Johnson Electric Holdings Limited
Annual Report 2016

JOHNSON ELECTRIC
innovating motion

(Stock Code: **179**)

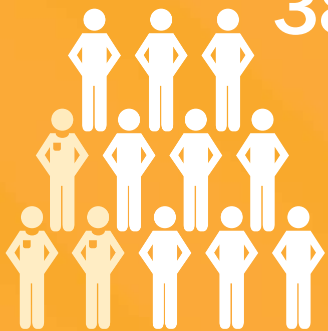
Johnson Electric
in 2016

2,500

Providing motion solutions to
2,500 CUSTOMERS

Generating Total Sales Revenue of
US$2.2 BILLION
and Net Income of US$173 MILLION

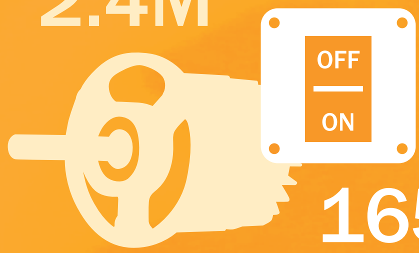
38,000



1,500

Employing 38,000 PEOPLE
including over 1,500 ENGINEERS

2.4M



165M

Producing 2.4 MILLION MOTORS AND
ACTUATORS PER DAY and 165 MILLION
SWITCHES PER YEAR

600

Filing over
600 PATENT APPLICATIONS

Operating in 24 COUNTRIES
across 4 CONTINENTS

Contents

Johnson Electric
at a Glance

Johnson Electric: Innovating Motion since 1959

The Johnson Electric Group traces its origins to a business founded in Hong Kong by Mr. and Mrs. Wang Seng Liang in 1959 to manufacture small electric motors for toys. The business has since expanded its product range and geographic presence to become a global leader in the supply of precision motors, motion subsystems and related electro-mechanical components to the automotive industry and other industrial and consumer product applications.

Johnson Electric Group presently employs 38,000 individuals in 24 countries spanning Asia, Europe, the Middle East, North America and South America. Johnson Electric Holdings Limited, the Group's parent company, is listed on The Stock Exchange of Hong Kong.

"A global leader in the supply of precision motors, motion subsystems and related electro-mechanical components."

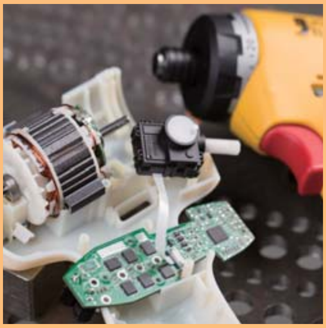
Automotive Products Group

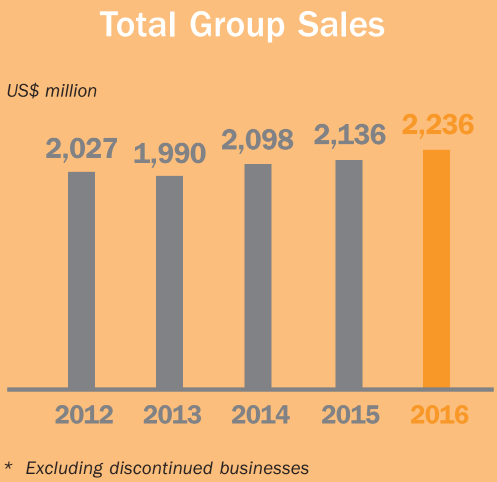
Johnson Electric develops and produces subsystems for automotive applications that require motors, actuators, pumps and related components. We supply over 500 customers spanning OEMs, Tier 1 and Tier 2 suppliers in the automotive industry and our products can be found in substantially all of the major passenger vehicle brands in world.

Demand for our technology and motion solutions is growing due to increasingly stringent regulations on fuel emissions and fuel economy, as well as the ongoing adoption by mid-range and compact car models of the more advanced comfort and safety features of luxury vehicles.

Johnson Electric's automotive products include: cooling fans for engine thermal management; battery cooling fans for hybrid/electric vehicles; electric power steering motors; electric parking brake motors; headlamp actuators; grill shutter actuators; window lift drives; sun-roof drives; electric door lock motors and actuators; seat adjust actuators; transmission and driveline actuators; variable displacement oil pumps; motors for turbo charger actuators; and engine management motors, valves and actuators.

For vehicles in production today and for the next generation of conventional internal combustion engine, hybrid and all-electric vehicles under development, the imperative is for electro-mechanical components to be energy efficient, compact, lightweight and yet capable of withstanding extreme temperatures, shocks and vibrations for the lifetime of the car. Our ability to address these technical challenges and deliver reliable, cost-competitive products to automotive customers worldwide has made Johnson Electric a recognised leader in the market.



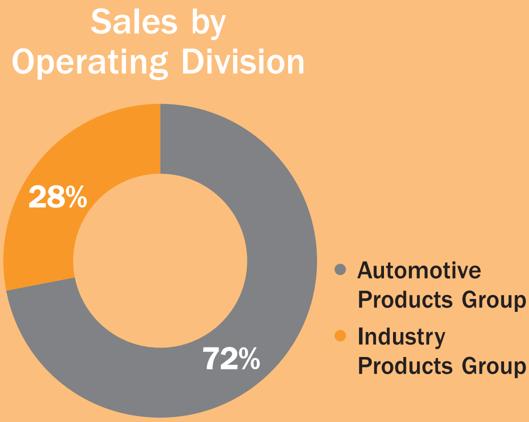


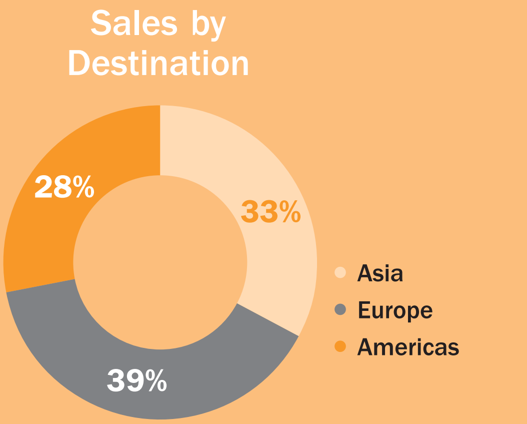
Industry Products Group

Johnson Electric supplies advanced motion solutions and electro-mechanical components to approximately 2,000 industrial and commercial customers whose products are found in a remarkably diverse range of industrial, professional and consumer application segments.

The continuing proliferation of hardware devices and equipment that contain electric motors, solenoids, switches and other electro-mechanical components reflects a rapidly changing world where businesses and consumers are seeking products that are more energy efficient, smaller, lighter, more controllable and more connected than ever before. Among the application segments we serve are: heating and ventilation; electric and gas metering; power tools; lawn and garden equipment; white goods; small domestic appliances; food and beverage dispensing machines; window automation; printers and business machines; medical devices; bank/SIM cards; ATMs and Point of Sale equipment.

Many of the world's leading branded goods companies rely on Johnson Electric to solve their most complex motion problems and at a competitive total cost that enables them to be successful in their markets.





Vision and **Business Strategies**

Johnson Electric's Vision

To be the world's definitive provider of innovative and reliable motion systems.

Core business strategies

Focusing on serving customers whose products are aligned to key underlying trends that drive long-term consumer demand – including the imperatives to reduce emissions, lower fuel consumption, improve health and safety, and increase mobility and controllability

Johnson Electric's core business is the supply of electro-mechanical motion systems and solutions to customers who value innovation and reliability. Within this defined market space, we target segments where secular "mega trends", regulatory change or technology advancements are driving demand.

Across a diverse range of industries and geographies we seek to work closely with our customers to understand *their* customers' requirements and key preferences. Whether those requirements are for better energy efficiency, a cleaner environment, support for ageing populations, improved security, superior product functionality or ease of use, Johnson Electric delivers.

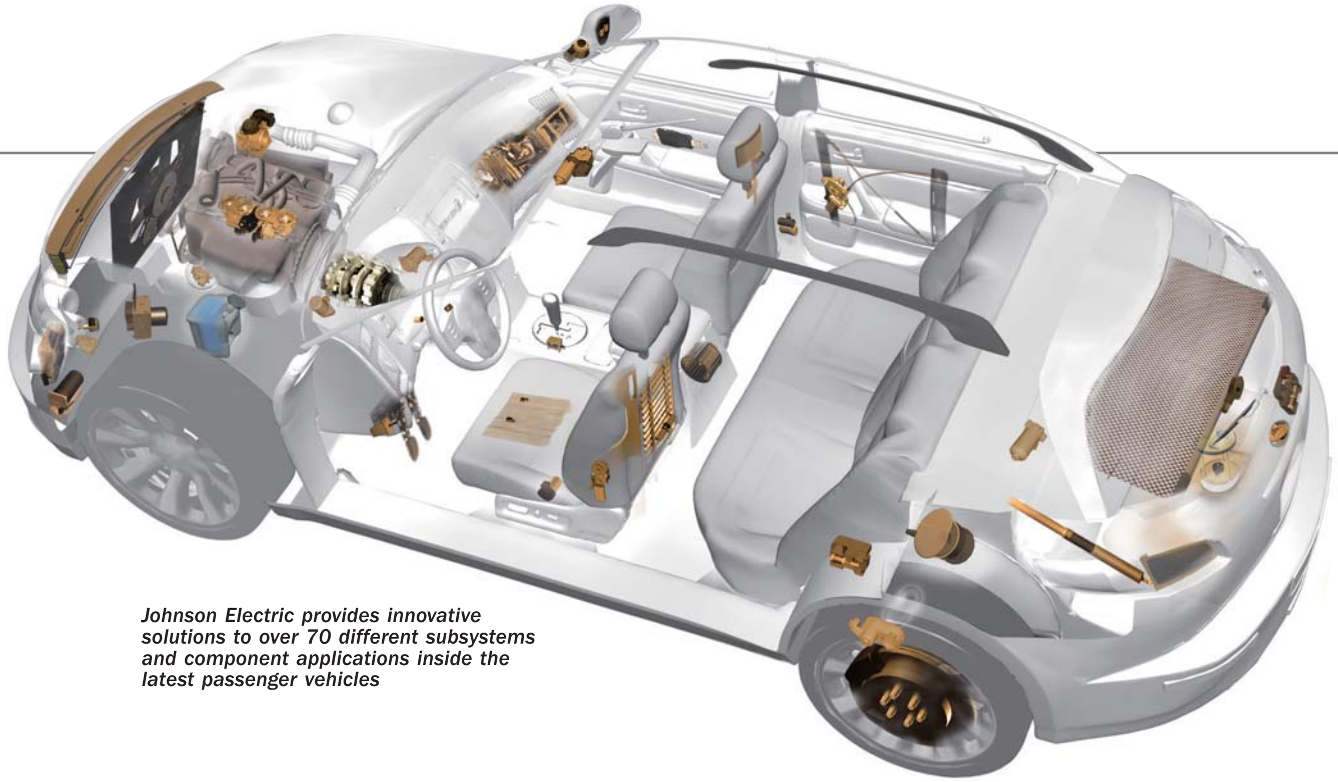
Examples of our market leading technology and product innovations in these growth areas include: a unique range of motor subsystems that manage the flow of fuel, air and oil in automotive engines; electric relays that can remotely disconnect "smart" electricity meters; insulin delivery devices that integrate a miniature pump and motor; and a high precision shutter system that operates silently inside military-grade infrared cameras.

Investing in technology innovation to provide unique motion solutions to customer problems

Technology leadership and application-specific know-how are the drivers that make Johnson Electric a global leader in our industry. Over the

Low Noise HVAC Actuators

Compact Gear Drives for Robotic Lawn Mowers



Johnson Electric provides innovative solutions to over 70 different subsystems and component applications inside the latest passenger vehicles

past two decades, the Group has evolved from having a leading position in small precision motors to building the broadest set of engineered motor and motion system solutions available in the market today – incorporating DC & AC motors, stepper motors, actuators, solenoids, switches, relays, precision gears, powder metal components, pumps and flexible printed interconnects.

At Johnson Electric, we are constantly challenging our business managers and engineers to consider how particular market segments are changing and how these changes can offer new opportunities for our innovative technology.

In some instances this can mean differentiating our product offering using new technology (or a combination of technologies) to provide a unique motion solution to a customer's problem. In doing so, the ultimate objective is to help the customer differentiate their products in the marketplace – such as through lower energy consumption, lower weight, lower noise, or higher performance. In other situations, it can mean designing and delivering a solution that offers lower total transaction costs for a customer over their end-product's entire life-cycle.

Building a global manufacturing footprint that provides greater customer responsiveness, improved cost competitiveness, and reduced exposure to foreign currency volatility and single country risk

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

To execute this strategy, the Group is progressively building out its operating footprint in the three main geographic regions of Asia, the Americas and Europe.

In addition to closer proximity to customers and faster delivery times, the direct benefits of this "in-region" manufacturing strategy include lower freight costs and inventory levels; reduced exposure to foreign exchange rate fluctuations; and an overall diversification of the Group's operating risk by not being overly reliant on any single country or factory.

Compact Seating Adjustment Motors

Tough Seal™ Switches for Outdoor Products

Coolant Valve Actuators: regulating the temperature of the vehicle engine, transmission, batteries and cabin

Implementing continuous efficiency improvements that eliminate waste from all areas of the business

Johnson Electric grew from humble beginnings as a manufacturing enterprise by establishing simple yet effective processes to make quality products in the volumes required by our customers, delivered when they need them, and in the most cost-efficient manner.

Today, “Genba Kaizen” – shop-floor continuous improvement – is a philosophy that we seek to instill across all of our operations and business functions around the world. Ongoing initiatives to eliminate waste, improve quality and enhance the effectiveness of our operations remain critical foundations upon which Johnson Electric seeks to create value over time.

As the size, scope and complexity of the company’s operations have grown, we are also making significant investments in advanced automated manufacturing and in the standardisation of product design. This reflects the imperatives to ensure consistent quality of output everywhere we do business; flawlessly execute new product launches in high volumes across multiple regions; and adapt our business model to one where some of our more labour intensive assembly processes are increasingly performed by more capital intensive automation.

Making selective acquisitions that bring complementary technologies to the Group and strengthen our position in key markets

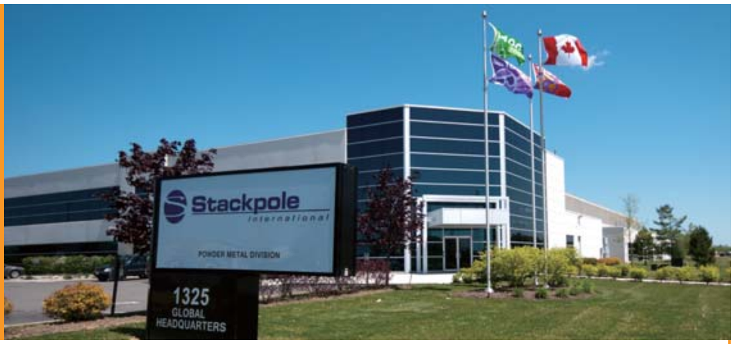
In addition to capital investments in the business, Johnson Electric actively evaluates potential acquisitions that can add value to the Group. Among the characteristics that we look for in determining the attractiveness of acquisition candidates are complementary technology; end-market applications with favourable growth prospects; strong customer relationships; and cultural fit with Johnson Electric.

Over the past two decades, we have completed more than a dozen acquisitions of complementary businesses which have been successfully integrated into our core business.

Developing and retaining a diverse and talented team of people who are committed to making our customers successful and to growing a world-class company that can share in that success

We believe that to maintain Johnson Electric's competitive edge we must select, attract and retain talented and motivated employees from a diverse range of backgrounds. To succeed requires more than ensuring competitive compensation, benefit and incentive structures. It means implementing a range of talent management programs designed to match the right people to the right jobs; and offering our employees rewarding work at different phases of their careers.

Acquisition of Stackpole International



In October 2015, Johnson Electric completed the acquisition of Stackpole International, a leading global manufacturer of highly-engineered engine and transmission pumps and powder metal components, primarily for automotive applications. Its blue-chip customer base is comprised mainly of the world's leading automotive original equipment manufacturers and their Tier 1 suppliers.

Stackpole International is headquartered in Ontario, Canada. It traces its own origins to 1906, when Harry Stackpole and James Hall founded a business manufacturing dry cell batteries in Pennsylvania, USA. Over time the company expanded its scope of operations to include powder metal components and engineered products for the automotive industry. Today Stackpole employs over 2,000 individuals across a global operating footprint that includes nine manufacturing facilities located in North America, Europe and Asia, including two facilities owned by Halla-Stackpole Corporation, a joint venture in Korea and China which is 30% owned by Stackpole International.

Letter to Shareholders

Johnson Electric's results for the financial year 2015/16 reflected a difficult macro-economic environment, unfavourable foreign exchange rate movements and non-recurring acquisition transaction expenses. Although net income, as previously projected, declined from last year's record levels, the underlying operating performance of the business remained solid and our financial condition continues to be healthy.

Highlights of 2015/16 Results

- For the financial year ended 31 March 2016, total sales amounted to US$2,236 million – an increase of 5% compared to the prior financial year. Excluding the effects of acquisition and foreign currency movements, underlying sales increased by 2%

- EBITDA totalled US$322 million – a decline of 4%

- Operating profits decreased by 15% to US$207 million. Excluding non-recurring acquisition transaction costs, operating profits decreased by 10% to US$220 million or 9.8% of sales

- Net profit attributable to shareholders totalled US$173 million – down 18%. Underlying net profit, excluding the effect of acquisitions, declined by 15% to US$180 million

- Basic earnings per share were 20.09 US cents (FY2014/15: 24.11 US cents)

- As of 31 March 2016, cash reserves amounted to US$193 million and the Group's total debt to capital (total equity + total debt) ratio was 18%

Dividends

The interim dividend paid in January 2016 increased by 7% compared to the prior year to 15 HK cents per share. For the final dividend, taking into account the uncertain prevailing operating environment, the Board considers it prudent to recommend maintaining the prior year's figure of 34 HK cents per share.

Sales Performance

The sales performance of the Group during the year was rather mixed and, as in recent prior years, was negatively impacted by the strength of the US Dollar compared to a number of foreign currencies in which Johnson Electric derives a portion of its sales, notably the Euro, the RMB and – subsequent to the acquisition of Stackpole International – the Canadian Dollar.

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

Total Group sales amounted to US$2,236 million, an increase of 5% compared to the prior financial year. This figure included five months sales contribution from Stackpole International totalling US$182 million. Excluding that acquisition and the impact of foreign exchange rate movements, which negatively affected sales on translation by US$117 million, underlying total sales increased by 2%.

The Automotive Products Group ("APG"), the largest operating division, achieved sales of US$1,605 million including Stackpole International. Excluding the acquisition and currency movements, APG's sales increased by 5% – a creditable performance in the context of a weak global economy.

APG achieved solid sales growth in constant currency terms in each of the three major geographic regions. In Europe, where passenger car sales volumes reached a six-year high in 2015, we experienced strong demand for our market leading technology in engine and transmission management applications and in headlamp and HVAC actuators. In Asia, APG continues to perform particularly well in the powertrain cooling fan module segment despite the recent slowdown in demand growth in China. And in North America, which prior to the acquisition of Stackpole International, has been APG's smallest market in terms of direct sales, our actuator systems business unit was also a standout performer.

The Industry Products Group ("IPG") reported a 7% decrease in sales (down 5% in constant currency terms) to US$631 million. This disappointing result reversed a trend of modestly improving sales seen in the prior year and reflected intense price competition in lower-end motor product applications and generally lack-lustre demand in many industrial and consumer markets. As a consequence, management and organisational changes have been implemented in IPG with the intention of reducing costs and focusing resources on market segments where Johnson Electric is advantaged through differentiated motion subsystems technology.

Resilient Profitability and Sustained Balance Sheet Strength

On the cost side, the business benefited from lower raw material expenses and significant productivity improvements. However, these were more than offset by higher wage rates and the effects of reduced sales revenue on translation into US Dollars set against relatively fixed production and administrative overheads. The ongoing investment in building out our manufacturing footprint in Mexico and Eastern Europe is also acting as a drag on near term profitability. And lastly, operating profits were reduced by higher amortisation of intangibles and US$12.4 million in non-recurring transaction expenses related to recent and pending acquisitions.

The Group's use of forward foreign currency contracts in the normal course of business along with higher Other Income & Gains helped to mitigate some of the negative impact of the above factors. As a result, operating profit was US$207 million or 9.3% of sales (9.8% of sales excluding non-recurring transaction expenses).

Johnson Electric's overall financial condition remains strong. As of 31 March 2016, cash reserves amounted to US$193 million and the total debt to capital ratio was 18%.

New Acquisitions Set to Accelerate Growth

During the year, Johnson Electric undertook two significant strategic initiatives to expand the scope of the business which are set to strengthen further our competitive position and our growth prospects.

In October 2015, the Group completed the acquisition of Stackpole International, a leading manufacturer of highly-engineered automotive engine and transmission pumps and powder metal components. Improving fuel economy and reducing emissions are pivotal drivers of automotive technology today – and Johnson Electric is a market leader in supplying key motion subsystems to support these imperatives. The addition of Stackpole's pumps technology and powder metal expertise is an excellent fit that will enable the Group to provide integrated motorised pumps to customers in a rapidly growing market for electrically controlled solutions. The acquisition also materially increases Johnson Electric's overall exposure to the North American economy with the effect that the Group's total sales base is now essentially equally divided between Asia, Europe and the Americas.

In February 2016, the Group announced that it had signed a binding offer to acquire AML Systems, a leading supplier of active modules for vehicle headlamp systems. AML's strength in headlamp levellers perfectly complements Johnson Electric's strength in headlamp actuators and the combined business is set to be a world leader in a growing market segment driven by demand for lighting solutions that improve visibility and enhance safety for drivers and other road users. Following the receipt of customary regulatory approvals, the acquisition of AML is expected to be completed in May 2016.

Outlook

In common with most global industrial manufacturing businesses, Johnson Electric is operating in a challenging macro-economic environment featuring GDP growth rates well below the levels experienced in the years immediately preceding the 2008/09 financial crisis. Although unemployment in a number of economies has fallen recently and consumers are beginning to spend more, it remains difficult to be optimistic about the prospects for a sustained uptick in overall demand. Not only are essentially all of the world's largest economies continuing to experiment, in one form or another, with quite unconventional monetary policies aimed at stimulating growth, we are also entering a period of potentially high political instability in several important countries. In such circumstances, much-needed structural economic reforms seem likely to be postponed.

Despite the rather gloomy macro-economic picture, I do see reasonable grounds to be upbeat about Johnson Electric's own growth trajectory. In the short term, we can expect to see the Company's revenue and earnings base in the 2016/17 financial year benefit from a full year contribution from Stackpole International and approximately ten months of contribution from AML Systems – and without the level of acquisition-specific transaction expenses incurred in the year under review.

In the medium term, we are winning major new product program awards, especially with large automotive OEM and Tier 1 customers, which in this industry can typically take between two to five years before sales ramp up to full production volumes. In IPG, we are also moving to enter into longer term supply agreements with some customers based on our ability to offer innovative new technology and a genuinely global manufacturing capability.

As always in business, we need to adapt and evolve in order to prosper. The product mix and price paths of much of the new business we are booking will require changes to our business model to ensure we deliver what our customers need in terms of cost competitiveness and what our shareholders expect in terms of profitability. This will require more standardisation and automation in our production processes, further investments in infrastructure to support multiple new product launches across multiple geographies, and renewed focus on right-sizing and reducing overheads. Getting these strategic imperatives right is essential to the Group's long term success – and our Board and management team are committed to making it happen.

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, 17 May 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL PERFORMANCE

US$ million	FY2015/16 [1]	FY2014/15
Sales	2,235.9	2,136.1
Gross profit	589.5	632.4
Gross margin	*26.4%*	*29.6%*
Profit attributable to shareholders	172.7	210.9
Diluted earnings per share (US cents)	19.75	23.60
EBITDA [2]	334.3	335.5
EBITDA margin	*15.0%*	*15.7%*
EBITDA [2] adjusted to include 12 months of Stackpole on a pro forma basis	369.6	N/A
Free cash flow from operations [3]	70.8	155.8

US$ million	31 Mar 2016	31 Mar 2015
Cash	193.3	773.2
Total debt [4]	422.5	291.3
Net (debt) / cash (cash less total debt)	(229.2)	481.9
Total equity	1,884.8	1,900.9
Market capitalisation [5]	2,643.3	3,032.5
Enterprise value [6]	2,914.7	2,589.3
Enterprise value to EBITDA [7]	7.9	7.7

Credit Quality – Financial Ratios	31 Mar 2016	31 Mar 2015
Total debt to EBITDA [7]	1.1	0.9
Total debt to capital (total equity + total debt)	18%	13%

1 Includes 5 months results of Stackpole International

2 Earnings before interest, tax, depreciation and amortisation, excluding nonrecurring acquisition transaction costs of US$12.4 million

3 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

4 Total debt calculated as borrowings plus convertible bonds

5 Outstanding number of shares multiplied by the closing share price (HK$23.95 per share as of 31 March 2016 and HK$27.30 per share as of 31 March 2015) converted to USD at the closing exchange rate

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

7 Calculated using EBITDA adjusted to include 12 months of Stackpole International on a pro forma basis

- **Sales, as reported, up 5% from the prior year with the acquisition of Stackpole International. Excluding currency movements and acquired business, sales increased 2% (Automotive Products Group, 5% increase; Industry Products Group, 5% decrease).**

- **Gross margin decreased to 26.4%, due to wage and salary inflation, especially in China and the significant weakening of the Euro against the US Dollar.**

- **Acquired the Stackpole International group of companies in October 2015 for consideration of about US$676 million (C$800 million enterprise value plus other considerations), largely funded from the Group's cash reserves.**

- **Binding offer made in February 2016 to acquire AML Systems for EUR65 million in cash. This transaction is expected to close in May 2016, subject to customary conditions including obtaining applicable regulatory approvals.**

- **Inaugurated second plant in Zacatecas, Mexico and significantly expanded our plant in Niš, Serbia.**

- **Total debt to capital ratio was 18% and total debt to EBITDA as adjusted to include 12 months of Stackpole International was 1.1 as of 31 March 2016.**

BUSINESS REVIEW

Johnson Electric's Operating Model

Johnson Electric is one of the world's largest providers of motion subsystems, with a global customer base and a flexible, responsive operating footprint. Manufacturing facilities in eighteen countries on four continents provide an annual production capacity of over one billion units.

The Group constantly pursues technology leadership in its chief markets. From its innovation and product design centres, the business continuously adds new solutions to its range of motors, solenoids, actuators, micro-switches, flexible printed circuits and microelectronics product platforms. These can be standardised for mass-production or tailored to meet the needs of strategic segments and key accounts.

Johnson Electric's operations 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.

These factors create opportunities for growth, by leveraging the strength of the Group's core competences and for cost efficiencies through the sharing of resources and continuous improvement of standardised methods and processes.

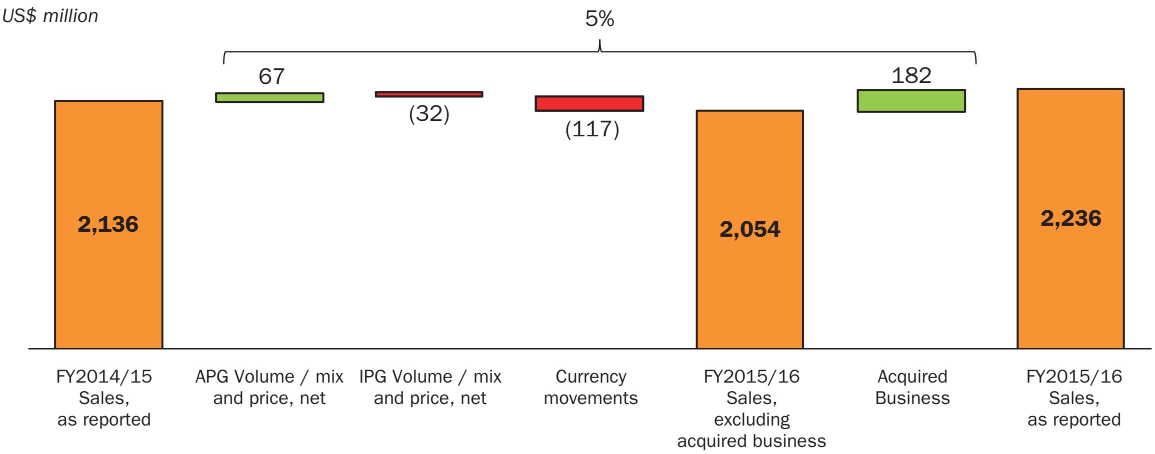
On 27 October 2015, the Group acquired Stackpole International, a leading supplier of engine and transmission pumps and powder metal components primarily to automotive OEMs. Stackpole's proficiency in pumps, combined with JE's motion subsystem expertise and global presence, provides the Group with a unique opportunity to design and deliver integrated motorised pump solutions for its automotive customers. Additionally, Stackpole's powder metal know-how will be utilised across the Group's businesses.

Sales Review

Group sales in FY2015/16 were US$2,235.9 million, an increase of US$99.8 million, 5%, compared to US$2,136.1 million for FY2014/15. Excluding currency movements, sales increased by US$216.8 million, 10%, compared to FY2014/15, as shown below:

US$ million	FY2015/16		FY2014/15		Change	
Automotive Products Group ("APG") sales						
– Excluding acquisition and currency movements	1,524.8	65%	1,457.5	68%	67.3	5%
– Acquired business	181.8	8%	–		181.8	
– Subtotal	1,706.6	73%	1,457.5		249.1	17%
– Currency movements	(101.7)		n/a		(101.7)	
APG sales, as reported	1,604.9		1,457.5		147.4	10%
Industry Products Group ("IPG") sales						
– Excluding currency movements	646.3	27%	678.6	32%	(32.3)	(5%)
– Currency movements	(15.3)		n/a		(15.3)	
IPG sales, as reported	631.0		678.6		(47.6)	(7%)
Group sales						
– Excluding acquisition and currency movements	2,171.1	92%	2,136.1	100%	35.0	2%
– Acquired business	181.8	8%	–		181.8	
– Subtotal	2,352.9	100%	2,136.1	100%	216.8	
– Currency movements	(117.0)		n/a		(117.0)	
Group sales, as reported	**2,235.9**		**2,136.1**		**99.8**	**5%**

The drivers underlying these movements in sales are shown in the following chart:



Volume / mix and price, net, increased sales by US$35.0 million. The underlying changes in the sales of the Automotive Products Group and Industry Products Group are discussed on pages 15 to 18.

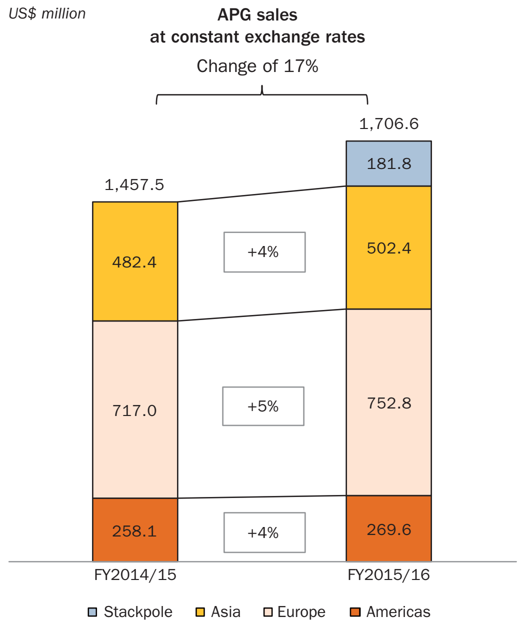
Acquisition of Stackpole International: In the 5 months since acquisition, Stackpole's revenues amounted to US$181.8 million. The addition of Stackpole's automotive business is further discussed, together with JE's existing automotive business, on page 16.

Currency movements adversely impacted revenues by US$117.0 million compared to FY2014/15, primarily due to the lower average rate for the Euro against the US Dollar in FY2015/16 (average rate of 1.10) compared to the prior year (average rate of 1.27). The Group's sales are largely denominated in the US Dollar, the Euro, the Chinese Renminbi and the Canadian Dollar. See Note 34.4 to the accounts for all foreign currency translation rates.

Automotive Products Group

Through the combined effects of organic business growth and the acquisition of Stackpole, APG's sales, excluding currency movements, grew by 17%.

All regions delivered organic growth (5% total: Asia: 4%, Europe: 5%, Americas: 4%).



- In Asia, sales of products for powertrain cooling systems, engine emissions control and sunroof applications increased as customer programs ramped up. The business also benefited from increased demand for products for braking applications that meet increasingly stringent safety requirements. These increases were slightly offset by reduced sales of products for fuel pump and seat adjustment applications.

- In Europe, sales increased across a broad range of products, especially for our recently launched compact, power-efficient, low-noise heating, ventilation and air-conditioning ("HVAC") actuators and customised coolant valve actuators to address the thermal management requirements of the latest generation of vehicle engines. We also benefited from growth in our existing platforms for engine air management.

Yearly trend in sales
(excluding acquired business and currency movements)

	APG sales growth/(decline)			
Year ended	Asia	Europe	Americas	Total
31 March 2016	4%	5%	4%	5%
31 March 2015	12%	5%	(8%)	4%
31 March 2014	4%	10%	1%	7%
31 March 2013	8%	5%	5%	6%

- In the Americas, sales increased, led by HVAC and door lock due to the combined effects of customer growth and the ramp-up of recently launched customer programs. These increases were partially offset by reduced sales of products for power train cooling due to falling sales of new vehicles in Brazil.

The Powertrain Cooling business including the "GATE" brand, primarily engaged in the manufacture and sale of cooling fan modules for OEM and Tier 1 customers, accounted for 22% of the Group's sales as reported for FY2015/16 (FY2014/15, 25%). Sales for this business unit, excluding currency movements, increased 2% in FY2015/16 compared to the prior year. This was driven by a ramp-up in production of key global customer platforms incorporating brushless technology as well as continued growth of brushed powertrain cooling products in China.

Stackpole's sales for the 5 months since acquisition amounted to US$181.8 million. Over this period, underlying sales of this business grew by approximately 20%, compared to the same period (pre-acquisition) last year. This was driven by increased market penetration in Europe and Asia and new product launches and ramp-ups in North America. Stackpole has been successful in winning new business and will benefit from the pipeline of subsequent product launches to meet JE's growth objectives.

APG's design teams are organised into engineering centres, based on specific product technologies. These centres are focused on powertrain cooling, pump, powder metal components, window-lift drive, seat adjustment, power closures and actuators for engine control valves, grill shutter, HVAC, headlamp, transmission, braking and stability control applications. These design teams constantly focus on innovation, providing custom engineered solutions and investing in the development of low-weight, high power-density motors and subsystems for advanced applications that provide passenger comfort, increase fuel efficiency, reduce emissions and improve safety.

Recent examples include:

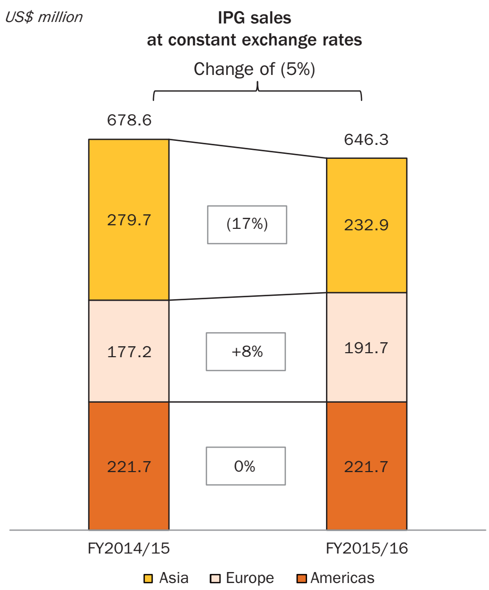
- A new generation of engine coolant valve actuators with integrated electronics for on-demand engine cooling. This actuator platform provides fast response and precise position control to regulate coolant flow to maximise fuel economy and emissions reduction. This platform is useful in both internal combustion engine and hybrid vehicles.

- A new generation of cooling fan modules with brushless DC motors to maximise vehicle heat rejection efficiency. A variable airflow in response to vehicle driving dynamics allows efficient heat rejection, keeping the engine temperature within the optimised range to minimise fuel consumption. These new cooling fan modules are powered by a highly efficient, light-weight brushless DC motor, and offer lower operating noise due to intelligent software control.

The Group's on-the-ground engineering presence in key geographic markets enables it to identify particular customer needs and customise its products accordingly. Additionally, JE's global manufacturing footprint with production sites in eighteen countries is a significant benefit to customers by allowing for proximity to the customer's point of manufacture, reducing supply and reduced logistics risks.

Industry Products Group

IPG's sales, excluding currency movements, decreased 5% for FY2015/16 compared to the prior year. The slowdown of China export markets and competitive pressure in lower-end applications led to a 17% decline in Asia sales. This was partially offset by 8% growth in Europe, driven by IPG's emphasis on investing in differentiated technology. Sales in the Americas were flat.



- In Asia, sales declined across a broad range of market segments. This was partially offset by growth in sales of differentiated products for metering, industrial equipment and automation and medical applications.

- In Europe, sales increased largely due to growth in lawn and garden and building automation applications with new business wins and the ramp-up of existing customer programs. This was partially offset by reduced demand for products for food and beverage applications. Sales in other market segments were essentially flat.

Yearly trend in sales (excluding currency movements)

	IPG sales growth/(decline)			
Year ended	Asia	Europe	Americas	Total
31 March 2016	(17%)	8%	0%	(5%)
31 March 2015	(4%)	6%	12%	4%
31 March 2014	(5%)	(8%)	0%	(4%)
31 March 2013	(11%)	(9%)	(2%)	(8%)

- In the Americas, sales remained flat in FY2015/16. New customers, new product launches and the ramp-up of existing customer programs drove growth in sales of products for industrial equipment and white goods applications. Sales of products for floor care and HVAC and bathroom applications also grew. This was offset by reduced demand for products for metering and some solenoid applications.

The IPG business is repositioning itself to increase collaboration between engineering, business development, project management and sales, to focus on serving strategic segments and key customers whose products are aligned to the underlying trends that are expected to drive long-term consumer demand. Additionally, the business will monitor the growth potential of small and medium sized accounts to select those with high potential for business development.

The IPG design teams are organised by technology disciplines including micro-switches, brushless motors, DC motors, high-voltage DC motors, AC motors, solenoids, stepper motors, switches, flexible interconnect solutions and piezo actuators. IPG pursues technology leadership in multiple fast-growing industry segments, developing products and subsystems that deliver performance enhancements, increased power efficiency and enhanced end-customer value.

Recent examples of motion solutions designed and manufactured for IPG's customers, include:

- Window automation actuators combining motor, gear box and electronics technologies. These actuators assist manufacturers of windows and window coverings solutions in meeting emerging consumer product safety regulations. Window automation also allows residential and commercial buildings to operate more efficiently with less energy consumption for heating and cooling through the smart control of windows and window coverings.

- High efficiency brushless motors that cater for a wide range of customer applications that require advanced technology motors including home appliances, power tools, HVAC and other applications. IPG's brushless motors enable improvement of these products with quicker, quieter, more efficient performance. Our brushless motor technology and control electronics provide an optimised combination of cost, performance and efficiency.

Profitability Review

Profit attributable to shareholders was US$172.7 million in FY2015/16 versus US$210.9 million in FY2014/15. Excluding post-acquisition profits of Stackpole International and acquisition transaction costs, profit for the year was US$180.4 million.

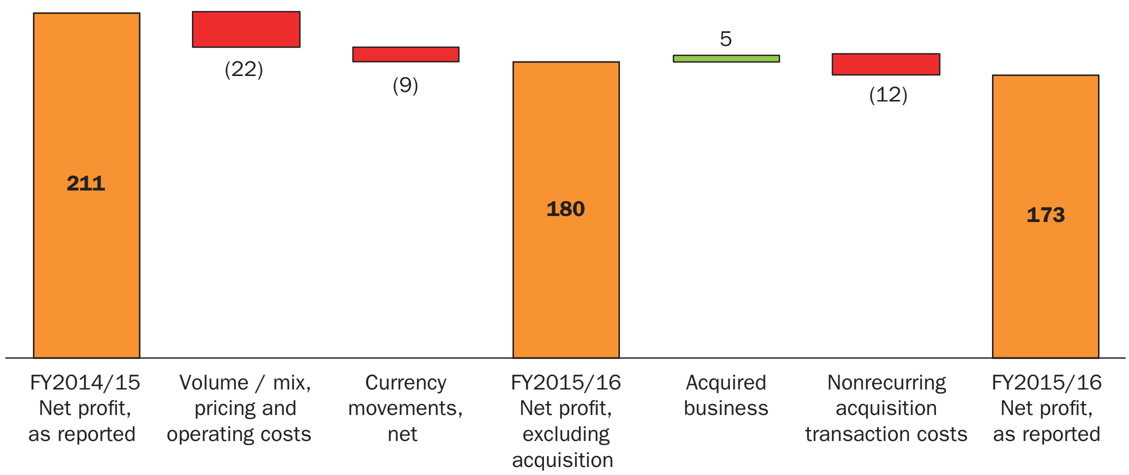
US$ million	FY2015/16 [1]	FY2014/15	Increase / (decrease) in profit
Sales	2,235.9	2,136.1	99.8
Gross profit	589.5	632.4	(42.9)
Gross margin %	*26.4%*	*29.6%*	
Other income and gains, net	28.5	17.9	10.6
Selling and administrative expenses ("S&A"), excluding nonrecurring items	(398.4)	(407.5)	9.1
S&A %, excluding nonrecurring items	*17.8%*	*19.1%*	
Operating profit, excluding nonrecurring items	219.6	242.8	(23.2)
Operating profit margin %, excluding nonrecurring items	*9.8%*	*11.4%*	
Nonrecurring items:			
Acquisitions transaction costs	(12.4)	–	(12.4)
Operating profit	207.2	242.8	(35.6)
Operating profit margin %	*9.3%*	*11.4%*	
Net interest (expense) / income	(3.2)	5.5	(8.7)
Share of profit of associates	2.6	0.7	1.9
Profit before income tax	206.6	249.0	(42.4)
Income tax expense	(23.9)	(29.2)	5.3
Effective tax rate	*11.6%*	*11.7%*	
Profit for the year	182.7	219.8	(37.1)
Non-controlling interests	(10.0)	(8.9)	(1.1)
Profit attributable to shareholders	172.7	210.9	(38.2)

1 Includes 5 months results of Stackpole International

The operating profit of US$207.2 million includes US$5.9 million operating profits of Stackpole International for the 5 months since acquisition, as well as US$12.4 million of nonrecurring acquisition transaction costs. There were no such acquisition or transaction costs in FY2014/15.

Profit Attributable to Shareholders

US$ million



Volume / mix, pricing and operating costs: Increased volumes and cost reduction activities helped profits. However, this was more than offset by wage and salary inflation, especially in China, and the effect of increased headcount and operating costs in preparation of further product launches in Mexico and Serbia. As these sites mature in the near future, they are expected to achieve greater productivity and efficiency as volumes ramp-up. Profits also benefited from lower commodity costs, partially offset by sales price adjustments. Other income was partially offset by impairment charges. The net effect of these changes was to decrease profit by US$21.7 million.

Currency movements, net: The Group's global operations expose it to foreign exchange volatility, partially mitigated by hedging key currencies such as the Euro and the Chinese Renminbi. The significant weakening of the Euro (down approximately 13% from the prior year) decreased sales and operating profit. Additionally, the strengthening of the Swiss Franc against the Euro increased the cost of our Swiss operations. The net effect of currency movements in FY2015/16 (especially the weaker Euro compared to the previous year) decreased profit by US$8.6 million. See Note 34.4 to the accounts for the exchange rates used to translate key foreign currencies.

As a result of the changes to volume / mix, pricing, operating costs and currency, the gross margin declined to 26.4% compared to 29.6% for the prior year. However, after taking into account the currency hedge gains (reported in selling and administrative expenses) which were largely from the movement of the Euro against the US Dollar, gross margin was down slightly at 28.0% compared to 29.9% for the prior year.

Finance costs and taxes: Net interest and taxes, excluding amounts attributable to 5 months of Stackpole's operations, were flat as the Group utilised its cash reserves, supplemented by borrowings, to acquire Stackpole in an all-cash transaction. Finance income and costs are analysed in Note 20 to the accounts.

Including Stackpole, the effective tax rate declined slightly to 11.6% for FY2015/16, from 11.7% for FY2014/15. Tax is analysed further in Note 22 to the accounts.

Acquired business: Stackpole's operating profits for the 5 months since acquisition, together with the share of its associate's profit, partially offset by interest attributable to its operations, increased profit by US$4.7 million.

Nonrecurring acquisition transaction costs: Transaction costs related to the acquisition of Stackpole International and AML Systems amounted to US$12.4 million.

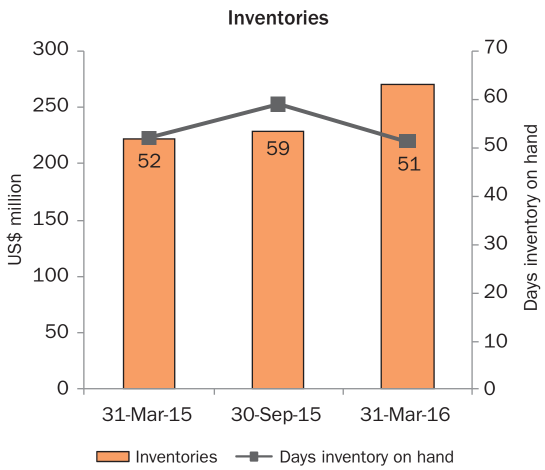
WORKING CAPITAL

US$ million	Balance sheet as of 31 Mar 2015	Currency translation	Acquisition	Pension, hedging and others	Working capital changes per cash flow	Balance sheet as of 31 Mar 2016
Inventories	222.0	(8.4)	28.1	–	29.0	270.7
Trade and other receivables	414.8	(2.0)	85.2	1.1	43.1	542.2
Other non-current assets	9.7	–	–	7.7	1.7	19.1
Trade payables, other payables and deferred income [1]	(398.1)	8.9	(67.3)	(16.0)	(16.9)	(489.4)
Provision obligations and other liabilities [1,2]	(56.6)	(2.2)	(11.3)	11.9	(4.7)	(62.9)
Other financial assets / (liabilities), net [1]	188.5	0.2	–	(150.5)	(5.8)	32.4
Total working capital per balance sheet	380.3	(3.5)	34.7	(145.8)	**46.4** *	312.1

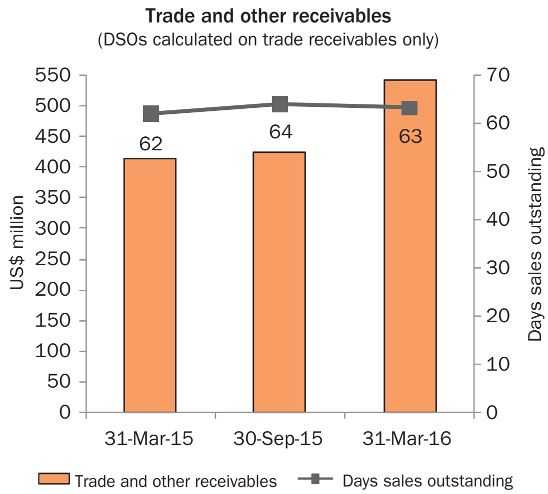
1 Current and non-current
2 Net of defined benefit pension plan assets
* Please refer to working capital changes in Cash Flow table on page 24

Inventories increased by US$48.7 million to US$270.7 million as of 31 March 2016 (31 March 2015: US$222.0 million) due to the acquisition of Stackpole in October 2015, the build-up of inventory around the year-end in anticipation of new product launches, ramp-ups, customer-driven delivery schedules and increased production in Mexico, Serbia, Turkey and Canada.

Days inventory on hand ("DIOs") declined slightly to 51 days as of 31 March 2016 (31 March 2015: 52 days).

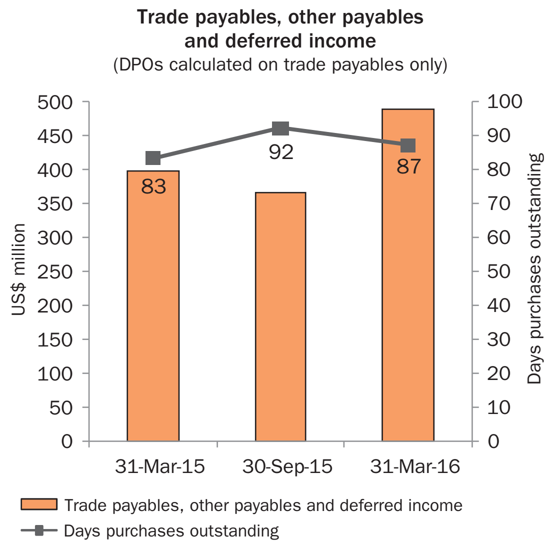


Trade and other receivables increased by US$127.4 million to US$542.2 million as of 31 March 2016 (31 March 2015: US$414.8 million), largely due to the acquisition of Stackpole, and also due to growth in European business, increased credit terms given to certain customers, especially in China, a temporary increase in VAT receivables and increased amounts receivable for samples and tooling.



Days sales outstanding ("DSOs") increased slightly to 63 days as of 31 March 2016 (31 March 2015: 62 days). The Group's receivables are of high quality. Amounts overdue greater than 30 days amounted to approximately 1.2% of gross trade receivables as of 31 March 2016 (31 March 2015: 1.1%).

Trade payables, other payables and deferred income increased by US$91.3 million to US$489.4 million as of 31 March 2016 (31 March 2015: US$398.1 million), due to the acquisition of Stackpole, longer credit terms taken from suppliers, increased accruals for capital expenditure, increased purchases of raw materials towards the year-end and an increase in deferred revenue relating to customer contributions towards tooling. This was partially offset by reduced accruals for incentive compensation compared to the prior year.



Days purchases outstanding ("DPOs") increased by 4 days to 87 days as of 31 March 2016 (31 March 2015: 83 days).

Provision obligations and other liabilities increased by US$6.3 million to US$62.9 million as of 31 March 2016 (31 March 2015: US$56.6 million) mainly due to the acquisition of Stackpole, partially offset by settlement of a finance lease acquired with Stackpole and reduced pension accruals. The Group will make contributions of US$3.8 million to post-employment benefit plans for FY2016/17 (FY2015/16: contributions of US$3.5 million). See Note 14 to the accounts for further details.

Other financial assets / (liabilities), net, decreased by US$156.1 million to a net financial asset of US$32.4 million as of 31 March 2016 (31 March 2015: net financial asset of US$188.5 million).

- Foreign currency forward contracts and cross-currency interest rate swaps decreased in value by US$128.3 million, primarily due to a decrease in the mark-to-market value of the Euro and the Chinese Renminbi hedge contracts.

- The mark-to-market valuation of commodity forward contracts decreased by US$27.8 million, due to a decrease in copper and silver prices.

Further details of the Group's hedging activities can be found in the Financial Management and Treasury Policy Section on page 28 and in Note 7 to the accounts.

Spot prices of significant items are shown in the table below:

	Spot rates as of 31 Mar 2016	Spot rates as of 31 Mar 2015	Strengthen/ (weaken)
USD per EUR	1.13	1.08	(4%)
RMB per USD	6.48	6.14	(5%)
CAD per USD	1.30	1.27	(2%)
HUF per EUR	314.94	299.25	(5%)
MXN per USD	17.23	15.26	(11%)
USD per metric ton of copper	4,856	6,051	(20%)
USD per ounce of silver	15.38	16.60	(7%)

CASH FLOW

US$ million	FY2015/16	FY2014/15	Change
Operating profit [1]	207.9	243.0	(35.1)
Depreciation and amortisation	114.0	92.5	21.5
EBITDA	321.9	335.5	(13.6)
Other non-cash items in profit before taxes	4.8	(1.5)	6.3
Working capital changes [2]	(46.4)	(21.1)	(25.3)
Interest paid	(4.4)	(2.6)	(1.8)
Income taxes paid	(34.6)	(43.2)	8.6
Capital expenditure, net of subsidies	(186.2)	(119.9)	(66.3)
Proceeds from disposal of fixed assets	15.6	0.8	14.8
Capitalisation of engineering development costs	(6.1)	(6.2)	0.1
Interest received	6.2	14.0	(7.8)
Free cash flow from operations	**70.8**	**155.8**	**(85.0)**
Acquisitions and related costs	(680.3)	(9.2)	(671.1)
Dividends paid	(54.4)	(54.3)	(0.1)
Purchase of shares held for incentive share schemes	(22.0)	(50.7)	28.7
Purchase of shares for cancellation of issued capital	(5.2)	(55.0)	49.8
Other investing activities	0.2	0.8	(0.6)
Other financing activities	(4.2)	(4.8)	0.6
Total cash flow (excluding changes in borrowings and currency movements)	(695.1)	(17.4)	(677.7)
Borrowing proceeds / (repayments) [3]	40.3	(10.8)	51.1
Proceeds from long term debts, net of transaction costs	74.2	197.3	(123.1)
(Decrease) / increase in cash (excluding currency movements)	(580.6)	169.1	(749.7)
Exchange gains / (losses) on cash	0.7	(39.9)	40.6
Net movement in cash	**(579.9)**	**129.2**	**(709.1)**

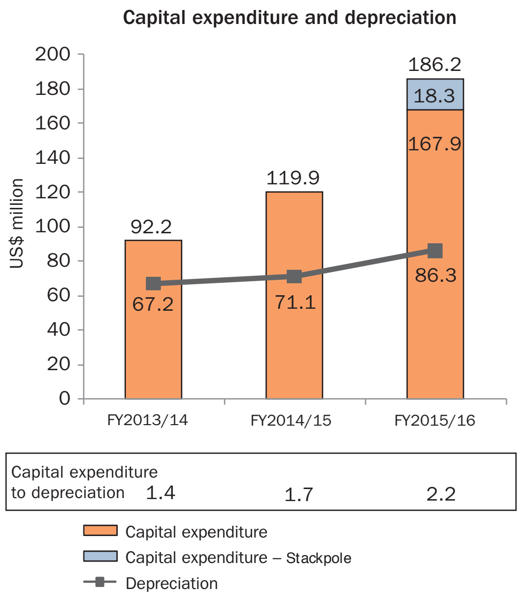
1 Operating profit as reported plus US$0.6 million dividend received from associates in FY2015/16 (FY2014/15: US$0.2 million)
2 Please refer to working capital table on page 21
3 Includes US$9.9 million of finance lease repayments mainly for extinguishment of lease liability acquired with Stackpole

The Group generated US$70.8 million free cash flow from operations in FY2015/16, a decrease of US$85.0 million compared to US$155.8 million in FY2014/15. This movement in operational cash flows includes the following:

- **Working capital**, explained in the previous section, required an additional investment of US$46.4 million in FY2015/16 due to higher business levels in Europe, increased credit terms given to certain customers in China, increased receivables from customers for samples and tooling relating to new products, increased production in Mexico, Serbia, Turkey and Canada. In FY2014/15, working capital required an additional investment of US$21.1 million.

- **Income taxes paid:** In FY2015/16, the Group made payments of US$34.6 million towards income taxes, a decrease of US$8.6 million from US$43.2 million paid in the prior year.

- **Capital expenditure** amounted to US$186.2 million in FY2015/16 (US$119.9 million in FY2014/15). JE inaugurated its second plant in Zacatecas, Mexico in September 2015, adding a further 8,100 square meters to the 7,400 square meters provided by JE's first Mexican plant. The Group is also expanding its facilities in Niš, Serbia and in São Paulo, Brazil. The Group continues to enhance the level of automation in production processes to mitigate the effect of rising labour costs in China, standardise operating processes and further improve product quality and reliability. Automated manufacturing equipment is also being introduced directly into the new facilities. Additionally, investments continued to be made for new product launches and long-term technology / testing development, on-going productivity improvements and replacement of assets. Stackpole International's expenditures were US$18.3 million for the 5 month period.



- **Proceeds from disposal of fixed assets:** In FY2015/16, proceeds from disposals of fixed assets amounted to US$15.6 million, largely due to disposals of real estate. In FY2014/15, proceeds from disposals of fixed assets amounted to US$0.8 million.

Free cash flow from operations was mainly applied to the funding of the following activities:

- **Acquisition and related costs:** In FY2015/16, the Group paid US$657.2 million (consideration US$675.5 million less US$18.3 million cash acquired), to acquire Stackpole International [1] and pledged US$9.1 million in deposits to maintain Stackpole's interest in leased premises. The Group also paid US$14.0 million transaction charges towards the acquisition of Stackpole International and AML Systems. In FY2014/15, the Group paid US$9.2 million to insource a sales agency in the UK strengthening the Group's sales network by providing a direct interface with key automotive customers in the UK.

- **Dividends and share purchases,** discussed in the Financial Management and Treasury Policy Section in the following pages.

1 For details of the acquisition, please refer to the Letter to Shareholders and Note 27 to the accounts.

FINANCIAL MANAGEMENT AND TREASURY POLICY

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

Credit Rating

As of 31 March 2016, the Group maintained investment grade ratings from Moody's Investor Service and Standard & Poor's (S&P) Ratings Services.

	Rating	Outlook	Grade
Moody's Investors Service	Baa1	Stable	Investment
Standard & Poor's	BBB	Stable	Investment

Liquidity

Net Debt / Cash and Credit lines

US$ million	31 Mar 2016	31 Mar 2015	Change
Cash	193.3	773.2	(579.9)
Borrowings	(220.1)	(94.0)	(126.1)
Convertible bonds	(202.4)	(197.3)	(5.1)
Net (debt) / cash	(229.2)	481.9	(711.1)
Available unutilised credit lines	575.5	577.6	(2.1)

The Group had net debt (borrowings and convertible bonds less cash) of US$229.2 million as of 31 March 2016, a US$711.1 million change from net cash of US$481.9 million as of 31 March 2015. This was due to the acquisition of Stackpole for US$669.9 million in an all-cash transaction financed largely from the Group's cash reserves, supplemented by proceeds from existing revolving credit facilities.

Management believes the combination of cash on hand, available credit lines and expected future operating cash flows is sufficient to satisfy the Group's cash needs for the current and planned level of operations for the foreseeable future and the anticipated acquisition of AML Systems.

Cash decreased by US$579.9 million to US$193.3 million as of 31 March 2016, reflecting the utilisation of the Group's cash reserves in the acquisition of Stackpole, as discussed on the previous page. The majority of the cash reserves are held in the Euro in anticipation of funding the AML Systems acquisition.

US$ million	31 Mar 2016	31 Mar 2015
EUR	98.3	59.7
RMB	42.7	269.8
CAD	19.2	–
USD	9.0	382.0
Others	24.1	61.7
Total	193.3	773.2

Borrowings increased by US$126.1 million (net borrowings of US$124.4 million and unrealised exchange loss of US$1.7 million) to US$220.1 million as of 31 March 2016, compared to US$94.0 million as of 31 March 2015. This reflects the drawdown of revolving credit facilities as part of the financing of the acquisition of Stackpole, as discussed on the previous page. As of 31 March 2016, the Group was in compliance with all covenants on its borrowings and expects to remain compliant in future periods. Further information on borrowings can be found in Note 12 to the accounts.

Borrowings and Convertible Bonds

US$ million	Total debt	Swap contracts*	Total after effect of swaps	%
USD	368.3	(105.0)	263.3	62%
EUR	23.4	107.2	130.6	31%
RMB	30.8	–	30.8	7%
Total	422.5	**2.2**	424.7	100%
Borrowings – current			98.4	
Borrowings – noncurrent			121.7	
Convertible bonds			202.4	
Other financial liabilities*			2.2	
Total debt			424.7	

* Included a swap contract entered in April 2016 with notional value of US$30 million. Details refer to Note 7(b) to the accounts

Convertible bonds: In April 2014, the Company issued convertible bonds, in an aggregate principal amount of US$200 million with a cash coupon rate of 1% per annum, maturing in April 2021, with a 2019 put option for the bondholders. The bonds have an effective annual yield of 3.57%. The carrying value of the convertible bonds as of 31 March 2016 amounted to US$202.4 million. During the year, the funds raised by this bond issue were utilised for the acquisition of Stackpole International. Further information on the convertible bonds can be found in Note 13 to the accounts.

Gearing:

- The Group's total debt to capital ratio was 18% as of 31 March 2016 compared to 13% as of 31 March 2015.
- Total debt to EBITDA as adjusted to include 12 months of Stackpole International was 1.1 as of 31 March 2016 compared to 0.9 as of 31 March 2015.
- Interest coverage (defined as EBITDA divided by gross interest expense) was 36 times for the year ended 31 March 2016, compared to 39 times for the year ended 31 March 2015.
- Free cash flow from operations as a percentage of gross debt decreased to 17% as of 31 March 2016, compared to 53% as of 31 March 2015. This was due to the combined effect of the increase in borrowings and decrease in free cash flow explained earlier. Stackpole's free cash flow for the 5 months from acquisition was negligible.

Available credit lines – The Group had US$576 million in available unutilised credit lines as of 31 March 2016, as follows:

- Of US$225 million committed revolving credit facilities provided by certain of its principal bankers, US$172 million remained unutilised. These facilities have the following expiry dates:

  US$35 million – 28 February 2017
  US$30 million – 12 April 2017
  US$20 million – 13 September 2018
  US$20 million – 24 September 2018
  US$30 million – 25 September 2018
  US$30 million – 30 September 2018
  US$30 million – US$20 million on 16 December 2018 and US$10 million on 26 February 2019
  US$30 million – 28 December 2018

- US$292 million of uncommitted and unutilised revolving credit facilities, provided by its principal bankers; and
- US$112 million of uncommitted and unutilised trade receivable financing lines.

Dividends and Shares

Dividends: The Board has recommended a final dividend of 34 HK cents per share for FY2015/16 (FY2014/15: 34 HK cents per share) equivalent to US$37.5 million, to be paid in August 2016. The Board's intention is to have the interim dividend increase over time, such that it will represent one-third of the previous year's total dividend payment. The Company paid an interim dividend of 15 HK cents per share for FY2015/16 (FY2014/15: 14 HK cents per share) equivalent to US$16.6 million.

Purchase of shares for incentive share schemes: To foster a focus on long-term sustainable growth, JEHL maintains long-term incentive share schemes, further discussed on page 54. To support this, in FY2015/16, the Company purchased 6.5 million shares for US$22.0 million including brokerage fees (FY2014/15, purchased 13.7 million shares for US$50.7 million) for use in granting shares to eligible Directors and employees under the incentive share schemes.

Purchase of shares for cancellation of issued capital: 1.7 million shares were purchased in FY2015/16 at a total cost of US$5.2 million including brokerage and cancellation fees. In FY2014/15, the Company purchased 14.3 million shares for cancellation at a total cost of US$55.0 million.

Foreign Exchange and Raw Material Commodity Price Risk

The Group is exposed to foreign exchange risk and hedges part of this risk through forward contracts. These forward contracts have varying maturities, ranging from 1 to 72 months as of 31 March 2016, to match the underlying cash flows of the business and included:

- Forward sales of the Euro ("EUR") and the Japanese Yen ("JPY") to hedge export sales denominated in these currencies;
- Forward purchases of the Chinese Renminbi ("RMB"), the Hungarian Forint ("HUF"), the Swiss Franc ("CHF"), the Mexican Peso ("MXN"), the Polish Zloty ("PLN"), the Hong Kong Dollar ("HKD") and the Israeli Shekel ("ILS") to hedge operating costs, primarily production conversion costs, denominated in these currencies; and
- Forward sales of the Canadian Dollar ("CAD") to hedge the material purchase in USD for its operations in Canada.

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

Sales by currency	FY2015/16	FY2014/15
USD	43%	45%
EUR	31%	34%
RMB	18%	18%
CAD	5%	0%
Others	3%	3%

The Group also hedges its net investment in its European operations to protect itself from exposure to future changes in currency exchange rates.

The Group is exposed to commodity price risk, mainly from fluctuations in steel, copper, silver and aluminium prices. Price risk due to steel is reduced through fixed price contracts up to 3 months forward with the Group's suppliers. Price risk due to copper, silver and aluminium is reduced by hedging through appropriate financial instruments that have varying maturities ranging from 1 to 72 months as of 31 March 2016. 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 onto these customers.

In order to avoid the potential default by any of its counterparties on its forward contracts, 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.

Further information about forward foreign currency exchange contracts and raw material commodity contracts can be found in Note 7 to the accounts.

ENTERPRISE RISK MANAGEMENT

The Group identifies, mitigates and manages its exposure to risk and uncertainty through proactive management oversight and close cooperation amongst the senior management team, as well as robust business processes to lower the frequency and reduce the severity of risk. Management monitors these business practices, testing them periodically to ensure their continued effectiveness.

Existing and emerging risks are analysed and tracked on a quarterly basis by the Group's Enterprise Risk Management Steering Committee. This is led by the Group's Chief Executive and composed of the Chief Financial Officer, the Senior Vice Presidents of Human Resources, Supply Chain Services, Global Manufacturing and Corporate Engineering, as well as key senior leaders from the Quality and Reliability, Legal and Intellectual Property, Corporate Audit Services and Environment, Health and Safety departments.

The principal risks and uncertainties facing the company can be categorised as follows:

Principal risks and uncertainties [1]

Strategic risks	Commercial risks	Operational risks	Financial risks
Macroeconomic changes	Pricing and volume	Contract performance	Liquidity and capital access
Market competition	Warranty sharing	Intellectual property	Foreign exchange
Technology advancement	Non-payment by customers	Supply chain	Interest rates
Reputation		Warranty and product liability	Commodity prices
Mergers and acquisitions		Human resources	
		Environment, health and safety	

1 This list is not exclusive and comprehensive as the nature, severity and frequency of risks changes over time due to the complexity of the Group's business environment and operations. The Group may be exposed to new emerging risks or to other existing risks that are not significant at the moment but that may become significant in the future.

The nature of these risks and the Group's policies for managing its exposure to these risks is set out below:

Nature of risk	How we respond
Strategic risks	
Macroeconomic changes – The Group's business is sensitive to the global economic and socio-political environment. Further, the financial performance of the Group's Automotive and Industry Product Groups depends on conditions in the industries in which they operate. Production and sales in these industries are cyclical and sensitive to the general economic conditions and other factors including interest rates, consumer credit and consumer preferences.	• Ensuring the suitability of the operational footprint to respond quickly and cost effectively to changes in the market and in capacity utilisation. • Seeking organic and acquisition related growth, across all regions, to mitigate the potential impact of an economic downturn in any particular region. • Diversifying customer and product portfolios through internal development and acquisition to mitigate the adverse impact of economic downturn or market changes in a particular industry.
Market competition and Technology advancement – The Group is under intense pressure to compete on both price and technology as large, multinational and smaller, regional or niche competitors attempt to increase market share. The Group must continually demonstrate its ability to deliver innovative, cost-effective solutions, otherwise it may lose business to competitors who adapt to such technological changes or who develop and offer more suitable or technologically advanced products than the Group.	• Developing and managing product differentiation through technology, innovation and intellectual property in order to be the definitive supplier of motion solutions to our customers.
Reputation – The Group may lose potential business if its character or quality is called into question.	• Continuously improving engineering and manufacturing processes and quality standards to maintain the Group's position as the "safe choice" for our customers. • Ensuring that a strong tone at the top is reflected in business practices. High integrity, sound ethics and good business practices are expected and followed by employees at all levels of Johnson Electric's global organisation, with no tolerance of non-compliance.
Mergers and acquisitions – Should suitable opportunities occur, the Group makes acquisitions (such as Stackpole) that can complement its strategy, broaden its technology offering and accelerate growth. The Group faces risks in integrating such newly acquired businesses, including the integration of business models, product portfolios, operations, systems, employees and cultures. Depending on the size and complexity of such acquired businesses the Group may not be able to take advantage of synergies quickly.	• Prior to acquiring new business, the Group carries out a comprehensive appraisal to establish its commercial potential and fit with the Group's strategy and product portfolio, to evaluate the assets and liabilities that will be acquired and to identify potential issues. • The Group stipulates procedures and post-acquisition support to ensure that integration completes smoothly. The acquisition of Stackpole International is further discussed in Note 27 to the financial statements.

Nature of risk	How we respond
Commercial risks	
Pricing and volumes – In the markets where the Group supplies its products, the Group is under intense competitive pressure to reduce prices as both large, multinational and smaller, niche competitors attempt to expand their market share. Additionally, volumes may fluctuate as the Group's customers are also subject to competitive pressures.	• Continuously seeking productivity and efficiency improvements. • Ensuring the suitability of the operational footprint to respond quickly and cost effectively to changes in the market and in capacity utilisation. • Formal, disciplined review and approval of quotations.
Warranty sharing – Our customers operate in competitive markets and may vary warranty periods offered to end-customers to increase the attractiveness of their product. Consequently, the Group may be exposed to the risk of increased costs of warranty sharing.	• Managing customer relationships, including contract terms and conditions, in accordance with industry standards. • Considering potential warranty risks at the design stage in product development.
Non-payment by customers [1] – Possible non-payment due to customer-related problems such as insolvency or bankruptcy.	• Managing customer credit risk and maintaining a low tolerance for delinquent payments.
Operational risks	
Contract performance – Potential losses arising from failure in contract performance or onerous contract terms.	• Managing customer relationships, including contract terms and conditions, in accordance with industry standards.
Intellectual property – The Group's business is dependent on its ability to enforce its patents against infringement and to protect its trade secrets, know-how and other intellectual property. Potential risks relating to this include the substantial cost of protecting its intellectual property rights and the legal cost of defending claims of infringement.	• Protecting the Group's proprietary position by safeguarding trade secrets and know-how and by filing patent applications for technologies and process improvements that are important to the development of the Group's business. • Enforcement action against infringement by competitors. • Patent searches to avoid infringing others' intellectual property.
Supply chain – If the Group experienced a prolonged shortage of critical components, without being able to procure replacement for such items, it would be unable to meet its production schedules and could miss customer delivery deadlines and expectations.	• Ensuring supply chain resilience, including supplier continuity, quality and reliability. • Continuous seeking of opportunities to insource the supply chain to assure supply.

1 The performance of the Group's credit risk management is discussed in the Working Capital Section on page 22 and in Note 9 to the financial statements.

Nature of risk	How we respond
Operational risks	
Warranty and product liability – The Group manufactures complex products through its Automotive and Industry Product Groups and is exposed to potential warranty and product liability claims arising from alleged or actual defects in products. Risks arising from this include customer dissatisfaction and potential liabilities for the cost of replacing faulty products, product recalls and lawsuits.	• Continuously improving engineering and manufacturing processes and quality standards to reduce the likelihood of quality issues. • Product safety reviews, to ensure that products fail safe and meet the highest market standards. • Continuously seeking opportunities to insource the supply chain to ensure that components meet our rigorous quality requirements.
Human resources [1] – The Group's business success depends on attracting and retaining qualified personnel and on maintaining an established workforce.	• Attracting and retaining high-calibre management and other key personnel. • Building effective networks of employees and partners including maintaining good labour relationships. • Minimising the impact of unexpected staff turnover through succession planning and standardisation of work procedures.
Environment, health and safety ("EHS") [2] – EHS laws and regulations may result in increasing costs of compliance or potential fines and penalties in the event of non-compliance. Incidents causing lost hours by injuries and damage to our facilities may give rise to compensation claims and lawsuits, loss of reputation and adverse impact on the environment and on the communities in which the Group operates.	• Meeting or exceeding requirements on environmental responsibility, employee safety and energy efficiency.
Financial risks [3]	
Liquidity and capital access, Foreign exchange, Interest rates and Commodity price risks.	• Maintaining investment grade credit ratings. • Ensuring that the combination of cash on hand, available credit lines and expected future operating cash flows is sufficient to satisfy current and planned cash needs. • Applying appropriate strategies to manage foreign exchange risk, commodity price risk, and interest rate risk.

1 The Group's policies on investing in people are set out on pages 34 to 35.
2 The Group's EHS management is further discussed on pages 35 to 36.
3 A detailed discussion of the nature of financial risks and the Group's financial management and treasury policies for managing its exposure to these risks are set out on pages 26 to 29.

STAKEHOLDER ENGAGEMENT

Johnson Electric is dedicated to socially responsible interactions with its stakeholders including 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, social responsibilities and environmental management.

Relationships with customers and suppliers

Customers: Johnson Electric believes that making customers successful is vital to delivering sustainable business growth and profitability. This is a key part of the Group's core values, internally referred to as "MARBLE" [1]. To support this, the Group has implemented the Johnson Electric's Product Development System ("JEPDS") and the Johnson Electric's Production System ("JEPS").

Through JEPDS, the Group creates solutions that bring benefits to the end-user of a product and that meet the business needs of its direct customers. An intensive two-way dialogue between the Group's sales and engineering and its customers, allows it to listen to customers' needs while sharing knowledge of the Group's products and capabilities. A disciplined development path with rigorous reviews and testing from concept to start of production ensures that the Group's products meet safety, quality and performance requirements at a competitive cost.

Through JEPS, the Group ensures manufacturing excellence, with "dead copy" quality and performance achieved across its facilities worldwide. The Group's global manufacturing footprint and logistics know-how, together with the complete vertical integration of components, tooling, semi-automated and automated production lines provides our customers with a safe-choice solution.

Suppliers: The Group's engagement with suppliers is also driven by JEPDS and JEPS. A focus on "Innovation" and "Safe Choice" as core values is incorporated in the Group's supplier selection process, performance monitoring and throughout the business engagement with suppliers. Robust supplier qualification procedures, before ordering regular supplies from any supplier, ensure that the Group has the right supplier to source the right item. These procedures include due consideration of cost, quality, environmental awareness, ethical behaviour and social responsibility.

Suppliers are contractually required to be certified with international accreditations such as ISO9001, ISO14001, ISO/TS16949 and ISO13485 and are encouraged to be in compliance with various environmental and conflict minerals requirements. To ensure that suppliers are committed to ethical practices in dealings with the Group, every supplier is required to comply and sign up to JE's Code of Ethics and Business Conduct policies, which prohibit offering of gifts, certificates, loans, hospitality, service or favour in an improper manner. Suppliers are also required to comply with the U.S. Foreign Corrupt Practices Act, the UK Bribery Act 2010 and the Criminal Law of the PRC.

1 "MARBLE" stands for the values of "Make customers successful", "Attract and develop great people", "Reach higher", "Believe in practical solutions", "Lead by example", "Excel in execution". Please see www.johnsonelectric.com for more information on Johnson Electric's vision and MARBLE values

The Group also requires in its purchase terms and conditions that its suppliers comply with directives set by the International Labour Organisation's "ILO Declaration on Fundamental Principles on Business and Human Rights at Work" and the United Nations' "UN Guiding Principles on Business and Human Rights", which adhere to the principles of the freedom of association, right of collective bargaining, abolition of child labour and elimination of all forms of forced or compulsory labour or discrimination at work.

Compliance with these laws and directives is periodically monitored through self-declarations and on-site audits. Furthermore, the Group's Supplier Performance Rating System enables it to continuously gauge and calibrate suppliers' ability to meet the above requirements.

Investing in people

People and culture are at the heart of Johnson Electric's success. The Group's human capital strategy is to attract and develop great people, put them in the right jobs and provide an environment that enables everyone to excel at what they do. This is supported by a robust talent management process, an equitable and competitive compensation and benefits program, a fit-for-purpose training and development agenda, an engaging internal communications infrastructure and a systems-based approach to Environment, Health and Safety requirements.

As of 31 March 2016, the Group's total global headcount stood at 38,000 across Asia, the Americas and Europe.

Talent Management: The Group remains committed to attracting and developing great people, supported by a group-wide definition of talents, along with a clear set of management competencies and corresponding evaluation tools. There is a focus on strengthening the development of high potentials and the leadership bench, with special emphasis on outside-the-classroom training through stretch assignments and on the job opportunities. The Group's selection tools are continuously being refined to ensure the right people are hired for the right jobs.

Compensation and Rewards: The Group maintains a global compensation structure to ensure competitive pay levels and benefit offerings in each market in which it operates. Annual incentive pay is tied to the achievement of profitability and liquidity goals and is an important component of compensation for 82% of staff-level employees, including all management staff. Additionally, the Group's long term incentive share scheme forms a critical part of the competitive compensation package for senior executives, encouraging retention while aligning rewards to shareholder value. The scheme includes not only time-vested restricted stock units, but also a high proportion of performance stock units which vest only if stringent financial conditions are achieved.

Training and Development: Employees around the world benefit from the Johnson Electric learning and development programs.

To foster a common understanding of Johnson Electric's culture, language, strategy and processes across all of the Group's locations, in April 2015, the Group launched a "One Johnson" global training initiative. Characterised by high energy and interactive delivery packed with videos, activities and case studies, each class is co-hosted by a leader alongside a training facilitator, allowing employees to learn directly from the sharing and experience of senior executives.

The "e-Learning Centre", a just-in-time, borderless, agile teaching platform, supports the Group in disseminating key initiatives to the global workforce in a swift manner. This includes the continued training of key Engineers and Specialists in the Group's unique approach to product development, JE-PDS, which is vital to driving product innovation and profitable growth.

Additionally, the Johnson Electric Technical College ("JETC"), based in Shajing, China provides a mix of general and technical education for youth from China over a three-year course. This program is successful at producing skilled young technicians, many of whom remain with the Group after graduation. Since its foundation in 2004, JETC has accepted over 1,038 students, with a further intake of 105 expected to join later in 2016.

JETC also assists in the establishment and development of colleges in new locations such as Zacatecas, Mexico; and Niš, Serbia. Selected individuals from such locations attend JETC in Shajing, China, for 4 to 8 months of induction and training. This ensures that the Group has a nucleus of Johnson Electric trained employees in these locations, capable of providing strong support to regional customers.

Reinforcing JE Culture and Values: Building on existing internal communications channels, an in-house enterprise social media platform was launched in October 2015 to allow employees to stay in tune with happenings around Johnson Electric and follow news and topics relevant to them. The Group also continues to imbue employees with the Group's culture and core values through its annual "One Johnson" celebration.

In January 2016, the Group conducted a survey to gauge the engagement level of staff employees in selected businesses or locations as a first step to understand what engages the Group's employees and their perception of the working environment. The survey will be rolled out across the rest of organisation later in 2016.

The Group operates a recognition program, "Living MARBLE", to reward role-model behaviour in the workplace. Since its launch in October 2014, over 200 awardees around the world were recognised under the program.

In 2016, Johnson Electric Hong Kong was recognised as one of Asia's Best Companies To Work For by HR Asia Magazine. The Group will continue to uphold its core values by attracting and retaining top talents in support of the company's ambitious growth strategy.

Environmental, Health and Safety

The Group is committed to protecting the environment and the health and safety of employees wherever it operates around the world. Johnson Electric believes that excellent EHS performance will contribute to the sustainable growth of the company for generations to come. Specific EHS goals include:

- No harm to people working for Johnson Electric; and
- No damage to the environment wherever the Group operates

The Group takes a proactive approach to address and manage EHS related issues. It has established a progressive structure for managing its EHS programs, defined appropriate EHS objectives and implemented an EHS management system to monitor and control EHS risks. The critical measurable factors are also tracked through the management system. The Group plans to report key EHS performance indicators to the Chief Executive and the Executive Committee on a regular basis.

Management requires all worldwide locations to apply this EHS management system and all sites are expected to have compliance in both JE's global EHS standards as well as local regulations. Most of the operating facilities in the Group are certified by the internationally recognised ISO14001 and / or OHSAS 18001 standards on environment management and occupational health and safety management. Additionally, the Group's largest site in Shenzhen, China is certified by the ISO50001 standards on energy management.

Major EHS achievements in FY2015/16 include:

- Our factories in Shenzhen, China participating in China's pilot carbon emission trading scheme, trading their surplus quota after the adoption of various energy and carbon emission reduction measures.
- The successful implementation of Cleaner Production projects in our operations in Shanghai, Nanjing and Shenzhen, China.
- Most of the Group's operations in China received Workplace Safety Standardisation Certification, a national program initiated by the PRC government to standardise various safety management practices across the country.
- Holding a "2015 Safety Month" in the Group's manufacturing locations, worldwide, to raise employees' hazard awareness and foster the Group's injury-free safety culture.
- The newest manufacturing site at Niš, Serbia, received both ISO14001 and OHSAS certification in March 2016.

Community Engagement

In echoing our core value to be a good corporate citizen wherever we operate, Johnson Electric actively promotes and engages in corporate social responsibility activities, partnering with our employees and non-governmental organisations as necessary.

Over the past year, community engagement initiatives have been organised in many Johnson Electric locations around the world, including both volunteering activities and fundraising/donation programs. The nature of initiatives ranged from caring for the underprivileged, supporting youth education to promoting safety awareness in our immediate neighbourhood.

As a result of their active participation in a variety of charity and community activities, Johnson Electric in Hong Kong and Springfield, USA were respectively named a "Caring Company" by the Hong Kong Council of Social Service and presented with the "Hope for Life Award" by YMCA during the year.

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 profiles of the Directors are provided on pages 164 to 167 of this report.

In accordance with Rule 13.51B(1) of the Listing Rules, the Company is required to disclose changes in information of Directors of the Company subsequent to the date of the Interim Report 2015. The changes were the appointment of Dr. Patrick Shui-Chung Wang as a member of the Hong Kong Sanatorium & Hospital's Clinical Governance Committee with effect from 1 January 2016 and the appointment of Mr. Austin Jesse Wang as a Division Vice President, IPG Engineering Programs of the Group with effect from 16 May 2016.

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.

The Company seeks 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 Presidents attend board meetings to advise on strategic planning, corporate governance, enterprise risk management, statutory compliance, internal controls, mergers and acquisitions, financial, tax and accounting 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 since their last election, 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.

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 FY2015/16 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		
Christopher Dale Pratt	M	M		

C – Chairman

M – Member

Audit Committee

The Audit Committee comprises three 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, Mr. Christopher Dale Pratt 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 FY2015/16 to discuss and review the following matters together with the Chief Financial Officer, the Executive Vice President, the Vice President Europe, the Controller and Principal Accounting Officer, the General Counsel, the Head of Tax, the Head of Corporate Audit Services, the Head of Financial Reporting, the Company Secretary and the external auditor:

1. The FY2014/15 annual results and interim results for FY2015/16, 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 staffing and team competencies, its internal audit plan and budget for approval, its report on work performed and the status of open issues 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 any fiscal audits by the various jurisdictions;

9. Supply chain risks and their mitigation;

10. The status of litigation;

11. Environmental, Health and Safety issues;

12. Approval of the revised Corporate Audit Services charter;

13. Risk management relating to customer contracts and quotations; and

14. Review of the terms of reference.

Remuneration Committee

The Remuneration Committee consists of three independent non-executive directors and one executive director. The current members are Prof. Michael John Enright (Committee Chairman), Mr. Joseph Chi-Kwong Yam, Mr. Christopher Dale Pratt 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 Johnson Electric Restricted and Performance Stock Unit Plan 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. A 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.

Five committee meetings were held in FY2015/16. During the financial year, the Committee addressed the following:

1. Swiss, UK and Canadian Pension Schemes;

2. Director and Senior Executive Compensation and Benefits;

3. Long-Term Incentive Share Scheme Awards;

4. Award of Shares to Chairman & Chief Executive and Vice-Chairman;

5. Annual Incentive Plan Measurement;

6. New Johnson Electric Restricted and Performance Stock Unit Plan Rules;

7. Non-Executive Directors' Compensation;

8. Human Resources Integration Update of Stackpole; and

9. Industry Products Group Restructuring.

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 next annual general meeting.

Two committee meetings were held in FY2015/16. 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;

6. Consideration and recommendation to the Board for appointing an independent non-executive director as a member of the Audit Committee;

7. Review of the training of Directors and senior management;

8. Consideration of an emergency succession policy; and

9. Review of compliance certificate assurance.

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 six board meetings in FY2015/16 and the average attendance rate was 91.7%. Details of the attendance of individual directors at board meetings, committee meetings and the annual general meeting during FY2015/16 are set out in the table below:

	Number 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)*	6/6	–	–	2/2	1/1
Winnie Wing-Yee Wang *(Vice-Chairman)*	6/6	–	4/5	–	1/1
Austin Jesse Wang	6/6	–	–	–	0/1
Non-Executive Directors					
Yik-Chun Koo Wang *(Honorary Chairman)*	2/6	–	–	–	0/1
Peter Kin-Chung Wang	6/6	3/4	–	–	0/1
Independent Non-Executive Directors					
Peter Stuart Allenby Edwards	5/6	–	–	2/2	0/1
Patrick Blackwell Paul	6/6	4/4	–	2/2	0/1
Michael John Enright	6/6	4/4	5/5	–	1/1
Joseph Chi-Kwong Yam	6/6	–	5/5	–	0/1
Christopher Dale Pratt	6/6	2/2	5/5	–	0/1
Average attendance rate	91.7%	92.9%	95%	100%	30%
Date of meetings	13/05/2015 29/07/2015 11/09/2015 04/11/2015 16/12/2015 03/03/2016	11/05/2015 27/07/2015 02/11/2015 25/01/2016	12/05/2015 14/05/2015 11/09/2015 03/11/2015 02/03/2016	13/05/2015 03/03/2016	09/07/2015

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.

The internal control and enterprise risk management system is 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 regular basis and discussed with the Audit Committee.

During its annual review, the Audit Committee also considers the adequacy of resources, qualifications and experience of staff of the Group's Corporate Audit Services Department, 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 anonymously, 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 FY2015/16, 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, effective and adequate system of internal control and enterprise risk management has been in place in FY2015/16, and up to the date of approval of the Annual Report.

EXTERNAL AUDITOR

The Company'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 FY2014/15 and FY2015/16, the services (and associated remuneration) provided to the Group by PricewaterhouseCoopers were as follows:

US$ million	FY2015/16	FY2014/15
Audit	2.52	2.46
Taxation services	1.31	1.32
Other advisory services	0.57	0.33

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 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 2016, 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.

The responsibility of the external auditor to the shareholders is set out in the Independent Auditor's Report on pages 62 to 63.

CORPORATE GOVERNANCE CODE

During the year ended 31 March 2016, 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, Mr. Joseph Chi-Kwong Yam and Mr. Christopher Dale Pratt were unable to attend the annual general meeting of the Company held on 9 July 2015 ("AGM") 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.

Constitutional Documents

There was no significant change to the Company's constitutional documents during FY2015/16.

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 2016.

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.

The Board has adopted a set of Internal Control and Reporting Measures in respect of Inside Information which provides guidance to Directors and management in handling and disseminating inside information. The Media and Investor Communication Policy adopted by the Group sets out guidelines to all staff to ensure inside information of the Group is to be handled in compliance with the legal requirement.

REPORT OF THE DIRECTORS

The Directors have pleasure in submitting their report together with the audited accounts for the year ended 31 March 2016.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are shown in Note 38 to the accounts.

BUSINESS REVIEW

The business review of the Group for the year ended 31 March 2016 are provided in the Letter to Shareholders and Management's Discussion and Analysis sections respectively from pages 8 to 11 and pages 12 to 36 of this Annual Report.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2016 are set out in the consolidated income statement on page 66 of the accounts.

The Directors declared an interim dividend of 15 HK cents (1.92 US cents) per share, totalling US$16.6 million which was paid on 6 January 2016.

The Board recommends the payment of a final dividend of 34 HK cents (4.36 US cents) per share, totalling US$37.5 million, payable on 12 August 2016.

DISTRIBUTABLE RESERVES

As of 31 March 2016, the distributable reserves of the Company available for distribution as dividends amounted to US$1,790.1 million, comprising retained earnings of US$1,731.0 million and contributed surplus of US$59.1 million.

Under the Bermuda Companies Act 1981 (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 (FY2014/15: US$0.2 million).

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 92 of this 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 *CBE, FCA*
Michael John Enright
Joseph Chi-Kwong Yam *GBM, GBS, CBE, JP*
Christopher Dale Pratt *CBE*

In accordance with Bye-law 109(A) of the Company's Bye-laws, Ms. Yik-Chun Koo Wang, Mr. Peter Stuart Allenby Edwards 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 transactions, arrangements and 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 or an entity connected with the Directors 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 164 to 167.

DISCLOSURE OF INTERESTS

Directors

As of 31 March 2016, 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$0.05 each of the Company		
Name	Personal Interests	Other Interests	
Patrick Shui-Chung Wang	521,500	–	(Note 1)
Winnie Wing-Yee Wang	165,500	–	(Note 2)
Austin Jesse Wang	90,375	–	(Note 3)
Yik-Chun Koo Wang	–	550,625,220	(Notes 4 & 5)
Peter Kin-Chung Wang	–	144,250	(Note 6)
Peter Stuart Allenby Edwards	–	40,250	(Note 7)
Patrick Blackwell Paul	32,750	–	
Michael John Enright	15,250	–	
Joseph Chi-Kwong Yam	11,750	–	
Christopher Dale Pratt	56,000	–	

Notes:

1. The interest comprises 521,500 underlying shares in respect of the awarded shares granted, which remained unvested, under the Johnson Electric Restricted and Performance Stock Unit Plan.
2. The interest comprises 165,500 underlying shares in respect of the awarded shares granted, which remained unvested, under the Johnson Electric Restricted and Performance Stock Unit Plan.
3. The interest comprises 90,375 underlying shares in respect of the awarded shares granted, which remained unvested, under the Long-Term Incentive Share Scheme.
4. These shares were held, directly or indirectly, by the trustees of various trusts associated with the Wang family.
5. Duplications of shareholdings occurred among and between the parties shown below under Substantial Shareholders.
6. These shares were held beneficially by Peter Kin-Chung Wang's spouse.
7. 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 2016, 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 2016, 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	550,625,220 (Notes 1 & 2)	62.65
Ansbacher (Bahamas) Limited	Trustee	221,760,000 (Note 1)	25.23
HSBC International Trustee Limited	Trustee	190,442,915 (Note 1)	21.66
Great Sound Global Limited	Interest of controlled corporation	188,636,340 (Note 3)	21.46
Winibest Company Limited	Beneficial owner	188,636,340 (Note 4)	21.46
Federal Trust Company Limited	Trustee	140,228,880 (Note 1)	15.95
Schroders Plc	Investment manager	70,046,689	7.97
Ceress International Investment (PTC) Corporation	Trustee	55,753,520 (Note 5)	6.34
Merriland Overseas Limited	Interest of controlled corporation	52,985,760 (Note 6)	6.02

Notes:

1. The shares in which Ansbacher (Bahamas) Limited and Federal Trust Company Limited were interested and 188,636,340 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 2016, 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.

INCENTIVE SHARE SCHEMES

The Long-Term Incentive Share Scheme ("Share Scheme") was approved by the shareholders on 24 August 2009 and was further amended and approved by the shareholders on 20 July 2011. The Board may grant time-vested units (Restricted Stock Units) and performance-vested units (Performance Stock Units) or cash payment in lieu of shares to such eligible employees and directors as the Board may select at its absolute discretion under the Share Scheme. A new share scheme, the Johnson Electric Restricted and Performance Stock Unit Plan ("Stock Unit Plan") was approved by the shareholders on 9 July 2015 and no further grants of share awards under the Share Scheme could be made afterwards. Unvested share awards granted under the Share Scheme continue to be valid subject to the provisions of the Share Scheme.

The purpose of the Stock Unit Plan is to align management with ownership. The Stock Unit Plan helps to attract skilled and experienced personnel, incentivise them to remain with the Group and to motivate them to strive for the future development and expansion of the Group.

The following is a summary of the Stock Unit Plan:

1. Participants

The participants of the Stock Unit Plan are the Directors (including executive Directors, non-executive Directors and independent non-executive Directors), the directors of the Company's subsidiaries and the employees of the Group who the Board considers, in its sole and absolute discretion, have contributed or will contribute significantly to the Group.

2. Awards

A contingent right to receive either fully paid ordinary shares of the Company or a cash payment, in either case is awarded pursuant to the Stock Unit Plan ("Awards").

3. Term

Subject to any early termination of the Stock Unit Plan in accordance with the Stock Unit Plan, the Stock Unit Plan shall be valid and effective for a term of 10 years commencing from the date of adoption of the Stock Unit Plan ("Term").

4. Eligibility

The Board may, at its discretion, invite directors and employees of the Group, who the Board considers, in its sole and absolute discretion, have contributed or will contribute to the Group, to participate in the Stock Unit Plan.

5. **Administration**

The Stock Unit Plan shall be subject to the administration of the Board. The Company may appoint professional trustee to assist with the administration and vesting of Awards granted.

6. **Grant of Awards**

The Board may, at any time during the Term, at its sole and absolute discretion, make an offer of the grant of an Award to any participant as the Board may in its sole and absolute discretion select, subject to the terms of the Stock Unit Plan.

Any offer of the grant of an Award to any Director, chief executive or substantial shareholder of the Company, or any of their respective associates, shall be subject to the prior approval of the remuneration committee (excluding any member of the remuneration committee who is the proposed grantee of the grant in question) of the Company and all grants to connected persons shall be subject to compliance with the requirements of the Listing Rules.

7. **Vesting of Awards**

Subject to the terms of the Stock Unit Plan, the Board may determine from time to time such vesting conditions or vesting periods for an Award to be vested. For the purpose of satisfying the grant of Awards, the Board shall determine whether the Company shall, at its sole and absolute discretion, (a) allot and issue new shares (by using the general mandate to issue and allot shares for grantees who are not connected persons); and/or (b) direct and procure the trustee of the Stock Unit Plan appointed by the Company to acquire through on-market purchases of shares; and/or (c) pay or procure the payment of a cash payment.

8. **Maximum Number of Shares to be Granted**

The total number of shares that may underlie the Awards granted pursuant to the Stock Unit Plan and any other equity-based incentive awards granted under any other equity-based incentive schemes of the Company, shall not exceed 10% of the aggregate number of shares of the Company in issue as of the date of adoption of the Stock Unit Plan ("Scheme Mandate Limit").

The Scheme Mandate Limit may be renewed subject to prior approval of the shareholders of the Company, but in any event, the total number of shares that may underlie the Awards granted following the new approval date under the limit as renewed must not exceed 10% of the aggregate number of shares of the Company in issue as of the new approval date. Shares underlying the Awards granted pursuant to the Stock Unit Plan (including those outstanding, cancelled or vested Awards) prior to the new approval date will not be counted for the purpose of determining the maximum aggregate number of shares that may underlie the Awards granted following the new approval date under the limit as renewed. For the avoidance of doubt, shares issued prior to the new approval date pursuant to the vesting of Awards granted pursuant to the Stock Unit Plan will be counted for the purpose of determining the aggregate number of shares in issue as of the new approval date.

9. Dividends and Voting Rights

The Awards do not carry any right to vote at general meetings of the Company. A grantee shall not be entitled to any dividends or distributions in respect of any shares underlying the Awards granted until such shares have been allotted and issued or transferred (as the case may be) to the grantee.

10. Transferability

Subject to the terms of the Stock Unit Plan, an Award shall be personal to the grantee and shall not be assignable or transferrable. A grantee shall not in any way sell, transfer, charge, mortgage, encumber or create any interests in favour of any third party over or in relation to any Award.

11. Alteration

The Board may alter any of the terms of the Stock Unit Plan at any time provided that any changes to the authority of the Board in relation to any alteration of the terms of the Stock Unit Plan shall not be made without the prior approval of shareholders of the Company in general meeting or any alterations to the terms and conditions of the Stock Unit Plan which are of a material nature or any changes to the terms of the Awards granted must be approved by the shareholders of the Company in general meeting, except where the alterations or changes take effect automatically under the existing terms of the Stock Unit Plan.

12. Termination

The Company by ordinary resolution in general meeting or the Board may at any time terminate the Stock Unit Plan and in such event, no further Awards may be granted but in all other respects the terms of the Stock Unit Plan shall remain in full force and effect in respect of Awards which are granted during the Term and which remain unvested immediately prior to the termination.

During the year ended 31 March 2016, the Company purchased 6,495,000 shares of the Company at a cost of HK$170.68 million in connection with the Share Scheme and the Stock Unit Plan for eligible employees and directors. The highest and the lowest purchase price paid per share were HK$27.15 and HK$22.75, respectively.

Movements in the number of unvested shares granted as of the date of this report under both the Share Scheme and the Stock Unit Plan on a combined basis are as follows:

	Number of unvested shares granted (thousands)		
	Restricted Stock Units	Performance Stock Units	Total
Unvested shares granted, as of 31 March 2015	4,518	5,530	10,048
Shares granted to Directors and employees during the year	2,487	2,312	4,799
Shares vested to Directors and employees during the year	(1,275)	(1,252)	(2,527)
Forfeited during the year	(122)	(113)	(235)
Unvested shares granted, as of 31 March 2016	5,608	6,477	12,085
Shares vested to Directors and employees in FY2016/17	(1,334)	–	(1,334)
Forfeited in FY2016/17	(141)	(262)	(403)
Unvested shares granted, as of the date of this report	4,133	6,215	10,348

The number of unvested shares are as follows:

	Number of unvested shares granted (thousands)		
Vesting period	Restricted Stock Units	Performance Stock Units	Total
FY2016/17	–	2,030	2,030
FY2017/18	1,336	2,009	3,345
FY2018/19	2,472	2,176	4,648
FY2019/20	325	–	325
Total unvested shares, as of the date of this report	4,133	6,215	10,348

Apart from the Share Scheme and the Stock Unit Plan 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 2016, the Company repurchased a total of 1,697,500 ordinary shares of HK$0.05 each of the Company on the Stock Exchange. All of the shares repurchased were subsequently cancelled. The number of issued shares of the Company as of 31 March 2016 was 878,844,605. 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*
November 2015	97,500	25.75	24.80	2.46
December 2015	250,500	27.40	26.85	6.80
February 2016	527,000	23.75	22.75	12.34
March 2016	822,500	23.40	22.60	18.97
	1,697,500			40.57

* Excluding brokerage and cancellation fees of HK$0.1 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, sold or redeemed any of the Company's 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 previous ten financial years are set out on pages 162 to 163.

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.

PERMITTED INDEMNITY PROVISION

During the financial year and up to the date of this report, subject to the applicable laws, the directors of the Company and its subsidiaries are entitled to be indemnified pursuant to the provisions in force for the benefit of directors against liabilities incurred in the execution and discharge of their duties in accordance with the respective articles of associations or constitutional documents of the Company and its subsidiaries.

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 167 to 169.

CORPORATE GOVERNANCE

Principal corporate governance practices as adopted by the Company are set out in the Corporate Governance Report on pages 37 to 49.

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, 17 May 2016

FINAL DIVIDEND

The Board will recommend at the Annual General Meeting to be held on 14 July 2016 (Thursday) a final dividend of 34 HK cents equivalent to 4.36 US cents per share (2015: 34 HK cents or 4.36 US cents) payable on 12 August 2016 (Friday) to persons who are registered shareholders of the Company on 3 August 2016 (Wednesday), making a total distribution of 49 HK cents equivalent to 6.28 US cents per share for the year ended 31 March 2016 (2015: 48 HK cents or 6.15 US cents).

CLOSING REGISTER OF SHAREHOLDERS

ATTENDING ANNUAL GENERAL MEETING

The Register of Shareholders of the Company will be closed from 12 July 2016 (Tuesday) to 14 July 2016 (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 11 July 2016 (Monday).

FINAL DIVIDEND

The Register of Shareholders of the Company will be closed from 1 August 2016 (Monday) to 3 August 2016 (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 29 July 2016 (Friday). Shares of the Company will be traded ex-dividend as from 28 July 2016 (Thursday).

STATEMENT OF ACCOUNTS

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INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF JOHNSON ELECTRIC HOLDINGS LIMITED

(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Johnson Electric Holdings Limited (the "Company") and its subsidiaries set out on pages 64 to 161, which comprise the consolidated balance sheet as at 31 March 2016, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and its subsidiaries as at 31 March 2016, and of their financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 17 May 2016

CONSOLIDATED BALANCE SHEET

As of 31 March 2016

	Note	2016 US$'000	2015 US$'000
Assets			
Non-current assets			
Property, plant and equipment	3	**667,489**	410,578
Investment property	4	**91,530**	82,035
Intangible assets	5	**1,083,405**	595,578
Investment in associates	6	**37,897**	2,720
Other financial assets	7	**137,092**	215,182
Defined benefit pension plan assets	14	**8,410**	7,156
Deferred income tax assets	15	**48,650**	43,500
Other non-current assets		**19,099**	9,679
		2,093,572	1,366,428
Current assets			
Inventories	8	**270,692**	222,029
Trade and other receivables	9	**542,234**	414,893
Non-current assets held for sale		**–**	8,003
Other financial assets	7	**38,434**	60,072
Income tax recoverable		**2,035**	3,386
Pledged deposits	10	**9,119**	–
Cash and deposits	10	**193,325**	773,172
		1,055,839	1,481,555
Current liabilities			
Trade payables	11	**250,240**	206,161
Other payables and deferred income		**224,257**	175,319
Current income tax liabilities		**34,892**	37,244
Other financial liabilities	7	**31,271**	14,531
Borrowings	12	**98,434**	65,816
Provision obligations and other liabilities	14	**29,033**	21,713
		668,127	520,784
Net current assets		**387,712**	960,771
Total assets less current liabilities		**2,481,284**	2,327,199

	Note	2016 US$'000	2015 US$'000
Non-current liabilities			
Other payables and deferred income		**14,854**	16,642
Other financial liabilities	7	**111,848**	72,189
Borrowings	12	**121,706**	28,214
Convertible bonds	13	**202,387**	197,345
Deferred income tax liabilities	15	**103,487**	69,821
Provision obligations and other liabilities	14	**42,250**	42,076
		596,532	426,287
NET ASSETS		**1,884,752**	1,900,912
Equity			
Share capital – Ordinary shares (at par value)	16	**5,670**	5,681
Shares held for incentive share schemes (at purchase cost)	16	**(75,450)**	(61,082)
Reserves	17	**1,912,358**	1,917,719
		1,842,578	1,862,318
Non-controlling interests		**42,174**	38,594
TOTAL EQUITY		**1,884,752**	1,900,912

The notes on pages 72 to 161 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 2016

	Note	**2016 US$'000**	2015 US$'000
Sales	2	**2,235,945**	2,136,052
Cost of goods sold		**(1,646,433)**	(1,503,647)
Gross profit		**589,512**	632,405
Other income and gains, net	18	**28,454**	17,918
Selling and administrative expenses	19	**(410,763)**	(407,539)
Operating profit		**207,203**	242,784
Finance income	20	**6,236**	13,998
Finance costs	20	**(9,416)**	(8,452)
Share of profit of associates	6	**2,613**	731
Profit before income tax		**206,636**	249,061
Income tax expense	22	**(23,889)**	(29,249)
Profit for the year		**182,747**	219,812
Profit attributable to non-controlling interests		**(10,087)**	(8,918)
Profit attributable to shareholders		**172,660**	210,894
Basic earnings per share for profit attributable to the shareholders during the year (expressed in US cents per share)	23	**20.09**	24.11
Diluted earnings per share for profit attributable to the shareholders during the year (expressed in US cents per share)	23	**19.75**	23.60

The notes on pages 72 to 161 form an integral part of these consolidated financial statements.

The Board has recommended a final dividend of 34 HK cents (4.36 US cents) per share (FY2014/15: 34 HK cents or 4.36 US cents) equivalent to US$37.5 million (FY2014/15: US$37.8 million), details are set out in Note 24.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2016

	Note	2016 US$'000	2015 US$'000
Profit for the year		**182,747**	219,812
Other comprehensive income / (expenses)			
Items that will not be recycled to profit and loss:			
Defined benefit plans			
– remeasurements	14 & 17	**1,932**	(15,812)
– deferred income tax effect	15 & 17	**753**	1,553
Long service payment			
– remeasurements	14 & 17	**98**	230
– deferred income tax effect	15 & 17	**(17)**	(39)
Total items that will not be recycled to profit and loss		**2,766**	(14,068)
Items that will be recycled to profit and loss:			
Hedging instruments			
– raw material commodity contracts			
– fair value losses, net	17	**(51,268)**	(17,088)
– transferred to inventory and subsequently recognised in income statement	17	**20,878**	8,107
– deferred income tax effect	15 & 17	**5,014**	1,482
– forward foreign currency exchange contracts			
– fair value (losses) / gains, net	17	**(67,676)**	175,868
– transferred to income statement	17	**(38,978)**	(17,104)
– deferred income tax effect	15 & 17	**19,053**	(23,790)
– net investment hedge			
– fair value (losses) / gains, net	17	**(13,422)**	61,693
Currency translations of subsidiaries and associates		**873**	(103,858)
Total items that will be recycled to profit and loss		**(125,526)**	85,310
Other comprehensive (expenses) / income for the year, net of tax		**(122,760)**	71,242
Total comprehensive income for the year, net of tax		**59,987**	291,054
Total comprehensive income attributable to:			
Shareholders		**52,169**	281,659
Non-controlling interests			
Share of profits for the year		**10,087**	8,918
Currency translations		**(2,269)**	477
		59,987	291,054

The notes on pages 72 to 161 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2016

		Attributable to shareholders of JEHL					
	Note	Share capital 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 2015		(55,401)	138,937	1,778,782	1,862,318	38,594	1,900,912
Profit for the year		–	–	172,660	172,660	10,087	182,747
Other comprehensive income / (expenses):							
Hedging instruments							
– raw material commodity contracts							
– fair value losses, net	17	–	(51,268)	–	(51,268)	–	(51,268)
– transferred to inventory and subsequently recognised in income statement	17	–	20,878	–	20,878	–	20,878
– deferred income tax effect	15 & 17	–	5,014	–	5,014	–	5,014
– forward foreign currency exchange contracts							
– fair value losses, net	17	–	(67,676)	–	(67,676)	–	(67,676)
– transferred to income statement	17	–	(38,978)	–	(38,978)	–	(38,978)
– deferred income tax effect	15 & 17	–	19,053	–	19,053	–	19,053
– net investment hedge							
– fair value losses, net	17	–	(13,422)	–	(13,422)	–	(13,422)
Defined benefit plans							
– remeasurements	14 & 17	–	–	1,932	1,932	–	1,932
– deferred income tax effect	15 & 17	–	–	753	753	–	753
Long service payment							
– remeasurements	14 & 17	–	–	98	98	–	98
– deferred income tax effect	15 & 17	–	–	(17)	(17)	–	(17)
Investment property							
– revaluation surplus realised upon disposal	17	–	(108)	108	–	–	–
Currency translations of subsidiaries and associates	17	–	3,142	–	3,142	(2,269)	873
Total comprehensive income / (expenses) for FY2015/16		–	(123,365)	175,534	52,169	7,818	59,987
Transactions with shareholders:							
Appropriation of retained earnings to statutory reserve	17	–	4,476	(4,476)	–	–	–
Cancellation of issued capital	16 & 17	(11)	(5,224)	–	(5,235)	–	(5,235)
Incentive share schemes							
– shares vested	16 & 17	7,646	(7,646)	–	–	–	–
– value of employee services	17 & 26	–	9,734	–	9,734	–	9,734
– purchase of shares	16	(22,014)	–	–	(22,014)	–	(22,014)
Dividend paid to non-controlling shareholders of a subsidiary		–	–	–	–	(4,238)	(4,238)
FY2014/15 final dividend paid	17	–	–	(37,802)	(37,802)	–	(37,802)
FY2015/16 interim dividend paid	17	–	–	(16,592)	(16,592)	–	(16,592)
Total transactions with shareholders		(14,379)	1,340	(58,870)	(71,909)	(4,238)	(76,147)
As of 31 March 2016		**(69,780)****	**16,912**	**1,895,446**	**1,842,578**	**42,174**	**1,884,752**

* Other reserves mainly represent contributed surplus, capital reserve, property revaluation reserve, equity component of convertible bonds (net of taxes), statutory reserve, exchange reserve, share-based employee compensation reserve, hedging reserve and goodwill on consolidation.

** The total of US$(69.8) million is comprised by share capital of US$5.7 million and shares held for incentive share schemes of US$(75.5) million.

The notes on pages 72 to 161 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2015

	Note	Share capital US$'000	Other reserves* US$'000	Retained earnings US$'000	Total US$'000	Non-controlling interests US$'000	Total equity US$'000
		Attributable to shareholders of JEHL					
As of 31 March 2014		15,505	76,409	1,640,385	1,732,299	34,019	1,766,318
Profit for the year		–	–	210,894	210,894	8,918	219,812
Other comprehensive income / (expenses):							
Hedging instruments							
– raw material commodity contracts							
– fair value losses, net	17	–	(17,088)	–	(17,088)	–	(17,088)
– transferred to inventory and subsequently recognised in income statement	17	–	8,107	–	8,107	–	8,107
– deferred income tax effect	15 & 17	–	1,482	–	1,482	–	1,482
– forward foreign currency exchange contracts							
– fair value gains, net	17	–	175,868	–	175,868	–	175,868
– transferred to income statement	17	–	(17,104)	–	(17,104)	–	(17,104)
– deferred income tax effect	15 & 17	–	(23,790)	–	(23,790)	–	(23,790)
– net investment hedge							
– fair value gains, net	17	–	61,693	–	61,693	–	61,693
Defined benefit plans							
– remeasurements	14 & 17	–	–	(15,812)	(15,812)	–	(15,812)
– deferred income tax effect	15 & 17	–	–	1,553	1,553	–	1,553
Long service payment							
– remeasurements	14 & 17	–	–	230	230	–	230
– deferred income tax effect	15 & 17	–	–	(39)	(39)	–	(39)
Investment property							
– revaluation surplus realised upon disposal	17	–	(14)	14	–	–	–
Currency translations of subsidiaries and associate	17	–	(104,335)	–	(104,335)	477	(103,858)
Total comprehensive income for FY2014/15		–	84,819	196,840	281,659	9,395	291,054
Transactions with shareholders:							
Appropriation of retained earnings to statutory reserve	17	–	4,224	(4,224)	–	–	–
Convertible bonds							
– equity component of convertible bonds issued	17	–	4,823	–	4,823	–	4,823
– deferred income tax effect	15 & 17	–	(3,868)	–	(3,868)	–	(3,868)
Cancellation of issued capital	16 & 17	(24,069)	(30,926)	–	(54,995)	–	(54,995)
Incentive share schemes							
– shares vested	16 & 17	3,889	(3,889)	–	–	–	–
– value of employee services	17 & 26	–	7,413	–	7,413	–	7,413
– purchase of shares	16	(50,726)	–	–	(50,726)	–	(50,726)
Share options							
– options lapsed	17	–	(68)	68	–	–	–
Dividend paid to non-controlling shareholders of a subsidiary		–	–	–	–	(4,820)	(4,820)
FY2013/14 final dividend paid	17	–	–	(38,765)	(38,765)	–	(38,765)
FY2014/15 interim dividend paid	17	–	–	(15,522)	(15,522)	–	(15,522)
Total transactions with shareholders		(70,906)	(22,291)	(58,443)	(151,640)	(4,820)	(156,460)
As of 31 March 2015		(55,401)	138,937	1,778,782	1,862,318	38,594	1,900,912

* Other reserves mainly represent contributed surplus, capital reserve, property revaluation reserve, equity component of convertible bonds (net of taxes), 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 2016

	Note	2016 US$'000	2015 US$'000
Cash flows from operating activities			
Earnings before interest, taxes, depreciation and amortisation	26	**321,869**	335,520
Other non-cash items and adjustments	26	**4,870**	(1,546)
Change in working capital	26	**(46,352)**	(21,076)
Cash generated from operations	26	**280,387**	312,898
Interest paid		**(4,373)**	(2,583)
Income taxes paid		**(34,635)**	(43,172)
Net cash generated from operating activities		**241,379**	267,143
Investing activities			
Purchase of property, plant and equipment and capitalised expenditure of investment property, net of subsidies		**(186,239)**	(119,875)
Proceeds from disposal of property, plant and equipment and investment property	26	**15,640**	812
Capitalisation of engineering development costs	5	**(6,144)**	(6,269)
Finance income received		**6,236**	13,998
		(170,507)	(111,334)
Business combination *	27	**(671,184)**	(9,203)
Increase in pledged deposits		**(9,119)****	–
Acquisition of non-controlling interests		**–**	(285)
Purchase of financial assets at fair value through profit and loss		**–**	(3,257)
Proceeds from sale of financial assets at fair value through profit and loss		**179**	4,373
Net cash used in investing activities		**(850,631)**	(119,706)

* On 27 October 2015, the Group acquired the Stackpole International group of companies ("Stackpole International"). In FY2015/16, cash consideration net of cash in subsidiaries acquired in relation to this acquisition amounted to US$657.2 million. In addition, US$12.7 million acquisition transaction costs (US$11.1 million current year charges and US$1.6 million prepaid) has been paid. For details, please refer to Note 27.

During the year, the Group also spent US$1.3 million related to the acquisition of AML Systems.

In FY2014/15, the Group paid US$9.2 million to insource a sales agency in the UK.

** Pledged deposits of US$9.1 million relate to cash collateral for letters of credit issued in favour of the landlord to secure the interests of Stackpole International under a pre-existing lease agreement for premises in Canada.

	Note	2016 US$'000		2015 US$'000
Financing activities				
Purchase of shares for cancellation of issued capital	16	**(5,235)**		(54,995)
Purchase of shares held for incentive share schemes	16	**(22,014)**		(50,726)
Proceeds from bank borrowings		**72,680**	(a)	–
Proceeds from loan from International Finance Corporation ("IFC"), net of transaction costs		**74,173**	(a)	–
Proceeds from issuance of convertible bonds, net of transaction costs		**–**		197,300
Repayments of bank borrowings		**(22,484)**	(b)	(10,751)
Repayments of finance leases		**(9,874)**	(b)	–
Dividends paid to shareholders		**(54,394)**		(54,287)
Dividends paid to non-controlling interests		**(4,238)**		(4,820)
Net cash generated from financing activities		**28,614**		21,721
Net (decrease) / increase in cash and cash equivalents		**(580,638)**		169,158
Cash and cash equivalents at beginning of the year		**773,172**		643,986
Currency translations on cash and cash equivalents		**791**		(39,972)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		**193,325**		773,172

The reconciliation of liabilities arising from financial activities is as follows:

	Borrowings (current) US$'000	Borrowings (non-current) US$'000	Convertible bonds US$'000	Finance lease liability US$'000	Total US$'000	
As of 31 March 2015	65,816	28,214	197,345	3,710	295,085	
Currency translations	1,718	23	–	(129)	1,612	
Cash flows						
– inflow from financing activities	45,484	101,369	–	–	146,853	(a)
– outflow from financing activities	(22,484)	–	–	(9,874)	(32,358)	(b)
– outflow from operating activities	–	–	(2,000)	–	(2,000)	
Non-cash changes						
– business combination	–	–	–	12,427	12,427	
– finance costs	–	–	7,042	339	7,381	
– reclassification	7,900	(7,900)	–	–	–	
As of 31 March 2016	98,434	121,706	202,387	6,473	429,000	

The notes on pages 72 to 161 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 and has been approved for issue by the Board of Directors on 17 May 2016. They have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRS") using 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 35.

The principal accounting policies applied in the preparation of these consolidated financial statements are set out in Note 34. In FY2015/16, the Group adopted new / revised standards and interpretations of HKFRS effective for the first time in FY2015/16. The effects of adopting the new / revised HKFRSs are disclosed in Note 36.

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:

	2016 **US$'000**	2015 US$'000
Operating profit presented to management	**178,749**	224,866
Other income and gains, net (Note 18)	**28,454**	17,918
Operating profit per consolidated income statement	**207,203**	242,784

Sales from external customers by business unit was as follows:

	2016 **US$'000**	2015 US$'000
Automotive Products Group ("APG")	**1,423,196**	1,457,448
Industry Products Group ("IPG")	**630,968**	678,604
Acquired business	**181,781**	–
	2,235,945	2,136,052

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. Sales for this business unit accounted for 22% of the total sales of the Group for FY2015/16 (FY2014/15: 25%).

2. SEGMENT INFORMATION *(Cont'd)*

Sales by geography

Sales to external customers by region of destination was as follows:

	2016 US$'000	2015 US$'000
Europe*	**870,597**	891,355
People's Republic of China ("PRC")	**557,131**	582,303
North America	**602,004**	447,172
Asia (excluding PRC)	**177,209**	178,759
South America	**22,987**	32,567
Others	**6,017**	3,896
	2,235,945	2,136,052

* Included in Europe are sales to external customers in Germany of US$218.3 million for FY2015/16 (FY2014/15: US$247.6 million).

No single external customer contributed 10% or more of the total Group sales.

Segment assets

For FY2015/16, the additions to non-current assets (other than deferred tax assets, other financial assets and defined benefit pension plan assets) were US$212.4 million (FY2014/15: US$139.3 million) excluding the additions from acquisition.

As of 31 March 2016, excluding goodwill, the total of non-current assets (other than deferred tax assets, other financial assets and defined benefit pension plan assets) located in HK/PRC was US$415.2 million (31 March 2015: US$364.7 million) and the total of these non-current assets located in other countries was US$791.9 million (31 March 2015: US$303.8 million).

3. PROPERTY, PLANT AND EQUIPMENT

	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 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
FY2014/15						
As of 31 March 2014	105,064	132,094	51,871	58,409	44,788	392,226
Currency translations	(8,749)	(1,968)	(5,398)	(1,218)	(388)	(17,721)
Additions	4,900	26,919	71,967	10,039	3,935	117,760
Transfer	6,971	30,171	(54,024)	11,992	4,890	–
Transfer to non-current asset held for sale	(8,003)	–	–	–	–	(8,003)
Disposals	(220)	(236)	–	(663)	(114)	(1,233)
Provision for impairment (Note 21 & 26)	–	(84)	–	(598)	(4)	(686)
Depreciation (Note 21)	(11,732)	(30,432)	–	(20,745)	(8,856)	(71,765)
As of 31 March 2015	88,231	156,464	64,416	57,216	44,251	410,578
As of 31 March 2015						
Cost	211,931	616,373	64,495	280,859	136,115	1,309,773
Accumulated depreciation and impairment	(123,700)	(459,909)	(79)	(223,643)	(91,864)	(899,195)
Net book amount	88,231	156,464	64,416	57,216	44,251	410,578

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

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

	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
FY2015/16						
As of 31 March 2015	88,231	156,464	64,416	57,216	44,251	410,578
Currency translations	4	(3,672)	643	(1,832)	(618)	(5,475)
Business combination (Note 27)	9,999	105,821	32,733	2,948	1,456	152,957
Additions	10,347	32,874	135,976	12,847	4,676	196,720
Transfer	8,516	51,895	(80,459)	13,994	6,054	–
Disposals	(315)	(490)	–	(220)	(95)	(1,120)
Reversal of / (provision for) impairment (Note 21 & 26)	3,481**	(336)	(129)	(1,659)	(228)	1,129
Depreciation (Note 21)	(12,188)	(43,372)	–	(21,932)	(9,808)	(87,300)
As of 31 March 2016	**108,075**	**299,184**	**153,180**	**61,362**	**45,688**	**667,489**
As of 31 March 2016						
Cost	235,754	863,685	153,380	300,767	144,617	1,698,203
Accumulated depreciation and impairment	(127,679)	(564,501)	(200)	(239,405)	(98,929)	(1,030,714)
Net book amount	**108,075**	**299,184**	**153,180**	**61,362**	**45,688**	**667,489**

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

** Included a reversal of impairment of US$4.3 million made in previous year for a Group's property in Europe based on the latest market valuation.

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

The Group begins depreciating an item of property, plant and equipment when it is available for use. Depreciation of property, plant and equipment is calculated using the straight-line method to allocate their cost 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 12 years
Furniture and fixtures and computers	3 to 10 years
Motor vehicles	3 to 7 years
Aircraft	25 years

* 50 years for buildings in Hungary, Germany and Switzerland

4. INVESTMENT PROPERTY

	2016 US$'000	2015 US$'000
At beginning of the year	**82,035**	68,371
Currency translations	**(387)**	77
Fair value gains (Note 18 & 26)	**10,205**	10,749
Capitalised expenditure	**90**	2,890
Disposals	**(413)**	(52)
At end of the year	**91,530**	82,035

The Group's investment property portfolio in HK/PRC was valued on an open market basis as of 31 March 2016. The appraisals were performed by independent, professionally qualified valuers, Chung, Chan & Associates, Chartered Surveyors.

As of 31 March 2016, the Group's investment property portfolio has tenancies expiring in the period from December 2016 to May 2027 (31 March 2015: from July 2015 to May 2027).

5. INTANGIBLE ASSETS

	Goodwill US$'000	Technology US$'000	Patents and engineering development US$'000	Brands US$'000	Client relationships US$'000	Land use rights US$'000	Total US$'000
As of 31 March 2014							
Cost	465,011	151,335	22,958	68,571	113,877	4,782	826,534
Accumulated amortisation and impairment	–	(81,644)	(12,512)	(22,539)	(57,888)	(1,218)	(175,801)
Net book amount	465,011	69,691	10,446	46,032	55,989	3,564	650,733
FY2014/15							
As of 31 March 2014	465,011	69,691	10,446	46,032	55,989	3,564	650,733
Currency translations	(32,975)	(4,478)	(2,323)	(3,573)	(5,319)	37	(48,631)
Business combination	–	–	–	–	9,203	–	9,203
Additions (Note 21)	–	–	6,269	–	–	–	6,269
Amortisation (Note 21 & 26)	–	(9,389)	(926)	(2,559)	(8,283)	(239)	(21,396)
Provision for impairment (Note 21 & 26)	–	–	(600)	–	–	–	(600)
As of 31 March 2015	432,036	55,824	12,866	39,900	51,590	3,362	595,578
As of 31 March 2015							
Cost	432,036	140,326	21,955	63,023	112,657	4,835	774,832
Accumulated amortisation and impairment	–	(84,502)	(9,089)	(23,123)	(61,067)	(1,473)	(179,254)
Net book amount	432,036	55,824	12,866	39,900	51,590	3,362	595,578
FY2015/16							
As of 31 March 2015	432,036	55,824	12,866	39,900	51,590	3,362	595,578
Currency translations	6,765	673	379	1,000	3,783	(167)	12,433
Business combination (Note 27)	253,527	30,372	–	39,943	173,335	–	497,177
Additions (Note 21)	–	–	6,144	–	–	–	6,144
Amortisation (Note 21 & 26)	–	(10,610)	(2,812)	(2,445)	(11,620)	(234)	(27,721)
Provision for impairment (Note 21 & 26)	–	–	–	–	–	(206)	(206)
As of 31 March 2016	**692,328**	**76,259**	**16,577**	**78,398**	**217,088**	**2,755**	**1,083,405** *
As of 31 March 2016							
Cost	692,328	171,677	28,192	104,032	290,089	4,579	1,290,897
Accumulated amortisation and impairment	–	(95,418)	(11,615)	(25,634)	(73,001)	(1,824)	(207,492)
Net book amount	**692,328**	**76,259**	**16,577**	**78,398**	**217,088**	**2,755**	**1,083,405**

* Total intangible assets by underlying currencies is shown on next page.

5. INTANGIBLE ASSETS *(Cont'd)*

Total intangible assets as of 31 March 2016 and 31 March 2015 are denominated in the following underlying currencies:

	USD equivalent	
	2016	2015
	US$'000	US$'000
In CAD	**503,463**	–
In CHF	**471,188**	487,726
In USD	**82,423**	82,204
In GBP	**10,976**	12,683
In EUR	**12,600**	9,603
In RMB	**2,755**	3,362
Total intangible assets	**1,083,405**	595,578

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

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	4 to 20 years
Brands	25 years / indefinite
Client relationships	15 to 20 years
Land use rights	Shorter of remaining lease term or useful life

Impairment tests for brand with an indefinite useful life

As of 31 March 2016, the carrying amount of the brand name "Stackpole", considered to have an indefinite useful life, was US$40.9 million.

In accordance with the Group's accounting policy on asset impairment, the carrying amount of the brand was reviewed and tested for impairment as of 31 March 2016. The results of the review and test indicated that no impairment charge was necessary.

Impairment testing for the brand is based on its fair value less cost of sales. Key assumptions include the expected growth in revenue, royalty rate and discount rate.

5. INTANGIBLE ASSETS *(Cont'd)*

Impairment tests for goodwill

Goodwill of the Group is managed at segment level for the purpose of testing goodwill impairment in accordance with HKAS 36 "Impairment of Assets". Goodwill is tested annually for impairment or more frequently if events or changes in circumstances indicate a potential impairment. Impairment test for goodwill is carried out by comparing the recoverable amount (i.e. higher of value-in-use and the fair value less costs of disposal) of the segment assets to the carrying amount of those assets as of the balance sheet date.

For the years ended 31 March 2016 and 2015, 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 financial budget and future forecast respectively.

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 an estimated sales growth rate of 6% until 2021 and a 2% perpetual growth rate thereafter (FY2014/15: 6% and 2% respectively) and operating margin of 10% (FY2014/15: 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%) (FY2014/15: pre-tax rate of 11.6%).

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

6. INVESTMENT IN ASSOCIATES

	2016 US$'000	2015 US$'000
At beginning of the year	**2,720**	2,202
Currency translations	**36**	32
Business combination (Note 27)	**33,914**	–
Share of associates' profit for the year	**2,613**	731
Dividends received	**(1,386)**	(245)
At end of the year	**37,897**	2,720

Details of associates are shown in Note 38.

Set out below are the summarised financial information for the Group's associates, Halla Stackpole Corporation and Halla Stackpole Beijing Automotive Co Ltd (together "HALLA") and Shenzhen SMART Micromotor Co Ltd ("SMART"), which are accounted for using the equity method.

	2016			2015	
	HALLA US$'000	SMART US$'000	**Group US$'000**	SMART US$'000	Group US$'000
Non-current assets	69,091	521	**69,612**	720	720
Current assets	76,342	6,560	**82,902**	6,416	6,416
Non-current liabilities	(30,042)	–	**(30,042)**	–	–
Current liabilities	(21,981)	(1,670)	**(23,651)**	(1,586)	(1,586)
Net assets	93,410	5,411	**98,821**	5,550	5,550
Sales	61,586	9,864	**71,450**	11,033	11,033
Expenses	(55,260)	(8,404)	**(63,664)**	(9,541)	(9,541)
Net profit	6,326	1,460	**7,786**	1,492	1,492

7. OTHER FINANCIAL ASSETS AND LIABILITIES

	2016 Assets US$'000	2016 (Liabilities) US$'000	2016 Net US$'000	2015 Assets US$'000	2015 (Liabilities) US$'000	2015 Net US$'000
Cash flow hedge						
– raw material commodity contracts (Note a (i))	**1,164**	**(47,422)**	**(46,258)**	3,306	(21,794)	(18,488)
– forward foreign currency exchange contracts (Note a (ii))	**142,881**	**(92,729)**	**50,152**	221,648	(64,923)	156,725
Net investment hedge (Note b)						
– forward foreign currency exchange contracts to hedge European subsidiaries	**23,384**	**–**	**23,384**	48,616	–	48,616
– cross currency interest rate swaps	**–**	**(2,203)**	**(2,203)**	1,541	–	1,541
Fair value hedge (Note c)						
– forward foreign currency exchange contracts to hedge EUR cash balance	**7,825**	**–**	**7,825**	–	–	–
Held for trading (Note d)	**156**	**(645)**	**(489)**	19	(3)	16
Others	**116**	**(120)**	**(4)**	124	–	124
Total (Note e)	**175,526**	**(143,119)**	**32,407**	275,254	(86,720)	188,534
Current portion	**38,434**	**(31,271)**	**7,163**	60,072	(14,531)	45,541
Non-current portion	**137,092**	**(111,848)**	**25,244**	215,182	(72,189)	142,993
Total	**175,526**	**(143,119)**	**32,407**	275,254	(86,720)	188,534

Note:

(a) Cash flow hedge

(i) Raw material commodity contracts

Copper, silver and aluminium forward commodity contracts as per the table below are designated as cash flow hedges. Gains and losses initially recognised in the hedging reserve, will be transferred to balance sheet within inventories and subsequently recognised in the income statement in the period or periods in which the underlying hedged copper, silver and aluminium volumes are consumed and sold.

As of 31 March 2016, the Group had the following outstanding raw material commodity contracts:

	Notional amount	Settlement value (US$ million)	Weighted average contract price (US$)	Spot price (US$)	Mark-to-market rate (US$)	Remaining maturities range (months)	Liabilities, net carrying value (US$'000)
Cash flow hedge contracts							
Copper commodity	47,225 metric ton	274.0	5,802	4,856	4,865	1 – 72	(44,247)
Silver commodity	780,000 oz	14.1	18.05	15.38	15.69	1 – 48	(1,838)
Aluminium commodity	1,325 metric ton	2.2	1,667	1,492	1,536	1 – 19	(173)
Total							(46,258)

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

(a) Cash flow hedge *(cont'd)*

(ii) Forward foreign currency exchange contracts

The EUR, HUF, PLN, ILS, HKD, JPY, CHF, CAD, MXN and RMB forward foreign currency exchange contracts as per the table below are designated as cash flow hedges. The Group has sales in EUR and JPY, thus it entered into EUR and JPY forward foreign currency exchange contracts. The Group incurs majority of its operating expenses (including conversion costs) in domestic currencies in China, Hungary, Poland, Switzerland, Israel, Mexico and Hong Kong, hence, it entered into forward foreign currency exchange contracts to hedge these expenses. Gains and losses initially recognised in the hedging reserve, will be recognised in the income statement in the period or periods in which the underlying hedged transactions occur (cash realisation).

During the year, the Group acquired the Stackpole International group of companies. The Group entered into CAD forward foreign currency exchange contracts to hedge the consideration settled in CAD. Exchange losses of amount US$9.5 million was adjusted to the consideration upon completion of the acquisition. After the acquisition, the Group entered into sell CAD forward foreign currency exchange contract to hedge the material purchase in USD for its operations in Canada.

As of 31 March 2016, the Group had the following outstanding forward foreign currency exchange contracts:

	Settlement currency	Notional value (million)	Weighted average contract rate*	Spot rate	Mark-to-market rate	Remaining maturities range (months)	Settlement value in USD equivalent (US$ million)	Assets / (liabilities), net carrying value (US$'000)
Cash flow hedge contracts								
Sell EUR forward	USD	EUR 630.5	1.41	1.13	1.20	1 – 69	887.0	130,942
Buy HUF forward	EUR	HUF 39,619.5	335.32	314.94	324.83	1 – 58	134.0	4,324
Buy PLN forward	EUR	PLN 345.4	4.52	4.27	4.42	1 – 60	86.7	1,980
Buy ILS forward	USD	ILS 17.0	3.95	3.78	3.75	1 – 12	4.3	232
Buy HKD forward	USD	HKD 47.4	7.90	7.75	7.76	10 – 15	6.0	107
Sell JPY forward	USD	JPY 651.0	113.52	112.49	110.31	1 – 30	5.7	(166)
Buy CHF forward	EUR	CHF 102.0	1.07	1.09	1.09	1 – 20	108.2	(1,908)
Sell CAD forward	USD	CAD 97.3	1.35	1.30	1.29	1 – 12	72.0	(3,179)
Buy MXN forward	USD	MXN 1,814.5	16.16	17.23	19.00	1 – 72	112.3	(16,766)
Buy RMB forward	USD	RMB 10,500.1	6.59	6.48	6.87	1 – 69	1,593.3	(65,414)
Total								50,152

* Weighted average contract rate is a ratio defined as notional value / settlement value except for the EUR to USD which is stated in the inverse order.

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

(b) Net investment hedge

The EUR forward foreign currency exchange contracts and cross currency interest rate swaps as per the table below are designated as net investment hedges. Gains and losses recognised in the exchange reserve, will be released from equity to profit and loss on the disposal or partial disposal of the foreign operation.

As of 31 March 2016, the Group had the following outstanding contracts:

	Settlement currency	Notional value (million)	Weighted average contract rate *	Spot rate	Mark-to-market rate	Remaining maturities range (months)	Settlement value in USD equivalent (US$ million)	Assets / (liabilities), net carrying value (US$'000)
Net investment hedge contracts								
Sell EUR forward	USD	EUR 111.0	1.40	1.13	1.19	21 – 45	155.9	23,384
Cross currency interest rate swaps (sell EUR, buy USD)	USD	EUR 68.0	1.10	1.13	1.14	61	75.0	(2,203)

* Weighted average contract rate is a ratio defined as notional value / settlement value except for the EUR to USD which is stated in the inverse order.

In April 2016, the Group entered a new cross currency interest rate swap contract to hedge the EUR currency exposure of its investments in Europe. The notional value of the contract is US$30 million and will be settled by EUR26.6 million in January 2022.

(c) Fair value hedge

The EUR forward foreign currency exchange contracts as per the table below are designated as fair value hedge to hedge the EUR bank balance. Gains and losses were recognised in the income statement.

As of 31 March 2016, the Group had the following outstanding contracts:

	Settlement currency	Notional value (million)	Weighted average contract rate*	Spot rate	Mark-to-market rate	Remaining maturities range (months)	Settlement value in USD equivalent (US$ million)	Assets, net carrying value (US$'000)
Fair value hedge contracts								
Sell EUR forward	USD	EUR 38.0	1.36	1.13	1.15	9	51.6	7,825

* Weighted average contract rate is a ratio defined as notional value / settlement value except for the EUR to USD which is stated in the inverse order.

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

(d) Held for trading

For currency contracts designated as held for trading, fair value gains and losses on the forward contracts are immediately recognised in the income statement. The net fair value changes recognised in the income statement were not material.

As of 31 March 2016, the Group had the following outstanding contracts:

	Settlement currency	Notional value (million)	Weighted average contract rate *	Spot rate	Mark-to-market rate	Remaining maturities range (months)	Settlement value in USD equivalent (US$ million)	(Liabilities), net carrying value (US$'000)
Held for trading contracts								
Buy INR forward	USD	INR 1,440.3	75.55	66.36	77.53	1 – 59	19.1	(489)

* Weighted average contract rate is a ratio defined as notional value / settlement value except for the EUR to USD which is stated in the inverse order.

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

(f) The net gain from raw material commodity and foreign currency exchange hedge contracts recognised in the income statement in FY2015/16 was US$20.5 million (FY2014/15: net gain of US$9.0 million).

(g) Estimate of future cash flow

In terms of estimating future cash flow, the contracts rate compared to the spot rate of all the currency and commodity contracts as of 31 March 2016 would result in approximately US$145 million cash flow benefit (31 March 2015: US$354 million).

8. INVENTORIES

	2016 US$'000	2015 US$'000
Raw materials	**124,499**	89,842
Finished goods	**146,193**	132,187
	270,692	222,029

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

9. TRADE AND OTHER RECEIVABLES

	2016 US$'000	2015 US$'000
Trade receivables – gross	**447,370**	352,608
Less: impairment of trade receivables	**(2,073)**	(2,751)
Trade receivables – net	**445,297**	349,857
Prepayments and other receivables	**96,937**	65,036
	542,234	414,893

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

Ageing of gross trade receivables

(a) The ageing of gross trade receivables based on invoice date was as follows:

	2016 US$'000	2015 US$'000
1 – 30 days	**325,892**	190,873
31 – 90 days	**98,879**	139,491
Over 90 days	**22,599**	22,244
Total	**447,370**	352,608

(b) The Group normally grants credit terms ranging from 30 to 105 days to its trade customers. The ageing of gross trade receivables based on overdue date was as follows:

	2016 US$'000	2015 US$'000
Current	**429,593**	341,077
1 – 30 days overdue	**12,452**	7,606
31 – 90 days overdue	**3,622**	1,643
Over 90 days overdue	**1,703**	2,282
Total	**447,370**	352,608

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

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 10% or more of total receivables.

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

	2016 US$'000	2015 US$'000
USD	**161,486**	148,251
EUR	**132,937**	114,665
RMB	**96,999**	80,209
CAD	**43,492**	–
Others	**12,456**	9,483
Total	**447,370**	352,608

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 105 days normally. As of 31 March 2016, trade receivables of US$15.7 million (31 March 2015: US$8.8 million) were overdue but not impaired. Management assessed the credit quality of this US$15.7 million by reference to the repayment history and current financial position of the customers. Management believes that no provision for impairment is necessary and these balances are expected to be fully recovered.

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

	2016 US$'000	2015 US$'000
1 – 30 days overdue	**12,011**	6,891
31 – 90 days overdue	**3,548**	1,239
Over 90 days overdue	**145**	650
Total	**15,704**	8,780

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

Impairment of trade receivables

Movements on the impairment of trade receivables were as follows:

	2016 US$'000	2015 US$'000
At beginning of the year	**2,751**	9,186
Currency translations	**144**	(558)
Receivables written off during the year as uncollectible	**(272)**	(6,984)*
(Write back) for impairment / impairment of trade receivables / bad debt expense (Note 21)	**(550)**	1,107
At end of the year	**2,073**	2,751

* This write off 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.

10. CASH AND DEPOSITS AND PLEDGED DEPOSITS

	2016 US$'000	2015 US$'000
Cash at bank and in hand	**174,268**	174,883
Short term bank deposits	**19,057**	598,289
Total cash and deposits	**193,325**	773,172
Pledged deposits	**9,119**	–

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

	2016 US$'000	2015 US$'000
EUR	**98,331**	59,710
RMB	**42,721**	269,762
CAD	**28,329**	–
USD	**8,954**	381,957
Others	**24,109**	61,743
Total	**202,444**	773,172

11. TRADE PAYABLES

	2016 US$'000	2015 US$'000
Trade payables	**250,240**	206,161

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

	2016 US$'000	2015 US$'000
0 – 60 days	**178,212**	152,839
61 – 90 days	**47,378**	38,984
Over 90 days	**24,650**	14,338
Total	**250,240**	206,161

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

	2016 US$'000	2015 US$'000
RMB	**98,778**	87,378
USD	**74,333**	55,549
EUR	**47,008**	37,987
HKD	**22,913**	20,824
CAD	**3,925**	–
Others	**3,283**	4,423
Total	**250,240**	206,161

12. BORROWINGS

	2016 **US$'000**	2015 US$'000
Loans based on trade receivables (Note (a))	**62,376**	90,432
Loan from International Finance Corporation ("IFC") (Note (b))	**74,173**	–
Other borrowings – Non-current	**35,333**	714
– Current	**48,258**	2,884
Total borrowings	**220,140**	94,030
Current borrowings	**98,434**	65,816
Non-current borrowings	**121,706**	28,214

Note:

(a) Subsidiary companies have borrowed US$62.4 million in the USA, Europe and Hong Kong as of 31 March 2016 (31 March 2015: US$90.4 million) based on trade receivables. These loans are placed such that the interest expense will match the geography of the operating income as follows:

- Unsecured borrowings in the USA of US$27.5 million, with a covenant that trade receivables shall not be pledged to any parties (31 March 2015: US$27.5 million).

- Borrowings in Europe of US$22.7 million (EUR20.0 million) (31 March 2015: US$43.3 million (EUR40.0 million)), which are secured by trade receivables and require an over-collateralisation level of 20% of the amount loaned (US$27.2 million as of 31 March 2016 and US$52.0 million as of 31 March 2015).

- Unsecured borrowings in Hong Kong of US$12.2 million with a covenant that trade receivables shall not be pledged to any parties (31 March 2015: US$19.6 million).

(b) Loan from IFC – US$74.2 million (principal US$75.0 million less US$0.8 million transaction costs) was drawn in January 2016. This is an 8-year loan for projects in Serbia, Mexico, Brazil and India with quarterly repayments beginning from April 2019 with final maturity date of 15 January 2024.

12. BORROWINGS *(Cont'd)*

The maturity of borrowings was as follows:

	Bank borrowings		Other loans	
	2016	2015	**2016**	2015
	US$'000	US$'000	**US$'000**	US$'000
Less than 1 year	**98,020**	65,432	**414**	384
1 – 2 years	**5,000**	27,500	**164**	396
2 – 5 years	**42,200**	–	**29,638**	318
Over 5 years	**–**	–	**44,704**	–
	145,220	92,932	**74,920**	1,098

As of 31 March 2016, the interest rate charged on outstanding balances ranged from 0.6% to 4.3% per annum (31 March 2015: 0.6% to 3.2% per annum) and the weighted average effective interest rate of the borrowings was approximately 1.8% (31 March 2015: 0.7%). Interest expense is disclosed in Note 20.

As of 31 March 2016, borrowings of subsidiary companies amounting to US$145.2 million (31 March 2015: US$92.9 million) were guaranteed by JEHL. The Group has financial covenants as part of its various borrowing agreements. The Group was in compliance with all covenants as of 31 March 2016 and expects to remain compliant in future periods.

Moody's Investors Service awarded Johnson Electric a "Baa1" investment grade rating with stable outlook in May 2015. Also, Standard & Poor's (S&P) Ratings Services awarded Johnson Electric a "BBB" investment grade rating with stable outlook in December 2014. As of 31 March 2016, the Group maintained investment grade ratings from both agencies.

The fair value of borrowings approximately 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:

	2016	2015
	US$'000	US$'000
USD	**165,874**	49,600
RMB	**30,844**	–
EUR	**23,422**	44,430
Total borrowings	**220,140**	94,030

13. CONVERTIBLE BONDS

	2016 **US$'000**	2015 US$'000
Convertible Bonds (Liability component)	**202,387**	197,345

JEHL issued convertible bonds in an aggregate principal amount of US$200 million on 2 April 2014. These convertible bonds bear interest as cash coupon at the rate of 1% per annum, payable semi-annually. They have a maturity of 7 years to 2 April 2021 and a 5 year put option for the bondholders. The bondholders have the option of requiring JEHL to redeem all or some of the convertible bonds on 2 April 2019 at 109.31% of the principal amount. Otherwise, unless previously redeemed, converted or purchased and cancelled, JEHL will redeem each convertible bond at 113.41% of its principal amount on the maturity date. The effective interest rate of the liability component is 3.57%.

During the year, the funds raised by this bond issue were utilised for the acquisition of Stackpole International.

The bondholders have the right to convert their bonds into ordinary shares of JEHL at the conversion price at any time on or after 13 May 2014 up to the maturity date. No such conversions had occurred as of 31 March 2016.

With effect from 16 July 2015, the conversion price was adjusted to HK$39.78 per share as a result of the final dividend for FY2014/15. The conversion price was not adjusted for the interim dividend for FY2015/16 since this event fell below the 1% threshold for adjustment as per the terms and conditions of the Bond Offering. The effect of this interim dividend will be accumulated and included in the next adjustment to the conversion price.

The fair value of the liability component of the Group's convertible bonds was approximately equal to its carrying value as of 31 March 2016. The fair values of convertible bonds are within level 2 of the fair value hierarchy.

14. PROVISION OBLIGATIONS AND OTHER LIABILITIES

	Retirement benefit obligations US$'000	Legal and warranty US$'000	Restructuring US$'000	Finance lease liability US$'000	Long service payment, severance and others US$'000	Total US$'000
As of 31 March 2014	10,057	22,528	6,398	4,618	3,926	47,527
Currency translations	(1,786)	(3,126)	(1,242)	–	(152)	(6,306)
Provisions / (release of provision) (Note 19)	2,980	9,632	(682)	–	5,040	16,970
Utilised	(5,744)	(5,240)	(491)	(908)	(4,757)	(17,140)
Remeasurements (Note 17)*	15,812	–	–	–	(230)	15,582
As of 31 March 2015	21,319	23,794	3,983	3,710	3,827	56,633
Provision obligations and other liabilities:						
Current portion	–	16,217	3,983	1,020	493	21,713
Non-current portion	28,475	7,577	–	2,690	3,334	42,076
Defined benefit pension plan assets:						
Non-current portion	(7,156)	–	–	–	–	(7,156)
As of 31 March 2015	21,319	23,794	3,983	3,710	3,827	56,633
As of 31 March 2015	21,319	23,794	3,983	3,710	3,827	56,633
Currency translations	1,614	401	179	(129)	1	2,066
Business combination (Note 27)	(1,575)	485	–	12,427	–	11,337
Provisions (Note 19)	4,891	11,290	–	339	10,797	27,317
Utilised	(4,736)	(12,318)	(250)	(9,874)	(5,272)	(32,450)
Remeasurements (Note 17)*	(1,932)	–	–	–	(98)	(2,030)
As of 31 March 2016	**19,581****	**23,652**	**3,912**	**6,473**	**9,255**	**62,873**
Provision obligations and other liabilities:						
Current portion	–	18,054	3,912	1,239	5,828	29,033
Non-current portion	27,991	5,598	–	5,234	3,427	42,250
Defined benefit pension plan assets:						
Non-current portion	(8,410)	–	–	–	–	(8,410)
As of 31 March 2016	**19,581**	**23,652**	**3,912**	**6,473**	**9,255**	**62,873**

* Remeasurements represent actuarial gains and losses.

** The retirement benefit obligations were mainly denominated in CHF, GBP, EUR and CAD as of 31 March 2016. These retirement benefit obligations of US$19.6 million (31 March 2015: US$21.3 million) comprised gross present value of obligations of US$149.7 million (31 March 2015: US$184.0 million) less fair value of plan assets of US$130.1 million (31 March 2015: US$162.7 million).

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

14.1 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 using the projected unit credit method.

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 amounts recognised in the balance sheet were determined as follows:

	2016 US$'000	2015 US$'000
Present value of obligations that are funded	**135,728**	169,635
Present value of obligations that are unfunded	**14,006**	14,415
Gross present value of obligations	**149,734**	184,050
Less: Fair value of plan (assets)	**(130,153)**	(162,731)
Total retirement benefit obligations – net liability	**19,581**	21,319
Represented by:		
Defined benefit pension plan (assets)	**(8,410)**	(7,156)
Provisions obligations and other liabilities	**27,991**	28,475

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

14.1 Retirement benefit obligations *(Cont'd)*

The movement of the retirement benefit obligations were as follows:

	Present value of obligations US$'000	Fair value of plan (assets) US$'000	Total net liability US$'000
As of 31 March 2014	171,677	(161,620)	10,057
Current service cost	3,084	–	3,084
Interest cost / (income)	4,255	(4,359)	(104)
Net cost / (income) to the income statement (Note 21)	7,339	(4,359)	2,980
Remeasurements:			
– Gains from change in demographic assumptions	(681)	–	(681)
– Losses from change in financial assumptions	29,574	–	29,574
– Experience (gains) / losses	(2,307)	86	(2,221)
– Return on plan assets, excluding amounts included in interest income	–	(10,860)	(10,860)
Losses / (gains) recognised in equity (Note 17)	26,586	(10,774)	15,812
Currency translations	(16,026)	14,240	(1,786)
Contributions by plan participants	2,707	(2,707)	–
Contributions by employer	–	(5,139)	(5,139)
Benefits paid	(8,233)	7,628	(605)
As of 31 March 2015	184,050	(162,731)	21,319
As of 31 March 2015	184,050	(162,731)	21,319
Current service cost	4,471	–	4,471
Interest cost / (income)	2,637	(3,111)	(474)
Past service cost	894	–	894
Net cost / (income) to the income statement (Note 21)	8,002	(3,111)	4,891
Remeasurements:			
– Gains from change in demographic assumptions	(2,065)	–	(2,065)
– Losses / (gains) from change in financial assumptions	124	(206)	(82)
– Experience (gains) / losses	(9,454)	9	(9,445)
– Return on plan assets, excluding amounts included in interest income	–	9,660	9,660
(Gains) / losses recognised in equity (Note 17)	(11,395)	9,463	(1,932)
Currency translations	532	1,082	1,614
Contributions by plan participants	2,694	(2,694)	–
Contributions by employer	–	(3,539)	(3,539)
Business combination (Note 27)	21,739	(23,314)	(1,575)
Benefits paid	(5,819)	4,622	(1,197)
Settlement	(50,069)	50,069	–
As of 31 March 2016	**149,734**	**(130,153)**	**19,581**

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

14.1 Retirement benefit obligations *(Cont'd)*

The principal actuarial assumptions used were as follows:

	2016 Percentage	2015 Percentage
Discount rate	**0.4% – 3.8%**	0.6% – 3.4%
Future pension growth rate	**0% – 3.2%**	0% – 3.3%

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 6.9%	Increase by 7.9%
Future pension growth rate – increase by 0.25%	Increase by 1.6%	n/a

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.

During the year, the decrease in the present value of funded defined benefit obligations due to remeasurement gains comprised the experience gains arising from the settlement to old pensioners for the pension plan in Switzerland, the gains from change in demographic assumptions, offset by a net loss from change in financial assumptions mainly due to change in discount rate as follow:

	2016 Percentage	2015 Percentage
Switzerland	**0.4%**	0.6%
United Kingdom	**3.8%**	3.4%
Germany	**1.9%**	1.7%

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

14.1 Retirement benefit obligations *(Cont'd)*

The weighted average duration of the defined benefit obligations is 18.8 years (31 March 2015: 16.7 years).

The expected maturity analysis of undiscounted pension benefits as of 31 March 2016 and 31 March 2015 was:

	2016 US$'000	2015 US$'000
Less than 1 year	**3,985**	6,300
1 – 2 years	**3,864**	6,460
2 – 5 years	**12,377**	20,009
Over 5 years	**271,597**	292,360
	291,823	325,129

Plan assets
Plan assets comprised the following:

	2016		2015	
	US$'000	Percentage	US$'000	Percentage
<u>Quoted</u>				
Equities				
Asia	**4,416**	**3%**	3,842	2%
Europe	**15,949**	**12%**	24,382	15%
Americas	**22,268**	**17%**	9,338	6%
Global	**13,463**	**10%**	24,547	15%
Bonds				
Europe	**30,222**	**23%**	53,340	33%
Americas	**11,600**	**9%**	1,060	1%
Global	**10,053**	**8%**	5,039	3%
Others				
Asia	**–**	**0%**	534	0%
Europe	**7,390**	**6%**	9,077	6%
Americas	**–**	**0%**	2,135	1%
Global	**7,253**	**6%**	–	0%
	122,614	**94%**	133,294	82%
<u>Unquoted</u>				
Property investment – Europe	**7,255**	**6%**	29,150	18%
Others – Europe	**284**	**0%**	287	0%
	7,539	**6%**	29,437	18%
	130,153	**100%**	162,731	100%

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

14.1 Retirement benefit obligations *(Cont'd)*

Plan assets *(Cont'd)*

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.

Asset-liability matching has been undertaken to reduce risk.

For the pension plan in Switzerland, Swiss law prescribes ranges of percentages within which the assets have to be invested (bank, shares, bonds, real estate, etc.). This is to ensure a segregation of risk. These ranges allow some room for investment decision but have to be respected at all times.

For the pension plan in the United Kingdom, the trustees of the scheme invest the assets in line with the statement of investment principles, which was established taking into consideration the liabilities of the scheme and the investment risk that the trustees are willing to accept. The trustees are required to carry out regular scheme funding valuations and establish a schedule of contributions and a recovery plan if there is a shortfall in the scheme.

The Group expects to make contributions of US$3.8 million to post-employment benefit plans for fiscal year FY2016/17 (FY2015/16: US$3.5 million).

14.2 Defined contribution pension plans

The largest defined contribution schemes are in Hong Kong where the Group operates two defined contribution schemes. These comply with all the respective requirements under the Occupational Retirement Schemes Ordinance ("ORSO") and the Mandatory Provident Fund ("MPF") Ordinance. All scheme assets are held separately from the Group in 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.

If employees leave the ORSO scheme prior to the contributions fully vesting, these may be forfeited and the charge to income statement reduced accordingly. There were no forfeited contributions as of 31 March 2016 (31 March 2015: nil).

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

Contributions made by the Group are charged to the income statement as incurred. The charge to income statement for all defined contribution plans for FY2015/16 was US$5.0 million (FY2014/15: US$4.8 million) as shown in Note 21.

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

14.3 Finance lease liability

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

	2016 **US$'000**	2015 US$'000
Cost – capitalised finance lease	**13,371**	10,658
Accumulated depreciation and impairment	**(8,917)**	(8,424)
Net book amount	**4,454**	2,234

Gross finance lease obligation – minimum lease payments:

	2016 **US$'000**	2015 US$'000
Less than 1 year	**1,831**	1,400
1 – 5 years	**3,378**	3,062
Over 5 years	**5,361**	–
	10,570	4,462
Future finance charges on the finance lease	**(4,097)**	(752)
Present value of the finance lease liability	**6,473**	3,710

The present value of the finance lease liability was as follows:

	2016 **US$'000**	2015 US$'000
Less than 1 year	**1,239**	1,020
1 – 5 years	**2,016**	2,690
Over 5 years	**3,218**	–
	6,473	3,710

The addition in finance lease liability during the year is mainly due to the acquisition of Stackpole International.

The Group's finance leases expire over the period from May 2018 to September 2033.

15. DEFERRED INCOME TAX

Deferred tax assets and liabilities are offset when the deferred income taxes relate to the same fiscal authority and when there is a legally enforceable right to offset current tax assets against current tax liabilities. Income tax expense is discussed in Note 22.

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

	2016 **US$'000**	2015 US$'000
Deferred income tax assets	**48,650**	43,500
Deferred income tax liabilities	**(103,487)**	(69,821)
Deferred income tax liabilities, net	**(54,837)**	(26,321)

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

	2016 **US$'000**	2015 US$'000
Gross deferred income tax assets	**101,374**	70,375
Gross deferred income tax liabilities	**(156,211)**	(96,696)
Deferred income tax liabilities, net	**(54,837)**	(26,321)

15. 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	
	2016 US$'000	2015 US$'000	**2016 US$'000**	2015 US$'000	**2016 US$'000**	2015 US$'000	**2016 US$'000**	2015 US$'000	**2016 US$'000**	2015 US$'000	**2016 US$'000**	2015 US$'000
Defered income tax assets												
At beginning of the year	**19,149**	16,118	**4,747**	3,242	**20,424**	17,173	**16,625**	8,713	**9,430**	8,975	**70,375**	54,221
Currency translations	**90**	(1,342)	**(111)**	(53)	**78**	(415)	**38**	–	**346**	(40)	**441**	(1,850)
Business combination	**373**	–	**2,213**	–	**2**	–	**297**	–	**12,847**	–	**15,732***	–
Credited / (charged) to income statement	**(650)**	4,373	**1,267**	1,558	**2,552**	3,666	**(733)**	(241)	**1,644**	(1,044)	**4,080**	8,312
Credited / (charged) to equity	**–**	–	**–**	–	**–**	–	**10,874**	8,153	**(128)**	1,539	**10,746**	9,692
Assets at end of the year	**18,962**	19,149	**8,116**	4,747	**23,056**	20,424	**27,101**	16,625	**24,139**	9,430	**101,374**	70,375
Defered income tax (liabilities)												
At beginning of the year	**(4,737)**	(6,180)	**(4,826)**	(5,432)	**–**	–	**(68,524)**	(47,262)	**(18,609)**	(11,448)	**(96,696)**	(70,322)
Currency translations	**(132)**	1,248	**(494)**	657	**–**	–	**(1,293)**	3,172	**(3)**	438	**(1,922)**	5,515
Business combination	**–**	–	**(17,890)**	–	**–**	–	**(57,722)**	–	**(574)**	–	**(76,186)***	–
Credited / (charged) to income statement	**3,039**	195	**292**	(51)	**–**	–	**5,409**	6,027	**(4,204)**	(3,706)	**4,536**	2,465
Credited / (charged) to equity	**–**	–	**–**	–	**–**	–	**13,192**	(30,461)	**865**	(3,893)	**14,057**	(34,354)
(Liabilities) at end of the year	**(1,830)**	(4,737)	**(22,918)**	(4,826)	**–**	–	**(108,938)**	(68,524)	**(22,525)**	(18,609)	**(156,211)**	(96,696)
Deferred income tax assets / (liabilities), net	**17,132**	14,412	**(14,802)**	(79)	**23,056**	20,424	**(81,837)**	(51,899)	**1,614**	(9,179)	**(54,837)**	(26,321)

* Taking into consideration of offsetting of balances within the same tax jurisdiction, the deferred income tax assets and deferred income tax liabilities acquired from business combination were US$2.7 million and US$(63.2) million respectively. Details please see Note 27.

Deferred income tax liabilities of US$2.6 million (FY2014/15: US$0.6 million) have not been recognised in respect of the withholding or other tax payable on the unremitted profits of certain subsidiaries where JEHL controls the dividend policy and it has been determined that these undistributed profits will not be distributed in the foreseeable future.

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

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

Accrued liabilities:
Certain tax authorities do not allow 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 tax losses that can be offset against future taxable profits to reduce future taxation charges. As of 31 March 2016, the Group's subsidiaries in USA, Canada, UK and Japan had accumulated net operating losses carried forward of US$48.5 million, US$4.8 million, US$3.8 million and US$3.6 million respectively (31 March 2015: US$48.2 million, US$2.4 million and US$4.2 million for subsidiaries in USA, UK and Japan respectively) 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:
This represents 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.

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

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

	2016 US$'000	2015 US$'000
Deferred income tax assets:		
Deferred income tax assets to be recovered after more than twelve months	**76,007**	49,729
Deferred income tax assets to be recovered within twelve months	**25,367**	20,646
Deferred income tax assets	**101,374**	70,375
Deferred income tax liabilities:		
Deferred income tax liabilities to be settled after more than twelve months	**(145,451)**	(79,050)
Deferred income tax liabilities to be settled within twelve months	**(10,760)**	(17,646)
Deferred income tax liabilities	**(156,211)**	(96,696)
Deferred income tax liabilities, net	**(54,837)**	(26,321)

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

	2016 US$'000	2015 US$'000
At beginning of the year, net (liability)	**(26,321)**	(16,101)
Currency translations	**(1,481)**	3,665
Business combination (Note 27)	**(60,454)**	–
Transfer to income statement (Note 22)	**8,616**	10,777
Credited / (charged) to equity	**24,803**	(24,662)
At end of the year, net (liability)	**(54,837)**	(26,321)

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

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

	2016 **US$'000**	2015 US$'000
Net fair value losses / (gains) of hedging instruments (Note 17)	**24,067**	(22,308)
Remeasurements of long service payment (Note 17)	**(17)**	(39)
Remeasurements of defined benefit plans (Note 17)	**753**	1,553
Equity component of convertible bonds issued (Note 17)	**–**	(3,868)
	24,803	(24,662)

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

The movement in the Group's unrecognised tax losses for FY2015/16 and FY2014/15 was presented below:

	2016 **US$'000**	2015 US$'000
At beginning of the year	**78,121**	112,127
Currency translations	**(187)**	(7,187)
Business combination	**31,560**	–
(Utilised / recognised) during the year	**(6,231)**	(15,695)
Addition / (reduction) for tax positions of prior years	**1,793**	(6,346)
Liquidation and other reductions	**–**	(4,778)
At end of the year	**105,056**	78,121

Deferred income tax assets in respect of tax losses amounting to US$105.1 million (FY2014/15: US$78.1 million) have not been recognised primarily due to the uncertainty on availability of future profit generation or temporary differences in the legal entities where such losses were incurred.

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

The ageing of unrecognised tax losses by expiry date is as follows:

	2016 **US$'000**	2015 US$'000
Less than 1 year	**11**	57
1 – 2 years	**4,808**	53
2 – 5 years	**25,563**	15,757
5 – 20 years	**45,038**	26,002
Unlimited	**29,636**	36,252
	105,056	78,121

Deferred income tax assets have not been recognised with respect to other deductible temporary differences amounting to US$1.9 million (FY2014/15: US$2.3 million) for which no taxable profit or temporary differences will be available to offset the deductible temporary difference.

16. SHARE CAPITAL

Number of shares (thousands)	Share capital – ordinary shares (at par value)	Shares held for the incentive share schemes (at purchase cost)	Total
As of 31 March 2014*	894,799	(6,968)	887,831
Repurchase and cancellation of issued capital	(14,257)	–	(14,257)
Shares purchased by trustee for the incentive share schemes	–	(13,749)	(13,749)
Shares vested to Directors and employees for the incentive share schemes	–	1,609	1,609
As of 31 March 2015	880,542	(19,108)	861,434
Repurchase and cancellation of issued capital	(1,697)	–	(1,697)
Shares purchased by trustee for the incentive share schemes	–	(6,495)	(6,495)
Shares vested to Directors and employees for the incentive share schemes	–	2,527	2,527
As of 31 March 2016	**878,845**	**(23,076)**	**855,769**

* As of 15 July 2014, the shares of JEHL were consolidated on 4 to 1 basis ("Share Consolidation") and the number of shares for prior year has been adjusted to reflect the impact of this consolidation.

16. SHARE CAPITAL *(Cont'd)*

As of 31 March 2016, the total authorised number of ordinary shares was 1,760.0 million (31 March 2015: 1,760.0 million) with a par value of HK$0.05 per share (31 March 2015: HK$0.05 per share). All issued shares were fully paid.

	Share capital – ordinary shares (at par value) US$'000	Shares held for the incentive share schemes (at purchase cost) US$'000	Share premium US$'000	Total US$'000
As of 31 March 2014	5,773	(13,896)	23,628	15,505
Repurchase and cancellation of issued capital	(92)	–	(23,977)	(24,069)*
Shares purchased by trustee for the incentive share schemes	–	(50,726)	–	(50,726)
Shares vested to Directors and employees for the incentive share schemes (Note 17)	–	3,540	349	3,889
As of 31 March 2015	5,681	(61,082)	–	(55,401)
Repurchase and cancellation of issued capital	(11)	–	–	(11)*
Shares purchased by trustee for the incentive share schemes	–	(22,014)	–	(22,014)
Shares vested to Directors and employees for the incentive share schemes (Note 17)	–	7,646	–	7,646
As of 31 March 2016	**5,670**	**(75,450)**	**–**	**(69,780)**

The total repurchase and cancellation of issued capital as shown in the "Consolidated Statement of Changes in Equity" on pages 68 to 69 was recorded as a reduction in equity in two parts as follows:

	2016 US$'000	2015 US$'000
Share capital *	**11**	24,069
Other reserves	**5,224**	30,926
Total cost	**5,235**	54,995

16. SHARE CAPITAL *(Cont'd)*

Cancellation of issued capital

A general mandate was approved and given to the Board by shareholders at JEHL's AGM held on 9 July 2015 empowering the Board to repurchase shares up to 10% (88.1 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. 1.7 million shares were purchased in FY2015/16, for cancellation, at a total cost of US$5.2 million (HK$40.7 million) including brokerage and cancellation fees (FY2014/15: 14.3 million shares after taking into account the effect of the Share Consolidation at a total cost of US$55.0 million (HK$426.4 million)).

Incentive share schemes

Share awards under the Long-Term Incentive Share Scheme ("Share Scheme") are 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 approved by the shareholders on 24 August 2009 and was further amended and approved by the shareholders on 20 July 2011.

On 9 July 2015, a new share scheme, the Johnson Electric Restricted and Performance Stock Unit Plan ("Stock Unit Plan") was approved by the shareholders and no further grants of share awards under the Share Scheme could be made afterwards. The rules of the Stock Unit Plan provide a better framework to support the use of equity-based compensation on a global scale as Johnson Electric continues to grow its footprint. Unvested share awards granted under the Share Scheme continue to be valid subject to the provisions of the Share Scheme. Under the Stock Unit plan, the Board may grant time-vested units and performance-vested units to such eligible Directors and employees of the Group as the Remuneration Committee may select at its absolute discretion.

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). According to current granting policy, time-vested units typically vest after three years. Performance-vested units vest after three years, subject to achievement of performance conditions over a three-year performance period. The primary performance condition consists of the achievement of a three-year cumulative earnings per share target that is set at the time of grant. If the primary condition is met in full, then the entire grant of PSUs will vest at the end of the vesting period. If the primary performance condition is not met, then the secondary performance conditions are considered. The secondary performance conditions consist of a series of one-year earnings per share targets set at the beginning of each year of the three-year performance period. Partial vesting occurs if one or more of the one-year earnings per share targets are met.

16. SHARE CAPITAL *(Cont'd)*

The three-year cumulative goal for earnings per share for the fiscal years of 2015/2016 through 2017/2018 is 77 US cents per share.

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

JEHL makes 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 rounded up to the next multiple of 500 shares.

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

	Number of unvested units granted (thousands)		
	Restricted Stock Units	Performance Stock Units	Total
Unvested units granted, as of 31 March 2014*	3,624	4,300	7,924
Units granted to Directors and employees during the year	1,828	2,267	4,095
Units vested to Directors and employees during the year	(794)	(815)	(1,609)
Forfeited during the year	(140)	(222)	(362)
Unvested units granted, as of 31 March 2015	4,518	5,530	10,048
Units granted to Directors and employees during the year	2,487	2,312	4,799
Units vested to Directors and employees during the year	(1,275)	(1,252)	(2,527)
Forfeited during the year	(122)	(113)	(235)
Unvested units granted, as of 31 March 2016	**5,608**	**6,477**	**12,085**

* As of 15 July 2014, the shares of JEHL were consolidated on 4 to 1 basis and the number of shares for prior year has been adjusted to reflect the impact of this consolidation.

The weighted average fair value of the unvested units granted during the year was HK$28.02 (US$3.59).

16. SHARE CAPITAL *(Cont'd)*

As of 31 March 2016, the number of unvested units under both the Share Scheme and the Stock Unit Plan on a combined basis was as follows:

	Number of unvested units granted (thousands)		
Vesting year *	Restricted Stock Units	Performance Stock Units	Total
FY2016/17	1,334	2,030	3,364
FY2017/18	1,398	2,153	3,551
FY2018/19	2,551	2,294	4,845
FY2019/20	325	–	325
Total unvested units granted	**5,608**	**6,477**	**12,085**

* Shares are typically vested on 1 June of the year

17. RESERVES

	Capital reserve US$'000	Goodwill on consolidation US$'000	Exchange reserve US$'000	Share-based employee compensation reserve US$'000	Hedging reserve US$'000	Miscellaneous reserves* US$'000	Retained earnings US$'000	Total US$'000
As of 31 March 2015	23,477	(233,885)	169,473	13,926	114,837	51,109	1,778,782	1,917,719
Hedging instruments								
– raw material commodity contracts								
– fair value losses, net	–	–	–	–	(51,268)	–	–	(51,268)
– transferred to inventory and subsequently recognised in income statement	–	–	–	–	20,878	–	–	20,878
– deferred income tax effect (Note 15)	–	–	–	–	5,014	–	–	5,014
– forward foreign currency exchange contracts								
– fair value losses, net	–	–	–	–	(67,676)	–	–	(67,676)
– transferred to income statement	–	–	–	–	(38,978)	–	–	(38,978)
– deferred income tax effect (Note 15)	–	–	–	–	19,053	–	–	19,053
– net investment hedge								
– fair value losses, net	–	–	(13,422)	–	–	–	–	(13,422)
Defined benefit plans								
– remeasurements (Note 14)	–	–	–	–	–	–	1,932	1,932
– deferred income tax effect (Note 15)	–	–	–	–	–	–	753	753
Long service payment								
– remeasurements (Note 14)	–	–	–	–	–	–	98	98
– deferred income tax effect (Note 15)	–	–	–	–	–	–	(17)	(17)
Investment property								
– revaluation surplus realised upon disposal	–	–	–	–	–	(108)	108	–
Currency translations of subsidiaries and associates	–	–	2,997	–	145	–	–	3,142
Net income / (expenses) recognised directly in equity	–	–	(10,425)	–	(112,832)	(108)	2,874	(120,491)
Profit for the year	–	–	–	–	–	–	172,660	172,660
Total comprehensive income / (expenses) for the year	–	–	(10,425)	–	(112,832)	(108)	175,534	52,169
Appropriation of retained earnings to statutory reserve	–	–	–	–	–	4,476	(4,476)	–
Cancellation of issued capital (Note 16)	(5,224)	–	–	–	–	–	–	(5,224)
Incentive share schemes								
– shares vested (Note 16)	(1,502)	–	–	(6,144)	–	–	–	(7,646)
– value of employee services (Note 26)	–	–	–	9,734	–	–	–	9,734
FY2014/15 final dividend paid	–	–	–	–	–	–	(37,802)	(37,802)
FY2015/16 interim dividend paid	–	–	–	–	–	–	(16,592)	(16,592)
	(6,726)	–	(10,425)	3,590	(112,832)	4,368	116,664	(5,361)
As of 31 March 2016	**16,751**	**(233,885)**	**159,048**	**17,516**	**2,005**	**55,477**	**1,895,446**	**1,912,358**
Final dividend proposed (Note 24)	–	–	–	–	–	–	37,525	37,525
Other	16,751	(233,885)	159,048	17,516	2,005	55,477	1,857,921	1,874,833
As of 31 March 2016	**16,751**	**(233,885)**	**159,048**	**17,516**	**2,005**	**55,477**	**1,895,446**	**1,912,358**

* Miscellaneous reserves mainly represent property revaluation reserve, equity component of convertible bonds (net of tax) and statutory reserve.

17. RESERVES *(Cont'd)*

	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	Miscellaneous reserves* US$'000	Retained earnings US$'000	Total US$'000
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
Hedging instruments									
– raw material commodity contracts									
– fair value losses, net	–	–	–	–	–	(17,088)	–	–	(17,088)
– transferred to inventory and subsequently recognised in income statement	–	–	–	–	–	8,107	–	–	8,107
– deferred income tax effect (Note 15)	–	–	–	–	–	1,482	–	–	1,482
– forward foreign currency exchange contracts									
– fair value gains, net	–	–	–	–	–	175,868	–	–	175,868
– transferred to income statement	–	–	–	–	–	(17,104)	–	–	(17,104)
– deferred income tax effect (Note 15)	–	–	–	–	–	(23,790)	–	–	(23,790)
– net investment hedge									
– fair value gains, net	–	–	–	54,037	–	7,656	–	–	61,693
Defined benefit plans									
– remeasurements (Note 14)	–	–	–	–	–	–	–	(15,812)	(15,812)
– deferred income tax effect (Note 15)	–	–	–	–	–	–	–	1,553	1,553
Long service payment									
– remeasurements (Note 14)	–	–	–	–	–	–	–	230	230
– deferred income tax effect (Note 15)	–	–	–	–	–	–	–	(39)	(39)
Investment property									
– revaluation surplus realised upon disposal	–	–	–	–	–	–	(14)	14	–
Currency translations of subsidiaries and associate	–	–	–	(104,419)	–	84	–	–	(104,335)
Net income / (expenses) recognised directly in equity	–	–	–	(50,382)	–	135,215	(14)	(14,054)	70,765
Profit for the year	–	–	–	–	–	–	–	210,894	210,894
Total comprehensive income / (expenses) for the year	–	–	–	(50,382)	–	135,215	(14)	196,840	281,659
Appropriation of retained earnings to statutory reserve	–	–	–	–	–	–	4,224	(4,224)	–
Convertible bonds									
– equity component of convertible bonds issued	–	–	–	–	–	–	4,823	–	4,823
– deferred income tax effect (Note 15)	–	–	–	–	–	–	(3,868)	–	(3,868)
Cancellation of issued capital (Note 16)	(15,499)	(15,427)	–	–	–	–	–	–	(30,926)
Incentive share schemes									
– shares vested (Note 16)	–	–	–	–	(3,889)	–	–	–	(3,889)
– value of employee services (Note 26)	–	–	–	–	7,413	–	–	–	7,413
Share options									
– options lapsed	–	–	–	–	(68)	–	–	68	–
FY2013/14 final dividend paid	–	–	–	–	–	–	–	(38,765)	(38,765)
FY2014/15 interim dividend paid	–	–	–	–	–	–	–	(15,522)	(15,522)
	(15,499)	(15,427)	–	(50,382)	3,456	135,215	5,165	138,397	200,925
As of 31 March 2015	–	23,477	(233,885)	169,473	13,926	114,837	51,109	1,778,782	1,917,719
Final dividend proposed (Note 24)	–	–	–	–	–	–	–	37,768	37,768
Other	–	23,477	(233,885)	169,473	13,926	114,837	51,109	1,741,014	1,879,951
As of 31 March 2015	–	23,477	(233,885)	169,473	13,926	114,837	51,109	1,778,782	1,917,719

* Miscellaneous reserves mainly represent property revaluation reserve, equity component of convertible bonds (net of tax) and statutory reserve.

18. OTHER INCOME AND GAINS, NET

	2016 US$'000	2015 US$'000
Gross rental income from investment property	**3,771**	4,192
Gains / (losses) on investments, net	**105**	(120)
Gains / (losses) on disposal of property, plant and equipment and investment property (Note 26)	**5,949**	(473)
Fair value gains on investment property (Note 4 & 26)	**10,205**	10,749
Fair value (losses) / gains on other financial assets / liabilities	**(433)**	65
Subsidies and other income	**8,857***	3,505
	28,454	17,918

* US$4.7 million of subsidies received above were compensation for a forthcoming plant relocation and are an offset for certain asset impairments, refer to Note 3.

19. SELLING AND ADMINISTRATIVE EXPENSES

	2016 US$'000	2015 US$'000
Selling expenses	**98,260**	100,933
Administrative expenses	**336,706**	303,936
Legal and warranty (Note 14)	**11,290**	9,632
Net gains on realisation of other financial assets and liabilities and revaluation of monetary assets and liabilities (Note 21)	**(35,493)**	(6,962)
	410,763	407,539

Note: Selling and administrative expenses included operating lease payments for FY2015/16 of US$6.2 million (FY2014/15: US$6.7 million).

20. FINANCE INCOME / (COSTS), NET

	2016 US$'000	2015 US$'000
Interest income	**3,814**	13,998
Other finance income	**2,422**	–
Interest expense	**(2,374)**	(1,584)
Interest expense on convertible bonds (Note 23)	**(7,042)**	(6,868)
Net finance (costs) / income (Note 26)	**(3,180)**	5,546

Borrowings are discussed in Note 12. Convertible bonds are discussed in Note 13.

21. EXPENSES BY NATURE

Operating profit was stated after crediting and charging the following:

	2016 US$'000	2015 US$'000
Depreciation		
Depreciation of property, plant and equipment (Note 3)	**87,300**	71,765
Less: amounts capitalised in assets under construction	**(988)**	(670)
Net depreciation (Note 26)	**86,312**	71,095
Engineering expenditure *		
Engineering expenditure	**131,231**	127,830
Capitalisation of engineering development costs (Note 5)	**(6,144)**	(6,269)
Net engineering expenditure	**125,087**	121,561
Employee compensation		
Wages and salaries	**647,489**	589,018
Share-based payments	**9,699**	7,373
Social security costs	**59,308**	56,444
Pension costs – defined benefit plans (Note 14.1)	**4,891**	2,980
Pension costs – defined contribution plans (Note 14.2)	**4,959**	4,757
	726,346	660,572
Less: amounts capitalised in assets under construction	**(7,022)**	(5,167)
	719,324	655,405
Other items:		
Cost of goods sold **	**1,646,433**	1,503,647
Auditors' remuneration	**2,516**	2,458
Amortisation of intangible assets (Note 5 & 26)	**27,721**	21,396
(Reversal of) / provision for impairment of property, plant and equipment (Note 3 & 26)	**(1,129)**	686
Provision for impairment of intangible assets (Note 5 & 26)	**206**	600
Net gains on realisation of other financial assets and liabilities and revaluation of monetary assets and liabilities (Note 19)	**(35,493)**	(6,962)
(Write back) for impairment / impairment of trade receivables / bad debt expense (Note 9)	**(550)**	1,107

* Engineering expenditure as a percentage of sales was 5.9% in FY2015/16 (FY2014/15: 6.0%).

** Cost of goods sold comprised materials, direct labour costs (including their social costs) and production overheads including operating lease payments of US$15.4 million (FY2014/15: US$14.7 million).

22. INCOME TAX EXPENSE

The amount of taxation in the consolidated income statement represents:

	2016 US$'000	2015 US$'000
Current income tax		
Provision for the year	33,824	39,392
(Over) / under provision in prior years	(1,319)	634
	32,505	40,026
Deferred income tax (Note 15)	(8,616)	(10,777)
Total income tax expense	23,889	29,249
Effective tax rate	11.6%	11.7%

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 FY2015/16 was 11.6% (FY2014/15: 11.7%). The Group's effective tax rate differed from the statutory tax rate of Hong Kong of 16.5% as follows:

	2016		2015	
		US$'000		US$'000
Profit before income tax		206,636		249,061
Tax charged at Hong Kong profits tax rate	16.5%	34,095	16.5%	41,095
Effect of different tax rates in other countries				
– Countries with taxable profit	1.6%	3,348	0.6%	1,438
– Countries with taxable loss	(1.0)%	(2,146)	(1.5)%	(3,743)
Effect of income, net of expenses, not subject to tax	(4.6)%	(9,572)	(4.0)%	(9,885)
Over provisions in prior years (current and deferred)	(0.9)%	(1,861)	(0.4)%	(1,055)
Effect of tax losses (recognised), net of (utilisation)	(0.3)%	(706)	(1.2)%	(2,945)
Other timing differences unrecognised as an asset and other taxes *	0.3%	731	1.7%	4,344
	11.6%	23,889	11.7%	29,249

* Net of (utilisation)

23. EARNINGS PER SHARE

Basic earnings per share

Basic earnings per share was calculated by dividing the profit attributable to shareholders by the weighted average number of ordinary shares in issue during the year excluding ordinary shares purchased by JEHL and held for the incentive share schemes.

	2016	2015
Profit attributable to shareholders (thousands US Dollar)	**172,660**	210,894
Weighted average number of ordinary shares in issue (thousands)	**859,540**	874,537
Basic earnings per share (US cents per share)	**20.09**	24.11
Basic earnings per share (HK cents per share)	**155.83**	186.98

Diluted earnings per share

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

	2016	2015
Profit attributable to shareholders (thousands US Dollar)	**172,660**	210,894
Adjustments for convertible bonds		
– Interest (thousands US Dollar) (Note 20)	**7,042**	6,868
– Deferred income tax effect (thousands US Dollar)	**(743)**	(714)
Adjusted profit attributable to shareholders (thousands US Dollar)	**178,959**	217,048
Weighted average number of ordinary shares issued and outstanding (thousands)	**859,540**	874,537
Adjustments for incentive shares granted		
– Incentive share schemes - Restricted Stock Units	**4,972**	3,954
– Incentive share schemes - Performance Stock Units	**2,568**	2,750
Adjustments for convertible bonds		
– assumed conversion of convertible bonds	**39,025**	38,294
Weighted average number of ordinary shares (diluted) (thousands)	**906,105**	919,535
Diluted earnings per share (US cents per share)	**19.75**	23.60
Diluted earnings per share (HK cents per share)	**153.21**	183.02

24. DIVIDEND

	2016 US$'000	2015 US$'000
Interim, of 15 HK cents (1.92 US cents) per share, paid in January 2016 (FY2014/15: 14 HK cents or 1.79 US cents)	**16,592**	15,522
Final, proposed, of 34 HK cents (4.36 US cents) per share, to be paid in August 2016 (FY2014/15: 34 HK cents or 4.36 US cents) (Note 17)	**37,525** *	37,768
	54,117	53,290

* Proposed dividend is calculated based on the total number of ordinary shares as of 31 March 2016. Actual dividend will be paid on 12 August 2016 to shareholders whose names appear on the Register of Shareholders of JEHL on 3 August 2016.

Total dividend per share for the year is 49 HK cents (FY2014/15 was 48 HK cents).

At a meeting held on 17 May 2016 the Directors recommended a final dividend of 34 HK cents (4.36 US cents) per share to be paid out in August 2016. The recommended final dividend will be reflected as an appropriation of retained earnings for FY2016/17.

Dividends for the periods FY2009/10 through FY2015/16 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
FY2009/10 *	–	20.0	20.0	23,659
FY2010/11 *	12.0	24.0	36.0	42,488
FY2011/12 *	12.0	28.0	40.0	46,118
FY2012/13 *	12.0	32.0	44.0	50,396
FY2013/14 *	12.0	34.0	46.0	52,648
FY2014/15	14.0	34.0	48.0	53,290
FY2015/16	15.0	34.0**	49.0	54,117

* The interim and final dividends per share for prior periods have been adjusted to reflect the impact of Share Consolidation.

** Final dividend for FY2015/16 has been recommended by the Board of Directors and is subject to shareholder approval.

25. COMMITMENTS

25.1 Capital commitments

	2016 US$'000	2015 US$'000
Capital commitments for property, plant and equipment		
Contracted but not provided for	**48,782**	18,884

25.2 Operating lease commitments

(i) The Group's future aggregate minimum lease payments under non-cancellable operating leases as of 31 March 2016 and 31 March 2015 were as follows:

	2016		2015	
	Land and buildings US$'000	**Others US$'000**	Land and buildings US$'000	Others US$'000
Less than 1 year	**20,562**	**2,171**	17,965	1,343
1 – 5 years	**55,143**	**4,872**	51,726	2,351
Over 5 years	**51,609**	**744**	14,199	–
	127,314	**7,787**	83,890	3,694

(ii) The Group's future aggregate minimum lease rental receivable under non-cancellable operating leases on land and buildings as of 31 March 2016 and 31 March 2015 were as follows:

	2016 US$'000	2015 US$'000
Less than 1 year	**1,360**	1,323
1 – 5 years	**5,138**	5,293
Over 5 years	**5,864**	7,547
	12,362	14,163

26. CASH GENERATED FROM OPERATIONS

	2016 US$'000	2015 US$'000
Profit before income tax	**206,636**	249,061
Add: Depreciation of property, plant and equipment (Note 21)	**86,312**	71,095
Amortisation of intangible assets (Note 5 & 21)	**27,721**	21,396
Finance expense / (income), net (Note 20)	**3,180**	(5,546)
Associates dividend receipts less share of profits	**(1,980)**	(486)
EBITDA*	**321,869**	335,520
Other non-cash items and adjustments		
(Gains) / losses on disposal of property, plant and equipment and investment property (Note 18)	**(5,949)**	473
(Reversal of) / provision for impairment of property, plant and equipment (Note 3 & 21)	**(1,129)**	686
Provision for impairment of intangible assets (Note 5 & 21)	**206**	600
Net realised and unrealised (gains) / losses on financial assets at fair value through profit and loss	**(171)**	31
Share-based compensation expense (Note 17)	**9,734**	7,413
Fair value gains on investment property (Note 4 & 18)	**(10,205)**	(10,749)
Acquisition transaction costs	**12,384**	–
	4,870	(1,546)
EBITDA* net of other non-cash items and adjustments	**326,739**	333,974
Change in working capital		
Increase in inventories	**(28,956)**	(27,592)
Increase in trade and other receivables	**(43,105)**	(7,945)
Increase in other non-current assets	**(1,702)**	(1,834)
Increase in trade payables, other payables and deferred income	**16,870**	15,015
Increase / (decrease) in provision obligations and other liabilities **	**4,741**	(170)
Change in other financial assets / liabilities	**5,800**	1,450
	(46,352)	(21,076)
Cash generated from operations	**280,387**	312,898

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

** Net of defined benefit pension plan assets

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

In the cash flow statement, proceeds from disposal of property, plant and equipment and investment property comprise:

	2016 US$'000	2015 US$'000
Net book amount	**9,691**	1,285
Gains / (losses) on disposal of property, plant and equipment and investment property (Note 18)	**5,949**	(473)
Proceeds from disposal of property, plant and equipment and investment property	**15,640**	812

27. BUSINESS COMBINATION

On 27 October 2015, the Group acquired the entire share capital of three companies which together constitute the business of Stackpole International for a consideration of US$675.5 million (C$800 million enterprise value plus other considerations).

Stackpole International is a leading manufacturer of highly-engineered automotive engine and transmission pumps and powder metal components and is headquartered in Ontario, Canada. Acquiring Stackpole International's pump technology and powder metal expertise will enable the Group to provide integrated motorised pump solutions to customers in a rapidly growing market segment within the automotive industry and increase the Group's exposure to the North American automotive market which is presently experiencing strong demand, as well as provide attractive longer term growth platforms in Europe and Asia.

Acquisition transaction costs of US$11.1 million were incurred in FY2015/16 and recognised in the income statement within selling and administrative expenses.

The acquired business contributed revenue of US$181.8 million and net profit of US$4.7 million (excluding transaction costs) to the Group for period from the date of acquisition to 31 March 2016.

If the acquisition had occurred on 1 April 2015, the Group's consolidated income statement would show pro forma revenue of US$2,481.5 million (Stackpole International 7 months: US$245.6 million), EBITDA of US$368.3 million (Stackpole International 7 months: US$35.3 million) and net profit of US$191.7 million (Stackpole International 7 months: US$7.9 million). This excluded acquisition transaction costs for Stackpole International of US$11.1 million.

27. BUSINESS COMBINATION *(Cont'd)*

Details of net assets acquired and goodwill are as follows:

	2016 US$'000
Purchase consideration	**675,524**
Fair value of net assets acquired – shown as below	**(421,997)**
Goodwill *	**253,527**

	Acquiree's carrying amount US$'000	Fair Value US$'000
Property, plant and equipment	153,298	152,957
Intangible assets	90,457	243,650
Investment in associates	29,997	33,914
Deferred income tax assets	2,653	2,739
Defined benefit pension plan assets	1,575	1,575
Inventories	27,337	28,075
Trade receivables and other receivables	85,231	85,231
Cash and deposits	18,357	18,357
Trade payables and other payables	(67,319)	(67,319)
Current income tax liabilities	(1,077)	(1,077)
Provision obligations and other liabilities	(11,870)	(12,912)
Deferred income tax liabilities	(24,710)	(63,193)
Net assets acquired	303,929	421,997
Purchase consideration settled in cash		
Cash		675,524
Cash and deposits in subsidiaries acquired		(18,357)
Cash outflow on acquisition		**657,167**

* None of the goodwill recognised is expected to be deductible for income tax purpose.

As of 31 March 2016, the Group has substantially completed the fair value assessments for net assets acquired (including intangible assets) from the business combination activities. The fair values of net assets stated above are on a provisional basis subject to the final valuation of certain assets and liabilities.

28. POST BALANCE SHEET EVENT

On 4 February 2016, a subsidiary of the Group entered into a put option agreement with the shareholders of AML Développment to acquire the entire share capital of AML Développment. Following the completion of the Work's Council consultation process, the sellers exercised the put option on 10 April 2016. The share purchase agreement was signed on 22 April 2016 for a consideration of approximately EUR65 million, subject to post-closing adjustments and transaction expenses incurred for the acquisition.

AML Développment together with its subsidiaries ("AML") is a leading manufacturer of headlamp levelers, smart actuators and headlamp cleaning systems for the automotive industry and is headquartered in Le Bourget, France. Acquiring AML will complete Johnson Electric's product portfolio in the headlamp actuation segment. With AML's know-how and over 20 years of experience in the segment, the combined business will be able to offer solutions that improve visibility and enhance safety of drivers and other road users.

This transaction is expected to close in May 2016, subject to customary conditions including obtaining applicable regulatory approvals. The consideration is payable in cash at completion and will be financed from the Group's internal cash reserves and available credit facilities.

Because the process of fair valuing the AML business and the related purchase price allocation has not been completed as of 17 May 2016, the initial accounting for the business combination is incomplete as of the date of this report. As a result, it is impracticable to disclose the goodwill and major class of assets acquired and liabilities assumed regarding the acquisition.

Acquisition transaction costs of US$1.3 million were incurred in FY2015/16 and recognised in the income statement within selling and administrative expenses.

29. BENEFITS AND INTERESTS OF DIRECTORS AND SENIOR MANAGEMENT COMPENSATION

29.1 Directors' remuneration

The remuneration of directors for FY2015/16 was as follows:

Name of director	Fees US$'000	Salary* US$'000	Discretionary Bonus US$'000	Share-based payment US$'000	Employer's contribution to retirement benefit scheme US$'000	**Total US$'000**
Yik-Chun Koo Wang	112	–	–	–	–	**112**
Patrick Shui-Chung Wang	–	912	1,317	–	109	**2,338**
Winnie Wing-Yee Wang	–	642	464	–	77	**1,183**
Austin Jesse Wang	–	340	125	–	37	**502**
Peter Kin-Chung Wang	47	–	–	–	–	**47**
Peter Stuart Allenby Edwards	42	–	–	7	–	**49**
Patrick Blackwell Paul	59	–	–	7	–	**66**
Michael John Enright	54	–	–	7	–	**61**
Joseph Chi-Kwong Yam	44	–	–	7	–	**51**
Christopher Dale Pratt	47	–	–	7	–	**54**
	405	1,894	1,906	35	223	**4,463**

The remuneration of directors for FY2014/15 was as follows:

Name of director	Fees US$'000	Salary* US$'000	Discretionary Bonus US$'000	Share-based payment US$'000	Employer's contribution to retirement benefit scheme US$'000	Total US$'000
Yik-Chun Koo Wang	–	108	–	–	–	108
Patrick Shui-Chung Wang	–	889	1,384	–	106	2,379
Winnie Wing-Yee Wang	–	626	488	–	75	1,189
Austin Jesse Wang	–	345	104	–	35	484
Peter Kin-Chung Wang	36	–	–	–	–	36
Peter Stuart Allenby Edwards	37	–	–	8	–	45
Patrick Blackwell Paul	49	–	–	8	–	57
Michael John Enright	44	–	–	8	–	52
Joseph Chi-Kwong Yam	34	–	–	8	–	42
Christopher Dale Pratt	24	–	–	8	–	32
	224	1,968	1,976	40	216	4,424

* Salary included basic salaries, housing allowances and other benefits in kind.

29. BENEFITS AND INTERESTS OF DIRECTORS AND SENIOR MANAGEMENT COMPENSATION *(Cont'd)*

29.2 Senior management compensation

Other than the directors' remuneration disclosed above, emoluments paid to 8 (FY2014/15: 10) senior management as set out in the section Profile of Directors and Senior Management on pages 164 to 169 were as follows:

	2016 **US$'000**	2015 US$'000
Salaries, allowances and other benefits	**5,185**	6,104
Retirement scheme contributions	**492**	524
Share-based payment	**2,997**	2,355
Bonuses	**3,153**	3,107
	11,827	12,090

Remuneration bands

	Number of individuals	
	2016	2015
US$897,001 – US$1,026,000 (HK$7,000,001 – HK$8,000,000)	**–**	3
US$1,026,001 – US$1,154,000 (HK$8,000,001 – HK$9,000,000)	**1**	1
US$1,154,001 – US$1,282,000 (HK$9,000,001 – HK$10,000,000)	**1**	3
US$1,282,001 – US$1,410,000 (HK$10,000,001 – HK$11,000,000)	**1**	2
US$1,410,001 – US$1,538,000 (HK$11,000,001 – HK$12,000,000)	**4**	–
US$1,538,001 – US$1,666,000 (HK$12,000,001 – HK$13,000,000)	**–**	1
US$2,307,001 – US$2,436,000 (HK$18,000,001 – HK$19,000,000)	**1**	–

29. BENEFITS AND INTERESTS OF DIRECTORS AND SENIOR MANAGEMENT COMPENSATION *(Cont'd)*

29.3 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 29.1 (FY2014/15: 1 director in the five highest paid individuals). The compensation paid to the remaining 4 (FY2014/15: 4) highest paid employees were as follows:

	2016 **US$'000**	2015 US$'000
Salaries, allowances and other benefits	**2,800**	2,734
Retirement scheme contributions	**279**	255
Share-based payment	**1,939**	1,049
Bonuses	**1,722**	1,556
	6,740	5,594

Remuneration bands

	Number of individuals	
	2016	2015
US$1,218,001 – US$1,282,000 (HK$9,500,001 – HK$10,000,000)	**–**	1
US$1,282,001 – US$1,346,000 (HK$10,000,001 – HK$10,500,000)	**–**	1
US$1,346,001 – US$1,410,000 (HK$10,500,001 – HK$11,000,000)	**–**	1
US$1,410,001 – US$1,474,000 (HK$11,000,001 – HK$11,500,000)	**2**	–
US$1,474,001 – US$1,538,000 (HK$11,500,001 – HK$12,000,000)	**1**	–
US$1,602,001 – US$1,666,000 (HK$12,500,001 – HK$13,000,000)	**–**	1
US$2,307,001 – US$2,372,000 (HK$18,000,001 – HK$18,500,000)	**1**	–

30. RELATED PARTY TRANSACTION

Details of substantial shareholders 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 directors' remunerations and senior management compensation are disclosed in Note 29.

31. FINANCIAL RISK MANAGEMENT

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 commodity price risk), customer credit risk, liquidity risk and capital 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 Group policy. Group Treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units.

31.1 Market risk

(a) 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 FY2015/16, of the sales, 43% (FY2014/15: 45%) were in USD, 31% (FY2014/15: 34%) in EUR, 18% (FY2014/15: 18%) in RMB with the rest being in other currencies including CAD and JPY.

The major currencies used for raw material commodity purchases, production overhead costs and selling and administrative expenses are USD, HKD, RMB, EUR, HUF, MXN, CHF, PLN, ILS and CAD.

Open foreign exchange exposures are hedged with forward foreign currency exchange contracts, with a view to reducing the net exposure to currency fluctuation. As of 31 March 2016, forward foreign currency exchange contracts had durations of up to 72 months.

The Group's most significant currency exposures relate to RMB and EUR. As of 31 March 2016, if USD had weakened / strengthened by 5% against RMB with all other variables held constant, post-tax profit for the year would be 0.7% (FY2014/15: 5.6%) higher / lower, mainly due to foreign exchange differences on the 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 2.3% (FY2014/15: 1.8%) 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.

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

31.1 Market risk *(Cont'd)*

(a) Foreign exchange risk *(Cont'd)*

The Group has operations in Europe and its net assets value is exposed to foreign exchange risk denominated in Euro. This exposure is hedged with forward foreign exchange contracts and cross currency interest rate swaps with durations up to 61 months at the year end.

(b) Interest rate risk

The Group's interest rate risk mainly arises from interest-bearing borrowings.

The Group continues 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.

Cash and deposits as of 31 March 2016 were US$193.3 million (31 March 2015: US$773.2 million) bearing interest at a weighted average rate of approximately 0.4% (31 March 2015: 1.8%). Other than cash and deposits, the Group has no significant interest-bearing assets. Borrowings as of 31 March 2016 were US$220.1 million (31 March 2015: US$94.0 million) bearing interest at a weighted average rate of approximately 1.8% (31 March 2015: 0.7%). A 0.25% increase / decrease in interest rate would decrease / increase the profit by US$0.6 million (31 March 2015: US$0.2 million).

(c) Commodity price risk

The Group is exposed to commodity price risk, mainly from fluctuations in steel, copper, silver and aluminium prices. Price risk due to steel is reduced through fixed price contracts up to 3 months forward with the Group's suppliers. Price risk due to copper, silver and aluminium is reduced by hedging through appropriate financial instruments that have varying maturities ranging from 1 to 72 months as of 31 March 2016. 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 onto these customers.

The Group's most significant commodity price risk exposure relates to copper. A 10% increase / decrease in the copper price would increase / decrease the equity by US$23.0 million (31 March 2015: US$24.3 million), representing the change in fair value of copper hedging contracts at the balance sheet date.

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

31.2 Credit and customer collection risk

The Group's credit and customer collection risk mainly arises from trade and other receivables. The Group has no significant concentrations of credit risk. The Group normally grants credit terms ranging from 30 to 105 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. The majority of the Group's cash and deposits are held with, 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 2016, JEHL's exposure to credit risk for financial guarantees is US$145.2 million (31 March 2015: US$92.9 million).

31.3 Liquidity risk

Management believes the combination of cash on hand, available credit lines and expected future operating cash flows is sufficient to satisfy the Group's cash needs for the current and planned level of operations for the foreseeable future and the anticipated acquisition of AML Systems. 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$193.3 million as of 31 March 2016 (31 March 2015: US$773.2 million), which constitute 6% (31 March 2015: 27%) of its total assets. As of 31 March 2016, The Group had US$172 million of committed and unutilised facilities (31 March 2015: US$165 million) and US$292 million of uncommitted and unutilised short term borrowing facilities provided by its principal bankers (31 March 2015: US$322 million). The Group also had US$112 million in uncommitted and unutilised trade receivable financing lines (31 March 2015: US$91 million).

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

31.3 Liquidity risk *(Cont'd)*

The table below analyses the Group's borrowings and other financial assets / liabilities into relevant maturity groupings based on the remaining period to the contractual maturity date at the balance sheet 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
As of 31 March 2016				
Borrowings	147,385	1,609	33,973	46,400
Convertible bonds	2,000	2,000	221,620	–
Other financial assets and liabilities				
– Raw material commodity contracts	17,668	11,639	16,474	477
– Forward foreign exchange contracts				
– Net settled	(2,863)	2,622	23,272	4,972
– Gross settled:				
– inflow	(688,663)	(467,135)	(1,085,114)	(114,243)
– outflow	670,143	441,595	976,509	90,612
– Net investment hedge				
– Gross settled:				
– inflow	(1,290)	(53,175)	(107,836)	(75,000)
– outflow	–	43,084	82,767	77,083
– Fair value hedge				
– Gross settled:				
– inflow	(51,557)	–	–	–
– outflow	43,084	–	–	–
Finance lease	1,831	1,829	1,549	5,361
Trade and other payables	374,535	–	–	–
As of 31 March 2015				
Borrowings	66,102	28,124	327	–
Convertible bonds	2,000	2,000	223,620	–
Other financial assets and liabilities				
– Raw material commodity contracts	9,742	4,012	4,637	98
– Forward foreign exchange contracts				
– Net settled	(6,252)	(3,948)	10,972	7,002
– Gross settled:				
– inflow	(530,275)	(544,663)	(1,119,914)	(381,215)
– outflow	483,921	494,901	980,288	302,286
– Net investment hedge				
– Gross settled:				
– inflow	(52,034)	(52,822)	(159,649)	(76,898)
– outflow	41,165	41,165	120,246	73,649
Finance lease	1,400	1,400	1,662	–
Trade and other payables	272,434	–	–	–

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

31.4 Capital risk management

As of 31 March 2016, the Group's total debt to capital ratio was 18% compared to 13% as of 31 March 2015.

Total debt to capital ratio as of 31 March 2016 and 31 March 2015 was as follows:

	2016 US$'000	2015 US$'000
Borrowings - current (Note 12)	**98,434**	65,816
Borrowings - non-current (Note 12)	**121,706**	28,214
Convertible bonds (Note 13)	**202,387**	197,345
Total debt	**422,527**	291,375
Total equity	**1,884,752**	1,900,912
Total capital (equity + debt)	**2,307,279**	2,192,287
Total debt to capital ratio	**18%**	13%

The net cash position as of 31 March 2016 and 31 March 2015 was as follows:

Total debt	**(422,527)**	(291,375)
Cash and deposits (Note 10)	**193,325**	773,172
Net (debt) / cash (total debt less cash)	**(229,202)**	481,797

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

32. FAIR VALUE ESTIMATION

The fair value of the Group's assets and liabilities is classified into a 3 levels hierarchy based on measurement 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 based on bank valuations. The Group's level 2 investment property is valued on an open market basis.

Level 3 : 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. The fair values of the Group's level 3 financial assets / liabilities are based on the valuations issued by investment banks.

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

The following table presents the Group's assets and liabilities that are measured at fair value as of 31 March 2016 and 31 March 2015.

	Level 1 US$'000	Level 2 US$'000	Level 3 US$'000	Total US$'000
As of 31 March 2016				
Assets				
Investment property				
– Commercial building	–	–	59,827	59,827
– Industrial property	–	–	25,895	25,895
– Residential property and car parks	–	457	5,351	5,808
Other financial assets				
– Derivatives used for hedging	–	175,254	–	175,254
– Derivatives held for trading	–	156	–	156
– Others	–	–	116	116
Total assets	–	175,867	91,189	267,056
Liabilities				
Other financial liabilities				
– Derivatives used for hedging	–	142,354	–	142,354
– Derivatives held for trading	–	645	–	645
– Others	–	–	120	120
Total liabilities	–	142,999	120	143,119

	Level 1 US$'000	Level 2 US$'000	Level 3 US$'000	Total US$'000
As of 31 March 2015				
Assets				
Investment property				
– Industrial property	–	–	76,003	76,003
– Residential property and car parks	–	681	5,351	6,032
Other financial assets				
– Derivatives used for hedging	–	275,111	–	275,111
– Derivatives held for trading	–	19	–	19
– Others	–	–	124	124
Total assets	–	275,811	81,478	357,289
Liabilities				
Other financial liabilities				
– Derivatives used for hedging	–	86,717	–	86,717
– Derivatives held for trading	–	3	–	3
Total liabilities	–	86,720	–	86,720

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

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

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 unit price per parking space.

Level 3

Fair values of commercial building, industrial property and residential property are derived using the income capitalisation and market comparison method. Income capitalisation 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 referenced to valuers' view of recent lettings, within the subject property and other comparable property. The market comparison method takes into account properties that are similar in nature in the general locality, which have recently transacted, with adjustments made on factors such as size, age, location and condition. The most significant input in this valuation approach is the price per square feet.

Discussion of valuation processes and results are held between the Group's senior management and valuers to validate the major inputs and validation process.

Significant inputs used to determine the fair value of investment property are as follows:

		As of 31 March 2016		As of 31 March 2015	
Property	Valuation method	Market rate / rent per month	Market yield	Market rate / rent per month	Market yield
Commercial	Market comparison	HK$4,227/sq.ft		HK$3,545/sq.ft	
Industrial	Income capitalisation	HK$4.5 to HK$7.0/sq.ft	7.4% to 11.0%	HK$4.2 to HK$7.0/sq.ft	7.4% to 11.0%
Residential	Market comparison	HK$17,920/sq.ft		HK$18,138/sq.ft	

Market rates / 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.

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

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

(ii) Other financial assets / liabilities

The majority of the Group's other financial assets / liabilities 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 valuations maximise the use of observable market data. Commodity price and foreign currency exchange prices are the key observable inputs in the valuation.

The following table presents the changes in level 3 assets / liabilities for FY2015/16 and FY2014/15:

	Investment property									
	Commercial building		Industrial property		Residential property		Other financial assets / (liabilities)		Total	
	2016 US$'000	2015 US$'000	**2016 US$'000**	2015 US$'000	**2016 US$'000**	2015 US$'000	**2016 US$'000**	2015 US$'000	**2016 US$'000**	2015 US$'000
At beginning of the year	**–**	–	**76,003**	61,967	**5,351**	5,672	**124**	198	**81,478**	67,837
Currency translations	**–**	–	**(388)**	77	**–**	–	**–**	–	**(388)**	77
Capitalised expenditure	**90**	–	**–**	2,890	**–**	–	**–**	–	**90**	2,890
Transfer	**50,290**	–	**(50,290)**	–	**–**	–	**–**	–	**–**	–
Disposal	**–**	–	**–**	–	**–**	–	**(183)**	(7)	**(183)**	(7)
Fair value gains / (losses) recorded in income statement	**9,447**	–	**570**	11,069	**–**	(321)	**55**	(67)	**10,072**	10,681
At end of the year	**59,827**	–	**25,895**	76,003	**5,351**	5,351	**(4)**	124	**91,069**	81,478
Change in unrealised gains / (losses) for the year included in income statement for assets held at balance sheet date	**9,447**	–	**570**	11,069	**–**	(321)	**(53)**	(10)	**9,964**	10,738
Total gains / (losses) for the year included in income statement under "Other income and gains, net"	**9,447**	–	**570**	11,069	**–**	(321)	**55**	(67)	**10,072**	10,681

33. 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 obligations to pay the cash flows to one or more recipients. The financial instruments of the Group are classified into 2 categories disclosed as below:

	Financial assets / (liabilities) at amortised cost US$'000	Financial assets / (liabilities) at fair value US$'000	Total US$'000
As of 31 March 2016			
Assets as per balance sheet			
Other non-current assets	4,850	–	4,850
Other financial assets	–	175,526	175,526
Trade and other receivables excluding prepayments	475,137	–	475,137
Pledged deposits	9,119	–	9,119
Cash and deposits	193,325	–	193,325
Total financial assets	682,431	175,526	857,957
Liabilities as per balance sheet			
Other financial liabilities	–	(143,119)	(143,119)
Trade payables	(250,240)	–	(250,240)
Other payables	(124,295)	–	(124,295)
Borrowings	(220,140)	–	(220,140)
Convertible bonds	(202,387)	–	(202,387)
Finance lease	(6,473)	–	(6,473)
Total financial liabilities	(803,535)	(143,119)	(946,654)
As of 31 March 2015			
Assets as per balance sheet			
Other non-current assets	4,785	–	4,785
Other financial assets	–	275,254	275,254
Trade and other receivables excluding prepayments	363,066	–	363,066
Cash and deposits	773,172	–	773,172
Total financial assets	1,141,023	275,254	1,416,277
Liabilities as per balance sheet			
Other financial liabilities	–	(86,720)	(86,720)
Trade payables	(206,161)	–	(206,161)
Other payables	(66,273)	–	(66,273)
Borrowings	(94,030)	–	(94,030)
Convertible bonds	(197,345)	–	(197,345)
Finance lease	(3,710)	–	(3,710)
Total financial liabilities	(567,519)	(86,720)	(654,239)

34. 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 of the years presented, unless otherwise stated. Certain comparative figures have been reclassified to conform with current year presentation.

34.1 Consolidation

The consolidated financial statements include the financial statements of JEHL and all of its subsidiaries made up to 31 March 2016.

34.2 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 and liabilities measured initially at their fair values at the acquisition date and the equity interests issued by the Group. Acquisition transaction costs are expensed as incurred. 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.

In JEHL's balance sheet, 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 recognised for non-controlling interest and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets acquired, the difference is recognised directly in the income statement.

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

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. Gains and losses arising on disposal is recognised in income statement. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are reclassified to profit and loss.

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

34.3 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.

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.

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

34.4 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. The foreign exchange gains and losses are recognised within "selling and administrative expenses" in the income statement.

(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 at the year end closing rate for assets and liabilities and at average exchange rates for the year for the income statement items. 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 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 transferred out of the exchange reserve and are recognised in the income statement as part of the gain or loss on disposal.

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

34.4 Foreign currency translation *(Cont'd)*

(d) Exchange rates

The following table summarises the exchange rates which are frequently used on the consolidated financial statements.

1 unit of foreign currency to USD		Closing rate 2016	Closing rate 2015	Average rate for the year 2016	Average rate for the year 2015
Canadian Dollar	CAD	**0.77130**	0.78900	**0.73490**	0.88150
Swiss Franc	CHF	**1.03620**	1.03400	**1.02920**	1.07690
Euro	EUR	**1.13380**	1.08330	**1.10460**	1.26960
British Pound	GBP	**1.43790**	1.48100	**1.50840**	1.61370
Hong Kong Dollar	HKD	**0.12897**	0.12895	**0.12891**	0.12897
Hungarian Forint	HUF	**0.00360**	0.00362	**0.00356**	0.00411
Israeli Shekel	ILS	**0.26438**	0.25176	**0.25814**	0.27207
Indian Rupee	INR	**0.01507**	0.01597	**0.01529**	0.01636
Japanese Yen	JPY	**0.00889**	0.00833	**0.00833**	0.00914
Mexican Peso	MXN	**0.05804**	0.06552	**0.06034**	0.07309
Polish Zloty	PLN	**0.26540**	0.26490	**0.26160**	0.30320
Chinese Renminbi	RMB	**0.15422**	0.16286	**0.15821**	0.16143
Serbian Dinar	RSD	**0.00920**	0.00900	**0.00910**	0.01090

34.5 Property, plant and equipment

Property, plant and equipment other than investment property (Note 34.6) 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.

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.

The depreciation policy is set out in Note 3.

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

34.6 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 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 determined by external appraisers. Changes in fair values are recognised in the income statement within other income and gains, net.

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.

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. Any balance of the decrease is recognised as an expense in the income statement. If a fair value gain reverses a previous impairment loss, the gain is recognised in the income statement.

34.7 Intangible assets

(a) Goodwill

Goodwill arising on the acquisition of subsidiaries and associates is initially measured at cost and it represents the excess of the cost of acquisition over the net fair value of the Group's share of the net identifiable assets and the non-controlling interest of the acquired subsidiary. Goodwill on acquisitions of subsidiaries is included in intangible assets.

The policy for impairment tests of goodwill is set out in Note 5.

(b) Brands with an indefinite useful life

Brands that have an indefinite useful life are not subject to amortisation and are tested annually for impairment.

The policy for impairment tests of brands with an indefinite useful life is set out in Note 5.

(c) Land use rights

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

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

34.7 Intangible assets *(Cont'd)*

(d) Research and development costs

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, can be reliably measured 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.

(e) Other Intangible assets

Patents, technology, brands, 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.

The policy for amortisation of intangible assets is set out in Note 5.

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

Assets that have an indefinite useful life (e.g. goodwill) and assets that are not subject to amortisation and depreciation 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 higher of an asset's fair value less costs to sell and the value in use). For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

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

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

34.9 Financial assets

The Group's financial assets only comprise debt instruments, and it classifies its financial assets (not part of a hedging relationship) in the following categories: those to be measured at amortised cost, and those to be measured subsequently at fair value.

(a) Financial assets at amortised cost

A financial asset is classified as measured at 'amortised cost' only if both of the following criteria are met: the objective 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. A gain or loss 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.

(b) Financial assets at fair value

If either of the two criteria above are not met, a financial asset is classified as measured at 'fair value through profit and loss'. The subsequent unrealised and realised fair value changes are recognised in profit and loss.

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 or loss, transaction costs that are directly attributable to the acquisition of the financial assets. Transaction costs of financial assets carried at fair value through profit or loss are expensed in the income statement.

The financial asset is classified as a non-current asset when the remaining maturity of the instrument is more than 12 months, and is classified as a current asset when the remaining maturity of the instrument is less than 12 months.

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

34.10 Other financial assets and liabilities

(a) Other financial assets and liabilities related to hedging activities

Other financial assets and liabilities are forward and swap contracts related to hedging activities.

Hedging instruments are initially recognised at fair value on the date a contract is entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss depends on the nature of the item being hedged:

- Hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge); or
- Hedges of a net investment in a foreign operation (net investment hedge); or
- Hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge).

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

(i) Cash flow hedge
A cash flow hedge of the Group hedges a particular risk associated with a highly probable forecast transaction. The effective portion of changes in the fair value of financial instruments designated as cash flow hedges are recognised in other comprehensive income. Amounts accumulated in equity will be recognised in the income statement in the period or periods in which the underlying hedged transaction occurred.

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.

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

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

(a) Other financial assets and liabilities related to hedging activities *(Cont'd)*

(ii) Net investment hedge
A net investment hedge of the Group hedges net investments in foreign operations. Any unrealised and realised gain or loss of the hedging instrument is recognised in other comprehensive income within exchange reserve.

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

(iii) Fair value hedge
A fair value hedge of the Group hedges the EUR bank balance. Unrealised and realised gain or loss of the hedging instrument is recognised in the income statement to offset the loss or gain on the EUR bank balance attributable to the risk being hedged.

(b) Financial instruments held for trading that do not qualify for hedge accounting
Financial instruments designated as 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 are recognised immediately in the income statement within other income and gains, net.

The fair values of various financial instruments used for hedging purposes are disclosed in Note 7. Movements in the hedging reserve in shareholders' equity are shown in Note 17. 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.

Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments to ensure that an economic relationship exists between the hedged item and hedging instrument.

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

34.11 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.

34.12 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; that is, the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the original effective interest rate. The impairment charge is recognised within "selling and administrative expenses" in the income statement. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries are credited in the income statement.

34.13 Non-current assets held for sale

Non-current assets are classified as assets held for sale when their carrying amounts are to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs of disposal.

34.14 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.

34.15 Trade, other payables and deferred income

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. Trade and other payables with obligations to pay within 12 months are classified as current liabilities. Trade and other payables with obligations to pay for at least 12 months after the end of reporting period are classified as non-current liabilities.

The contribution received from the customer is recorded as deferred income in the balance sheet and then recognised as income on a straight-line basis over the terms of the agreement with the customer. Amount being released to income statement for the 12 months after the end of reporting period is classified as current liabilities. Amount being released to income statement over 12 months after the end of reporting period is classified as non-current liabilities.

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

34.16 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred and 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.

34.17 Convertible bonds

Convertible bonds are accounted for as the aggregate of (i) a liability component and (ii) an equity component.

At initial recognition, the fair value of the liability component of the convertible bonds is determined using a market interest rate for an equivalent non-convertible bond. The remainder of the proceeds is allocated to the conversion option as an equity component, recognised in shareholder's equity in other reserve.

The liability component is subsequently carried at amortised cost, calculated using the effective interest method, until extinguished on conversion or maturity.

34.18 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 and 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 enacted or substantively enacted by the balance sheet date or expected to be applied in future.

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

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

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

Deferred income tax liability is recognised in respect of the undistributed profits of subsidiaries which is expected to be distributed in the foreseeable future.

The policy for offsetting deferred income tax assets and liabilities is set out in Note 15.

34.19 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, the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity 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 shareholders.

34.20 Employee compensation

(a) Pension obligations

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

(i) Defined contribution plan

For defined contribution plans, the Group and the employees pay fixed 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. 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.

(ii) Defined benefit plan

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.

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

34.20 Employee compensation *(Cont'd)*

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

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

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the 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 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 other comprehensive income in the period in which they arise.

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

(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 such employee services is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the shares granted.

For share-based compensation settled by equity or cash, shares granted to eligible employees for their services are charged as an expense based on the share price at the grant date.

Non-market vesting conditions are included in assumptions about the number of shares 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 that are expected to vest. Any impact of the revision to original estimates are recognised in the income statement, with a corresponding adjustment to equity.

(c) Profit sharing and bonus plans

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

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

34.21 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.

34.22 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to future operating costs are recognised in the income statement over the period necessary to match them with the costs that they are intended to compensate. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in income statement in the period in which they become receivable.

Government grants relating to assets are included in liabilities as deferred government grants and are credited to the income statement on a straight–line basis over the expected lives of the related assets.

34.23 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.

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

34.24 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 interest charged to the financial statement and reduction of liabilities based on the interest rate implied in the lease contracts. The corresponding rental obligations, net of finance charges, are included in other short term and other long term payables. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

(b) Operating leases as the lessee

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

34.25 Dividend distribution

Dividend distribution to JEHL's shareholders is recognised as a liability in the Group's and JEHL's financial statements in the period in which the dividends are approved by JEHL's shareholders or directors, where appropriate.

34.26 Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the company. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably. A contingent liability is not recognised but is disclosed in the notes to the accounts. When a change in the probability of an outflow occurs so that the outflow is probable (more likely than not), it will then be recognised as a liability on the balance sheet.

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

34.27 Financial guarantee contracts

A financial guarantee 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 income statement immediately.

35. 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 with the next financial year are addressed below.

(a) Assessment of goodwill impairment and brands with an indefinite useful life

The Group tests annually whether goodwill and brands with an indefinite useful life have suffered any impairment and when there is indication that they may be impaired, in accordance with the accounting policy stated in Note 5. In respect of brands with an indefinite useful life, the recoverable amounts are the higher of the fair value less cost of sales or value-in-use. For goodwill, the recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates (Note 5).

(b) Income taxes and deferred tax assets

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.

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

(b) Income taxes and deferred tax assets *(Cont'd)*

Deferred tax assets are recognised, particularly in respect of the tax losses, to the extent that it is probable that future taxable profit or taxable temporary differences will be available against which the deferred tax assets can be utilised. It involves significant judgement when determining probable future taxable profits and temporary differences for the realisation of the deferred tax assets.

(c) Warranty and claims

The Group generally offers warranties for its motors and other products. Provisions for estimated expenses related to product warranty are made at the time products are sold. These estimates are established using historical information about the nature, frequency and average cost of warranty claim settlements as well as product manufacturing and industry developments and recoveries from third parties. 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. These warranty and claims typically arise in the normal course of business and may include, but not be limited to, commercial or contractual disputes with our customers and suppliers, intellectual property matters, personal injury, product liability, environmental and employment claims.

(d) Useful lives and impairment assessments 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 and 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 tangible 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.

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

(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 are 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 32.

(g) Business combination

The recognition of business combination requires the excess of the purchase price of acquisitions over the net book value of assets acquired to be allocated to the assets and liabilities of the acquired entity. The Group makes judgements and estimates in relation to the fair value allocation of the purchase price. If any unallocated portion is positive it is recognised as goodwill and if negative, it is recognised in the income statement.

36. EFFECT OF ADOPTING NEW, REVISED AND AMENDED HKFRS

Standards, interpretations and amendments to published standards effective in FY2015/16 which are relevant to the Group

In FY2015/16, the Group adopted the following revised and amended standards of HKFRS below, which are relevant to its operations and have an impact on the consolidated financial statements:

Annual improvement 2012	Annual improvements 2010-2012 reporting cycle
Annual improvement 2013	Annual improvements 2011-2013 reporting cycle

The adoption of such revised and amended standards did not have material impact on the consolidated financial statements.

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

Standards and amendments to published standards that are not effective in FY2015/16

Certain new standards and amendments to existing standards have been published that are mandatory for the Group's accounting periods beginning on or after 1 April 2016 or later periods, which the Group has not early adopted, are as follows:

HKAS 1 (amendment)	Presentation of financial statement – Disclosure initiative [1]
HKAS 16 (amendment) and HKAS 38 (amendment)	Clarification of acceptable methods of depreciation and amortisation [1]
HKAS 16 (amendment) and HKAS 41 (amendment)	Agriculture: Bearer plants [1]
HKAS 27 (amendment)	Separate financial statements – Equity method in separate financial statements [1]
HKFRS 9	Financial instruments [3]
HKFRS 10 (amendment) and HKAS 28 (amendment)	Sale or contribution of assets between an investor and its associate or joint venture [4]
HKFRS 10 (amendment) , HKFRS 12 (amendment) and HKAS 28 (amendment)	Investment entities: applying the consolidation exception [1]
HKFRS 11 (amendment)	Accounting for acquisitions of interests in joint operations [1]
HKFRS 14	Regulatory deferral accounts [1]
HKFRS 15	Revenue from contracts with customer [2]
Annual improvements 2014	Annual improvements 2011-2014 reporting cycle [1]

Note:

(1) Effective for annual periods beginning on or after 1 January 2016

(2) Effective for annual periods beginning on or after 1 January 2018

(3) Effective for annual periods beginning on or after 1 January 2018, except for the 2010 version of HKFRS 9 and the new requirements for hedge accounting issued in 2013, which the Group early adopted

(4) To be determined

The Group is in the process of making an assessment of the impact of these amendments to existing standards, new standards and new interpretations in the period of initial application. In addition to the 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.

37. JEHL COMPANY BALANCE SHEET

37.1 JEHL company balance sheet

	2016 US$'000	2015 US$'000
Assets		
Non-current assets		
Interest in subsidiaries	**1,477,635**	996,397
Other financial assets	**23,500**	39,932
	1,501,135	1,036,329
Current assets		
Amounts due from subsidiaries	**492,108**	799,222
Other financial assets	**7,825**	10,349
Other receivables	**809**	345
Cash and deposits	**43,188**	37
	543,930	809,953
Current liabilities		
Amounts due to subsidiaries	**1**	1
Other payables	**1,470**	1,152
	1,471	1,153
Non-current liabilities		
Other financial liabilities	**2,203**	–
Borrowings	**74,174**	–
Convertible bonds	**202,387**	197,345
Deferred income tax liabilities	**2,411**	3,154
	281,175	200,499
NET ASSETS	**1,762,419**	1,644,630
Equity		
Share capital – Ordinary shares (at par value)	**5,670**	5,681
Shares held for incentive share schemes (at purchase cost)	**(75,450)**	(61,082)
Reserves	**1,832,199**	1,700,031
TOTAL EQUITY	**1,762,419**	1,644,630

JEHL's company balance sheet was approved by the Board of Directors on 17 May 2016 and was signed on this behalf.

Patrick Shui-Chung Wang *JP*
Director

Winnie Wing-Yee Wang
Director

37. JEHL COMPANY BALANCE SHEET *(Cont'd)*

37.2 JEHL reserve

The reserve movements of JEHL for FY2015/16 and FY2014/15 are set below:

	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 2014	95,273	10,470	(7,656)	–	1,489,601	1,587,688
Hedging instruments						
– net investment hedge fair value gains, net	–	–	61,693	–	–	61,693
Convertible bonds						
– equity component of convertible bonds issued	–	–	–	4,823	–	4,823
– deferred income tax effect	–	–	–	(3,868)	–	(3,868)
Cancellation of issued capital	(30,926)	–	–	–	–	(30,926)
Incentive share schemes						
– shares vested	–	(3,889)	–	–	–	(3,889)
– value of employee services	–	7,413	–	–	–	7,413
Share options						
– options lapsed	–	(68)	–	–	68	–
Profit for the year	–	–	–	–	131,384	131,384
FY2013/14 final dividend paid	–	–	–	–	(38,765)	(38,765)
FY2014/15 interim dividend paid	–	–	–	–	(15,522)	(15,522)
As of 31 March 2015	64,347	13,926	54,037	955	1,566,766	1,700,031
Final dividend proposed	–	–	–	–	37,768	37,768
Other	64,347	13,926	54,037	955	1,528,998	1,662,263
As of 31 March 2015	64,347	13,926	54,037	955	1,566,766	1,700,031
Hedging instruments						
– net investment hedge fair value losses, net	–	–	(28,976)	–	–	(28,976)
Cancellation of issued capital	(5,224)	–	–	–	–	(5,224)
Incentive share schemes						
– shares vested	–	(7,646)	–	–	–	(7,646)
– value of employee services	–	9,734	–	–	–	9,734
Profit for the year	–	–	–	–	218,674	218,674
FY2014/15 final dividend paid	–	–	–	–	(37,802)	(37,802)
FY2015/16 interim dividend paid	–	–	–	–	(16,592)	(16,592)
As of 31 March 2016	**59,123**	**16,014**	**25,061**	**955**	**1,731,046**	**1,832,199**
Final dividend proposed	–	–	–	–	37,525	37,525
Other	59,123	16,014	25,061	955	1,693,521	1,794,674
As of 31 March 2016	**59,123**	**16,014**	**25,061**	**955**	**1,731,046**	**1,832,199**

38. PRINCIPAL SUBSIDIARIES AND ASSOCIATES

The following list contains particulars of subsidiaries and associates of the Group that 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, sales and marketing	China	RMB10,000,000	–	60%
Chengdu Ri Yong JEA Gate Electric Co Ltd #	Manufacturing, sales and marketing	China	RMB20,000,000	–	60%
Easy Fortune (H.K.) Ltd.	Property investment	British Virgin Islands	US$50,000	–	100%
Gate do Brasil Ltda.	Manufacturing, sales and marketing	Brazil	BRL81,187,617.78	–	100%
Gate France SAS	Manufacturing, sales and marketing	France	EUR382,000	–	100%
Harbour Sky (BVI) Ltd.	Property investment	British Virgin Islands	US$50,000	–	100%
Hwa Sun (Guangdong) Co Ltd *	Manufacturing, sales and marketing	China	US$15,200,000	–	100%
Johnson Electric Asia Pacific Limited	Provision of service	Hong Kong	HK$2	–	100%
Johnson Electric Asti S.r.l.	Manufacturing, sales and marketing, R&D, licensing	Italy	EUR2,600,000	–	100%
Johnson Electric (Beihai) Co Ltd *	Manufacturing, sales and marketing	China	US$12,000,000	–	100%

* Wholly foreign owned enterprises
# Equity joint ventures

38. PRINCIPAL SUBSIDIARIES AND ASSOCIATES *(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 Birmingham Limited	Manufacturing	United Kingdom	GBP1	–	100%
Johnson Electric Doo Niš	Manufacturing	Serbia	RSD1,371,076,608.42	–	100%
Johnson Electric Germany GmbH & Co. KG	Manufacturing, sales and marketing, R&D, licensing	Germany	EUR15,338,800	–	100%
Johnson Electric Group Mexico, S. de R.L. de C.V.	Manufacturing	Mexico	MXN6,000	–	100%
Johnson Electric (Guangdong) Co., Ltd. *	Manufacturing, sales and marketing, R&D	China	US$4,250,000	–	100%
Johnson Electric Hungary Kft	Manufacturing, R&D, provision of service	Hungary	EUR160,130	–	100%
Johnson Electric Industrial Manufactory, Limited	Manufacturing, sales and marketing	Hong Kong	HK$3,010,609,091	100%	–
Johnson Electric International AG	Sales and marketing, R&D, provision of service, licensing	Switzerland	CHF12,002,112	–	100%
Johnson Electric International France S.a.r.l.	Sales and marketing	France	EUR10,000	–	100%
Johnson Electric International (IT) S.r.l.	Sales and marketing	Italy	EUR3,700,000	–	100%

* Wholly foreign owned enterprises
\# Equity joint ventures

38. PRINCIPAL SUBSIDIARIES AND ASSOCIATES *(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 International Limited	Provision of service, investment holding	Hong Kong	HK$80,000,000	–	100%
Johnson Electric International (UK) Limited	Licensing, sales and marketing, R&D	United Kingdom	GBP420,107,059	–	100%
Johnson Electric Nanjing Co., Ltd. *	Manufacturing, sales and marketing, R&D	China	US$6,100,000	–	100%
Johnson Electric North America, Inc.	Sales and marketing	United States of America	US$120,000	–	100%
Johnson Electric Poland Sp.z o.o.	Manufacturing	Poland	PLN41,651,000	–	100%
Johnson Electric Private Limited	Manufacturing, sales and marketing	India	INR1,044,096,500	–	100%
Johnson Electric Services Italia S.r.l.	Provision of service	Italy	EUR10,000	–	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, R&D	Switzerland	CHF5,000,000	–	100%
Johnson Electric Technology Service (Shenzhen) Co Ltd *	Provision of service	China	USD130,000	–	100%

* Wholly foreign owned enterprises
\# Equity joint ventures

38. PRINCIPAL SUBSIDIARIES AND ASSOCIATES *(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 Trading Mexico, S. de R.L. de C.V.	Sales and marketing	Mexico	MXN3,000	–	100%
Johnson Electric World Trade Limited	Provision of service, sales and marketing	Hong Kong	HK$100,000	100%	–
Johnson Medtech (HK) Limited	Manufacturing, sales and marketing, R&D	Hong Kong	HK$1	–	100%
Johnson Medtech LLC	Sales and marketing, R&D	United States of America	US$1,000,000	–	100%
Johnson Medtech (Shenzhen) Co Ltd	Manufacturing, sales and marketing	China	US$2,100,000	–	100%
M.M.A. (Manufactura de Motores Argentinos) S.r.l.	Manufacturing, sales and marketing	Argentina	ARS3,880,000	–	100%
Nanomotion Ltd.	Manufacturing, sales and marketing, R&D	Israel	US$737,877.75	–	100%
Parlex Pacific Limited	Manufacturing, sales and marketing, R&D	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 LLC	Manufacturing, sales and marketing, R&D	United States of America	US$88,319,640	–	100%
Saia-Burgess Automotive Actuators LLC	Manufacturing, sales and marketing, R&D	United States of America	US$8,000,000	–	100%

* Wholly foreign owned enterprises
# Equity joint ventures

38. PRINCIPAL SUBSIDIARIES AND ASSOCIATES *(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					
Saia-Burgess Benelux B.V.	Sales and marketing	Netherlands	EUR135,000	–	100%
Saia-Burgess (China) Ltd *	Manufacturing, sales and marketing	China	US$6,500,000	–	100%
Saia-Burgess LLC	Manufacturing, sales and marketing, R&D	United States of America	US$12,600,126	–	100%
Shanghai Malu Ri Yong JEA Gate Electric Co Ltd #	Manufacturing, sales and marketing, R&D	China	RMB85,000,000	–	60%
Stackpole Automotive Engineered Products (Changzhou) Co Ltd *	Manufacturing, sales and marketing	China	US$15,000,000	–	100%
Stackpole International Engineered Products, Ltd.	Manufacturing, sales and marketing, R&D	Canada	CAD129,963,738	–	100%
Stackpole International Global Holding, Co., SA	Investment holding	Luxembourg	CAD8,401,525	–	100%
Stackpole International Powder Metal, Ltd.	Manufacturing, sales and marketing, R&D, licensing	Canada	CAD185,982,801	–	100%
Stackpole Powertrain International GmbH	Sales and marketing, R&D	Germany	EUR25,000	–	100%
V Motor (China) Ltd *	Manufacturing, sales and marketing	China	US$6,000,000	–	100%

* Wholly foreign owned enterprises
\# Equity joint ventures

38. PRINCIPAL SUBSIDIARIES AND ASSOCIATES *(Cont'd)*

Name	Principal activities	Place of incorporation/ establishment and operation	Issued and paid up capital	Effective shareholding by JEHL	Effective shareholding by subsidiary
Associates					
Halla Stackpole Beijing Automotive Co Ltd #	Manufacturing	China	US$14,000,000	–	30%
Halla Stackpole Corporation	Manufacturing, sales and marketing, R&D, licensing	Korea	KRW100,000,000	–	30%
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	2016	2015	2014
Consolidated income statement			
Sales	**2,235.9**	2,136.1	2,097.6
Earnings before interest and tax (EBIT) [1]	**209.8**	243.5	233.9
Profit before income tax	**206.6**	249.0	243.0
Income tax (expense) / income	**(23.9)**	(29.2)	(28.1)
Discontinued operations	**–**	–	–
Profit for the year	**182.7**	219.8	214.9
Non-controlling interests	**(10.0)**	(8.9)	(7.0)
Profit attributable to shareholders	**172.7**	210.9	207.9
Consolidated balance sheet			
Fixed assets	**759.0**	492.6	460.6
Goodwill and intangible assets	**1,083.4**	595.6	650.7
Cash and deposits	**193.3**	773.2	644.0
Other current and non-current assets	**1,113.7**	986.6	745.4
Total assets	**3,149.4**	2,848.0	2,500.7
Equity attributable to shareholders	**1,842.6**	1,862.3	1,732.3
Non-controlling interests	**42.2**	38.6	34.0
Total equity	**1,884.8**	1,900.9	1,766.3
Total debt [2]	**422.5**	291.3	116.9
Other current and non-current liabilities	**842.1**	655.8	617.5
Total equity and liabilities	**3,149.4**	2,848.0	2,500.7
Per share data [3]			
Basic earnings per share – continuing operations (US cents)	**20.1**	24.1	23.4
Dividend per share (US cents)	**6.3**	6.2	5.9
Closing stock price (HKD)	**24.0**	27.3	28.7
Other information			
Free cash flow from operations [4]	**70.8**	155.8	231.1
Earnings before interest, tax, depreciation and amortisation (EBITDA)	**321.9**	335.5	321.8
EBITDA to sales %	**14.4%**	15.7%	15.3%
Capital expenditure (CAPEX)	**186.2**	119.9	92.2
CAPEX to sales %	**8.3%**	5.6%	4.4%
Market Capitalisation	**2,643.3**	3,032.5	3,282.2
Enterprise Value (EV)	**2,914.7**	2,589.3	2,789.1
EV / EBITDA [5]	**7.9**	7.7	8.7
Ratios			
EBIT to sales %	**9.4%**	11.4%	11.2%
Return on average total equity % [6]	**9.7%**	12.0%	12.8%
Free cash flow from operations to debt %	**17%**	53%	198%
Total debt to EBITDA (times) [5]	**1.1**	0.9	0.4
Total debt to capital %	**18%**	13%	6%
Interest coverage (times) [7]	**22.3**	28.8	127.8

1 Earnings before interest and tax (EBIT) is defined as operating profit (per accounts) plus share of profits / (losses) of associate

2 Total debt calculated as borrowings plus convertible bonds

3 Per share data had been adjusted to reflect the impact of 1 for 4 share consolidation on 15 July 2014

4 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

5 EV / EBITDA and Total debt to EBITDA is calculated using EBITDA adjusted to include 12 months of Stackpole on a pro forma basis for FY2015/16, and excluding non-recurring items for FY2011/12

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

7 Interest coverage (times) is calculated by EBIT / interest expense

2013	2012	2011	2010*	2009	2008	2007
2,059.7	2,140.8	2,104.0	1,741.0	1,828.2	2,220.8	2,086.6
213.2	221.6	235.8	110.5	47.0	188.9	157.5
218.0	220.5	226.4	103.8	37.4	170.1	135.9
(21.1)	(31.6)	(36.1)	(16.4)	0.4	(31.9)	(22.9)
–	–	–	–	(31.1)	–	–
196.9	188.9	190.3	87.4	6.7	138.2	113.0
(5.6)	(2.2)	(8.6)	(10.4)	(4.1)	(7.4)	(3.3)
191.3	186.7	181.7	77.0	2.6	130.8	109.7
425.6	433.1	457.5	440.6	428.3	471.3	439.0
621.5	757.8	774.7	699.9	662.1	775.2	667.2
480.9	385.1	354.7	367.1	302.0	268.0	149.3
715.9	704.0	755.5	623.2	557.5	840.2	764.8
2,243.9	2,280.0	2,342.4	2,130.8	1,949.9	2,354.7	2,020.3
1,568.5	1,461.6	1,362.2	1,121.7	964.4	1,101.9	940.7
30.3	25.9	60.1	51.5	33.7	31.0	22.7
1,598.8	1,487.5	1,422.3	1,173.2	998.1	1,132.9	963.4
125.0	205.4	313.7	408.7	528.9	564.5	573.5
520.1	587.1	606.4	548.9	422.9	657.3	483.4
2,243.9	2,280.0	2,342.4	2,130.8	1,949.9	2,354.7	2,020.3
21.4	20.7	19.9	8.4	3.7	14.3	12.0
5.6	5.1	4.6	2.6	–	7.3	6.7
23.1	19.3	18.2	20.6	6.0	14.7	20.8
111.9	166.0	169.6	215.1	168.5	186.7	106.8
304.3	314.3	322.5	197.9	136.2	279.5	246.0
14.8%	14.7%	15.3%	11.4%	7.4%	12.6%	11.8%
82.6	91.3	85.6	38.0	62.8	97.1	76.1
4.0%	4.3%	4.1%	2.2%	3.4%	4.4%	3.6%
2,646.2	2,229.5	2,134.4	2,426.3	704.3	1,732.3	2,439.2
2,320.5	2,075.6	2,153.4	2,519.4	964.9	2,059.8	2,886.1
7.6	6.3	6.7	12.7	7.1	7.4	11.7
10.4%	10.4%	11.2%	6.3%	2.6%	8.5%	7.5%
12.8%	13.0%	14.7%	8.1%	0.6%	13.2%	12.4%
90%	81%	54%	53%	32%	33%	19%
0.4	0.7	1.0	2.1	3.9	2.0	2.3
7%	12%	18%	26%	35%	33%	37%
79.0	32.1	18.2	12.4	3.0	7.2	5.5

* Historical data for FY2009/10 had been restated for the adoption of HKAS 12 (amendment) – deferred tax related to investment properties. Historical data for FY2006/07 to FY2008/09 had not been restated in this summary.

PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Yik-Chun Koo Wang

Non-Executive Director

Honorary Chairman

Yik-Chun Koo Wang, age 98, 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 65, 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 is also a member of the Hong Kong Sanatorium & Hospital's Clinical Governance Committee. 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 69, 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 35, 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 is a Division Vice President, IPG Engineering Programs. 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 62, 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 67, 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 *CBE, FCA*

Independent Non-Executive Director

Chairman of Audit Committee and Member of Nomination and Corporate Governance Committee

Patrick Blackwell Paul, age 68, 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 57, 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 67, 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 Culture and Responsibility Committee and the Risk Committee of UBS Group AG, and a Board member and Chairman of Compensation & Assessment Committee of UnionPay International Co., Ltd. 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
Members of Audit Committee and Remuneration Committee
Christopher Dale Pratt, age 59, has been an Independent Non-Executive Director of the Company since 2014. He 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 an Independent Non-Executive Director of PureCircle Limited, Noble Group Limited and the Grosvenor Group Limited. He is also a senior advisor to Morgan Stanley Asia Limited. Mr. Pratt has retired as Vice Chairman of The Hong Kong General Chamber of Commerce. He was appointed 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 66, 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,
Industry Products Group
James Randolph Dick, age 62, 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 Industry Products Group sales, business development and engineering globally. He joined the Group in 1999. He has over 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.

Michael Philip Gannon

Senior Vice President,
Human Resources

Michael Philip Gannon, age 61, 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.

Robert Allen Gillette

Senior Vice President,
Supply Chain Services

Robert Allen Gillette, age 50, 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.

Christopher John Hasson

Executive Vice President

Christopher John Hasson, age 53, was educated at the University of Manchester and London Business School (Corporate Finance and Accounting). He is responsible for corporate business development, mergers and acquisitions, corporate strategic planning and for supervision of the legal and company secretarial functions. Prior to joining the Group in 2002, he was a partner at The Boston Consulting Group.

Kam-Chin Ko

Senior Vice President,
Automotive Products Group

Kam-Chin Ko, age 50, 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 globally. 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.

Yue Li

Senior Vice President,
Corporate Engineering

Yue Li, age 56, 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

Executive Vice President and
Chief Financial Officer

Jeffrey L. Obermayer, age 61, 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. Prior to his last position there as Vice President & Controller, Principal Accounting Officer, he was Vice President & Treasurer. He also worked with Arthur Andersen & Co. in Chicago, United States.

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 *CBE, FCA**
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
The Belvedere Building
69 Pitts Bay Road
Pembroke HM 08
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
Commerzbank AG
Bank of China (Hong Kong) Limited
Mizuho Bank, Ltd.
The Bank of Tokyo-Mitsubishi UFJ, Ltd.
Hang Seng Bank Limited
Citibank, N.A.
JPMorgan Chase Bank, N.A.
BNP Paribas
Standard Chartered Bank

Rating agencies

Moody's Investors Service
Standard & Poor's Ratings Services

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)

14 July 2016 (Thu)

Register of Shareholders

Closure of Register (both dates inclusive)
For attending AGM : 12 – 14 July 2016 (Tue – Thu)
For final dividend : 1 – 3 August 2016 (Mon – Wed)

Dividend (per Share)

Interim Dividend	: 15 HK cents
Paid on	: 6 January 2016 (Wed)
Final Dividend	: 34 HK cents
Payable on	: 12 August 2016 (Fri)

Johnson Electric Holdings Limited

12 Science Park East Avenue, 6/F
Hong Kong Science Park
Shatin, New Territories
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