Johnson Electric Holdings Limited
Interim Report 2018

JOHNSON ELECTRIC
innovating motion

(Stock Code: **179**)

Contents

HIGHLIGHTS

- Group sales US$1,678 million – up 9% compared to first half of the prior financial year. Excluding the impact of acquisitions and foreign exchange rate changes, sales increased 7%

- EBITDA increased 5% to US$273 million or 16.3% of sales (17.0% of sales in prior half year)

- Operating profit US$171 million or 10.2% of sales (compared to US$170 million or 11.1% of sales in prior half year)

- Net profit attributable to shareholders US$140 million or 15.76 US cents per share on a fully diluted basis (compared to US$140 million or 15.80 US cents per share in prior half year)

- Total debt to capital ratio of 19% and cash reserves of US$170 million as of 30 September 2018

- Interim dividend 17 HK cents per share (2.18 US cents per share) with a scrip dividend alternative

LETTER TO SHAREHOLDERS

Johnson Electric achieved satisfactory financial results for the six month period ended 30 September 2018 in the context of an increasingly challenging global operating environment.

Total group sales for the first half of the 2018/19 financial year totalled US$1,678 million, an increase of 9% over the first half of the prior financial year. Excluding the impact of acquisitions and foreign exchange rate changes, underlying sales increased 7%. Net profit attributable to shareholders was essentially unchanged year on year at US$140 million or 15.76 US cents per share on a fully diluted basis.

Johnson Electric continues to deliver healthy top line growth from both of its Automotive Products and Industry Products divisions. The long term shifts towards more electrified, more controllable and more connected end-products underpin demand for our motion technologies and solutions. Technology leadership combined with a global manufacturing footprint is a compelling value proposition to the more than 2,000 OEMs, system manufacturers and distributors across the world that comprise the Group’s diverse and growing customer base.

Overview of Financial Results

The Automotive Products Group (“APG”), excluding acquisitions, increased sales by 8% on a constant currency basis compared to the first half of the prior year. The strongest business unit performances came from Stackpole International, Powertrain Cooling and Engine & Transmission Management which are benefiting from the ramp-up of major customer programmes for a new generation of products.

APG’s strong overall sales performance comes against a subdued picture in terms of global automotive industry volume growth. North American light vehicle production grew by less than 1% during the period under review as rising interest rates and higher vehicle prices have begun to impact demand. In Europe, production volumes rose by just over 1% and there has recently been a reduction in output following the introduction of new emissions tests that has caused significant delays to the launch of new vehicle models. And in China, which has been the world’s largest and stand-out growth market for automobiles for the past decade, production growth slowed in the first half to below 3%. This reflected both a slowdown in domestic economic activity and a degree of natural maturing of a sector that has been expanding at exceptionally rapid levels.

The Industry Products Group ("IPG"), which contributed 23% of total Group sales, recorded 4% sales growth in constant currency terms in the first half. Among IPG's best performing segments were medical devices, power tools, ventilation and remote disconnect metering. All three major geographic regions achieved growth in sales despite the increasing global trade dispute and tighter financial conditions.

Gross profit increased 4% to US$398 million – which as a percentage of sales represented a decline from 24.9% to 23.8%. This decline in margins was largely due to the combination of higher material and labour costs, increased depreciation and competitive pricing pressure. Management is continuing to direct a major programme of capital investments in automation and business infrastructure to support the growth in new business awarded, reduce costs and strengthen the long term competitiveness of Johnson Electric's business model.

Group operating profits amounted to US$171 million compared to US$170 million in the first half of the prior financial year. In addition to the factors impacting gross margins noted above, the year on year comparison of reported operating income reflects the net effect of a number of positive and negative non-cash items. These include a valuation gain related to an acquisition in the prior half year period which was not repeated in the period under review, a mark-to-market liability related to structured foreign exchange contracts in the prior half year period that became a gain in the period under review and the revaluation of monetary assets and liabilities due to the effect of foreign currency movements.

Net profits attributable to shareholders totalled US$140.2 million compared to the prior half year's figure of US$140.5 million.

Interim Dividend

The Board has today declared an interim dividend of 17 HK cents per share, equivalent to 2.18 US cents per share (2017 interim: 17 HK cents per share). The interim dividend will be payable in cash with a scrip alternative where a 4% discount on the subscription price will be offered to shareholders who elect to subscribe for shares. Full details of the scrip dividend alternative will be set out in a circular to shareholders.

The interim dividend will be payable on 7 January 2019 to shareholders registered on 28 November 2018. The Board has further been informed that the controlling shareholder of the Company intends to subscribe for its entire eligible allocation of shares under the scrip dividend alternative.

US – China Tariffs

The most significant negative development impacting global manufacturing businesses over the past six months has been the escalating trade dispute between the USA and China.

Johnson Electric operates a global manufacturing footprint with over 30 facilities spanning 18 countries across four continents. Establishing and strengthening this global footprint has been a key element in our corporate strategy for the past several years and its intent is to ensure that the Group is effectively positioned to respond over time to changing customer demands, production and delivery costs, foreign exchange rate fluctuations, as well as taxes, tariffs and import duties.

Our current analysis of the three tranches of Section 301 tariffs recently imposed on goods imported into the USA from China indicates that these apply to Johnson Electric products that in aggregate contribute approximately 5% of the Group's total annual sales volume. This estimated direct sales exposure to Section 301 tariffs is not especially large in the context of the Group's highly diversified global sales base. Nonetheless, if a political resolution to this dispute cannot be found in the near future, we can foresee a period of increasing risk of disruption to global trade and manufacturing supply chains – with likely higher costs for businesses and consumers alike.

Business Outlook

Johnson Electric's portfolio of innovative products and technology solutions are well positioned to address the major trends shaping our end markets. And our gains in market share and growing book of new business wins gives us a high level of confidence about the underlying strength of our business.

In the near term, the indications are that many of the factors that shaped the performance of the business in the first half of the financial year are set to continue in the second half – but with an increasing downside risk with respect to the global economy. Order volumes in China and Europe remain somewhat below anticipated levels, though the outlook for second half sales for the Group as a whole currently looks broadly similar to the first half.

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

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

Hong Kong, 7 November 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL PERFORMANCE

US$ million	First half of FY18/19 [1]	First half of FY17/18
Sales	1,677.7	1,532.4
Gross profit	398.5	382.0
Gross margin	*23.8%*	*24.9%*
Profit attributable to shareholders	140.2	140.5
Diluted earnings per share (US cents)	15.76	15.80
EBITDA [2]	273.2	260.2
EBITDA margin	*16.3%*	*17.0%*
Free cash (out) / inflow from operations [3]	(2.8)	54.0

US$ million	30 Sep 2018	31 Mar 2018
Cash	169.9	168.9
Total debt	562.3	492.2
Net debt (total debt less cash)	392.4	323.3
Total equity	2,330.2	2,365.8
Market capitalisation [4]	2,448.1	3,236.1
Enterprise value [5]	2,907.2	3,626.7
EBITDA adjusted on a proforma basis [6]	532.8	521.8

Key Financial Ratios	30 Sep 2018	31 Mar 2018
Enterprise value to EBITDA [6]	5.5	7.0
Total debt to EBITDA [6]	1.1	0.9
Total debt to capital (total equity + total debt)	19%	17%

1 The first half of FY18/19 includes 6 months' results of Halla Stackpole ("HSC"). The first half of FY17/18 includes 5 months' results of HSC

2 Earnings before interest, tax, depreciation and amortisation

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 Outstanding number of shares multiplied by the closing share price (HK$22.10 per share as of 30 September 2018 and HK$29.45 per share as of 31 March 2018) converted to USD at the closing exchange rate

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

6 EBITDA was annualised using the last 12 months' results

BUSINESS REVIEW

Johnson Electric's Operating Model

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, the Group targets segments where long-term mega-trends, regulatory change or technology advancements are driving sustained demand. The Group seeks to work closely with its customers to understand their markets' requirements and key preferences.

Technology leadership and application specific knowhow are the drivers that make Johnson Electric a global leader in its industry. Over the past two decades, the Group has evolved from being a leading small precision motor manufacturer to providing the broadest set of motor and motion system solutions available in the market today – incorporating DC and AC motors, stepper motors, actuators, solenoids, switches, relays, precision gears, powder metal components, pumps and flexible printed interconnects.

Johnson Electric constantly challenges its 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 circumstances this can mean designing and delivering a solution that leverages the Group's scale to offer lower total transaction costs for a customer over their end-products entire life-cycle. In other cases, it can mean differentiating our product offering using new technology (or a combination of technologies) to provide a unique solution to a customer's problem, for example through lower energy consumption, lower weight, lower noise or higher performance.

The key goals of Johnson Electric's manufacturing strategy are to be global, flexible and cost competitive. To execute this strategy, the Group is progressively building out its operating footprint in Asia, the Americas and Europe. In addition to closer proximity to customers and faster delivery times, the benefits of this "in-region" manufacturing strategy include improved cost competitiveness and reduced exposure to foreign currency volatility, tariffs and single country risk. Additionally, as the size, scope and complexity of Johnson Electric's operations have grown, the Group is making significant investments in advanced automated manufacturing, standardisation of product design and the digitalisation of our business processes. This reflects the imperatives to ensure consistent quality of output everywhere the Group does business, flawlessly execute new product launches in high volumes across multiple regions and adapt its business model to one where some of the more labour intensive processes are increasingly performed by more capital intensive automation.

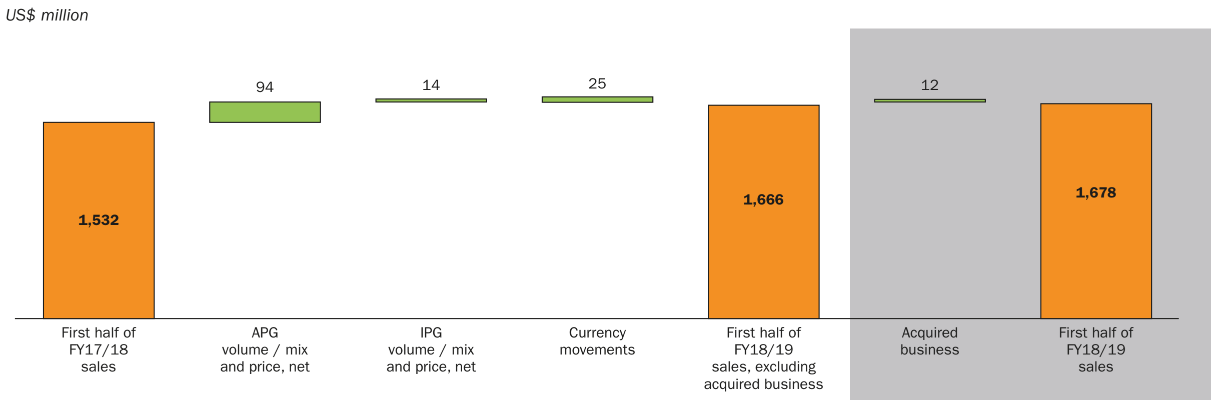
The Group's cost competitiveness is also enhanced through the commonalities shared by its operations including advanced technologies, manufacturing processes, vertical integration with certain components manufactured in-house, supply chain, brands, distribution channels and program management.

Sales

Sales increased US$145.3 million or 9% to US$1,677.7 million in the first half of FY18/19 (first half of FY17/18: US$1,532.4 million). Excluding acquisition effects and currency movements, sales increased US$108.7 million or 7% compared to the same period last year, as shown below:

US$ million	First half of FY18/19		First half of FY17/18		Change	
Automotive Products Group ("APG") sales						
– Excluding acquisition and currency movements	1,259.5	76%	1,165.2	76%	94.3	8%
– Acquired business	12.0	1%	–	0%	12.0	
– Subtotal	1,271.5	77%	1,165.2	76%	106.3	9%
– Currency movements	21.7		n/a		21.7	
APG sales	1,293.2		1,165.2		128.0	11%
Industry Products Group ("IPG") sales						
– Excluding currency movements	381.6	23%	367.2	24%	14.4	4%
– Currency movements	2.9		n/a		2.9	
IPG sales	384.5		367.2		17.3	5%
Group sales						
– Excluding acquisition and currency movements	1,641.1	99%	1,532.4	100%	108.7	7%
– Acquired business	12.0	1%	–	0%	12.0	
– Subtotal	1,653.1	100%	1,532.4	100%	120.7	8%
– Currency movements	24.6		n/a		24.6	
Group sales	**1,677.7**		**1,532.4**		**145.3**	**9%**

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



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

Volume / mix and price increased sales by US$108.7 million. Organic changes in the sales of the Automotive Products Group and the Industry Products Group are discussed on pages 9 to 11.

Newly acquired business increased sales by US$12.0 million.

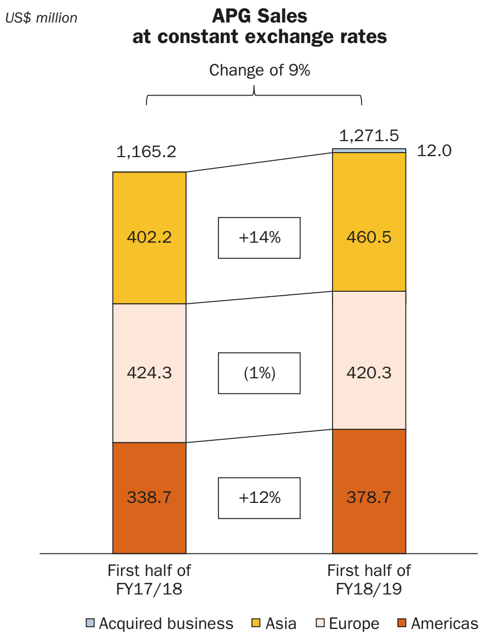
Currency movements had a positive impact on revenues of US$24.6 million due to the stronger Euro and Chinese Renminbi versus the US Dollar comparing average exchange rates for the first half of FY18/19 to the first half of FY17/18. The Group's sales are largely denominated in the US Dollar, the Euro, the Chinese Renminbi and the Canadian Dollar. See Note 1.3 to the consolidated financial statements ("accounts") for the main foreign currency translation rates.

Automotive Products Group

Through the combined effects of organic business growth and the acquisition of Halla Stackpole, APG's sales increased 9%, excluding currency movements.

Organic growth: APG's sales excluding currency effects and acquired business increased 8%, compared to the first half of FY17/18, while light vehicle production globally grew 2%. The market out-performance came from multiple product platforms as the industry increased its level of electrification to increase powertrain efficiency and reduce vehicle weight, while improving safety, reliability and comfort.

In Asia, sales increased 14%, significantly outpacing the 3% growth in light vehicle production in the region as APG benefited from new products, the ramp-up of recent platform launches and market share gains. This was reflected in increased sales of products for powertrain cooling, engine management, braking, power steering, heating, ventilation and air-conditioning and seat applications as well as engine and transmission oil pumps and powder metal parts.



Half-yearly trend in sales
(excluding acquired businesses and currency movements)

	APG sales growth / (decline) [1]			
Six month period ended	Asia	Europe	Americas	Total
30 September 2018	14%	(1%)	12%	8%
31 March 2018	17%	1%	17%	11%
30 September 2017	13%	3%	3%	6%
31 March 2017	22%	2%	4%	10%
30 September 2016	17%	2%	3%	7%
31 March 2016	5%	4%	6%	5%

1 Comparing each 6 months' results to the same period in the previous financial year

In Europe, sales decreased 1%, although light vehicle production in the region grew 1%. Some sales were delayed due to strict new European Union test procedures (Worldwide Harmonised Light Vehicle Test Procedure, "WLTP"). Additionally, a decline in sales of diesel engined light vehicles in the region reduced demand not only for the Group's products for diesel applications but also for ancillary systems for these vehicles. These adverse market impacts were partly offset by increased sales of products for thermal cooling applications, and engine and transmission oil pumps.

In the Americas, sales increased 12%, significantly ahead of the 2% growth in light vehicle production in the region. Sales of engine and transmission oil pumps in the region increased due to the ramp-up in volumes of Stackpole's recently launched lower-cost, more efficient pumps. Sales of powder metal parts and products for seat adjustment and powertrain cooling applications also grew as APG benefited from customer growth and the ramp-up of customer programs.

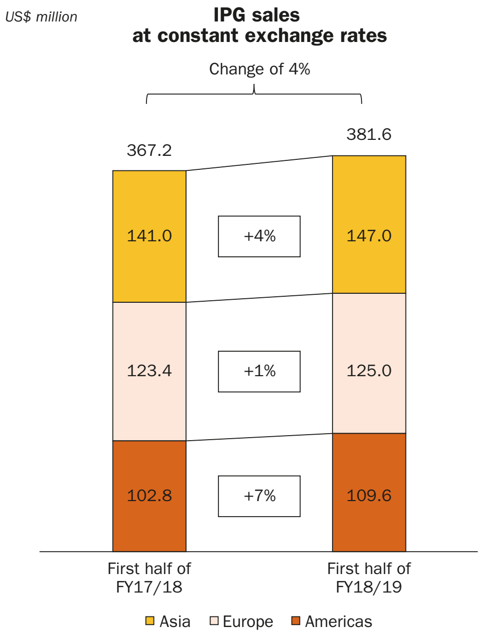
Viewed by major product lines:

- The Stackpole business, primarily engaged in the manufacture and sale of engine and transmission oil pumps and powder metal components, accounted for 22% of the Group's sales for the first half of FY18/19 (first half of FY17/18: 19%).

- 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 19% of the Group's sales for the first half of FY18/19 (first half of FY17/18: 19%).

Industry Products Group

IPG's sales, excluding currency movements, increased 4% for the first half of FY18/19 compared to the same period last year.



Sales in Asia increased 4%, continuing the growth seen in the previous two years. This was driven by increased market share and new program wins at existing customers. Sales in Europe increased 1%, driven by the continued production ramp-up of programs launched in the prior year, partially offset by the decline of certain older programs. Sales in the Americas increased 7%, continuing the turnaround seen in the second half of the previous financial year, driven by the programs awarded in the prior year.

Half-yearly trend in sales (excluding currency movements)

	IPG sales growth / (decline) [1]			
Six month period ended	Asia	Europe	Americas	Total
30 September 2018	4%	1%	7%	4%
31 March 2018	10%	4%	4%	6%
30 September 2017	15%	9%	(1%)	8%
31 March 2017	5%	20%	(1%)	7%
30 September 2016	1%	16%	(6%)	3%
31 March 2016	(17%)	11%	(4%)	(5%)

1 Comparing each 6 months' results to the same period in the previous financial year

IPG's "Solutions" business unit is focused on specific global market segments and key accounts. The majority of segments demonstrated revenue growth, with the largest increases achieved in key accounts followed by the medical, ventilation, piezoelectric, power tools, circuit breaker and window segments. Key accounts revenue growth was driven by increased demand and share at customers in the printer, floor care and small domestic appliance industries. Medical segment growth was driven by strong demand for surgical instruments. Growth in the ventilation segment was driven by share gain in bathroom exhaust fans. Growth was driven by winning new platforms in the piezo shutters market, the launch of new programs for power tools and increased customer demand in the circuit breaker segment. Window motorisation is a growing market trend in the USA.

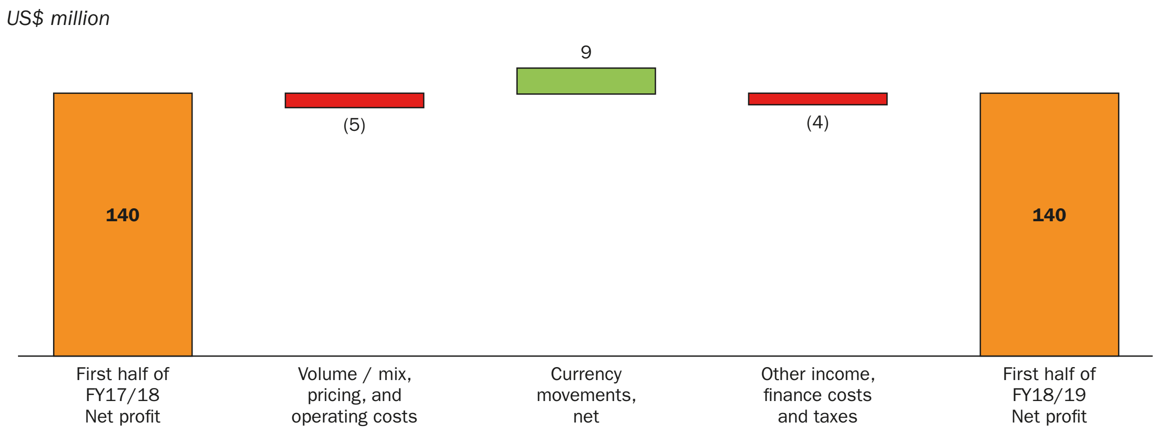
IPG's "Products" business unit is focused on a large number of medium sized accounts throughout the world, served through IPG's own sales teams as well as regional distributors. Revenue growth was seen in all regions. This growth was supported by an engineering focus on new products, production automation and cost reduction for motors, micro-switches, solenoids and flexible printed circuit products.

Profitability Review

Profit attributable to shareholders was flat at US$140.2 million in the first half of FY18/19, (first half of FY17/18: US$140.5 million).

US$ million	First half of FY18/19	First half of FY17/18	Increase / (decrease)
Sales	1,677.7	1,532.4	145.3
Gross profit	398.5	382.0	16.5
Gross margin %	*23.8%*	*24.9%*	
Other income and gains, net	23.3	13.3	10.0
Intangible assets amortisation expense	(21.1)	(19.8)	(1.3)
Intangible assets amortisation expense %	*1.3%*	*1.3%*	
Other selling and administrative expenses ("S&A")	(229.3)	(205.0)	(24.3)
Other S&A %	*13.7%*	*13.4%*	
Operating profit	171.4	170.5	0.9
Operating profit margin %	*10.2%*	*11.1%*	
Share of profit of associates	0.1	0.9	(0.8)
Net interest expense	(8.4)	(6.3)	(2.1)
Profit before income tax	163.1	165.1	(2.0)
Income tax expense	(19.1)	(19.5)	0.4
Effective tax rate	*11.7%*	*11.8%*	
Profit for the period	144.0	145.6	(1.6)
Non-controlling interests	(3.8)	(5.1)	1.3
Profit attributable to shareholders	140.2	140.5	(0.3)
Basic earnings per share (US cents)	16.22	16.31	(0.09)
Diluted earnings per share (US cents)	15.76	15.80	(0.04)

The drivers underlying the movement in profit attributable to shareholders are shown in the following chart:



Volume / mix, pricing and operating costs: Profits in the first half of FY18/19 were affected by the combined impact of delayed sales of automotive products in Europe due to the introduction of WLTP (as discussed in the Sales section, on page 10), wage inflation, price reductions, mix changes and costs incurred due to the imposition of US Section 301 Tariffs. This was partly offset by increased volumes overall and cost reduction activities. The net effect of these changes decreased net profit by US$5.2 million.

The gross profit margin decreased to 23.8% for the first half of FY18/19, from 24.9% for the same period last year for the reasons identified above. The sequential change in the gross profit margin by half-year is shown in the adjacent table. Selling and administrative expense, as a percentage of sales, increased to 13.7% from 13.4% in the same period in the prior year.

	Gross margin %
First half of FY17/18	24.9%
Second half of FY17/18	24.0%
First half of FY18/19	23.8%

Currency movements: 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. Currency movements increased net profit by US$9.2 million in the first half of FY18/19 as shown in the table below.

US$ million benefit / (expense) –	First half of FY18/19	First half of FY17/18	Change
Cost of goods sold includes:			
Foreign currency hedge – realised	(2.0)	(3.8)	1.8
Effect on cost of goods sold	(2.0)	(3.8)	1.8
Other income and gains includes:			
Foreign currency hedge * – unrealised	(3.2)	(1.2)	(2.0)
Revaluation of monetary assets and liabilities – unrealised	(12.8)	13.7	(26.5)
Effect of structured foreign currency contracts * – unrealised	22.7	(17.5)	40.2
Effect on other income – gains / (losses)	6.7	(5.0)	11.7
Other selling and administrative expenses includes:			
Foreign currency hedge – realised	8.7	13.7	(5.0)
Revaluation of monetary assets and liabilities – realised	1.1	(2.4)	3.5
Effect on other selling and administrative expenses	9.8	11.3	(1.5)
Combined effect of foreign exchange (excluding translation effect), net benefit	**14.5**	**2.5**	**12.0**
Translation effect in constant currency			(2.8)
Net effect of currency movements			**9.2**

* Further information on the Group's foreign exchange risk and forward foreign currency contracts can be found in the section on Financial Management and Treasury Policy on pages 20 to 22.

Other income, finance costs and taxes decreased profits for the first half of FY18/19 by US$4.3 million.

- Other income (excluding unrealised foreign exchange) decreased as the favourable impact of an increase in government grants and non-cash fair value gains on investment property in the first half of FY18/19 was exceeded by the favourable impact of a non-cash valuation gain on the deemed disposal of the pre-existing 30% holding in Halla Stackpole in the first half of FY17/18.

- Finance costs increased due to the combined effect of higher interest rates and higher levels of borrowing to fund the Group's investment in new product launches, enhanced automation, and building out its operating footprint. Finance income and costs are analysed in Note 17 to the accounts.

- The effective tax rate decreased slightly to 11.7% for the first half of FY18/19, from 11.8% for the same period last year. Taxes are analysed further in Note 19 to the accounts.

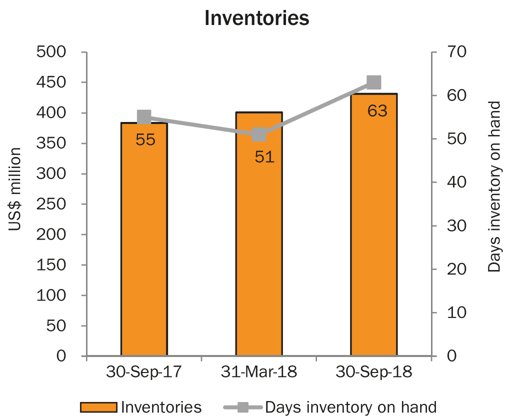
WORKING CAPITAL

US$ million	Balance sheet as of 31 Mar 2018	Currency translation	Working capital changes per cash flow	All other	Balance sheet as of 30 Sep 2018
Inventories	400.8	(15.0)	45.5	–	431.3
Trade and other receivables	771.4	(27.9)	(9.4)	–	734.1
Other non-current assets	32.0	(1.5)	1.2	5.1	36.8
Trade payables, other payables and deferred income [1]	(710.6)	29.0	(16.4)	6.5	(691.5)
Retirement benefit obligations [1, 2]	(32.9)	1.3	(1.6)	1.4	(31.8)
Provisions and other liabilities [1]	(45.4)	1.9	4.5	–	(39.0)
Other financial assets / (liabilities), net [1]	97.7	(0.5)	1.2	(59.1)	39.3
Total working capital per balance sheet	513.0	(12.7)	25.0	(46.1)	479.2

1 Current and non-current

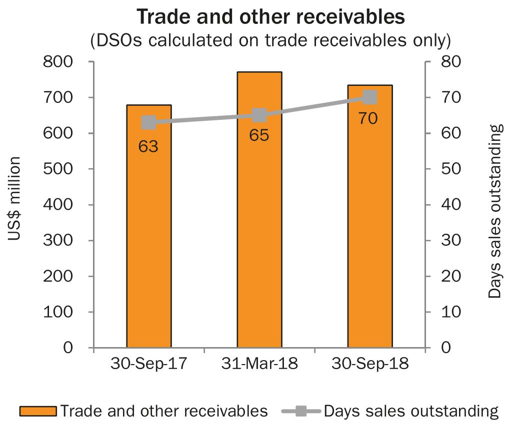
2 Net of defined benefit pension plan assets

Inventories increased US$30.5 million to US$431.3 million as of 30 September 2018 (31 March 2018, US$400.8 million) due to project launches and production ramp-ups and the seasonal effect of national holidays in the beginning of October in China, offset by currency effects. Additionally, in the European market, declining sales of diesel engined light vehicles and delayed sales of light vehicles generally as car manufacturers rushed to comply with WLTP testing rules increased inventory of finished goods and certain related components with long lead times as customers made late changes to delivery schedules.



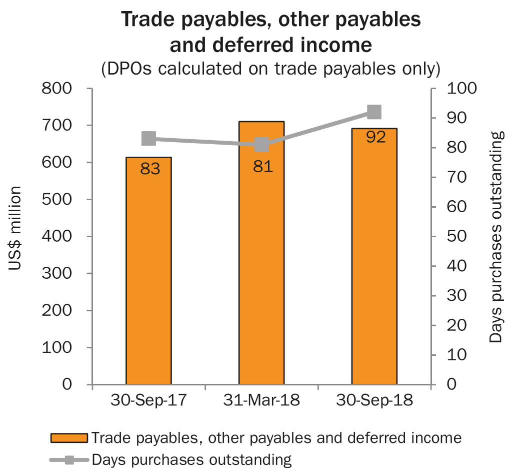
Days inventory on hand increased to 63 days as of 30 September 2018 from 55 days as of 30 September 2017 due to the above changes in the European market. Purchasing and production planning are being managed to reduce inventory of the affected parts to normal levels in the second half of FY18/19.

Trade receivables and other receivables decreased US$37.3 million to US$734.1 million as of 30 September 2018 (31 March 2018, US$771.4 million). Trade receivables decreased due to currency effects and seasonal effects partly offset by increased sample and tooling receivables and increased prepayments for raw materials.



Days sales outstanding ("DSOs") increased to 70 days as of 30 September 2018 from 63 days as of 30 September 2017 due to an increase in the proportion of sales to customers with longer credit terms. The Group's receivables are of high quality. Current receivables and overdue balances of less than 30 days remained at about 98% of gross trade receivables.

Trade payables, other payables and deferred income decreased US$19.1 million to US$691.5 million as of 30 September 2018 (31 March 2018, US$710.6 million) due to currency effects, payment of the prior year incentive compensation accrued as of 31 March 2018, seasonal effects in Europe and reduced accruals for capital expenditure, partly offset by increased payables for higher levels of materials purchased in Asia.



Days purchases outstanding ("DPOs") increased to 92 days as of 30 September 2018 from 83 days as of 30 September 2017 due to the combined effect of a temporary slowing in the usage of purchased materials as a result of the previously discussed changes in the European automotive market, and some suppliers offering longer credit to the Group.

Provisions and other liabilities decreased US$6.4 million to US$39.0 million as of 30 September 2018 (31 March 2018: US$45.4 million), largely due to the utilisation of warranty and restructuring provisions. For further details of provision and other liabilities, see Note 13 to the accounts.

Other financial assets / (liabilities), net decreased US$58.4 million to a net financial asset of US$39.3 million as of 30 September 2018 from a net financial asset of US$97.7 million as of 31 March 2018, due to changes in the fair values of the Group's hedge contracts.

Further details of the Group's hedging activities can be found in the Financial Management and Treasury Policy Section on pages 20 to 23 and in Notes 6 to the accounts.

CASH FLOW

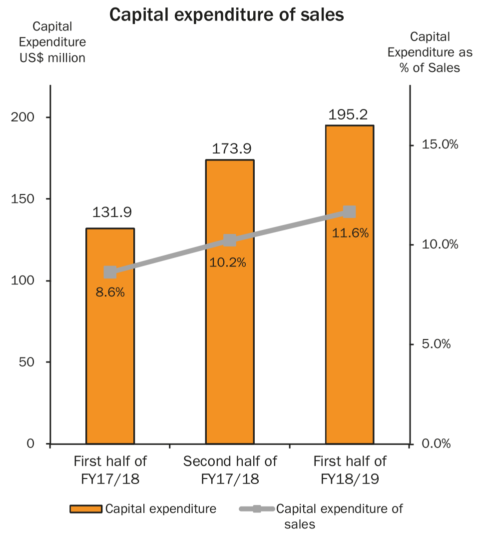
US$ million	First half of FY18/19	First half of FY17/18	Change
Operating profit [1]	172.1	171.5	0.6
Depreciation and amortisation	101.1	88.7	12.4
EBITDA	273.2	260.2	13.0
Other non-cash items	(23.7)	9.7	(33.4)
Working capital changes	(25.0)	(53.3)	28.3
Interest paid	(5.7)	(3.7)	(2.0)
Income taxes paid	(22.5)	(23.8)	1.3
Capital expenditure, net of subsidies	(195.2)	(131.9)	(63.3)
Proceeds from disposal of fixed assets	0.6	0.2	0.4
Capitalisation of engineering development costs	(5.1)	(4.0)	(1.1)
Interest received	0.6	0.6	–
Free cash (out) / inflow from operations	**(2.8)**	**54.0**	**(56.8)**
Acquisitions and related costs	–	(77.7)	77.7
Purchase of intangible assets	(1.1)	–	(1.1)
Dividends paid	(37.5)	(37.7)	0.2
Purchase of shares held for incentive share schemes	(1.5)	–	(1.5)
Other investing activities	(7.9)	0.1	(8.0)
Dividends paid to non-controlling interests	(5.5)	–	(5.5)
Other financing activities	–	(0.7)	0.7
Borrowing and bank overdrafts proceeds, net	88.3	86.7	1.6
Redemption of convertible bonds	(19.8)	–	(19.8)
Increase in cash (excluding currency movements)	12.2	24.7	(12.5)
Currency translation (losses) / gains on cash and cash equivalents	(11.2)	8.0	(19.2)
Net movement in cash	1.0	32.7	(31.7)

1 Operating profit plus US$0.7 million dividend received from associate in the first half of FY18/19 (first half of FY17/18: US$1.0 million)

The Group's operations utilised US$2.8 million cash in the first half of FY18/19; a US$56.8 million reduction from US$54.0 million free cash flow generated from operations in the first half of FY17/18. This movement in operating cash flows includes the followings:

- **Working capital changes** of US$25.0 million, especially due to inventory issues in Europe, as explained in the previous section.

- **Capital expenditure** of US$195.2 million in the first half of FY18/19. The Group continues to invest in new product launches; long-term technology / testing development; enhanced automation to standardise operating processes, further improve product quality and reliability and mitigate rising labour costs in China; building out its operating footprint; and on-going replacement of assets.



The net movement in cash includes the following:

- **Acquisitions and related costs:** In May 2017, the Group acquired a controlling interest in Halla Stackpole for cash outlay of US$76.9 million plus transaction costs of US$0.8 million. This acquisition increased the Group's equity interest in Halla Stackpole from 30% to 80%.

- **Other investing activities:** In the first half of FY18/19, the Group paid US$8.0 million to invest in an autonomous car start-up company focusing on the China market and received US$0.1 million in proceeds from the sale of financial assets at fair value through profit and loss.

- **Dividends** are discussed in the Financial Management and Treasury Policy Section on the following pages.

- **Redemption of convertible bonds**: This is discussed in the Financial Management and Treasury Policy Section on the following pages.

FINANCIAL MANAGEMENT AND TREASURY POLICY

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

Credit Rating

Johnson Electric subscribes to both Moody's Investors Service and Standard and Poor's (S&P) Ratings Services for independent long-term credit ratings. As of 30 September 2018, the Group maintained investment grade ratings from both agencies. These ratings reflect the Group's solid market position, stable profitability and prudent financial leverage.

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

Liquidity

Management believes the combination of cash on hand, available credit lines, access to the capital markets 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.

Net Debt and Credit lines

US$ million	30 Sep 2018	31 Mar 2018	Change
Cash	169.9	168.9	1.0
Borrowings (including Convertible Bonds)	(562.3)	(492.2)	(70.1)
Net debt	(392.4)	(323.3)	(69.1)
Available unutilised credit lines	939.6	905.6	34.0

Cash increased US$1.0 million to US$169.9 million as of 30 September 2018 as explained on pages 16 to 17.

US$ million	30 Sep 2018	31 Mar 2018
RMB	58.2	50.9
EUR	52.0	48.8
USD	19.9	33.1
KRW	16.4	12.6
Others	23.4	23.5
Total	169.9	168.9

Borrowings (including convertible bonds) increased US$70.1 million to US$562.3 million as of 30 September 2018 (31 March 2018: US$492.2 million). The most significant changes in borrowings were:

- **Loan from Export Development Canada**: US$100.0 million (US$99.6 million net of fees) was drawn down in June 2018. This loan is to fund the Group's general operating and capital expenditures. It has a 5 year term, with a fixed rate of 3.89%; and
- **Repurchase of convertible bonds** during the first half of FY18/19 reduced borrowings by US$19.8 million.

Borrowings by currency

US$ million	Total debt	Swap contracts	Total after effect of swaps	%
USD	476.0	(125.1)	350.9	62%
CAD	64.2	–	64.2	11%
HKD	10.0	(10.0)	–	0%
CNY	9.2	(9.2)	–	0%
EUR	2.9	152.1	155.0	27%
Total	562.3	7.8	570.1	100%

Balance Sheet presentation:

Borrowings – current	355.9
Borrowings – noncurrent	206.4
Gross debt	562.3
Swap contracts (Other financial liabilities)	7.8
Total debt including swap contracts	570.1

Further information on borrowings can be found in Note 11 to the accounts.

Gearing:

- The Group's total debt to capital ratio was 19% as of 30 September 2018, up from 17% as of 31 March 2018, as the Group increased its borrowings to fund capital expenditure.
- Total debt to EBITDA ratio increased to 1.1 as of 30 September 2018, up from 0.9 as of 31 March 2018, due to the increase in borrowings.
- Interest coverage (defined as EBITDA divided by gross interest expense) was 32 times for the twelve months ended 30 September 2018, compared to 41 times for the twelve months ended 30 September 2017.

Available credit lines – The Group had US$940 million available unutilised credit lines as of 30 September 2018, as follows:

- US$255 million committed revolving credit facilities, provided by certain of its principal bankers, was entirely unutilised. These facilities have expiry dates ranging from October 2018 to September 2021;
- US$562 million of uncommitted and unutilised revolving credit facilities, provided by its principal bankers; and
- US$123 million of uncommitted and unutilised trade receivable financing lines.

Dividends

The Board has declared an interim dividend of 17 HK cents per share for FY18/19, (FY17/18: 17 HK cents per share) equivalent to US$18.8 million, to be paid in January 2019. The Company intends to offer a scrip dividend option to Shareholders, which will allow them to receive new shares in lieu of cash, retaining cash within the Group to fund growth. Participation in the scrip dividend scheme will be optional. The Board has been informed that, subject to the granting of listing of, and permission to deal in, the new shares issued pursuant to the scrip dividend alternative on the Hong Kong Stock Exchange, the controlling shareholder of the Company intends to subscribe for its entire eligible allocation of shares under the scrip dividend alternative.

The Company paid a final dividend of 34 HK cents per share for FY17/18 equivalent to US$37.5 million in August 2018 (FY16/17: 34 HK cents per share, paid in August 2017).

Foreign Exchange Risk

The Group is exposed to foreign exchange risk and mitigates this risk through plain vanilla forward foreign currency contracts and structured foreign currency contracts. These contracts have varying maturities, ranging from 1 to 115 months as of 30 September 2018, to match the underlying cash flows of the business and included:

- Plain vanilla and structured forward contracts to sell Euro ("EUR") to create an economic hedge for Euro-denominated export sales into USD;
- Plain vanilla and structured forward contracts to sell the Canadian Dollar ("CAD") to create an economic hedge for materials purchased in USD for its operations in Canada;
- Plain vanilla and structured forward contracts to buy the Chinese Renminbi ("RMB") to create an economic hedge for production conversion costs and other operating costs denominated in this currency against its source of revenue; and
- Plain vanilla forward contracts to buy the Hungarian Forint ("HUF"), the Swiss Franc ("CHF"), the Mexican Peso ("MXN"), the Polish Zloty ("PLN"), the Israeli Shekel ("ILS"), the Serbian Dinar ("RSD") and the Indian Rupee ("INR") to create an economic hedge of production conversion costs and other operating costs denominated in these currencies against its source of revenue.

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

	First half of FY18/19	First half of FY17/18
USD	39%	39%
EUR	28%	30%
RMB	21%	19%
CAD	9%	9%
KRW	2%	2%
Others	1%	1%

Spot rates of significant currencies are shown in the table below:

	Spot rates as of 30 Sep 2018	Spot rates as of 31 Mar 2018	Strengthen/ (weaken)
USD per EUR	1.16	1.23	6%
CHF per EUR	1.14	1.18	3%
HUF per EUR	323.36	312.39	(3%)
CAD per USD	1.30	1.29	(1%)
RMB per USD	6.86	6.28	(8%)
MXN per USD	18.81	18.27	(3%)

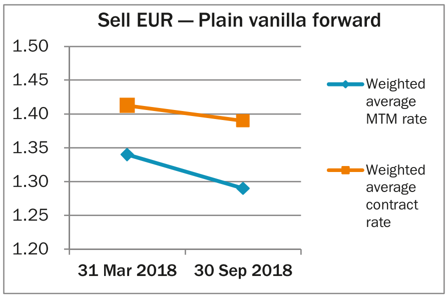
The Group also hedges its net investment in its European operations and its intragroup monetary balances to protect itself from exposure to future changes in currency exchange rates.

Fair net value of currency contracts, including plain vanilla forward foreign currency contracts, cross-currency interest rate swaps and structured foreign currency contracts decreased in value by US$20.3 million. This was largely due to unfavourable changes in the mark-to-market value of Chinese Renminbi contracts, partly offset by favourable changes in the mark-to-market value of Euro contracts, as shown in the table below:

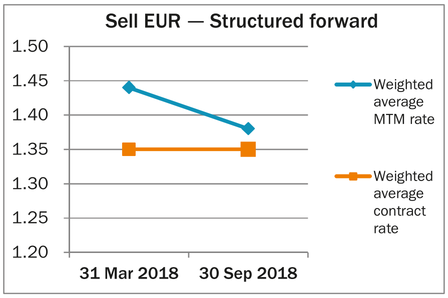
Financial assets / (liabilities) at fair value – currency contracts

US$ million		30 Sep 2018	31 Mar 2018	Change
Euro	Plain vanilla forward contracts	102.1	52.0	50.1
	Structured contracts	(11.9)	(36.5)	24.6
	Total	90.2	15.5	74.7
Chinese Renminbi	Plain vanilla forward contracts	(66.3)	32.2	(98.5)
	Structured contracts	2.7	4.7	(2.0)
	Total	(63.6)	36.9	(100.5)
Other	Plain vanilla forward contracts and swaps	(9.6)	(14.9)	5.3
	Structured contracts	–	(0.2)	0.2
	Total	(9.6)	(15.1)	5.5
Net fair value gains / (losses)	Plain vanilla forward contracts and swaps	26.2	69.3	(43.1)
	Structured contracts	(9.2)	(32.0)	22.8
	Total	17.0	37.3	(20.3)

As mark-to-market rates for plain vanilla contracts to sell the Euro declined further below the Group's weighted average contract rates, unrealised fair value gains on these contracts increased the related financial asset to US$102.1 million as of 30 September 2018 (31 March 2018: US$52.0 million financial asset).

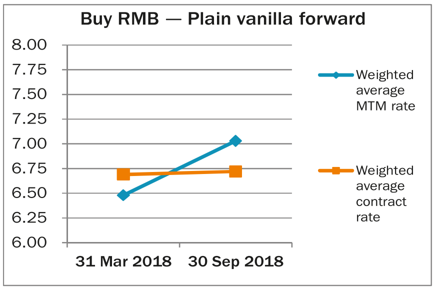


As mark-to-market rates for structured forward contracts to sell the Euro neared the Group's weighted average contract rates, unrealised fair value losses on these contracts decreased, reducing the related fair value financial liability to US$11.9 million as of 30 September 2018 (31 March 2018: US$36.5 million financial liability).

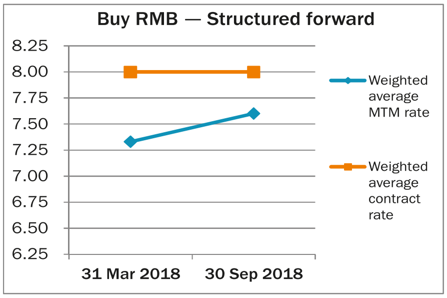


The overall effect of these changes was to increase the fair value of the Group's forward Euro contracts to a net financial asset of US$90.2 million as of 30 September 2018, from a net financial asset of US$15.5 million as of 31 March 2018.

As mark-to-market rates for plain vanilla contracts to buy the Chinese Renminbi increased and crossed the Group's weighted average contract rates, the unrealised fair value gains on these contracts became unrealised fair value losses. This created a financial liability of US$66.3 million as of 30 September 2018 (31 March 2018: US$32.2 million financial asset).



As mark-to-market rates for structured forward contracts to buy the Chinese Renminbi neared the Group's weighted average contract rates, unrealised fair value gains on these contracts decreased, reducing the related fair value financial asset to US$2.7 million as of 30 September 2018 (31 March 2018: US$4.7 million financial asset).



The overall effect of these changes was to turn the fair value of the Group's forward Chinese Renminbi contracts to a net financial liability of US$63.6 million as of 30 September 2018, from a net financial asset of US$36.9 million as of 31 March 2018.

The final realised gain or loss for each contract will crystallise based on the prevailing spot rate at the date of maturity versus the contract rate and will impact on cash flow at that time. In terms of estimating future cash flow, the contracts' rates at maturity compared to the spot rates as of 30 September 2018 would result in approximately:

- US$233 million cash flow benefit from plain vanilla forward foreign currency contracts and cross-currency interest rate swaps (31 March 2018: US$202 million)
- US$48 million cash flow benefit from structured foreign currency contracts (31 March 2018: US$36 million).

Further information about forward foreign currency exchange contracts can be found in Notes 6 and 7 to the accounts.

Raw Material 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 for steel up to 3 months forward with the Group's suppliers and through cash flow hedge contracts for iron ore and coking coal with varying maturities ranging from 4 to 31 months as of 30 September 2018.

Spot prices of significant raw material commodities are shown in the table below:

	Spot rates as of 30 Sep 2018	Spot rates as of 31 Mar 2018	Strengthen/ (weaken)
USD per metric ton of copper	6,180	6,685	(8%)
USD per ounce of silver	14.31	16.28	(12%)

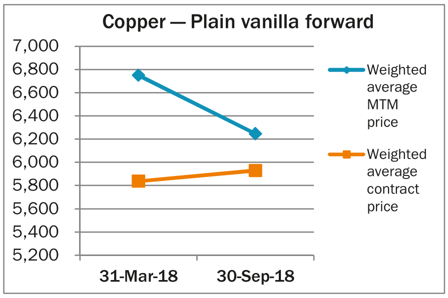
- Price risk due to copper, silver and aluminium is reduced by hedging through appropriate financial instruments with varying maturities ranging from 1 to 66 months as of 30 September 2018. The Group also manages these commodity prices by way of incorporating appropriate clauses in certain customer contracts to pass increases / decreases in raw material costs onto these customers.

Fair net value of commodity contracts, decreased in value by US$15.3 million. This was largely due to unfavourable changes in the mark-to-market value of copper contracts.

Fair value gains

US$ million	30 Sep 2018	31 Mar 2018	Change
Copper	9.6	26.0	(16.4)
Other	3.5	2.4	1.1
Total	13.1	28.4	(15.3)

As mark-to-market prices for plain vanilla contracts for copper neared the Group's weighted average contract prices, unrealised fair value gains on these contracts decreased, reducing the related fair value financial asset to US$9.6 million as of 30 September 2018 (31 March 2018: US$26.0 million financial asset).



Further information about raw material commodity contracts can be found in Note 6 to the accounts.

Counterparty Risk

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.

CORPORATE GOVERNANCE

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.

During the six months ended 30 September 2018, the composition of the Board of Directors ("Board") remained the same as set out in the Corporate Governance Report in the Company's Annual Report 2018.

During the six months ended 30 September 2018, the Company continued to abide by the corporate governance practices set out in the Corporate Governance Report in the Company's Annual Report 2018.

CORPORATE GOVERNANCE CODE

During the six months ended 30 September 2018, the Company complied with the code provisions set out in the Corporate Governance Code contained in Appendix 14 of the Rules Governing the Listing of Securities ("Listing Rules") on The Stock Exchange of Hong Kong Limited ("Stock Exchange"), except for the following:

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 that non-executive directors should be appointed for a specific term, subject to re-election.

Code A.4.2 provides, inter alia, 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.

CHANGES IN INFORMATION OF DIRECTORS

In accordance with Rule 13.51B(1) of the Listing Rules, the changes in information of Directors of the Company subsequent to the date of the Annual Report 2018 of the Company are set out below:

Mr. Peter Kin-Chung Wang ceased to be a member of the Anhui Provincial Committee of Chinese People's Political Consultative Conference.

Mr. Christopher Dale Pratt retired as an Independent Non-Executive Director of Noble Group Limited.

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 six months ended 30 September 2018.

REVIEW OF INTERIM RESULTS

The Company's interim report for the six months ended 30 September 2018 has been reviewed by the Audit Committee and the Company's auditor, PricewaterhouseCoopers.

DISCLOSURE OF INTERESTS

DIRECTORS

As of 30 September 2018, the interests of each Director and Chief Executive of the Company in the shares of the Company or any of the Company's associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept under Section 352 of the SFO were as follows:

Name	Shares of HK$0.05 each of the Company Personal Interests	Other Interests		Approximate % of shareholding
Yik-Chun Koo Wang	–	502,570,700	(Notes 1 & 2)	57.185
Patrick Shui-Chung Wang	1,988,500	–	(Note 3)	0.226
Winnie Wing-Yee Wang	643,500	–	(Note 4)	0.073
Austin Jesse Wang	304,375	–	(Note 5)	0.034
Peter Kin-Chung Wang	–	25,598,770	(Notes 6 & 7)	2.912
Peter Stuart Allenby Edwards	–	40,250	(Note 8)	0.004
Patrick Blackwell Paul	32,750	–		0.003
Michael John Enright	15,250	–		0.001
Joseph Chi-Kwong Yam	11,750	–		0.001
Christopher Dale Pratt	56,000	–		0.006

Notes:

1. These shares were held, directly or indirectly, by the trustees of various trusts associated with the Wang family.
2. Duplications of shareholdings occurred among and between the parties shown below under Substantial Shareholders.
3. The interest comprises 1,467,000 underlying shares in respect of the awarded shares granted, which remained unvested, under the Johnson Electric Restricted and Performance Stock Unit Plan.
4. The interest comprises 478,000 underlying shares in respect of the awarded shares granted, which remained unvested, under the Johnson Electric Restricted and Performance Stock Unit Plan.
5. The interest comprises 214,000 underlying shares in respect of the awarded shares granted, which remained unvested, under the Johnson Electric Restricted and Performance Stock Unit Plan.
6. 25,478,520 shares were held under a trust of which Peter Kin-Chung Wang was a beneficiary.
7. 120,250 shares were held beneficially by Peter Kin-Chung Wang's spouse.
8. These shares were held under a trust of which Peter Stuart Allenby Edwards was one of the beneficiaries.

Save as disclosed above, 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 the shares, underlying shares in, or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO).

At no time during the period, the Directors and Chief Executive (including their spouses and children under 18 years of age) had any 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 30 September 2018, the shareholders' interests being 5% or more of the Company's issued share capital as shown in the register of substantial shareholders maintained under Section 336 of the SFO or as otherwise notified to the Company and the Stock Exchange are set out below:

Name of shareholder	Capacity	Numbers of shares held	Approximate % of shareholding
Yik-Chun Koo Wang	Beneficiary of family trusts	502,570,700 (Notes 1 & 2)	57.18
Ansbacher (Bahamas) Limited	Trustee	221,760,000 (Note 1)	25.23
HSBC International Trustee Limited	Trustee	197,961,915 (Note 1)	22.52
Great Sound Global Limited	Interest of controlled corporation	196,335,340 (Note 3)	22.34
Winibest Company Limited	Beneficial owner	196,335,340 (Note 4)	22.34
Federal Trust Company Limited	Trustee	109,953,880 (Note 1)	12.51
Schroders Plc	Investment manager	61,294,737	6.97
Merriland Overseas Limited	Interest of controlled corporation	52,985,760 (Note 5)	6.02

Notes:

1. The shares in which Ansbacher (Bahamas) Limited was interested, 196,335,340 of the shares in which HSBC International Trustee Limited was interested and 84,475,360 of the shares in which Federal Trust Company Limited was interested were held, directly or indirectly, by them as trustees of various trusts associated with the Wang family and were included in the shares in which Yik-Chun Koo Wang was interested as referred to above under Directors' Disclosure of Interests.
2. The shares in which 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 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 30 September 2018, 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 Company and its subsidiaries ("Group") and to motivate them to strive for the future development and expansion of the Group.

During the six months ended 30 September 2018, the Company purchased 529,000 shares of the Company at a cost of HK$11.7 million in connection with the Stock Unit Plan for eligible employees and directors. The highest and the lowest purchase price paid per share were HK$23.00 and HK$21.10, respectively.

Movements in the number of unvested units 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 units granted (thousands)		
	Restricted Stock Units	Performance Stock Units	Total
Unvested units granted, as of 31 March 2018	7,024	6,560	13,584
Units granted to Directors and employees during the period	2,224	1,822	4,046
Shares vested to Directors and employees during the period	(2,181)	(1,878)	(4,059)
Forfeited during the period	(295)	(419)	(714)
Unvested units granted, as of 30 September 2018 and the date of this report	6,772	6,085	12,857

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

	Number of unvested units granted (thousands)		
Vesting period	Restricted Stock Units	Performance Stock Units	Total
FY19/20	3,086	2,890	5,976
FY20/21	1,541	1,476	3,017
FY21/22	1,785	1,719	3,504
FY23/24	360	–	360
Unvested units granted, as of the date of this report	6,772	6,085	12,857

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

Save as disclosed in Note 14 to the financial statements, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares during the six months ended 30 September 2018.

INTERIM DIVIDEND

The Board has declared an interim dividend of 17 HK cents equivalent to 2.18 US cents per share (2017: 17 HK cents or 2.18 US cents) payable on 7 January 2019 (Monday) to shareholders whose names appear on the Register of Shareholders of the Company on 28 November 2018 (Wednesday).

The Company intends to offer a scrip dividend option to shareholders, which will allow them to receive new shares in lieu of cash, retaining cash within the Group to fund growth. Participation in the scrip dividend scheme will be optional. The scrip dividend scheme is subject to the Stock Exchange granting the listing of and permission to deal in the new shares to be issued pursuant thereto.

A circular containing details of this scrip dividend scheme will be dispatched to shareholders together with an election form for the scrip dividend on or about 4 December 2018.

CLOSING REGISTER OF SHAREHOLDERS

The Register of Shareholders of the Company will be closed, for the purpose of determining shareholders' entitlement to the interim dividend, from 26 November 2018 (Monday) to 28 November 2018 (Wednesday) inclusive, during which no transfer of shares will be registered.

In order to qualify for the interim 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 23 November 2018 (Friday). Shares of the Company will be traded ex-dividend as from 22 November 2018 (Thursday).

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

CONTENTS

CONSOLIDATED BALANCE SHEET

As of 30 September 2018

	Note	**Unaudited 30 September 2018 US$'000**	Audited 31 March 2018 US$'000
Assets			
Non-current assets			
Property, plant and equipment	3	**1,159,846**	1,115,354
Investment property	4	**105,154**	99,199
Intangible assets	5	**1,141,697**	1,178,636
Investment in associates		**2,687**	3,448
Other financial assets	6	**97,207**	111,437
Financial assets at fair value through profit and loss	7	**14,088**	7,241
Defined benefit pension plan assets	12	**22,156**	21,783
Deferred income tax assets		**43,102**	44,272
Other non-current assets	10	**36,784**	31,962
		2,622,721	2,613,332
Current assets			
Inventories		**431,332**	400,765
Trade and other receivables	8 & 10	**734,107**	771,412
Other financial assets	6	**51,231**	40,361
Financial assets at fair value through profit and loss	7	**95**	63
Income tax recoverable		**3,615**	7,404
Cash and cash equivalents		**169,854**	168,942
		1,390,234	1,388,947
Current liabilities			
Trade payables	9	**356,454**	357,315
Other payables and deferred income	10	**314,567**	334,060
Current income tax liabilities		**43,520**	46,869
Other financial liabilities	6	**36,834**	12,200
Financial liabilities at fair value through profit and loss	7	**93**	78
Borrowings	11	**355,951**	126,110
Retirement benefit obligations	12	**495**	492
Provisions and other liabilities	13	**33,534**	39,546
		1,141,448	916,670
Net current assets		**248,786**	472,277
Total assets less current liabilities		**2,871,507**	3,085,609

	Note	Unaudited 30 September 2018 US$'000	Audited 31 March 2018 US$'000
Non-current liabilities			
Other payables and deferred income	10	**20,478**	19,196
Other financial liabilities	6	**72,318**	41,946
Financial liabilities at fair value through profit and loss	7	**12,926**	36,660
Borrowings	11	**206,393**	366,074
Deferred income tax liabilities		**96,376**	116,410
Put option written to a non-controlling interest	24	**73,930**	79,451
Retirement benefit obligations	12	**53,477**	54,206
Provisions and other liabilities	13	**5,420**	5,861
		541,318	719,804
NET ASSETS		**2,330,189**	2,365,805
Equity			
Share capital -- Ordinary shares (at par value)	14	**5,670**	5,670
Shares held for incentive share schemes (at purchase cost)	14	**(44,144)**	(55,219)
Reserves		**2,302,112**	2,347,995
		2,263,638	2,298,446
Non-controlling interests		**66,551**	67,359
TOTAL EQUITY		**2,330,189**	2,365,805

The notes on pages 40 to 81 form an integral part of these condensed consolidated interim financial statements.

CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2018

		Unaudited Six months ended 30 September	
	Note	**2018 US$'000**	2017 US$'000
Sales	2	**1,677,718**	1,532,445
Cost of goods sold		**(1,279,232)**	(1,150,454)
Gross profit		**398,486**	381,991
Other income and gains, net	15	**23,330**	13,307
Selling and administrative expenses	16	**(250,419)**	(224,825)
Operating profit		**171,397**	170,473
Share of profit of associates		**126**	949
Finance income	17	**613**	529
Finance costs	17	**(9,068)**	(6,861)
Profit before income tax		**163,068**	165,090
Income tax expense	19	**(19,068)**	(19,509)
Profit for the period		**144,000**	145,581
Profit attributable to non-controlling interests		**(3,785)**	(5,118)
Profit attributable to shareholders		**140,215**	140,463
Basic earnings per share for profit attributable to the shareholders for the period (expressed in US cents per share)	20	**16.22**	16.31
Diluted earnings per share for profit attributable to the shareholders for the period (expressed in US cents per share)	20	**15.76**	15.80

The notes on pages 40 to 81 form an integral part of these condensed consolidated interim financial statements.

Please see Note 21 for details of dividend.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2018

	Note	Unaudited Six months ended 30 September 2018 US$'000	 2017 US$'000
Profit for the period		**144,000**	145,581
Other comprehensive income / (expenses)			
Items that will not be recycled to profit and loss:			
Defined benefit plans			
– remeasurements	12	**1,311**	5,906
– deferred income tax effect		**37**	(678)
Hedging instruments for transactions resulting in the recognition of inventories and subsequently recognised to the income statement upon consumption			
– raw material commodity contracts			
– fair value (losses) / gains, net		**(13,701)**	21,438
– transferred to inventory and subsequently recognised in income statement	6(f)	**(6,098)**	245
– deferred income tax effect		**3,267**	(3,578)
Total items that will not be recycled to profit and loss directly		**(15,184)**	23,333
Items that will be recycled to profit and loss:			
Hedging instruments			
– forward foreign currency exchange contracts			
– fair value (losses) / gains, net		**(54,476)**	3,687
– transferred to income statement		**(5,334)**	(9,754)
– deferred income tax effect		**9,520**	(1,374)
– net investment hedge			
– fair value gains / (losses), net		**20,365**	(26,977)
Release of exchange reserve of an associate upon business combination		**–**	(469)
Currency translations of subsidiaries		**(100,504)**	109,342
Currency translations of associates		**(247)**	(18)
Total items that will be recycled to profit and loss directly		**(130,676)**	74,437
Other comprehensive (expense) / income for the period, net of tax		**(145,860)**	97,770
Total comprehensive (expense) / income for the period, net of tax		**(1,860)**	243,351
Total comprehensive (expense) / income attributable to:			
Shareholders		**(1,052)**	237,755
Non-controlling interests			
Share of profits for the period		**3,785**	5,118
Currency translations		**(4,593)**	478
		(1,860)	243,351

The notes on pages 40 to 81 form an integral part of these condensed consolidated interim financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2018

		Unaudited								
		Attributable to shareholders of JEHL								
	Note	Share capital US$'000	Other reserves * US$'000	Exchange reserve US$'000	Share-based employee compensation reserve US$'000	Hedging reserve US$'000	Retained earnings US$'000	Total US$'000	Non-controlling interests US$'000	Total equity US$'000
As of 31 March 2018		(49,549)	(234,321)	190,000	22,873	92,946	2,276,497	2,298,446	67,359	2,365,805
Profit for the period		–	–	–	–	–	140,215	140,215	3,785	144,000
Other comprehensive income / (expenses):										
Hedging instruments										
– raw material commodity contracts										
– fair value losses, net		–	–	–	–	(13,701)	–	(13,701)	–	(13,701)
– transferred to inventory and subsequently recognised in income statement	6(f)	–	–	–	–	(6,098)	–	(6,098)	–	(6,098)
– deferred income tax effect		–	–	–	–	3,267	–	3,267	–	3,267
– forward foreign currency exchange contracts										
– fair value losses, net		–	–	–	–	(54,476)	–	(54,476)	–	(54,476)
– transferred to income statement		–	–	–	–	(5,334)	–	(5,334)	–	(5,334)
– deferred income tax effect		–	–	(33)	–	9,553	–	9,520	–	9,520
– net investment hedge										
– fair value gains, net		–	–	20,365	–	–	–	20,365	–	20,365
Defined benefit plans										
– remeasurements	12	–	–	–	–	–	1,311	1,311	–	1,311
– deferred income tax effect		–	–	–	–	–	37	37	–	37
Currency translations of subsidiaries		–	–	(95,654)	–	(257)	–	(95,911)	(4,593)	(100,504)
Currency translations of associates		–	–	(247)	–	–	–	(247)	–	(247)
Total comprehensive (expenses)/income for the first half of FY18/19		–	–	(75,569)	–	(67,046)	141,563	(1,052)	(808)	(1,860)
Transactions with shareholders:										
Incentive share schemes										
– shares vested	14	12,572	1 ,114	–	(13,686)	–	–	–	–	–
– value of employee services	23	–	–	–	5,271	–	–	5,271	–	5,271
– purchase of shares	14	(1,497)	–	–	–	–	–	(1,497)	–	(1,497)
FY17/18 final dividend paid		–	–	–	–	–	(37,530)	(37,530)	–	(37,530)
Total transactions with shareholders		11,075	1 ,114	–	(8,415)	–	(37,530)	(33,756)	–	(33,756)
As of 30 September 2018		(38,474) **	(233,207)	114,431	14,458	25,900	2,380,530	2,263,638	66,551	2,330,189

* Other reserves mainly represent capital reserve, property revaluation reserve, equity component of convertible bonds (net of taxes), statutory reserve, reserve arising from put option written to a non-controlling interest and goodwill on consolidation.

** The total of US$(38.5) million is comprised by share capital of US$5.7 million and shares held for incentive share schemes of US$(44.2) million.

The notes on pages 40 to 81 form an integral part of these condensed consolidated interim financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2017

		Unaudited								
		Attributable to shareholders of JEHL								
	Note	Share capital US$'000	Other reserves * US$'000	Exchange reserve US$'000	Share-based employee compensation reserve US$'000	Hedging reserve US$'000	Retained earnings US$'000	Total US$'000	Non-controlling interests US$'000	Total equity US$'000
As of 31 March 2017		(59,143)	(171,218)	99,439	20,270	36,720	2,066,122	1,992,190	32,805	2,024,995
Profit for the period		–	–	–	–	–	140,463	140,463	5,118	145,581
Other comprehensive income/(expenses):										
Hedging instruments										
– raw material commodity contracts										
– fair value gains, net		–	–	–	–	21,438	–	21,438	–	21,438
– transferred to inventory and subsequently recognised in income statement	6(f)	–	–	–	–	245	–	245	–	245
– deferred income tax effect		–	–	–	–	(3,578)	–	(3,578)	–	(3,578)
– forward foreign currency exchange contracts										
– fair value gains, net		–	–	–	–	3,687	–	3,687	–	3,687
– transferred to income statement		–	–	–	–	(9,754)	–	(9,754)	–	(9,754)
– deferred income tax effect		–	–	–	–	(1,374)	–	(1,374)	–	(1,374)
– net investment hedge										
– fair value losses, net		–	–	(26,977)	–	–	–	(26,977)	–	(26,977)
Defined benefit plans										
– remeasurements	12	–	–	–	–	–	5,906	5,906	–	5,906
– deferred income tax effect		–	–	–	–	–	(678)	(678)	–	(678)
Release of exchange reserve of an associate upon business combination		–	–	(469)	–	–	–	(469)	–	(469)
Currency translations of subsidiaries		–	–	108,106	–	758	–	108,864	478	109,342
Currency translations of associates		–	–	(18)	–	–	–	(18)	–	(18)
Total comprehensive income for the first half of FY17/18		–	–	80,642	–	11,422	145,691	237,755	5,596	243,351
Transactions with shareholders:										
Appropriation of retained earnings to statutory reserve		–	2,084	–	–	–	(2,084)	–	–	–
Incentive share schemes										
– shares vested	14	9,557	484	–	(10,041)	–	–	–	–	–
– value of employee services	23	–	–	–	6,359	–	–	6,359	–	6,359
Non-controlling interest arising on business combination		–	–	–	–	–	–	–	25,133	25,133
Put option written to a non-controlling interest		–	(72,190)	–	–	–	–	(72,190)	–	(72,190)
FY16/17 final dividend paid		–	–	–	–	–	(37,735)	(37,735)	–	(37,735)
Total transactions with shareholders		9,557	(69,622)	–	(3,682)	–	(39,819)	(103,566)	25,133	(78,433)
As of 30 September 2017		(49,586)	(240,840)	180,081	16,588	48,142	2,171,994	2,126,379	63,534	2,189,913

* Other reserves mainly represent capital reserve, property revaluation reserve, equity component of convertible bonds (net of taxes), statutory reserve, reserve arising from put option written to a non-controlling interest and goodwill on consolidation.

CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 September 2018

	Note	Unaudited Six months ended 30 September 2018 US$'000	2017 US$'000
Cash flows from operating activities			
Earnings before interest, taxes, depreciation and amortisation	23	**273,153**	260,231
Other non-cash items	23	**(23,679)**	9,725
Change in working capital	23	**(24,981)**	(53,260)
Cash generated from operations	23	**224,493**	216,696
Interest paid		**(5,716)**	(3,657)
Income taxes paid		**(22,503)**	(23,763)
Net cash generated from operating activities		**196,274**	189,276
Investing activities			
Purchase of property, plant and equipment, land use rights and capitalised expenditure of investment property, net of subsidies		**(195,232)**	(131,956)
Proceeds from disposal of property, plant and equipment		**610**	142
Capitalised expenditure of engineering development	5 & 18	**(5,097)**	(3,996)
Finance income received		**613**	529
		(199,106)	(135,281)
Business combination *	24	**–**	(77,689)
Purchase of intangible assets		**(1,060)**	–
Purchase of financial assets at fair value through profit and loss		**(8,000)**	–
Proceeds from sale of financial assets at fair value through profit and loss		**57**	73
Net cash used in investing activities		**(208,109)**	(212,897)

* In the first half of FY17/18, the Group acquired an additional 50% equity interest in Halla Stackpole Corporation. Cash outlay in relation to this acquisition amounted to US$77.7 million. For details, please refer to Note 24.

	Note	Unaudited Six months ended 30 September 2018 US$'000	2017 US$'000
Financing activities			
Proceeds from bank borrowings		**123,406**	116,508
Repayments of bank borrowings and finance leases		**(35,061)**	(31,922)
Redemption of convertible bonds		**(19,778)**	–
Dividends paid to shareholders		**(37,530)**	(37,735)
Purchase of shares held for incentive share schemes		**(1,497)**	–
Dividends paid to non-controlling interests		**(5,458)**	–
Net cash generated from financing activities		**24,082**	46,851
Net increase in cash and cash equivalents		**12,247**	23,230
Cash and cash equivalents at beginning of the period		**168,942**	127,689
Currency translations on cash and cash equivalents		**(11,335)**	7,980
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		**(169,854)**	158,899

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

	Borrowings (current) US$'000	Borrowings (non-current) US$'000	Total US$'000
As of 31 March 2018	126,110	366,074	492,184
Currency translations	(1,192)	(100)	(1,292)
Cash flows			
– inflow from financing activities	58,800	64,606	123,406
– outflow from financing activities	(34,730)	(20,109)	(54,839)
– outflow from operating activities	–	(1,000)	(1,000)
Non-cash changes			
– finance costs	–	3,885	3,885
– reclassification	206,963	(206,963)	–
As of 30 September 2018	355,951	206,393	562,344

The notes on pages 40 to 81 form an integral part of these condensed consolidated interim financial statements.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. GENERAL INFORMATION AND BASIS OF PREPARATION

1.1 General Information

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.

These unaudited condensed consolidated interim financial statements are presented in US Dollars, unless otherwise stated and has been approved for issue by the Board of Directors on 7 November 2018. It has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim financial reporting" issued by the Hong Kong Institute of Certified Public Accountant ("HKICPA") and Appendix 16 of the Listing Rules of The Stock Exchange of Hong Kong Limited.

1.2 Basis of preparation

The accounting policies and methods of computation used in the preparation of these condensed consolidated interim financial statements are consistent with those used in the annual financial statements of the year ended 31 March 2018, except that the Group adopted all new standards, amendments to standards and interpretations of Hong Kong Financial Reporting Standards ("HKFRS") effective for the accounting period commencing 1 April 2018, which are disclosed in Note 29.

The preparation of interim financial statements 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. In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 March 2018.

1. GENERAL INFORMATION AND BASIS OF PREPARATION *(Cont'd)*

1.3 Exchange rates

The following table shows the exchange rates that are frequently used in the consolidated financial statements.

		Closing rate		Average rate for the period	
				Six months ended 30 September	
		30 September 2018	31 March 2018	**2018**	2017
1 foreign currency unit to USD:					
Swiss Franc	CHF	**1.023**	1.045	**1.016**	1.028
Euro	EUR	**1.164**	1.231	**1.177**	1.139
British Pound	GBP	**1.308**	1.408	**1.332**	1.294
1 USD to foreign currency:					
Brazilian Real	BRL	**3.994**	3.336	**3.762**	3.188
Canadian Dollar	CAD	**1.304**	1.292	**1.299**	1.297
Chinese Renminbi	RMB	**6.864**	6.279	**6.592**	6.758
Hong Kong Dollar	HKD	**7.816**	7.847	**7.847**	7.801
Hungarian Forint	HUF	**277.778**	253.807	**271.739**	270.270
Israeli Shekel	ILS	**3.607**	3.509	**3.605**	3.574
Indian Rupee	INR	**72.569**	65.274	**68.493**	64.350
Japanese Yen	JPY	**113.379**	106.838	**110.254**	110.988
Mexican Peso	MXN	**18.811**	18.272	**19.194**	18.175
Polish Zloty	PLN	**3.668**	3.415	**3.635**	3.722
Serbian Dinar	RSD	**102.041**	96.154	**100.000**	106.383

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.

2. SEGMENT INFORMATION *(Cont'd)*

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

	Six months ended 30 September	
	2018	2017
	US$'000	US$'000
Operating profit presented to management	**148,067**	157,166
Other income and gains, net (Note 15)	**23,330**	13,307
Operating profit per consolidated income statement	**171,397**	170,473

Sales

The Group recognises sales at a point in time on delivery of product to the customer and the transfer of the title and the risks of loss under the standard international commercial terms applicable to the contract.

Sales from external customers by business unit were as follows:

	Six months ended 30 September	
	2018	2017
	US$'000	US$'000
Automotive Products Group ("APG")	**1,293,254**	1,165,183
Industry Products Group ("IPG")	**384,464**	367,262
	1,677,718	1,532,445

The Stackpole business, primarily engaged in the manufacture and sale of engine and transmission oil pumps and powder metal components accounted for 22% of the Group's sales for the first half of FY18/19 (first half of FY17/18: 19%).

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 19% of the Group's sales for the first half of FY18/19 (first half of FY17/18: 19%).

2. SEGMENT INFORMATION *(Cont'd)*

Sales by geography

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

	Six months ended 30 September	
	2018	2017
	US$'000	US$'000
Europe *	**551,531**	543,697
North America **	**466,647**	419,941
People's Republic of China ("PRC")	**459,088**	391,985
Asia (excluding PRC)	**168,984**	150,141
South America	**21,857**	21,610
Others	**9,611**	5,071
	1,677,718	1,532,445

* Included in Europe were sales to external customers in Germany of US$103.4 million and France of US$66.5 million for the first half of FY18/19 (first half of FY17/18: US$106.9 million and US$70.1 million respectively).

** Included in North America were sales to external customers in the USA of US$358.8 million for the first half of FY18/19 (first half of FY17/18: US$350.3 million).

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

Segment assets

For the first half of FY18/19, the additions to non-current assets (other than deferred tax assets, other financial assets, financial assets at fair value through profit and loss and defined benefit pension plan assets) were US$200.9 million (first half of FY17/18: US$144.8 million) excluding the additions from acquisitions.

The non-current assets (other than goodwill, deferred tax assets, other financial assets, financial assets at fair value through profit and loss and defined benefit pension plan assets) by geographic location as of 30 September 2018 and 31 March 2018 were as follows:

	30 September 2018	31 March 2018
	US$'000	US$'000
Hong Kong ("HK") / PRC	**650,183**	619,880
Canada	**464,579**	454,280
Switzerland	**148,814**	150,465
Others	**407,461**	414,028
	1,671,037	1,638,653

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
First half of FY18/19						
As of 31 March 2018	208,422	537,566	212,523	102,137	54,706	1,115,354
Currency translations	(8,513)	(31,039)	(11,990)	(7,645)	(2,497)	(61,684)
Additions	2,276	25,446	144,535	11,651	4,556	188,464
Transfer	3,112	51,869	(72,832)	16,026	1,825	–
Disposals	–	(593)	–	(50)	(205)	(848)
Impairment charges (Note 18 & 23)	(31)	(376)	–	(39)	(4)	(450)
Depreciation (Note 18)	(7,005)	(47,020)	–	(20,793)	(6,172)	(80,990)
As of 30 September 2018	**198,261**	**535,853**	**272,236**	**101,287**	**52,209**	**1,159,846**
First half of FY17/18						
As of 31 March 2017	157,362	353,344	171,779	68,131	48,790	799,406
Currency translations	9,283	19,980	9,593	3,776	1,393	44,025
Business combination	10,201	50,096	6,774	460	1,470	69,001
Additions	3,344	17,788	91,535	8,468	2,946	124,081
Transfer	1,068	64,117	(90,889)	21,616	4,088	–
Disposals	–	(134)	–	(329)	(5)	(468)
Reversal of impairment charges (Note 18 & 23)	–	–	–	202	–	202
Depreciation (Note 18)	(6,293)	(40,845)	–	(16,038)	(6,522)	(69,698)
As of 30 September 2017	174,965	464,346	188,792	86,286	52,160	966,549

* Other assets comprise computers, furniture and fixtures, motor vehicles and aircraft. Where such assets require some degree of assembly or installation, they are first recorded in assets under construction and are then transferred to other assets once they are ready for use.

4. INVESTMENT PROPERTY

	2018 US$'000	2017 US$'000
As of 31 March	**99,199**	93,385
Currency translations	**(693)**	284
Fair value gains (Note 15 & 23)	**6,368**	–
Capitalised expenditure	**280**	1,492
As of 30 September	**105,154**	95,161

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
First half of FY18/19							
As of 31 March 2018	789,946	53,574	24,699	73,880	220,977	15,560	1,178,636
Currency translations	(14,815)	(841)	(1,018)	(1,046)	(4,039)	(1,368)	(23,127)
Additions	–	–	1,060	–	–	1,136	2,196
Capitalisation of engineering development costs (Note 18)	–	–	5,097	–	–	–	5,097
Amortisation (Note 18 & 23)	–	(6,873)	(3,069)	(1,207)	(9,847)	(109)	(21,105)
As of 30 September 2018	**775,131**	**45,860**	**26,769**	**71,627**	**207,091**	**15,219**	**1,141,697** *
First half of FY17/18							
As of 31 March 2017	721,580	64,651	19,218	73,566	204,672	2,385	1,086,072
Currency translations	34,902	2,949	1,454	3,954	13,245	339	56,843
Business combination	30,919	–	–	–	25,374	–	56,293
Additions	–	–	–	–	–	12,648	12,648
Capitalisation of engineering development costs (Note 18)	–	–	3,996	–	–	–	3,996
Amortisation (Note 18 & 23)	–	(6,749)	(2,403)	(1,221)	(9,361)	(106)	(19,840)
As of 30 September 2017	787,401	60,851	22,265	76,299	233,930	15,266	1,196,012

* Total intangible assets as of 30 September 2018 and 31 March 2018 were denominated in the following underlying currencies.

	USD equivalent	
	30 September 2018 US$'000	31 March 2018 US$'000
In CAD	**471,363**	481,746
In CHF	**421,332**	439,906
In EUR	**84,245**	87,467
In USD	**83,997**	83,964
In KRW	**58,601**	61,868
In RMB	**15,219**	15,560
In GBP	**6,940**	8,125
Total intangible assets	**1,141,697**	1,178,636

6. OTHER FINANCIAL ASSETS AND LIABILITIES

	30 September 2018			31 March 2018		
	Assets	(Liabilities)	Net	Assets	(Liabilities)	Net
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Cash flow hedge						
– raw material commodity contracts (Note a(i))	17,670	(4,546)	13,124	29,316	(917)	28,399
– forward foreign currency exchange contracts (Note a(ii))	108,033	(88,816)	19,217	108,089	(28,731)	79,358
Net investment hedge (Note b)						
– forward foreign currency exchange contracts and cross currency interest rate swaps	20,896	(13,673)	7,223	10,743	(24,420)	(13,677)
Fair value hedge (Note c)						
– forward foreign currency exchange contracts and cross currency interest rate swaps	1,324	(1,553)	(229)	1,404	(73)	1,331
Held for trading (Note d)	515	(564)	(49)	2,246	(5)	2,241
Total (Note e)	148,438	(109,152)	39,286	151,798	(54,146)	97,652
Current portion	51,231	(36,834)	14,397	40,361	(12,200)	28,161
Non-current portion	97,207	(72,318)	24,889	111,437	(41,946)	69,491
Total	148,438	(109,152)	39,286	151,798	(54,146)	97,652

Note:

(a) Cash flow hedge

(i) Raw material commodity contracts

Copper, silver, aluminium, iron ore and coking coal forward commodity contracts as per the table on the following page are designated as cash flow hedges. Gains and losses initially recognised in the hedging reserve will be transferred to the balance sheet within inventories and subsequently recognised in the income statement in the period or periods in which the underlying hedged copper, silver, aluminium and steel (by iron ore and coking coal contracts) volumes are consumed and sold.

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

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

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

As of 30 September 2018, 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$)	Remaining maturities range (months)	Assets / (liabilities), net carrying value (US$'000)
Cash flow hedge contracts							
Copper commodity	30,225 metric ton	179.2	5,930	6,180	6,247	1 – 66	9,607
Silver commodity	430,000 oz	6.9	16.01	14.31	15.01	1 – 24	(428)
Aluminium commodity	400 metric ton	0.8	2,078	2,012	2,064	1 – 6	(6)
Iron ore commodity	169,500 metric ton	8.3	49	68	65	4 – 31	2,823
Coking coal commodity	43,500 metric ton	6.6	152	197	178	7 – 30	1,128
Total							13,124

(ii) Forward foreign currency exchange contracts

The EUR, CAD, PLN, RSD, ILS, CHF, HUF, MXN and RMB forward foreign currency exchange contracts as per the table on the following page are designated as cash flow hedges. The Group has sales in EUR, thus it entered into EUR forward foreign currency exchange contracts. The Group incurs the majority of its operating expenses (including conversion costs) in domestic currencies in China, Hungary, Poland, Switzerland, Mexico, Serbia and Israel, hence, it entered into forward foreign currency exchange contracts to hedge these expenses against its source of revenue. The Group also entered into sell CAD forward foreign currency exchange contracts to hedge the material purchases in USD for its operations in Canada. 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).

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

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

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

As of 30 September 2018, 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 620.1	1.42	1.16	1.28	1 – 84	880.5	85,347
Sell CAD forward	USD	CAD 221.8	1.25	1.30	1.29	1 – 39	177.4	5,297
Buy PLN forward	EUR	PLN 722.5	4.70	4.27	4.58	1 – 72	178.9	4,659
Buy RSD forward	EUR	RSD 4,883.7	123.18	118.79	120.89	1 – 24	46.2	876
Buy ILS forward	USD	ILS 0.6	3.60	3.61	3.63	1	0.2	(1)
Buy CHF forward	EUR	CHF 108.7	1.12	1.14	1.13	1 – 15	113.0	(1,279)
Buy HUF forward	EUR	HUF 56,701.5	334.31	323.36	337.37	1 – 72	197.4	(1,792)
Buy MXN forward	USD	MXN 2,599.3	20.32	18.81	21.60	1 – 72	127.9	(7,587)
Buy RMB forward	USD	RMB 10,242.4	6.72	6.86	7.03	1 – 72	1,524.0	(66,303)
Total								19,217

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

(b) Net investment hedge

The Group hedges its net investment in its European, Canadian and Brazilian operations to protect itself from exposure to future changes in currency exchange rates. The EUR, CAD and BRL forward foreign currency exchange contracts and EUR cross currency interest rate swaps as per the table on the following page 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 operations.

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

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

As of 30 September 2018, 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 133.0	1.38	1.16	1.26	1 – 75	183.8	16,292
Sell CAD forward	USD	CAD 33.9	1.25	1.30	1.30	1 – 13	27.2	1,076
Sell BRL forward	USD	BRL 9.7	3.87	3.99	4.02	1 – 4	2.5	93
Cross currency interest rate swaps (pay EUR, receive USD)	USD	EUR 130.6	1.11	1.16	1.19	28 – 40	145.0	(10,238)
Total								7,223

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

(c) Fair value hedge

The EUR forward foreign currency exchange contracts as per the table below are designated as fair value hedges to hedge the currency risk from EUR of intragroup monetary balances, results in exchange gains or losses which are not fully eliminated on consolidation. The HKD and RMB cross currency swap contracts are designated to hedge the currency risk from HKD and RMB loan balance. Gains and losses are recognised in the income statement.

As of 30 September 2018, 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)
Fair value hedge contracts								
Sell EUR forward	USD	EUR 292.5	1.33	1.16	1.33	1 – 115	390.0	273
Buy EUR forward	USD	EUR 11.9	1.15	1.16	1.16	1	13.7	174
Cross currency interest rate swaps (pay USD, receive HKD)	USD	HKD 78.5	7.85	7.82	7.87	12	10.0	(32)
Cross currency interest rate swaps (pay USD, receive RMB)	USD	RMB 63.0	6.35	6.86	6.79	8	9.9	(644)
Total								(229)

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

6. 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 30 September 2018, 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)
Held for trading contracts								
Buy HKD structured forward	USD	HKD 39.3	7.85	7.82	7.82	1 – 5	5.0	18
Buy INR forward	USD	INR 1,662.3	79.16	72.57	79.41	1 – 50	21.0	(67)
Total								(49)

* Weighted average contract rate is a ratio defined as notional value / settlement value.

(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 income statement effect from raw material commodity and foreign currency exchange contracts and the cross currency interest rate swaps recognised in the first half of FY18/19 was a net gain of US$11.0 million (first half of FY17/18: net gain of US$9.8 million).

	Six months ended 30 September	
Benefit / (expense)	**2018 US$'000**	2017 US$'000
Cost of goods sold includes:		
Effect of raw material commodity contracts	**6,098**	(245)
Effect of forward foreign currency exchange contracts	**(2,032)**	(3,769)
Effect on cost of goods sold	**4,066**	(4,014)
Other income and gains includes:		
Effect of forward foreign currency exchange contracts (Note 15)	**(3,190)**	(1,221)
Selling and administrative expenses includes:		
Effect of forward foreign currency exchange contracts (Note 16)	**8,706**	13,708
Other includes:		
Cross currency interest rate swaps	**1,457**	1,292
Effect of other financial assets and liabilities in consolidated income statement, net gain	**11,039**	9,765

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

(g) As of 30 September 2018, the balance in the exchange reserve for continuing hedges that are accounted for as a net investment hedge was US$35.9 million (31 March 2018: US$15.5 million).

(h) Estimate of future cash flow
In terms of estimating future cash flow, the contracts' rate at maturity compared to the spot rate for the currency and commodity agreements as of 30 September 2018 would result in approximately US$246 million cash flow benefit (31 March 2018: US$230 million).

7. FINANCIAL ASSETS/LIABILITIES AT FAIR VALUE THROUGH PROFIT AND LOSS

	30 September 2018			31 March 2018		
	Assets	(Liabilities)	Net	Assets	(Liabilities)	Net
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Fair value of a call option related to the acquisition of Halla Stackpole (Note a)	2,361	–	2,361	2,511	–	2,511
Unlisted preference shares (Note b)	8,000	–	8,000	–	–	–
Structured foreign currency contracts (Note c)	3,822	(13,019)	(9,197)	4,793	(36,738)	(31,945)
Total	14,183	(13,019)	1,164	7,304	(36,738)	(29,434)
Current portion	95	(93)	2	63	(78)	(15)
Non-current portion	14,088	(12,926)	1,162	7,241	(36,660)	(29,419)
Total	14,183	(13,019)	1,164	7,304	(36,738)	(29,434)

Note:

(a) Fair value of a call option related to the acquisition of Halla Stackpole
The Group has been granted a call option in which the Group shall have the right to require Halla Holdings Corporation to sell all of its rights to the Group, exercisable at any time during a 4-year period immediately following the expiry of the Put Exercise Period. Please see details in Note 24.

(b) Unlisted preference shares
On 8 September 2018, the Group invested US$8.0 million in an autonomous driving start-up company focusing on the China market. The fair value of the investment is approximately equal to its carrying value as of 30 September 2018.

7. FINANCIAL ASSETS/LIABILITIES AT FAIR VALUE THROUGH PROFIT AND LOSS *(Cont'd)*

(c) Structured foreign currency contracts (economic hedge)

The Group assesses its hedging position requirements based on the estimated future exposures of the underlying transactions and the potential fluctuation of the foreign currencies.

In FY17/18, the Group entered into structured foreign currency contracts for economic hedging purposes, for mitigating potential future risks from changes in currency exchange rates. These structured contracts achieved exchange rates that were not available at the time using plain vanilla contracts. These contracts are intended to minimise the currency exposure for the Group's sales denominated in EUR, its net investment in Europe denominated in EUR, purchases denominated in USD for its operations in Canada and RMB expenses for its operations in China. These contracts have option features written to the counterparty banks, which potentially reduce the notional value to be delivered. Therefore, they do not qualify for hedge accounting under HKFRS 9. Consequently, the unrealised mark-to-market adjustments flow through the income statement in each accounting year and will eventually reverse on settlement at the various option expiration dates. The final realised gain or loss for each contract will crystallise based on the prevailing spot rate at the date of maturity versus the contract rate. The weighted average contract rates are shown on the next page.

The Group considers these contracts as economic hedges, since the contracts are able to mitigate the risk of foreign exchange movements in underlying transactions and assets. The maximum deliverable amounts of the structured foreign currency contracts will not exceed the Group's future needs. The Group's exposure to EUR, RMB and CAD cash flows over the remaining maturity periods is summarised below:

	Sell EUR (EUR million)	Buy RMB (RMB million)	Sell CAD (CAD million)
Hedge – by plain vanilla	620.1	10,242.4	221.8
Economic hedge – by structured forward			
– minimum possible hedge	174.8	208.0	19.1
– maximum possible hedge	346.6	416.0	35.6
Hedged % *			
– Plain vanilla	57%	61%	56%
– Plain vanilla and structured forward – minimum	73%	62%	61%
– Plain vanilla and structured forward – maximum	89%	63%	65%

* The hedged % is based on actual requirements in the first half of FY18/19 and therefore does not factor in future growth.

In the first half of FY18/19, gains on structured foreign currency contracts increased net profit by US$19.8 million, net of tax (US$22.7 million pre-tax) (first half of FY17/18: losses decreased net profit by US$14.9 million, pre-tax US$17.5 million).

7. FINANCIAL ASSETS/LIABILITIES AT FAIR VALUE THROUGH PROFIT AND LOSS *(Cont'd)*

(c) Structured foreign currency contracts (economic hedge) *(Cont'd)*

As of 30 September 2018, the Group had the following structured foreign currency contracts:

	Option features	Settlement currency	Notional value – minimum (million)	Notional value – maximum (million)	Range of contract rates	Weighted average contract rate *	Remaining maturities range (months)	Assets / (liabilities), net carrying value (US$'000)
Structured foreign currency contracts								
Sell EUR (for sales)	Reduction of notional amount	USD	EUR 174.8	EUR 346.6	1.30 - 1.39	1 .35	22 - 71	(8,723)
Sell EUR (for net investment)	Reduction of notional amount	USD	EUR 50.0	EUR 100.0	1.36 - 1.40	1 .38	51 - 75	(3,182)
Sell CAD	Reduction of notional amount	USD	CAD 19.1	CAD 35.6	1.26 - 1.29	1 .27	1 - 15	3
Buy RMB	Reduction of notional amount	USD	RMB 208.0	RMB 416.0	8.00 - 8.01	8 .00	40 - 56	2,705
Total								(9,197)

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

The latest structured foreign currency contract was entered on 11 August 2017.

Sensitivity

As of 30 September 2018, a 1% change in the exchange rate for EUR, RMB and CAD respectively against the USD will have the following impact to the Group's income statement:

	Profit before income tax increase / (decrease)		
	EUR contracts	RMB contracts	CAD contracts
Increase by 1%	US$(3.7) million	US$(0.3) million	US$0.2 million
Decrease by 1%	US$2.7 million	US$0.2 million	US$(0.2) million

Due to the non-linear characteristics of these structured foreign exchange contracts, the incremental fair value change due to the fluctuation of the foreign currency will decrease (i.e. the fair value change of a 2% change in exchange rate is less than twice of 1% change in exchange rate).

Estimate of future cash flow

In terms of estimating future cash flow, the structured contract rates at maturity compared to spot rates as of 30 September 2018 would give rise to a cash flow benefit of approximately US$48 million (assuming minimum delivery for EUR, CAD and RMB contracts depending on the contract delivery rate) (31 March 2018: US$36 million).

8. TRADE AND OTHER RECEIVABLES

	30 September 2018 US$'000	31 March 2018 US$'000
Trade receivables – gross	**612,206**	643,153
Less: impairment of trade receivables	**(2,082)**	(1,816)
Trade receivables – net	**610,124**	641,337
Prepayments and other receivables	**123,983**	130,075
	734,107	771,412

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 overdue date

The Group normally grants credit terms ranging from 30 to 105 days to its trade customers and considered collectively based on shared credit risk characteristics and days overdue. It has a policy in place to evaluate customers' credit risk by considering their current financial position and past repayment history. Management monitors overdue accounts to identify and resolve collection issues. Trade receivables are written off when there is no reasonable expectation of recovery. Indicators of no reasonable expectation of recovery include, among others, the failure of a debtor to engage in a repayment plan with the Group and a failure to make contractual payment for a period of over 90 days overdue.

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

Ageing of gross trade receivables *(Cont'd)*

(a) The ageing of gross trade receivables based on overdue date *(Cont'd)*

The impairment of trade receivables as of 30 September 2018 was determined using the forward looking expected credit loss method, resulting in the expected loss rates below:

	Gross carrying amount US$'000	Expected loss rate %	Impairment of trade receivables US$'000	Trade receivable – net US$'000
As of 30 September 2018				
Current	564,810	0.01%	(49)	564,761
1 – 30 days overdue	33,414	0.12%	(39)	33,375
31 – 90 days overdue	10,134	1.07%	(108)	10,026
Over 90 days overdue	3,848	49.01%	(1,886)	1,962
Total	612,206	0.34%	(2,082)	610,124
As of 31 March 2018				
Current	593,672	n/a	–	593,672
1 – 30 days overdue	36,251	n/a	–	36,251
31 – 90 days overdue	7,800	n/a	–	7,800
Over 90 days overdue	5,430	n/a	(1,816)	3,614
Total	643,153	n/a	(1,816)	641,337

In the prior year, the impairment of trade receivables was assessed based on the incurred loss model. The results of the adopted new impairment model as of 1 April 2018 have not resulted in material impact on the carrying amount of the impairment of trade receivables.

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

	30 September 2018 US$'000	31 March 2018 US$'000
0 – 30 days	**325,686**	315,339
31 – 90 days	**250,767**	289,748
Over 90 days	**35,753**	38,066
Total	**612,206**	643,153

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.

9. TRADE PAYABLES

	30 September 2018 US$'000	31 March 2018 US$'000
Trade payables	**356,454**	357,315

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:

	30 September 2018 US$'000	31 March 2018 US$'000
0 – 60 days	**267,366**	274,047
61 – 90 days	**58,273**	58,405
Over 90 days	**30,815**	24,863
Total	**356,454**	357,315

10. CONTRACT BALANCES

	30 September 2018 US$'000	31 March 2018 US$'000
Deferred contract costs included in:		
Trade and other receivables	**1,198**	468
Other non-current assets	**3,891**	4,735
Total deferred contract costs (Note a)	**5,089**	5,203
Contract liabilities balances included in:		
Other payables and deferred income – current	**(18,827)**	(18,540)
Other payables and deferred income – non-current	**(8,750)**	(9,032)
Total contract liabilities (Note b)	**(27,577)**	(27,572)

Note:

(a) Deferred contract costs related primarily to the costs incurred to obtain the customer contract. These costs are subsequently recognised in the consolidated income statement on a systematic basis consistent with transferring the goods promised in the contract and netted in revenue.

(b) Contract liabilities related primarily to receiving consideration from customers in advance of transferring goods promised in a contract. Recognition of this income is therefore deferred until the contractual performance obligation is satisfied.

11. BORROWINGS

	30 September 2018			31 March 2018		
	Current	Non-current	Total	Current	Non-current	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Convertible Bonds (Liability component) (Note a)	196,126	-	196,126	–	213,018	213,018
Loans based on trade receivables (Note b)	61,910	35,000	96,910	38,000	38,000	76,000
Loan from International Finance Corporation ("IFC") (Note c)	7,500	66,938	74,438	–	74,385	74,385
Loan from Export Development Canada ("EDC") (Note d)	-	99,552	99,552	–	–	–
Other borrowings	90,415	4,903	95,318	88,110	40,671	128,781
Total borrowings	355,951	206,393	562,344	126,110	366,074	492,184

Note:

(a) Convertible bonds

JEHL issued convertible bonds with an aggregate principal amount of US$200 million on 2 April 2014. These convertible bonds bear interest as a 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%.

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 30 September 2018.

With effect from 27 July 2018, the conversion price was adjusted to HK$37.34 per share as a result of the interim and final dividend for FY17/18.

During the six months ended 30 September 2018, JEHL has purchased US$18.3 million (the "Repurchased Bonds") in the principal amount of the US$200 million Convertible Bonds from the open market at the purchase price of US$19.8 million in cash. Following this buy-back, JEHL cancelled the Repurchased Bonds and the principal amount of the Convertible Bonds remaining outstanding as of 30 September 2018 was US$181.7 million.

The fair value of the liability component of the Group's convertible bonds was approximately equal to its carrying value as of 30 September 2018.

11. BORROWINGS *(Cont'd)*

(b) Loans based on trade receivables
Subsidiary companies have borrowed US$96.9 million based on trade receivables in Hong Kong, Europe and the USA as of 30 September 2018 (31 March 2018: US$76.0 million). These loans are placed such that the interest expense will match the geography of the operating income as follows:

- Unsecured borrowings in Hong Kong of US$59.0 million with a covenant that trade receivables shall not be pledged to any parties (31 March 2018: US$30.0 million).

- Borrowings in Europe of US$2.9 million (EUR2.5 million) (31 March 2018: nil), which are secured by trade receivables and require an over-collateralisation level of 20% of the amount loaned (US$3.5 million as of 30 September 2018).

- Unsecured borrowings in the USA of US$35.0 million, with a covenant that trade receivable shall not be pledged to any parties (31 March 2018: US$46.0 million).

(c) Loan from IFC
US$74.4 million (principal US$75.0 million less US$0.6 million transaction costs) was drawn down in January 2016. This is an 8-year loan for projects in Serbia, Mexico, Brazil and India with quarterly repayments beginning from April 2019 and with final maturity date of 15 January 2024. The loan interest rate is based on U.S. Libor.

(d) Loan from EDC
US$99.6 million (principal US$100.0 million less US$0.4 million transaction costs) was drawn down in June 2018. This is a 5-year loan for the Group's general operating and capital expenditure purposes and the loan will be fully repaid at the maturity date of 6 June 2023. The loan interest rate is fixed at 3.89%.

11. BORROWINGS *(Cont'd)*

The maturity of borrowings was as follows:

	Bank borrowings		Convertible bonds and other borrowings	
	30 September 2018 US$'000	31 March 2018 US$'000	**30 September 2018 US$'000**	31 March 2018 US$'000
Less than 1 year	**109,124**	124,776	**246,827**	1,334
1 – 2 years	**38,333**	58,332	**15,007**	244,314
2 – 5 years	**–**	2,488	**144,909**	45,371
Over 5 years	**–**	–	**8,144**	15,569
	147,457	185,596	**414,887**	306,588

As of 30 September 2018, the interest rate charged on outstanding balances ranged from 0.5% to 6.0% per annum (31 March 2018: 0.6% to 6.0% per annum) and the weighted average effective interest rate of the borrowings was approximately 2.6% (31 March 2018: 1.6%). Interest expense is disclosed in Note 17.

Johnson Electric subscribes to both Moody's Investors Service and Standard & Poor's Ratings Services (S&P) for independent long-term credit ratings. As of 30 September 2018, the Group maintained investment grade ratings from both agencies. Moody's was Baa1 and S&P was BBB. These ratings reflect the Group's solid market position, stable profitability and prudent financial leverage.

The fair value of borrowings approximately equals their carrying amount, since the majority of the borrowings have floating interest rates. The fair values are based on cash flows discounted using a rate based on the borrowing rate.

12. RETIREMENT BENEFIT OBLIGATIONS

	Defined benefit pension plans US$'000	Defined contribution pension plans and long service payment US$'000	Total US$'000
First half of FY18/19			
As of 31 March 2018	29,649	3,266	32,915
Currency translations	(1,277)	(129)	(1,406)
Charges	3,715	3,582	7,297
Utilisations	(2,234)	(3,445)	(5,679)
Remeasurements *	(1,311)	–	(1,311)
As of 30 September 2018	**28,542** **	**3,274**	**31,816**
Retirement benefit obligations:			
Current portion	–	495	495
Non-current portion	50,698	2,779	53,477
Defined benefit pension plan assets:			
Non-current portion	(22,156)	–	(22,156)
As of 30 September 2018	**28,542**	**3,274**	**31,816**
First half of FY17/18			
As of 31 March 2017	27,573	3,205	30,778
Currency translations	2,636	(15)	2,621
Business combination	8,533	–	8,533
Charges	3,630	2,744	6,374
Utilisations	(2,590)	(2,375)	(4,965)
Remeasurements *	(5,906)	–	(5,906)
As of 30 September 2017	33,876	3,559	37,435
Retirement benefit obligations:			
Current portion	–	389	389
Non-current portion	45,914	3,170	49,084
Defined benefit pension plan assets:			
Non-current portion	(12,038)	–	(12,038)
As of 30 September 2017	33,876	3,559	37,435

* Remeasurements represent actuarial (gains) and losses.

** The retirement benefit obligations were mainly denominated in CHF, GBP, EUR, CAD and KRW as of 30 September 2018. These retirement benefit obligations of US$28.5 million (31 March 2018: US$29.6 million) comprised gross present value of obligations of US$177.8 million (31 March 2018: US$182.2 million) less fair value of plan assets of US$149.3 million (31 March 2018: US$152.6 million).

13. PROVISIONS AND OTHER LIABILITIES

	Legal and warranty US$'000	Severance US$'000	Finance lease liability US$'000	Others US$'000	Total US$'000
First half of FY18/19					
As of 31 March 2018	40,359	4,287	–	761	45,407
Currency translations	(1,725)	(190)	–	(46)	(1,961)
Charges / (recoveries)	6,025	(942)	–	(621)	4,462
Utilisations	(8,089)	(771)	–	(94)	(8,954)
As of 30 September 2018	**36,570**	**2,384**	**–**	**–**	**38,954**
Current portion	31,150	2,384	–	–	33,534
Non-current portion	5,420	–	–	–	5,420
As of 30 September 2018	**36,570**	**2,384**	**–**	**–**	**38,954**
First half of FY17/18					
As of 31 March 2017	47,506	7,181	1,545	3,416	59,648
Currency translations	2,005	443	–	(1)	2,447
Business combination	435	–	–	–	435
Charges / (recoveries)	357	(901)	76	(105)	(573)
Utilisations	(5,205)	(1,455)	(700)	(174)	(7,534)
As of 30 September 2017	45,098	5,268	921	3,136	54,423
Current portion	39,403	5,268	921	3,136	48,728
Non-current portion	5,695	–	–	–	5,695
As of 30 September 2017	45,098	5,268	921	3,136	54,423

14. SHARE CAPITAL

	Share capital – ordinary shares (thousands)	Shares held for the incentive share schemes (thousands)	Total
As of 31 March 2017	878,845	(19,642)	859,203
Shares vested to Directors and employees for the incentive share schemes	–	3,098	3,098
As of 31 March 2018	878,845	(16,544)	862,301
Shares purchased by trustee for the incentive share schemes	–	(529)	(529)
Shares vested to Directors and employees for the incentive share schemes	–	4,059	4,059
As of 30 September 2018	**878,845**	**(13,014)**	**865,831**

As of 30 September 2018, the total authorised number of ordinary shares was 1,760.0 million (31 March 2018: 1,760.0 million) with a par value of HK$0.05 per share (31 March 2018: HK$0.05 per share). All issued shares were fully paid.

	Share capital – ordinary shares US$'000	Shares held for the incentive share schemes US$'000	Total US$'000
As of 31 March 2017	5,670	(64,813)	(59,143)
Shares vested to Directors and employees for the incentive share schemes	–	9,594	9,594
As of 31 March 2018	5,670	(55,219)	(49,549)
Shares purchased by trustee for the incentive share schemes	–	(1,497)	(1,497)
Shares vested to Directors and employees for the incentive share schemes	–	12,572	12,572
As of 30 September 2018	**5,670**	**(44,144)**	**(38,474)**

14. 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 12 July 2018 empowering the Board to repurchase shares up to 10% (87.9 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. No shares were purchased in the first half of FY18/19 for cancellation (first half of FY17/18: nil).

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 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 including a three-year cumulative earnings per share target and revenue goal for individual divisions (starting with the FY17/18 grants). 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 and one-year revenue targets for individual divisions set at the beginning of each year of the three-year performance period. The earnings per share and revenue targets are of equal weight in the grants. Partial vesting occurs if one or more of the one-year earnings per share targets and one-year revenue targets for individual divisions are met.

14. SHARE CAPITAL *(Cont'd)*

The three-year cumulative goal for diluted earnings per share by year is as follows:

	Three-year cumulative goal for earnings per share
Fiscal years of 16/17 through 18/19	65.40 US cents
Fiscal years of 17/18 through 19/20	89.08 US cents
Fiscal years of 18/19 through 20/21	104.46 US cents

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 2017	6,949	7,140	14,089
Units granted to Directors and employees during the year	1,671	1,616	3,287
Units vested to employees during the year	(1,297)	(1,801)	(3,098)
Forfeited during the year	(299)	(395)	(694)
Unvested units granted, as of 31 March 2018	7,024	6,560	13,584
Units granted to Directors and employees during the period	2,224	1,822	4,046
Units vested to Director and employees during the period	(2,181)	(1,878)	(4,059)
Forfeited during the period	(295)	(419)	(714)
Unvested units granted, as of 30 September 2018	**6,772**	**6,085**	**12,857**

The weighted average fair value of the unvested units granted during the period was HK$24.45 (US$3.13) (first half of FY17/18: HK$28.20 (US$3.62)).

14. SHARE CAPITAL *(Cont'd)*

As of 30 September 2018, the number of unvested units outstanding 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
FY19/20	3,086	2,890	5,976
FY20/21	1,541	1,476	3,017
FY21/22	1,785	1,719	3,504
FY23/24	360	–	360
Total unvested units granted	**6,772**	**6,085**	**12,857**

* Shares are typically vested on 1 June of the year

15. OTHER INCOME AND GAINS, NET

	Six months ended 30 September	
	2018 **US$'000**	2017 US$'000
Gross rental income from investment property	**2,216**	2,145
Gains on investments, net	**619**	73
Losses on disposal of property, plant and equipment (Note 23)	**(238)**	(326)
Fair value gains on investment property (Note 4 & 23)	**6,368**	–
Unrealised net fair value losses on other financial assets and liabilities (Note 6(f))	**(3,190)**	(1,221)
Unrealised net (losses) / gains from revaluation of monetary assets and liabilities	**(12,760)**	13,733
Unrealised net fair value gains / (losses) on structured forward currency exchange contracts (Note 23)	**22,748**	(17,469)
Gain on deemed disposal of previously 30% equity interests in HSC (Note 23)	**–**	14,012
Subsidies and other income	**7,567**	2,360
Other income and gains, net	**23,330**	13,307

Note: The unrealised net fair value losses on other financial assets and liabilities and unrealised net gains from revaluation of monetary assets and liabilities for the first half of FY17/18 had been reclassified from selling and administrative expenses to other income and gains to conform with current year's presentation.

16. SELLING AND ADMINISTRATIVE EXPENSES

	Six months ended 30 September	
	2018	2017
	US$'000	US$'000
Selling expenses	**56,968**	51,505
Administrative expenses	**197,271**	184,234
Legal and warranty	**6,025**	357
Net (gains) on realisation of other financial assets and liabilities (Note 6(f))	**(8,706)**	(13,708)
Net (gains) / losses on realisation of monetary assets and liabilities	**(1,139)**	2,437
Selling and administrative expenses	**250,419**	224,825

Note: The unrealised net fair value losses on other financial assets and liabilities and unrealised net gains from revaluation of monetary assets and liabilities for the first half of FY17/18 had been reclassified from selling and administrative expenses to other income and gains to conform with current year's presentation.

Selling and administrative expenses included operating lease payments for the first half of FY18/19 of US$4.1 million (first half of FY17/18: US$4.0 million).

17. FINANCE INCOME / (COSTS), NET

	Six months ended 30 September	
	2018	2017
	US$'000	US$'000
Interest income	**613**	529
Interest expense	**(4,527)**	(2,657)
Interest expense on convertible bonds (Note 20)	**(3,885)**	(3,704)
	(7,799)	(5,832)
Accrued interest on put option written to a non-controlling interest *	**(656)**	(500)
Net finance costs (Note 23)	**(8,455)**	(6,332)

* The interest was calculated by the effective interest method over the estimated gross obligation arising from the put option written to the seller related to the acquisition of Halla Stackpole Corporation. For details please refer to Note 24.

Borrowings are discussed in Note 11.

18. EXPENSES BY NATURE

Operating profit was stated after crediting and charging the following:

	Six months ended 30 September 2018 US$'000	Six months ended 30 September 2017 US$'000
Depreciation		
Depreciation of property, plant and equipment (Note 3)	**80,990**	69,698
Less: amounts capitalised in assets under construction	**(979)**	(794)
Net depreciation (Note 23)	**80,011**	68,904
Engineering expenditure *		
Engineering expenditure	**95,545**	84,010
Capitalisation of engineering development costs (Note 5)	**(5,097)**	(3,996)
Net engineering expenditure	**90,448**	80,014
Employee compensation		
Wages and salaries	**428,359**	385,536
Share-based payments (Note 23)	**5,271**	6,359
Social security costs	**45,803**	39,893
Pension costs – defined benefit plans	**3,715**	3,630
Pension costs – defined contribution plans	**4,155**	4,440
	487,303	439,858
Less: amounts capitalised in assets under construction	**(3,426)**	(3,306)
	483,877	436,552
Other items:		
Cost of goods sold **	**1,279,232**	1,150,454
Auditors' remuneration	**1,400**	1,369
Amortisation of intangible assets (Note 5 & 23)	**21,105**	19,840
Impairment / (Reversal of impairment) of property, plant and equipment (Note 3 & 23)	**450**	(202)
Impairment / (written back of impairment) of trade receivables / bad debt expense	**419**	(290)

* Engineering expenditure as a percentage of sales was 5.7% in the first half of FY18/19 (first half of FY17/18: 5.5%).

** Cost of goods sold comprised materials, direct labour costs (including their social costs) and production overheads including operating lease payments of US$8.2 million (first half of FY17/18: US$8.1 million).

19. TAXATION

The amount of taxation in the consolidated income statement represents:

	Six months ended 30 September 2018 US$'000	Six months ended 30 September 2017 US$'000
Current income tax		
Charges for the period	**26,630**	24,918
Reduction for tax of prior years	**(2,022)**	(1,494)
	24,608	23,424
Deferred income tax	**(5,540)**	(3,915)
Total income tax expense	**19,068**	19,509
Effective tax rate	**11.7%**	11.8%

Tax has been provided at the applicable rates on the estimated assessable profit in the respective countries of operations for the period. The overall global effective tax rate for the first half of FY18/19 was 11.7% (first half of FY17/18: 11.8%). The Group's effective tax rate differed from the statutory tax rate of Hong Kong of 16.5% (first half of FY17/18: 16.5%) as follows:

	Six months ended 30 September 2018		Six months ended 30 September 2017	
		US$'000		US$'000
Profit before income tax		**163,068**		165,090
Tax charged at Hong Kong profits tax rate	**16.5%**	**26,906**	16.5%	27,240
Effect of different tax rates in other countries				
– Countries with taxable profit	**2.9%**	**4,659**	1.7%	2,794
– Countries with taxable loss	**(1.7)%**	**(2,778)**	(2.0)%	(3,379)
Effect of income, net of expenses, not subject to tax	**(6.4)%**	**(10,389)**	(6.3)%	(10,329)
Reduction of tax for prior years (current and deferred)	**(1.2)%**	**(1,978)**	(1.3)%	(2,187)
Withholding tax	**2.3%**	**3,754**	1.8%	3,013
Other taxes and timing differences, net of (tax loss recognition) and other (tax benefits)	**(0.7)%**	**(1,106)**	1.4%	2,357
	11.7%	**19,068**	11.8%	19,509

20. 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 period excluding ordinary shares purchased by JEHL and held for the incentive share schemes.

	Six months ended 30 September	
	2018	2017
Profit attributable to shareholders (thousands US Dollar)	**140,215**	140,463
Weighted average number of ordinary shares in issue (thousands)	**864,717**	861,259
Basic earnings per share (US cents per share)	**16.22**	16.31
Basic earnings per share (HK cents per share)	**127.24**	127.23

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.

	Six months ended 30 September	
	2018	2017
Profit attributable to shareholders (thousands US Dollar)	**140,215**	140,463
Adjustments for convertible bonds		
– Interest (thousands US Dollar) (Note 17)	**3,885**	3,704
– Deferred income tax effect (thousands US Dollar)	**(455)**	(402)
Adjusted profit attributable to shareholders (thousands US Dollar)	**143,645**	143,765
Weighted average number of ordinary shares issued and outstanding (thousands)	**864,717**	861,259
Adjustments for incentive shares granted		
– Incentive share schemes – Restricted Stock Units	**2,762**	6,561
– Incentive share schemes – Performance Stock Units	**3,259**	1,259
Adjustments for convertible bonds		
– Assumed conversion of convertible bonds	**40,626**	40,725
Weighted average number of ordinary shares (diluted) (thousands)	**911,364**	909,804
Diluted earnings per share (US cents per share)	**15.76**	15.80
Diluted earnings per share (HK cents per share)	**123.68**	123.27

21. INTERIM DIVIDEND

	Six months ended 30 September	
	2018	2017
	US$'000	US$'000
Interim, of 17 HK cents (2.18 US cents) per share, to be paid in January 2019 (first half of FY17/18: 17 HK cents or 2.18 US cents)	**18,832** *	18,763

* Proposed dividend, with a scrip dividend option offered to shareholders, is calculated based on the total number of shares as of 30 September 2018. The interim dividend will be payable on 7 January 2019 to shareholders registered on 28 November 2018. The Board has been informed that, subject to the granting of listing of, and permission to deal in, the new shares issued pursuant to the scrip dividend alternative on the Hong Kong Stock Exchange, the controlling shareholder of the Company intends to subscribe for its entire eligible allocation of shares under the scrip dividend alternative.

22. COMMITMENTS

	30 September 2018	31 March 2018
	US$'000	US$'000
Capital commitments, contracted but not provided for:		
Property, plant and equipment	**168,908**	98,097

23. CASH GENERATED FROM OPERATIONS

	Six months ended 30 September	
	2018	2017
	US$'000	US$'000
Profit before income tax	**163,068**	165,090
Add: Depreciation of property, plant and equipment (Note 18)	**80,011**	68,904
Amortisation of intangible assets (Note 5 & 18)	**21,105**	19,840
Finance expense, net (Note 17)	**8,455**	6,332
Associates dividend receipts less share of profits	**514**	65
EBITDA *	**273,153**	260,231
Other non-cash items		
Losses on disposal of property, plant and equipment (Note 15)	**238**	326
Impairment / (reversal of impairment) of property, plant and equipment (Note 3 & 18)	**450**	(202)
Net realised and unrealised gains on financial assets / liabilities at fair value through profit and loss	**(619)**	(215)
Share-based compensation expense (Note 18)	**5,271**	6,359
Fair value gains on investment property (Note 4 & 15)	**(6,368)**	–
Fair value (gains) / losses on structured foreign currency contracts (Note 15)	**(22,748)**	17,469
Gain on deemed disposal of previously 30% equity interests in HSC (Note 15)	**–**	(14,012)
Others	**97**	–
	(23,679)	9,725
EBITDA * net of other non-cash items	**249,474**	269,956
Change in working capital		
Increase in inventories	**(45,542)**	(48,534)
Decrease in trade and other receivables	**9,354**	6,335
(Increase) / decrease in other non-current assets	**(1,209)**	322
Increase / (decrease) in trade payables, other payables and deferred income	**16,532**	(9,133)
Increase in retirement benefit obligations **	**1,618**	1,409
Decrease in provision and other liabilities	**(4,492)**	(7,407)
Change in other financial assets / liabilities	**(1,242)**	3,748
	(24,981)	(53,260)
Cash generated from operations	**224,493**	216,696

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

** Net of defined benefit pension plan assets

24. BUSINESS COMBINATION

24.1 Business combination in the first half of FY18/19

There is no business combination in the first half of FY18/19.

24.2 Business combination in the first half of FY17/18

On 16 May 2017, the Group acquired an additional 50% equity interest in Halla Stackpole Corporation ("HSC"), a 30% associate previously held by the Group, from Halla Holdings Corporation (the "Seller") for consideration of US$83.2 million (KRW93.9 billion). The Group's attributable interest in HSC increased from 30% to 80%.

HSC is a major manufacturer of powder metal components, primarily for automotive applications. It serves a blue-chip customer base comprised mainly of leading automotive original equipment manufacturers and their Tier 1 suppliers and is headquartered in Ochang, Korea.

Acquiring a substantial majority shareholding in HSC will enable the Group to manage and direct its powder metal operations on a more integrated global basis. Stackpole International is already a recognised market leader in the powder metal industry in North America and this complementary investment provides a platform for accelerating sales growth and strengthening the Group's position as a global supplier to key engine, transmission, suspension and steering applications that contribute to improved fuel economy, reduced emissions and increased passenger comfort.

The difference between the fair value and the Group's carrying amount of its 30% equity interests in HSC before the acquisition and the release of a related exchange reserve of US$14.0 million, was recognised in the Group's consolidated income statement as "Gain on deemed disposal of previously 30% equity interests in HSC" under "Other income and gains, net" in the first half of FY17/18.

Acquisition transaction costs of US$1.1 million were incurred (US$0.8 million in FY16/17 and US$0.3 million in the first half of FY17/18) and recognised in the income statement within selling and administrative expenses.

The acquired business contributed revenue of US$62.4 million and net profit of US$3.7 million to the Group for the period from the date of acquisition to 30 September 2017.

If the acquisition had occurred on 1 April 2017, the Group's consolidated income statement for the first half of FY17/18 would show pro forma revenue of US$1,544.2 million (HSC 1 month: US$11.8 million), EBITDA of US$262.1 million (HSC 1 month: US$1.9 million) and net profit of US$141.9 million (HSC 1 month: US$1.4 million).

24. BUSINESS COMBINATION *(Cont'd)*

24.2 Business combination in the first half of FY17/18 *(Cont'd)*

Details of net assets acquired and goodwill are as follows:

	US$'000
Purchase consideration	83,172
Fair value of equity interest held before the business combination	50,681
A call option written to the Group to acquire the remaining 20% interest	(2,404)
Total consideration	131,449
Non-controlling interest *	25,133
Fair value of net assets acquired	(125,663)
Goodwill	30,919
Purchase consideration settled in cash	
Cash	83,172
Cash and cash equivalents, net of debt in subsidiaries acquired	(6,277)
Cash outflow on acquisition	76,895

* The Group recognised the non-controlling interest in HSC at the non-controlling interest's proportionate share of the fair values of Halla Stackpole's identifiable net assets acquired.

Pursuant to the Share Purchase Agreement in relation to the acquisition of a 50% equity interest in HSC, the Seller was granted a put option under which the Seller has the right to require the Group to acquire all of its rights in HSC, and the put option is exercisable at any time from May 2022 to May 2026 following the expiration of a 5-year period from the closing date of the acquisition ("Put Exercise Period"). The Group is also granted a call option under which the Group has the right to require the Seller to sell all of its rights to the Group, exercisable at any time from May 2026 to May 2030 following the expiry of the Put Exercise Period. The exercise price of the options shall be based on EBITDA multiples, net of the net debt of HSC for the fiscal year immediately preceding the fiscal year when either option is exercised. The estimated gross obligation arising from the put option written to the Seller was recognised when the contractual obligation to acquire the remaining 20% interest of HSC was established, even though the obligation is conditional on the option being exercised by the Seller. In subsequent periods, the remeasurement of the present value of the estimated gross obligation under the put option written to the non-controlling interests will be recognised in the consolidated income statement. The carrying amount of the put option decreased from US$79.5 million as of 31 March 2018 to US$73.9 million as of 30 September 2018, mainly due to the combined net effect of accrued interest (refer to Note 17 of the consolidated income statement) and currency translation as the put option is denominated in KRW.

The call option written to the Group is recognised at its fair value of US$2.4 million and is included in "Financial assets at fair value through profit and loss". Any changes in fair value in subsequent reporting periods will be recognised in the Group's consolidated income statement.

25. RELATED PARTY TRANSACTION

25.1 Directors' remuneration

The remuneration of Directors for the first half of FY18/19 was as follows:

	Six months ended 30 September	
	2018	2017
	US$'000	US$'000
Fees	**221**	221
Salary *	**973**	930
Share-based payment	**2,278**	–
Discretionary bonus	**772**	1,389
Employer's contribution to retirement benefit scheme	**117**	112
	4,361	2,652

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

25.2 Senior management compensation

Other than the Directors' remuneration disclosed above, emoluments paid to 8 members (first half of FY17/18: 8) of senior management as set out in the section Profile of Directors and Senior Management of the Group's 2018 annual report were as follows:

	Six months ended 30 September	
	2018	2017
	US$'000	US$'000
Salaries, allowances and other benefits	**2,643**	2,657
Retirement scheme contributions	**261**	254
Share-based payment	**3,412**	4,068
Bonuses	**1,863**	2,262
	8,179	9,241

Except as disclosed above, the Group had no material related party transactions during the period.

26. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and commodity price risk), credit and customer collection risk, liquidity risk and capital risk.

These condensed consolidated interim financial statements do not include all financial risk management information and disclosure required in the annual financial statement, and should be read in conjunction with the Group's annual financial statement as of 31 March 2018.

There have been no changes in the Group's risk management policies since 31 March 2018.

27. 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 other 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 Group's level 3 financial assets/liabilities at fair value through profit and loss are mainly structured foreign currency contracts with option features and investments in unlisted preference shares. The fair value of the structured foreign currency contracts are based on the valuations issued by investment banks, which have inputs that were not observable market data. Since the unlisted preference shares were newly acquired, the Group considers the cost to be the best estimate of the fair value.

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

The following table presents the Group's assets and liabilities that are measured at fair value as of 30 September 2018 and 31 March 2018.

	Level 1 US$'000	Level 2 US$'000	Level 3 US$'000	Total US$'000
As of 30 September 2018				
Assets				
Investment property				
– Commercial building	–	–	71,646	71,646
– Industrial property	–	–	26,408	26,408
– Residential property and car parks	–	91	7,009	7,100
Other financial assets				
– Derivatives used for hedging	–	147,923	–	147,923
– Derivatives held for trading	–	497	18	515
Financial assets at fair value through profit and loss				
– Fair value of a call option related to the acquisition of Halla Stackpole	–	–	2,361	2,361
– Unlisted preference shares	–	–	8,000	8,000
– Structured foreign currency contracts	–	–	3,822	3,822
Total assets	–	148,511	119,264	267,775
Liabilities				
Other financial liabilities				
– Derivatives used for hedging	–	108,588	–	108,588
– Derivatives held for trading	–	564	–	564
Financial liabilities at fair value through profit and loss				
– Structured foreign currency contracts	–	–	13,019	13,019
Total liabilities	–	109,152	13,019	122,171
As of 31 March 2018				
Assets				
Investment property				
– Commercial building	–	–	64,998	64,998
– Industrial property	–	–	27,101	27,101
– Residential property and car parks	–	91	7,009	7,100
Other financial assets				
– Derivatives used for hedging	–	149,552	–	149,552
– Derivatives held for trading	–	2,240	6	2,246
Financial assets at fair value through profit and loss				
– Fair value of a call option related to the acquisition of Halla Stackpole	–	–	2,511	2,511
– Structured foreign currency contracts	–	–	4,793	4,793
Total assets	–	151,883	106,418	258,301
Liabilities				
Other financial liabilities				
– Derivatives used for hedging	–	54,141	–	54,141
– Derivatives held for trading	–	5	–	5
Financial liabilities at fair value through profit and loss				
– Structured foreign currency contracts	–	–	36,738	36,738
Total liabilities	–	54,146	36,738	90,884

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

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

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

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.

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

		As of 30 September 2018		As of 31 March 2018	
Property	Valuation method	Market rate / rent per month	Market yield	Market rate / rent per month	Market yield
Commercial	Market comparison	HK$5,865/sq.ft		HK$5,295/sq.ft	
Industrial	Income capitalisation	RMB3.6 to HK$7.0/sq.ft	9.0% to 9.8%	RMB3.6 to HK$7.0/sq.ft	9.0% to 9.8%
Residential	Market comparison	HK$24,038/sq.ft		HK$24,038/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.

27. 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.

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

The majority of the Group's financial assets / liabilities at fair value through profit and loss are structured foreign currency contracts with options features and unlisted preference shares which are classified as level 3. For structured foreign currency contracts, the Group relies on bank valuations to determine the fair value of the instruments. Key observable inputs in the valuation are spot rates, strike rates, volatility, time to expiration and risk free rate. For unlisted preference shares, the Group considers that the cost to be the best estimate of the fair value since they were newly acquired.

The following table presents the changes in level 3 assets / (liabilities) for the first half of FY18/19 and the first half of FY17/18:

	Investment property											
	Commercial building		Industrial property		Residential property		Other financial assets / (liabilities)		Financial assets / (liabilities) at fair value through profit and loss		Total	
	Sep 18 US$'000	Sep 17 US$'000	**Sep 18 US$'000**	Sep 17 US$'000	**Sep 18 US$'000**	Sep 17 US$'000	**Sep 18 US$'000**	Sep 17 US$'000	**Sep 18 US$'000**	Sep 17 US$'000	**Sep 18 US$'000**	Sep 17 US$'000
At of 31 March	**64,998**	61,523	**27,101**	26,236	**7,009**	5,535	**6**	637	**(29,434)**	–	**69,680**	93,931
Currency translations	**-**	–	**(693)**	284	**-**	–	**-**	–	**(179)**	(80)	**(872)**	204
Business combination	**-**	–	**-**	–	**-**	–	**-**	–	**-**	2,404	**-**	2,404
Capitalised expenditure	**280**	1,492	**-**	–	**-**	–	**-**	–	**-**	–	**280**	1,492
Addition	**-**	–	**-**	–	**-**	–	**-**	–	**8,000**	–	**8,000**	–
Disposal	**-**	–	**-**	–	**-**	–	**(2)**	(66)	**(410)**	–	**(412)**	(66)
Fair value gains / (losses)	**6,368**	–	**-**	–	**-**	–	**14**	(564)	**23,187**	(17,469)	**29,569**	(18,033)
As of 30 September	**71,646**	63,015	**26,408**	26,520	**7,009**	5,535	**18**	7	**1,164**	(15,145)	**106,245**	79,932
Change in unrealised gains / (losses) for the period included in income statement for assets held at balance sheet date	**6,368**	–	**-**	–	**-**	–	**12**	7	**22,777**	(17,469)	**29,157**	(17,462)
Total gains / (losses) for the period included in income statement	**6,368**	–	**-**	–	**-**	–	**14**	(59)	**23,187**	(17,469)	**29,569**	(17,528)

28. 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 30 September 2018			
Assets as per balance sheet			
Other non-current assets	4,244	–	4,244
Other financial assets	–	148,438	148,438
Financial assets at fair value through profit and loss	–	14,183	14,183
Trade and other receivables excluding prepayments	652,077	–	652,077
Cash and cash equivalents	169,854	–	169,854
Total financial assets	826,175	162,621	988,796
Liabilities as per balance sheet			
Other financial liabilities	–	(109,152)	(109,152)
Financial liabilities at fair value through profit and loss	–	(13,019)	(13,019)
Trade payables	(356,454)	–	(356,454)
Other payables	(184,535)	–	(184,535)
Borrowings	(562,344)	–	(562,344)
Put option written to a non-controlling interest	(73,930)	–	(73,930)
Total financial liabilities	(1,177,263)	(122,171)	(1,299,434)
As of 31 March 2018			
Assets as per balance sheet			
Other non-current assets	4,308	–	4,308
Other financial assets	–	151,798	151,798
Financial assets at fair value through profit and loss	–	7,304	7,304
Trade and other receivables excluding prepayments	677,140	–	677,140
Cash and cash equivalents	168,942	–	168,942
Total financial assets	850,390	159,102	1,009,492
Liabilities as per balance sheet			
Other financial liabilities	–	(54,146)	(54,146)
Financial liabilities at fair value through profit and loss	–	(36,738)	(36,738)
Trade payables	(357,315)	–	(357,315)
Other payables	(196,193)	–	(196,193)
Borrowings	(492,184)	–	(492,184)
Put option written to a non-controlling interest	(79,451)	–	(79,451)
Total financial liabilities	(1,125,143)	(90,884)	(1,216,027)

29. EFFECT OF ADOPTING NEW, REVISED AND AMENDED HKFRS

Standards, interpretations and amendments to published standards effective since 1 April 2018 which are relevant to the Group

In the first half of FY18/19, the Group adopted the following new, revised and amended standards of HKFRS below, which are relevant to its operations and have an impact on the consolidated financial statements:

HKFRS 9	Financial Instruments – impairment of financial assets
HKFRS 15	Revenue from contracts with customers

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

HKFRS 9, "Financial Instruments – impairment of financial assets"

The Group had early adopted the 2010 version of HKFRS 9 and the new requirements for hedge accounting issued in 2013. The Group adopted the "Impairment of financial assets" in the first half of FY18/19.

HKFRS 9 replaces the "incurred loss" impairment model in HKAS 39 "Financial Instruments: Recognition and Measurement" with a forward-looking "expected credit loss" ("ECL") model. It is no longer necessary for a loss event to occur before an impairment loss is recognised under the new model.

Under the ECL model, the Group assesses on a forward looking basis on the expected credit losses associated with its financial assets. The impairment methodology applied depends on whether there has been a significant increase in credit risk. The new impairment model applies to financial assets at amortised cost and contract assets under HKFRS 15.

The application of the new standard results in a change in accounting policy. The Group applies the simplified approach permitted by HKFRS 9, which requires the recognition of lifetime expected losses for trade receivables and contract assets from initial recognition of such assets. At every reporting date, the Group reviews and adjusts its historically observed default rates based on current conditions and changes in the future forecasts. As regards other receivables, the Group considers they have low credit risk and hence recognises 12-month expected credit losses for such item. The expected losses were considered to be insignificant to the Group.

The adoption of HKFRS 9 has had no material impact on the results and financial position of the Group for the current and prior years.

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

HKFRS 15, "Revenue from contracts with customers"

The Group adopted this new standard effective 1 April 2018 and applied it to all the contracts using the modified retrospective approach. Under this transition approach, comparative information for prior periods is not restated, the Group recognises the cumulative effect of initially applying the standard as adjustments to the opening balance of consolidated financial statements as of 1 April 2018. The impact of adopting this new standard is immaterial to the Group's consolidated income statement for the period ended 31 March 2018 and consolidated balance sheet as of 31 March 2018, please refer to Note 10 "Contract Balances".

The adoption of HKFRS 15 results in below changes in principal accounting policies:

Under HKFRS 15, incremental costs of obtaining a contract is now recognised as an asset when incurred, and expensed over the customer contract period. The incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained.

The assets recognised are amortised to the consolidated income statement on a systematic basis that is consistent with the transfer to the customers of the goods and services to which the assets relate. The Group shall recognise impairment loss in the consolidated income statement to the extent the carrying amount of the asset recognised exceeds:

(a) the remaining amount of consideration that the Group expects to receive in exchange for the goods or services to which the asset relates; less

(b) the costs that relate directly to providing those goods or services and that have not been recognised as expenses.

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.
MUFG Bank, Ltd.
Hang Seng Bank Limited
Citibank, N.A.
JPMorgan Chase Bank, N.A.
BNP Paribas
Standard Chartered Bank
UniCredit Bank AG

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

Register of Shareholders

Closure of Register (both dates inclusive)
26 – 28 November 2018 (Mon – Wed)

Dividend (per Share)

Interim Dividend	: 17 HK cents
Despatch of Dividend Warrants and Share Certificates for Interim Dividend	: 7 January 2019 (Mon)

Johnson Electric Holdings Limited

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