%	9%	8%	8%	13%
15%	8%	1%	13%	12%	11%	18%
54%	53%	32%	33%	19%	16%	The Group was
1.0	2.1	3.9	2.0	2.3	4.0	substantively
18%	26%	35%	33%	37%	45%	debt-free
18.2	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 97, is the Honorary Chairman of the Company and co-founder of the Group. She was the Vice-Chairman of the Group from 1984 to 1996 and was actively involved in the development of the Group in its early stages. Madam Wang is also the Honorary Chairlady of Tristate Holdings Limited.

Patrick Shui-Chung Wang *JP*

Chairman and Chief Executive

Member of Nomination and Corporate Governance Committee

Patrick Shui-Chung Wang, age 63, obtained his Bachelor of Science and Master of Science degrees in Electrical Engineering and received an Honorary Doctorate of Engineering from Purdue University in Indiana, United States. He joined the Group in 1972 and became a director of the Company in 1976 and Managing Director in 1984. In 1996, he was elected Chairman and Chief Executive of the Company. He also serves on the board of directors of various subsidiaries of the Company. Dr. Wang was the Chairman and a director of the Hong Kong Applied Science and Technology Research Institute Company Limited, however he retired from the aforesaid positions with effect from 21 October 2013. Dr. Wang is an Independent Non-executive Director and a member of the Nomination Committee of VTech Holdings Limited and a non-executive director of Tristate Holdings Limited. 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. He is a son of the Honorary Chairman, Madam Yik-Chun Koo Wang.

Winnie Wing-Yee Wang

Vice-Chairman

Member of Remuneration Committee

Winnie Wing-Yee Wang, age 67, obtained her Bachelor of Science degree from Ohio University in the United States. She joined the Group in 1969. She became a director of the Company in 1971 and Executive Director in 1984 and was elected the Vice-Chairman in 1996. She also serves on the board of directors of various subsidiaries of the Company. Ms. Wang is a non-executive director of Tristate Holdings Limited. She is a sister of the Chairman and Chief Executive, Dr. Patrick Shui-Chung Wang.

Austin Jesse Wang

Executive Director

Austin Jesse Wang, age 33, graduated from the Massachusetts Institute of Technology with Master of Engineering and Bachelor of Science degrees in Computer Science and Electrical Engineering. He joined the Group in 2006 and became a director of the Company in 2009. He also serves on the board of directors of various subsidiaries of the Company. Mr. Wang is a committee member of the 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 Shui-Chung Wang.

Peter Kin-Chung Wang

Non-Executive Director

Member of Audit Committee

Peter Kin-Chung Wang, age 60, has been a Non-Executive Director of the Company since 1982. He obtained a Bachelor of Science degree in Industrial Engineering from Purdue University in Indiana, United States and a Master of Business Administration degree from Boston University in Massachusetts, United States. He is the Chairman and Chief Executive Officer of Tristate Holdings Limited and the Chairman and Managing Director of Hua Thai Manufacturing Public Company Limited which was formerly listed on The Stock Exchange of Thailand. Mr. Wang won the Young Industrialist Award of Hong Kong in 1998. In 2005, he received the Outstanding Industrial Engineer Award from the School of Industrial Engineering of Purdue University. He is a member of the Anhui Provincial Committee of Chinese People's Political Consultative Conference, the honorary chairman of the Hong Kong Garment Manufacturers Association, a general committee member of the Textile Council of Hong Kong Limited and a director of The Federation of Hong Kong Garment Manufacturers. He is a brother of the Chairman and Chief Executive, Dr. Patrick Shui-Chung Wang.

Peter Stuart Allenby Edwards

Independent Non-Executive Director

Chairman of Nomination and Corporate Governance Committee

Peter Stuart Allenby Edwards, age 65, 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 the Chairman of the Hong Kong Branch of the International Fiscal Association, the Chairman of the Revenue Law Committee of the Hong Kong Law Society and a member of the Joint Liaison Committee on Taxation which advises the Government of the Hong Kong Special Administrative Region. He is also a member of the International Academy of Estate and Trust Law, an honorary lecturer in law at the University of Hong Kong and a director of a number of investment and holding companies. He is a director of Martin Currie 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 66, has been an Independent Non-Executive Director of the Company since 2002. He had been the Chairman and Senior Partner of PricewaterhouseCoopers in Hong Kong from 1994 to 2001. He is an independent non-executive director of The Hongkong and Shanghai Hotels, Ltd. and Pacific Basin Shipping Limited. His civic commitments include chairing the Supervisory Board of the British Chamber of Commerce in Hong Kong.

Michael John Enright

Independent Non-Executive Director

Chairman of Remuneration Committee and Member of Audit Committee

Michael John Enright, age 55, has been an Independent Non-Executive Director of the Company since 2004. He obtained his Bachelor of Arts (in Chemistry), Master of Business Administration, and Doctor of Philosophy (in Business Economics) degrees all from Harvard University. He was formerly a professor at the Harvard Business School. Prof. Enright is currently a professor at the University of Hong Kong School of Business and a director at Enright, Scott & Associates, a Hong Kong-based consulting firm.

Joseph Chi-Kwong Yam *GBM, GBS, CBE, JP*

Independent Non-Executive Director

Member of Remuneration Committee

Joseph Chi-Kwong Yam, age 66, has been an Independent Non-Executive Director of the Company since 2010. He graduated from the University of Hong Kong with first class honours in 1970. Over the years, he has received a number of honorary doctorate degrees and professorships from universities in Hong Kong and overseas. Mr. Yam was awarded the highest honour of the Grand Bauhinia Medal by the Government of the Hong Kong Special Administrative Region in 2009. He was the Chief Executive of the Hong Kong Monetary Authority from 1993 to September 2009. He is the 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 the 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 was formerly an independent non-executive director, chairman of the Risk Management Committee and member of the Strategic Development Committee of China Construction Bank Corporation but retired from these positions with effect from 23 October 2013. Mr Yam is also a member of the advisory committees of a number of academic and private institutions focusing on finance.

Christopher Dale Pratt *CBE*

Independent Non-Executive Director

Christopher Dale Pratt, age 57, obtained his honours degree in Modern History from Oxford University. He joined the Swire group in 1978 and over the next 35 years worked in various of the group's businesses in Hong Kong, Australia and Papua New Guinea. From 2006 until his retirement in March 2014, he served as Chairman of Cathay Pacific Airways Limited, Hong Kong Aircraft Engineering Company Limited, John Swire & Sons (H.K.) Limited, Swire Pacific Limited and Swire Properties Limited. He was also a Director of Swire Beverages, Air China Limited and The Hongkong and Shanghai Banking Corporation Limited. Mr. Pratt is currently a Non-Executive Director of PureCircle Limited and Vice Chairman of The Hong Kong General Chamber of Commerce. He received a Commander of the Order of the British Empire (CBE) in 2000.

SENIOR MANAGEMENT

Tung-Sing Choi

Senior Vice President,
Global Manufacturing

Tung-Sing Choi, age 64, is responsible for the global manufacturing management of the Group. He joined the Group in 1968 and has more than 40 years of experience in motor component manufacturing, motor assembly processes and the utilisation of machines and fixtures.

James Randolph Dick

Senior Vice President,
Strategic Marketing & Sales

James Randolph Dick, age 60, holds a Bachelor of Science in Electrical and Electronic Engineering from the University of Paisley in Scotland. He is responsible for developing responses to macro market issues and leading the Company's productizing and selling process. He joined the 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 United States, 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 48, holds a Bachelor of Science degree in Electrical Engineering from Washington University in Missouri, United States and a Master of Business Administration concentrating in Operations and Finance from Vanderbilt University in Tennessee, United States. He is responsible for providing leadership and strategic direction in supply chain management for all business units of the Group. Prior to joining the Group in 2007, he worked for Emerson Electric where he held various operations, marketing and supply chain positions in North America and Asia.

Joseph Alan Guisinger

Senior Vice President,
Industry Products Group – Americas

Joseph Alan Guisinger, age 47, holds a Bachelor of Science in Business Administration degree in Transportation and Logistics from Ohio State University in Ohio, United States and a Master's Degree from the Thunderbird School of Global Management in Arizona, United States. He joined the Group in 2004 and is currently responsible for the strategic, commercial and operational direction of IPG in the Americas. Prior to joining the Group, he worked for Emerson Electric and held senior positions in supply chain management division in Asia and North America.

Christopher John Hasson

Executive Vice President

Christopher John Hasson, age 51, was educated at the University of Manchester and London Business School (Corporate Finance and Accounting) in England, the United Kingdom. He is responsible for corporate business development, mergers and acquisitions, corporate strategic planning and for supervision of the legal and company secretarial functions. Prior to joining the Group in 2002, he was a partner at The Boston Consulting Group.

Kam-Chin Ko

Senior Vice President,
Automotive Products Group – Asia

Kam-Chin Ko, age 48, holds a Master of Science degree in Manufacturing System Engineering from the University of Warwick in the United Kingdom and a Doctor of Engineering from the Hong Kong Polytechnic University in Hong Kong. He is responsible for the business and strategic objectives for sales, business development and engineering of APG in Asia. He joined the Group in 1988 and in previous positions led C&S 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 48, holds a Mechanical Engineering degree from Sunderland Polytechnics in the United Kingdom and a Master of Business Administration degree from the City University of Hong Kong in Hong Kong. He is responsible for the strategic, commercial and operational direction of IPG in Asia. He joined the Group in 1999 and had been a General Manager for the Home Appliance Business Unit. Prior to joining the Group, he had 10 years of experience with TDK, NHK and Philips, where he held a variety of positions in product engineering, product procurement and sales and marketing.

Michael Philip Gannon

Senior Vice President,
Human Resources

Michael Philip Gannon, age 59, holds a Bachelor of Industrial Administration degree from Kettering University and a Master of Business Administration (Accounting) from the University of Michigan. He joined the Group in 2013 and is responsible for global human resources, training and development and environment and health and safety. Prior to joining the Group, he worked in the United States and Europe for General Motors, Delphi and Nexteer Automotive, where he held positions in human resources, business strategy and operations. Most recently, he was Senior Vice President of global human resources and Chief Operations Officer of the Saginaw division for Nexteer Automotive.

Yue Li

Senior Vice President,
Corporate Engineering

Yue Li, age 54, obtained a Bachelor of Science degree from Tsinghua University in the PRC and also a Doctor of Philosophy degree from the University of Wisconsin-Madison in Wisconsin, United States. He is responsible for overall corporate technology, engineering operations and Value Innovation Programs. Prior to joining the Group in 2004, he worked for Emerson Electric in St. Louis as director of new products, for Carrier Corporation in Syracuse as director of power electronics and motor technologies and for Emergency One Inc. in Florida as vice president of product management.

Jeffrey L. Obermayer

Senior Vice President and
Chief Financial Officer

Jeffrey L. Obermayer, age 58, has a Bachelor of Science degree (Hons.) in Business Administration and a Master of Science degree in Accounting from the Illinois State University in Illinois, United States. He also holds a Master of Business Administration degree from the Northwestern University in Illinois, United States. He is a member of the American Institute of Certified Public Accountants, the Institute of Management Accountants and the Institute of Internal Auditors. Prior to joining the Group in 2010, he had 28 years of experience with BorgWarner Inc. in the United States and Germany, where he held a variety of senior executive positions in finance, business development, treasury and enterprise risk management, capital markets, pension plans and accounting. His last two positions there were Vice President & Treasurer and Vice President & Controller, Principal Accounting Officer. He also worked with Arthur Andersen & Co. in Chicago, United States.

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 2013 of the Company are set out below:

Name of Director	Details of Changes
Christopher Dale Pratt	Mr. Pratt was appointed as an Independent Non-Executive Director of the Company with effect from 3 April 2014.

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 *
Christopher Dale Pratt *CBE* *

**Independent Non-Executive Director*

Company Secretary

Lai-Chu Cheng

Auditor

PricewaterhouseCoopers

Registrars and Transfer Offices

Principal Registrar:
MUFG Fund Services (Bermuda) Limited
26 Burnaby 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

Registered Office

Canon's Court
22 Victoria Street
Hamilton HM 12
Bermuda

Hong Kong Head Office

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

Principal Bankers

The Hongkong and Shanghai Banking Corporation Limited
Bank of China (Hong Kong) Limited
Hang Seng Bank Limited
Mizuho Bank, Ltd.
The Bank of Tokyo-Mitsubishi UFJ, Ltd.
Citibank, N.A.
BNP Paribas
JPMorgan Chase Bank, N.A.
Commerzbank AG
Standard Chartered Bank

LISTING INFORMATION

Share Listing

The Company's shares are listed on The Stock Exchange of Hong Kong Limited.

Stock Code

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

SHAREHOLDERS' CALENDAR

Annual General Meeting (AGM)

10 July 2014 (Thu)

Register of Shareholders

Closure of Register (both dates inclusive)

For attending AGM	: 8 – 10 July 2014 (Tue – Thu)
For final dividend	: 21 – 23 July 2014 (Mon – Wed)

Dividend (per Share)

Interim Dividend	: 3 HK Cents
Paid on	: 4 December 2013 (Wed)
Final Dividend	: 8.5 HK Cents
Payable on	: 29 July 2014 (Tue)

Johnson Electric Holdings Limited

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JOHNSON ELECTRIC

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