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Johnson Electric Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code : 179)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2017

HIGHLIGHTS

- For the financial year ended 31 March 2017, total sales amounted to US$2,776 million – an increase of 24% compared to the prior financial year. Excluding the effects of acquisitions and foreign currency movements, underlying sales increased by 7%
- EBITDA totalled US$448 million – an increase of 34% excluding a nonrecurring item in the prior year
- Operating profits were US$296 million or 10.6% of sales. This represented an increase of 35% when compared to US$220 million or 9.8% of sales in FY2015/16 (excluding a nonrecurring item in the prior year)
- Net profit attributable to shareholders increased by 38% to a record US$238 million or 26.91 US cents per share on a fully diluted basis
- As of 31 March 2017, cash reserves amounted to US$128 million and the Group's total debt to capital (total equity + total debt) ratio was 16%

LETTER TO SHAREHOLDERS

Johnson Electric delivered a strong set of results for the financial year 2016/17. Healthy organic sales growth, positive contributions from recent acquisitions, favourable raw materials prices and aggressive action to reduce costs all combined to produce a significant improvement in profit margins and record net income.

Dividends

The interim dividend paid in January 2017 was increased by 7% compared to the prior year to 16 HK cents per share – which was consistent with the previously announced intention to increase gradually the ratio of interim dividends such that it represents approximately one-third of the prior financial year's total dividends paid. For the final dividend, in view of the uncertain global political landscape and the Group's own need to continue to invest in increased automation and technology infrastructure, the Board considers it prudent to recommend maintaining the prior year's figure of 34 HK cents per share.

Sales Performance

Against a backdrop of a modestly improving, but still rather lacklustre global economy, the sales performance of the Group during the year was encouraging across all major business areas.

Total Group sales amounted to US$2,776 million, an increase of 24% over the prior financial year. This figure included a full year sales contribution from Stackpole International of US$475 million compared to a sales contribution of US$182 million for five months in FY2015/16 following its acquisition. AML Systems, which was acquired in May 2016, contributed sales of US$130 million. Excluding acquisitions and the impact of foreign exchange rate movements which negatively affected sales on translation by US$34 million, underlying total sales increased by 7%.

The Automotive Products Group ("APG"), the largest operating division, achieved sales of US$2,117 million including Stackpole International and AML Systems. Excluding acquisitions and currency effects, APG's sales increased by 9%.

APG grew sales in each of the three major geographic regions, with the highest growth coming from Asia where sales increased by almost 20% on a constant currency basis. The majority of Johnson Electric's automotive component sales in Asia are derived from mainland China where our rate of growth comfortably exceeded underlying passenger vehicle volume growth. It should be noted that the Chinese car market – the world's largest – received an additional boost in 2016 due to a reduction on the sales tax on small-engine vehicles. With the expiration of that tax incentive in January 2017, sales volume growth in China is projected to slow in the near term.

After several years of buoyant demand growth, the North American car market is also showing signs of reaching a cyclical peak. U.S. automotive sales declined in each of the first four months of 2017, despite heavy price discounting by most major OEMs. This contrasted with Europe, APG's largest end-market, where falling unemployment and 15 consecutive quarters of Euro-area economic growth have resulted in the seasonally adjusted annual sales rate for cars reaching its highest level since early 2008.

The Industry Products Group ("IPG") reported a 5% increase in sales to US$660 million – representing 24% of total Group sales. This was a satisfactory performance given relatively sluggish consumer demand in many of our customers' end markets, as well as ongoing competitive pricing pressure for several lower-end product applications. The strongest sales performances in IPG occurred in market segments where Johnson Electric's motion solutions have clearly differentiated technology, including remote disconnect metering, lawn and garden equipment and medical devices.

Improved Profitability and Record Net Profit Attributable to Shareholders

Gross margins, excluding the acquired businesses, increased from 27.4% to 29.7%. This was primarily the result of increased operating leverage from higher sales volumes and the relatively benign cost of raw materials during the year. The newly acquired Stackpole International and AML Systems are automotive components businesses that, consistent with the market segments they serve, have lower average gross margins than the Group as a whole. Consequently, the Group's total gross margin for the year was 26.9% compared to 26.4% in the prior year. Total gross profits increased by 27% to US$748 million.

Selling and administrative expenses as a percentage of sales declined from 18.4% to 17.0% reflecting the benefits of higher operating leverage, lower overhead structures of the acquired businesses, savings from a major initiative to streamline business processes and reduced one-time acquisition transaction expenses. These positive factors were partially offset by higher amortisation expenses, severance costs and warranty claims and provisions. Combined with a decline in Other Income & Gains compared to the prior year, the result was that Operating Profits increased 43% to US$296 million or 10.6% of sales.

After taking into account the effect of higher net interest expense and tax charges, total net profit attributable to shareholders increased 38% to a record US$238 million.

Johnson Electric's overall financial condition remains robust. As of 31 March 2017, cash reserves amounted to US$128 million and the total debt to capital ratio was 16%.

Positive Impact from Recent Acquisitions

Over the past two and a half years, the Group has completed three significant acquisitions. These transactions – Stackpole International, AML Systems and the recently announced Halla Stackpole Corporation – together serve to expand our business scope and strengthen our growth prospects.

Since their acquisition, both Stackpole and AML have performed ahead of budget and we have been especially pleased with the progress made in integrating their people and operations into the enlarged Johnson Electric Group.

On 16 May 2017, the Group completed its acquisition of an additional 50% equity interest in Halla Stackpole Corporation ("HSC"). HSC is a major supplier of powder metal components to the automotive industry in Asia with operations in Korea and China. Increasing Johnson Electric's ownership interest in HSC to 80% represents an attractive opportunity to increase our exposure to the region's rapidly growing powder metal market. Stackpole International is already a recognised market leader in the powder metal industry in North America and this complementary investment will provide a platform for accelerating sales growth and strengthening the Group's position as a global supplier to key automotive applications that contribute to improved fuel economy, reduced emissions and increased passenger comfort.

Looking Forward

After achieving very satisfactory results for the past financial year, Johnson Electric is in a strong position from which to make further progress in the execution of its long term growth strategy.

For the first time since the 2010 initial rebound from the Financial Crisis, there are indications that each of the three major regional economic powers are experiencing improving economic conditions that, if sustained, have the potential to drive increased demand for manufactured goods.

As mentioned earlier, some of our end-markets – the US automotive sector, for example – are at a different stage in the cycle compared to the broader economy. Nonetheless, barring a major unexpected change in the operating environment, we are optimistic that Johnson Electric can continue to grow underlying sales over the next three to five years at a mid-single digit percentage rate on a constant currency basis.

In the short term, the major macro-economic challenges to the business are likely to be the recent increase in raw material prices, ongoing wage inflation and the strength of the US Dollar relative to a number of other currencies in which we do business – particularly the Euro and the Canadian Dollar. Based on recent trends in this regard, we anticipate some downward pressure on operating profit margins in the 2017/18 financial year that will necessitate further actions to drive down costs and improve productivity.

Looking further ahead, in a world where the number and application of precision motors, actuators, pumps and related electro-mechanical devices continues to proliferate, I am convinced that the underlying raison d'être of Johnson Electric is as strong as ever. In the case of the automotive sector, the secular shift to the next generation of Hybrid and All-Electric vehicles offers an exciting additional source of demand for new motion sub-systems needed to address the changed internal functional dynamics of the vehicle from thermal management to braking.

Our key competitive advantages as a company include market leading technology, a genuinely global operating footprint, and a diversified base of blue-chip customers evenly balanced across Asia, Europe and the Americas. In a more stable and predictable environment this combination of strengths might be sufficient to sustain success. However, the Digital Age has fundamentally changed the rules of business and has enabled value chains to be disrupted in ways and at speeds previously unimaginable. As a consequence, traditional sources of advantage – while often still valuable – cannot be relied upon to guarantee prosperity.

Along with many of the end-markets of our customers, industrial component manufacturing has itself entered a period of radical change and disruption. Advances in factory automation, connectivity, data exchange and machine learning are set to transform manufacturing from the design stage through to production and on to inventory management and distribution. Although realising the vision of these fully integrated "factories of the future" is still a few years ahead of us, the imperative to reconfigure Johnson Electric's design and production processes to align with the industrial logic of increased automation will be pivotal to our business strategy and capital investments going forward.

Shareholders can therefore expect to see Johnson Electric continue to transform its business model in the coming years to one where our traditional strengths in technology innovation, global reach and customer responsiveness are increasingly complemented by a highly automated manufacturing model focused on reduced cycle times and flawless execution.

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

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

Hong Kong, 17 May 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL PERFORMANCE

US$ million	FY2016/17 [1]	FY2015/16
Sales	2,776.1	2,235.9
Gross profit	747.8	589.5
Gross margin	*26.9%*	*26.4%*
Profit attributable to shareholders	237.9	172.7
Diluted earnings per share (US cents)	26.91	19.75
EBITDA (excluding nonrecurring items [2])	448.4	334.3
EBITDA margin	*16.2%*	*15.0%*
Free cash flow from operations [3]	160.1	70.8

US$ million	31 Mar 2017	31 Mar 2016
Cash	127.7	193.3
Total debt [4]	384.0	422.5
Net debt (total debt less cash)	256.3	229.2
Total equity	2,025.0	1,884.8
Market capitalisation [5]	2,565.6	2,643.3
Enterprise value [6]	2,854.7	2,914.7
EBITDA adjusted on a proforma basis [7]	450.5	369.6

Key Financial Ratios	31 Mar 2017	31 Mar 2016
Enterprise value to EBITDA [7]	6.3	7.9
Free cash flow to total debt [4]	42%	17%
Total debt to EBITDA [7]	0.9	1.1
Total debt and leases [8] to EBITDA [7]	1.0	1.3
Total debt to capital (total equity + total debt)	16%	18%

1 FY2016/17 includes 12 months' results of Stackpole International and 10½ months' results of AML Systems. FY2015/16 includes 5 months' results of Stackpole International

2 Earnings before interest, tax, depreciation and amortisation, excluding acquisition transaction costs of US$12.4 million in FY2015/16

3 Net cash generated from operating activities plus net interest received, less capital expenditure (net of proceeds from disposal of fixed assets) and capitalisation of engineering development costs

4 Total debt calculated as borrowings plus convertible bonds (debt elements)

5 Outstanding number of shares multiplied by the closing share price (HK$23.20 per share as of 31 March 2017 and HK$23.95 per share as of 31 March 2016) converted to USD at the closing exchange rate

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

7 EBITDA excluding nonrecurring items and adjusted to include the last 12 month's results of AML Systems (FY2016/17) and Stackpole International (FY2015/16) on a pro forma basis

8 Lease payments were discounted at 7% for this analysis with a corresponding adjustment of annual lease expense to EBITDA

BUSINESS REVIEW

Johnson Electric's Operating Model

Technology leadership and application-specific know-how make Johnson Electric a global leader in its industry. The Group offers the broadest set of engineered motor and motion system solutions available in the market today – incorporating brushed and brushless DC motors, AC motors, stepper motors, piezo-electric motors, cooling fan modules, fixed and variable displacement oil pumps, water pumps, HVAC and other actuators, sintered powder metal components, solenoids, relays, precision gears, switches, headlamp levellers, coolant valves and flexible printed interconnects. These can be standardised for mass production or tailored to meet the needs of strategic segments and key accounts.

The Group seeks to work closely with its customers to understand the market's requirements and key preferences and to identify the key underlying trends, regulatory changes or technology advancements that drive long-term demand. Using the information gained from this, the Group constantly challenges its business managers and engineers to offer new opportunities to solve customers' problems. This can mean utilising the Group's volume production base and innovative manufacturing and product technologies to take cost leadership, designing and delivering a solution that offers lower total costs for a customer over their product's entire life-cycle. In other situations, it can mean finding a unique solution to help the customer differentiate their products in the marketplace, for example through lower energy consumption, lower weight, lower noise, longer endurance or higher performance.

The key goals of Johnson Electric's manufacturing strategy are to be global, flexible, high quality and cost competitive. In executing this strategy, the Group is progressively shaping its operating footprint in Asia, the Americas and Europe in FY2016/17 moving into new facilities in Poland and Brazil, while increasing automation and reducing headcount worldwide. The Group's "in-region" manufacturing facilities strengthen support for customers by being close to where they are operating and ensuring fast, reliable supplies and highly responsive levels of service. It also lowers freight costs and inventory levels and mitigates the Group's operating risk by not being overly reliant on any single country or factory.

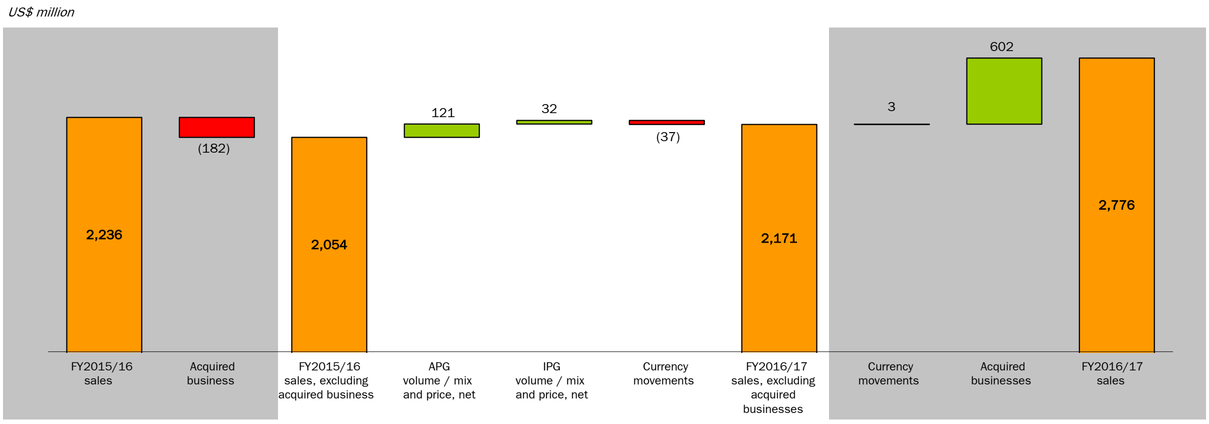
The Group's cost competitiveness is also enhanced through the commonalities shared by its operations including advanced technologies, manufacturing processes, vertical integration (with certain components manufactured in-house), supply chain, brands, distribution channels and program management.

Sales Review

Sales of US$2,776.1 million in FY2016/17 increased US$540.2 million or 24% compared to US$2,235.9 million in FY2015/16. Excluding acquisitions and currency movements, sales increased by US$153.8 million or 7% compared to the prior year, as shown below:

US$ million	FY2016/17		FY2015/16		Change	
Automotive Products Group ("APG") sales						
– Excluding acquisitions and currency movements	1,544.5	55%	1,423.1	64%	121.4	9%
– Acquired businesses	602.2	21%	181.8	8%	420.4	
– Subtotal	2,146.7	76%	1,604.9	72%	541.8	34%
– Currency movements	(30.1)		n/a		(30.1)	
APG sales	2,116.6		1,604.9		511.7	32%
Industry Products Group ("IPG") sales						
– Excluding currency movements	663.4	24%	631.0	28%	32.4	5%
– Currency movements	(3.9)		n/a		(3.9)	
IPG sales	659.5		631.0		28.5	5%
Group sales						
– Excluding acquisitions and currency movements	2,207.9	79%	2,054.1	92%	153.8	7%
– Acquired businesses	602.2	21%	181.8	8%	420.4	
– Subtotal	2,810.1	100%	2,235.9	100%	574.2	26%
– Currency movements	(34.0)		n/a		(34.0)	
Group sales	**2,776.1**		**2,235.9**		**540.2**	**24%**

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



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

Net effect of volume, mix and price increased sales by US$153.8 million. Organic changes in the sales of the Automotive Products Group and the Industry Products Group are discussed on pages 9 to 12.

Newly acquired businesses increased sales by US$420.4 million, excluding currency effects. Stackpole International had sales of US$475.2 million (US$472.4 million excluding currency effects) in FY2016/17 (FY2015/16: US$181.8 million in the 5 months from its acquisition in 2015). AML Systems had sales of US$129.8 million in the 10½ months since its acquisition in May 2016. The addition of Stackpole and AML's business is further discussed, together with JE's existing automotive business, on page 10.

Currency movements adversely impacted revenues by US$34.0 million compared to FY2015/16, primarily due to the weaker Chinese Renminbi versus the US Dollar in FY2016/17 (average rate of 6.73) compared to the prior year (average rate of 6.32). The Group's sales are largely denominated in the US Dollar, the Euro, the Chinese Renminbi and the Canadian Dollar.

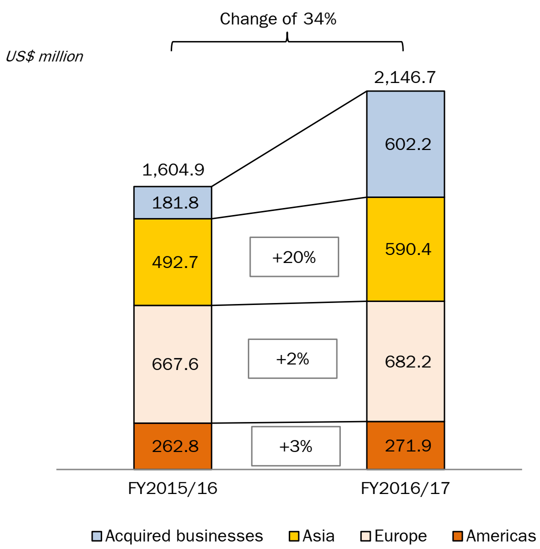
Automotive Products Group

APG's sales excluding currency effects and acquired businesses grew 9% compared to FY2015/16.

In Asia, sales increased 20% as China benefited from new platform launches and market share gains with the Group's products for powertrain cooling, engine air management, sunroof, window lift, braking and electric power steering applications. We also penetrated the powertrain cooling market in Japan. Sales of products for engine emissions applications grew as customer programs ramped-up. This was slightly offset by reduced sales of products for fuel pump applications.

In Europe, sales increased 2% as APG expanded its product portfolio with products for seat thigh support applications and benefited from the ramp-up of customer programs utilising its products for brushless powertrain cooling and engine coolant valves. This was partially offset by reduced demand for brushed powertrain cooling products.

APG sales
at constant exchange rates



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

	APG sales growth/(decline)			
Year ended	Asia	Europe	Americas	Total
31 March 2017	20%	2%	3%	9%
31 March 2016	4%	5%	4%	5%
31 March 2015	12%	5%	(8%)	4%
31 March 2014	4%	10%	1%	7%

In the Americas, sales increased 3% as sales of products for powertrain cooling, steering column adjusters, seat adjusters, electric parking brake and touch feedback benefited from customer growth and the ramp-up of recently launched customer programs. This was partially offset by reduced demand for products for window lift and engine fuel management applications.

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 FY2016/17 (FY2015/16 was 22%). The change in percentage year-on-year is due to the effect of the acquisitions enlarging the total Group.

Through the combined effects of organic business growth, plus the acquisitions of Stackpole and AML, APG’s sales grew by 34%, excluding currency movements.

Stackpole’s sales were US$475.2 million, accounting for 17% of the Group’s sales for FY2016/17. Excluding currency effects, underlying sales of this business grew by approximately 14%, compared to the prior year (combining 7 months pre-acquisition and 5 months post-acquisition sales), driven by increased market penetration in Asia and product launches and ramp-ups in North America and Europe. Stackpole has been successful in winning new business and will enjoy a pipeline of subsequent product launches to meet JE’s growth objectives.

AML’s sales for the 10½ months since acquisition were US$129.8 million. Underlying sales for FY2016/17 (including 1½ months pre-acquisition sales) grew by approximately 19% compared to the prior year (pre-acquisition). This was driven by increased market penetration, product launches and ramp-ups in Europe and Asia.

APG’s design teams are organised into engineering centres, based on specific product technologies, including powertrain cooling, pump, window-lift drive, seat adjustment, power closures, actuators for engine control valves, heating, ventilation and air-conditioning (“HVAC”), headlamp adjustment, transmission, braking and stability control applications. These design teams constantly focus on developing innovative, reliable cost-competitive products that are energy-efficient, compact and lightweight and yet capable of withstanding the extreme temperatures, shocks and vibrations found in the car. Typically, these are required for advanced applications that provide passenger comfort, increase fuel efficiency, reduce emissions and improve safety.

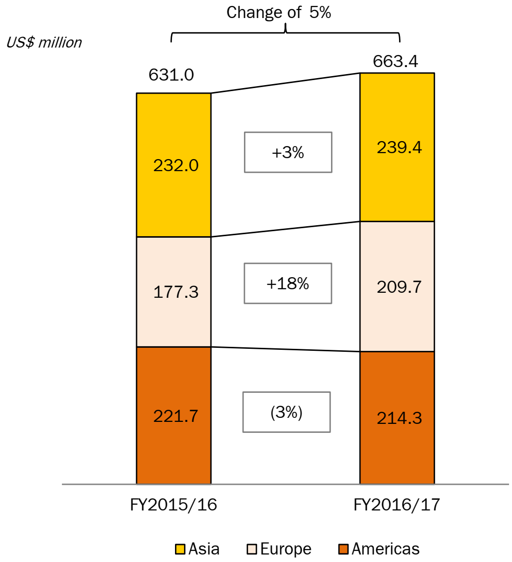
Examples of motion subsystems designed and manufactured for APG customers include:

- Cooling fan modules (“CFMs”) with highly efficient, light-weight brushless DC motors and intelligent software control to vary airflow in response to vehicle driving dynamics. This gives efficient heat rejection and keeps the engine temperature within the optimum range for minimised fuel consumption and emissions, with a longer operating life than CFMs utilising brushed DC motors;
- Highly engineered automotive engine pumps (both oil and water) and transmission pumps;
- Compact HVAC actuators that fulfil a complex set of engineering demands including size, energy efficiency, sound quality and ease of control; and
- Active modules for headlamp adjustment to improve visibility and enhance safety for drivers and other road users.

Industry Products Group

IPG's sales, excluding currency movements, increased 5% for FY2016/17 compared to the prior year. Sales in Europe increased 18%. Sales in Asia increased by 3%, reversing a multi-year trend of declining revenue. Sales in the Americas declined 3% driven by a strategic pricing shift to secure long-term volume commitments at major customers.

IPG sales at constant exchange rates



In Asia, sales increased 3% overall, with growth across many customers in multiple industries. In the "Segment Solutions Business" (business model explained in the following page), volumes of motors for printers, small domestic appliances and medical devices grew throughout the year. Growth at contract manufacturers in China offset declines in Hong Kong contract manufacturers. The "Segment Products Business" achieved growth at a large number of customers.

Yearly trend in sales (excluding currency movements)

	IPG sales growth/(decline)			
Year ended	Asia	Europe	Americas	Total
31 March 2017	3%	18%	(3%)	5%
31 March 2016	(17%)	8%	0%	(5%)
31 March 2015	(4%)	6%	12%	4%
31 March 2014	(5%)	(8%)	0%	(4%)

In Europe, sales increased 18% across a broad array of customers in multiple industries. The "Segment Solutions Business" delivered strong growth in the smart meter, robotic lawn mower and coffee machine segments. A focus on new programs at industry leading customers drove increased sales of motors and switches. The "Segment Products Business" achieved growth at a large number of customers. Revenue growth versus prior years improved throughout the year.

In the Americas, sales decreased 3%, with growth in the medical device and window segments more than offset by decline in demand in the power tool and smart meter segments. In the "Segment Solutions Business" long-term supply agreements secured high volume demand with major customers in the ventilation and small engine starter motor segments. This had a price/revenue impact versus the prior year. The closure of a small manufacturing site for flexible printed circuits contributed to the sales decrease. In the "Segment Products Business" growth achieved at a large number of customers and distributers was offset early in the year by the end of life of several large projects that featured strongly in the prior year. New programs that launched in the second half of the year are expected to bring a recovery in sales.

The IPG division's structure and business model changed in FY2016/17 compared to the previous year. IPG has transitioned from multiple business units to only one global unit with two different business models aligned with customer segment characteristics:

- The "Segment Solutions Business" manages business development in selected strategic industry segments and key customers whose products are aligned with macro trends driving consumer demand.

- The "Segment Products Business" manages product sales at smaller customers to sustain multi-year business demand.

Also, the division has been reorganised to improve collaboration between the engineering, business development, product management and sales functions. The IPG division's engineering groups are organised by technology; e.g. brushless motors, DC motors, AC motors, stepper motors, piezo motors, solenoids, micro switches, flexible printed circuits and SIM/Bank card micro-connectors. IPG pursues technology leadership by developing products and subsystems that deliver high performance, energy efficiency and customer value.

Examples of motion subsystems designed and manufactured for IPG customers include:

- Actuators that enable manufacturers of window shades, blinds and shutters to meet emerging consumer product safety regulations. These actuators combine motor, gear box and electronics. Motorisation for control of window shutters and blinds enables energy efficient management of heating and cooling of residential and commercial buildings;
- Brushless motors for a range of applications that require cost effective high efficiency solutions for cordless hand held products and appliances that must meet stricter energy regulations;
- Valves and relays for gas and electric smart meters requiring reliable, safe and cost effective solutions;
- Gear-motors for surgical devices with zero defects in high production volumes; and
- Drive motor and cutter motor platforms for robotic lawn mowers.

Profitability Review

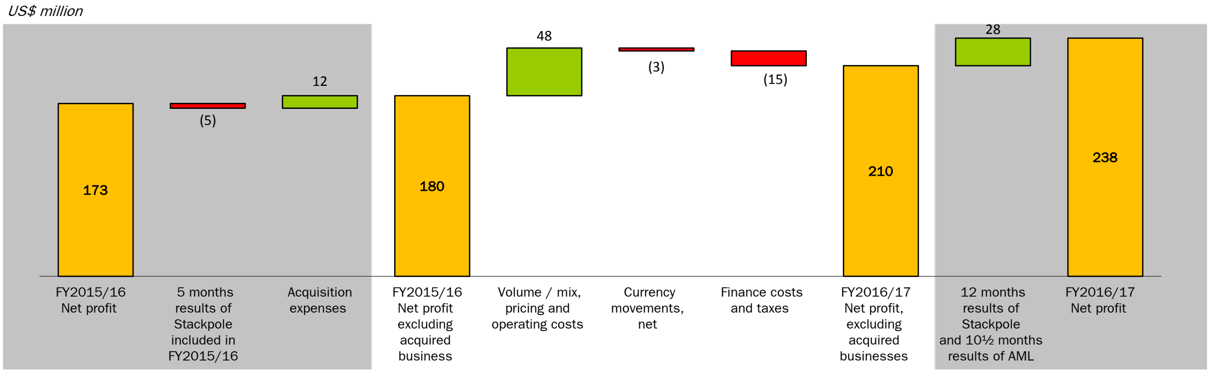
Profit attributable to shareholders was US$237.9 million in FY2016/17, up from US$172.7 million in FY2015/16. Excluding 12 months profits of Stackpole International and 10½ months profits of AML Systems, profit for FY2016/17 was US$210.3 million.

US$ million	FY2016/17 [1]	FY2015/16	Increase / (decrease) in profit
Sales	2,776.1	2,235.9	540.2
Gross profit	747.8	589.5	158.3
Gross margin %	*26.9%*	*26.4%*	
Other income and gains, net	19.1	28.5	(9.4)
Intangible assets amortisation expense	(37.1)	(27.7)	(9.4)
Intangible assets amortisation expense %	*1.3%*	*1.2%*	
Other selling and administrative expenses ("S&A"), excluding nonrecurring items	(434.3)	(370.7)	(63.6)
Other S&A %, excluding nonrecurring items	*15.6%*	*16.6%*	
Operating profit, excluding nonrecurring items	295.5	219.6	75.9
Operating margin %, excluding nonrecurring items	*10.6%*	*9.8%*	
Nonrecurring items:			
Acquisition transaction costs	-	(12.4)	12.4
Operating profit	295.5	207.2	88.3
Operating profit margin %	*10.6%*	*9.3%*	
Share of profit of associates	4.8	2.6	2.2
Net interest expense	(10.0)	(3.2)	(6.8)
Profit before income tax	290.3	206.6	83.7
Income tax expense	(43.8)	(23.9)	(19.9)
Effective tax rate	*15.1%*	*11.6%*	
Profit for the year	246.5	182.7	63.8
Non-controlling interests	(8.6)	(10.0)	1.4
Profit attributable to shareholders	237.9	172.7	65.2

1 FY2016/17 includes 12 months' results of Stackpole International and 10½ months' results of AML Systems. FY2015/16 includes 5 months' results of Stackpole International.

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

Profit Attributable to Shareholders



Volume / mix, pricing and operating costs: Profits benefited from increased volumes, cost (and headcount) reduction activities and lower commodity costs in FY2016/17. This was partially offset by sales price adjustments primarily from long-term agreements, wage inflation and increased warranty provisions as sales increased. The net effect of these changes increased net profit by US$47.8 million.

The gross profit margin increased to 26.9% for FY2016/17 from 26.4% last year, principally due to better leverage of fixed costs as volumes increased and the beneficial impact of cost reduction and reshaping programmes. The gross profit margin excluding acquired businesses was 29.7%. Further, when adjusted for the currency hedges for export sales (reported in selling and administrative expenses), the gross margin would be 30.7%.

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. Including hedge contracts, currency movements decreased net profit by US$3.0 million in FY2016/17.

Finance costs and taxes: Net interest and taxes reduced profits for FY2016/17 by US$14.8 million.

- Net interest expense increased as the Group utilised cash reserves (reducing interest income), supplemented by borrowings (increasing interest expense), to acquire AML Systems in May 2016 and Stackpole International in October 2015, in all-cash transactions. Also, interest rates for short-term US dollar borrowing rates rose during the year. Finance income and costs are analysed in Note 20 to the accounts.
- The effective tax rate increased to 15.1% for FY2016/17 from 11.6% for the prior year. Excluding the estimated settlement of a fiscal audit in Europe for the 4 year period from FY2006/07 to FY2009/10, the effective tax rate would have been 12.7%. Tax is analysed further in Note 15 to the accounts.

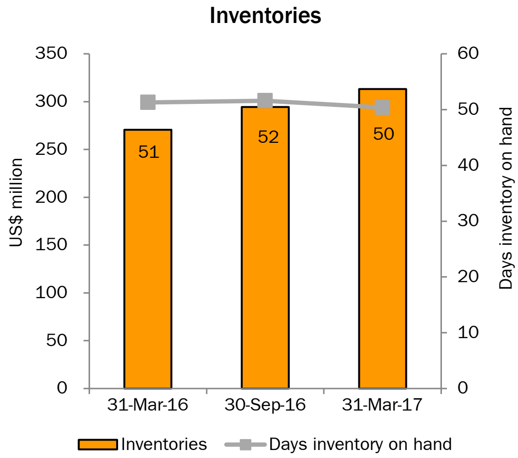
Acquired businesses: Stackpole International added US$18.4 million to the Group's net profit for FY2016/17 (FY2015/16: US$4.7 million), including the share of its associate's profit, partially offset by interest expense attributable to its operations. AML Systems, acquired in May 2016, added US$9.2 million to the Group's net profit in the 10½ months since its acquisition.

WORKING CAPITAL

US$ million	Balance sheet as of 31 Mar 2016	Currency translation	Acquisitions	Working capital changes per cash flow	All other	Balance sheet as of 31 Mar 2017
Inventories	270.7	(13.6)	11.7	44.3	-	313.1
Trade and other receivables	542.2	(20.6)	29.3	60.2	3.6	614.7
Other non-current assets	19.1	(0.5)	0.2	(3.1)	(4.6)	11.1
Trade payables, other payables and deferred income [1]	(489.4)	21.0	(35.9)	(64.8)	(0.1)	(569.2)
Provision obligations and other liabilities [1,2]	(62.9)	2.1	(6.2)	(7.2)	(2.2)	(76.4)
Other financial assets /(liabilities), net [1]	32.4	(0.5)	-	(14.0)	57.3	75.2
Total working capital per balance sheet	312.1	(12.1)	(0.9)	15.4	54.0	368.5

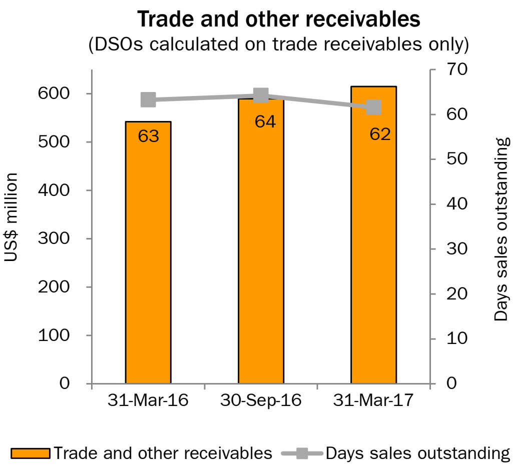
1 Current and non-current
2 Net of defined benefit pension plan assets

Inventories increased in value by US$42.4 million to US$313.1 million as of 31 March 2017 (31 March 2016, US$270.7 million) due to the acquisition of AML Systems and increased production volumes to meet higher business levels including new product launches.



Days inventory on hand ("DIOs") decreased slightly to 50 days as of 31 March 2017 from 51 days as of 31 March 2016, as the beneficial effect of a reduction in goods in transit due to localisation of production was largely offset by an increase in inventory of finished goods taken on consignment.

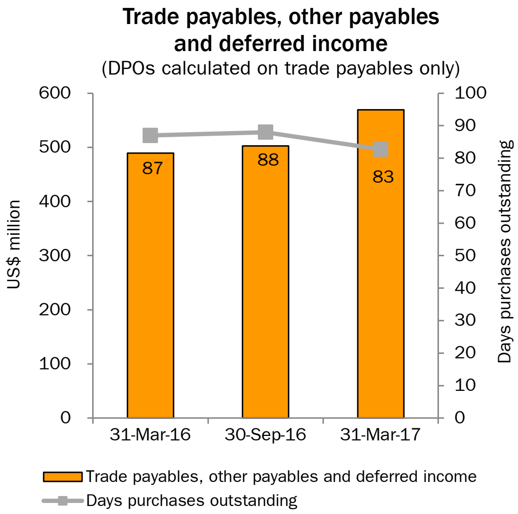
Trade and other receivables increased by US$72.5 million to US$614.7 million as of 31 March 2017 (31 March 2016, US$542.2 million), due to the acquisition of AML Systems and increased sales volumes.



Days sales outstanding ("DSOs") decreased only slightly to 62 days as of 31 March 2017, from 63 days 31 March 2016, as Stackpole and AML have similar customer profiles to Johnson Electric's existing business. 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 increased by US$79.8 million to US$569.2 million as of 31 March 2017 (31 March 2016, US$489.4 million), due to the acquisition of AML Systems and increased business volumes, partly offset by the insourcing of some parts production.

Days purchases outstanding ("DPOs") decreased to 83 days as of 31 March 2017 from 87 days as of 31 March 2016.



Provision obligations and other liabilities increased by US$13.5 million to US$76.4 million as of 31 March 2017 (31 March 2016, US$62.9 million), largely due to the acquisition of AML Systems and increased warranty provisions. The Group will make contributions of US$3.9 million to post-employment benefit plans for FY2017/18 (FY2016/17: contributions of US$3.8 million). For further details of provision obligations and other liabilities, see note 14 to the accounts.

Other financial assets / (liabilities), net, increased by US$42.8 million to a net financial asset of US$75.2 million as of 31 March 2017 (31 March 2016, net financial asset of US$32.4 million).

- The fair value of commodity contracts increased by US$53.1 million as mark-to-market rates for copper rose above the Group's hedge rates.

- Fair value gains on foreign currency forward contracts and cross-currency interest rate swaps decreased in value by US$10.3 million, largely due to a decrease in the mark-to-market value of Chinese Renminbi and Mexican Peso hedge contracts, partially offset by an increase in the mark-to-market value of Euro, Canadian Dollar and Hungarian Forint hedge contracts.

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

	Spot rates as of 31 Mar 2017	Spot rates as of 31 Mar 2016	Strengthen /(weaken)
USD per EUR	1.07	1.13	6%
RMB per USD	6.89	6.48	(6%)
CAD per USD	1.33	1.30	(2%)
HUF per EUR	308.48	314.94	2%
MXN per USD	18.71	17.23	(8%)
USD per metric ton of copper	5,849	4,856	20%
USD per ounce of silver	18.06	15.38	17%

Further details of the Group's hedging activities can be found in the Financial Management and Treasury Policy section on pages 21 to 22 and in Note 7 to the accounts.

CASH FLOW

US$ million	FY2016/17 [1]	FY2015/16	Change
Operating profit [2]	296.9	207.9	89.0
Depreciation and amortisation	151.5	114.0	37.5
EBITDA	448.4	321.9	126.5
Other adjustments	12.0	4.8	7.2
Working capital changes	(15.4)	(46.4)	31.0
Interest paid	(5.9)	(4.4)	(1.5)
Income taxes paid	(39.2)	(34.6)	(4.6)
Capital expenditure, net of subsidies	(240.2)	(186.2)	(54.0)
Proceeds from disposal of fixed assets	6.0	15.6	(9.6)
Capitalisation of engineering development costs	(6.7)	(6.1)	(0.6)
Interest received	1.1	6.2	(5.1)
Free cash flow from operations	**160.1**	**70.8**	**89.3**
Acquisitions and related costs	(94.6)	(680.3)	585.7
Acquisition of non-controlling interests	(19.3)	-	(19.3)
Dividends paid	(55.4)	(54.4)	(1.0)
Purchase of shares held for incentive share schemes	-	(22.0)	22.0
Purchase of shares for cancellation of issued capital	-	(5.2)	5.2
Other investing activities	0.2	0.2	-
Other financing activities	(7.9)	(4.2)	(3.7)
Borrowing (repayments) / proceeds	(42.3)	40.3	(82.6)
Proceeds from long-term debt issuance, net of transaction costs	-	74.2	(74.2)
Decrease in cash (excluding currency movements)	(59.2)	(580.6)	521.4
Currency translation (losses) / gains on cash and cash equivalents	(6.4)	0.7	(7.1)
Net movement in cash	(65.6)	(579.9)	514.3

1 FY2016/17 includes 12 months' results of Stackpole International and 10½ months' results of AML Systems. FY2015/16 includes 5 months' results of Stackpole International

2 Operating profit plus US$1.3 million dividend received from associates in FY2016/17 (FY2015/16: US$0.6 million)

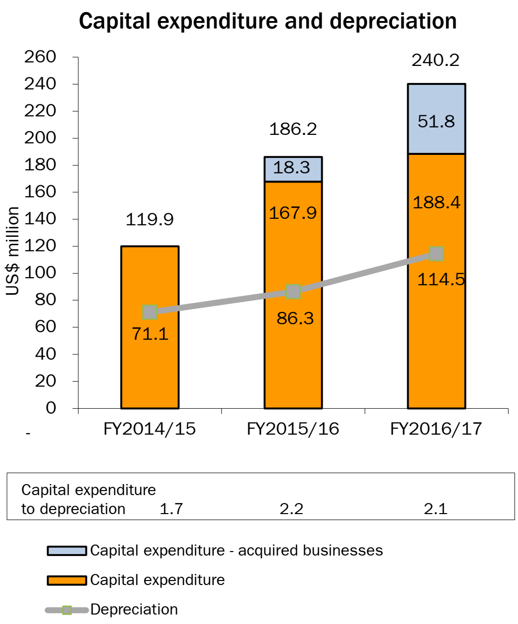
The Group generated US$160.1 million free cash flow from operations in FY2016/17, up US$89.3 million from US$70.8 million in FY2015/16. This movement in operating cash flows included:

- **Working capital** changes of US$15.4 million, to support increased business volumes, as explained in the previous section.

- **Income taxes paid** increased due to higher pre-tax profit levels including acquired businesses. Also, the Group in April 2017 paid US$5.2 million (EUR4.7 million) as part of the estimated settlement for fiscal audit in Europe for the 4 years period of FY2006/07 through FY2009/10.

- **Capital expenditure** of US$240.2 million in FY2016/17, including US$51.8 million for product launches in Stackpole and AML. The Group also moved into new, larger factories in Brazil and Poland needed to meet growing business volumes. The Group continues to enhance the level of automation to standardise operating processes, further improve product quality and reliability and mitigate rising labour costs in China. Additionally, the Group continues to invest in new product launches, long-term technology / testing development, and on-going replacement of assets.

- **Proceeds from disposal of fixed assets** of US$6.0 million in FY2016/17, largely from the sale of real estate (FY2015/16: US$15.6 million).



The net movement in cash includes the following:

- **Acquisitions and related costs:** In May 2016, Johnson Electric acquired AML Systems for US$64.7 million (consideration of US$72.3 million less US$14.3 million cash acquired plus repayment of assumed debt of US$6.7 million). In relation to last year's acquisition of Stackpole, the Group paid US$29.9 million in FY2016/17 for Stackpole's Mississauga and Stratford factories and related items.

  In FY2015/16, the Group paid US$657.2 million (consideration US$675.5 million less US$18.3 million cash acquired), to acquire Stackpole International and pledged US$9.1 million to maintain Stackpole's interest in leased premises. The Group also paid US$14.0 million transaction charges towards the acquisition of Stackpole and AML.

- **Acquisition of non-controlling interests:** In September 2016, the Group increased its interest in the Ri-Yong group of companies from 60% to 70% for consideration of US$19.3 million in cash. Ri-Yong manufactures products for powertrain cooling, largely for the China automotive market.

- **Dividends and share purchases** are discussed in the Financial Management and Treasury Policy Section in 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 & Poor's (S&P) Ratings Services for independent long-term credit ratings. As of 31 March 2017, the Group maintained investment grade ratings from both agencies. These ratings represent 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 and the acquisition of Halla Stackpole Corporation.

Net Debt and Credit lines

US$ million	31 Mar 2017	31 Mar 2016	Change
Cash	127.7	193.3	(65.6)
Borrowings	(176.4)	(220.1)	43.7
Convertible bonds	(207.6)	(202.4)	(5.2)
Net debt	(256.3)	(229.2)	(27.1)
Available unutilised credit lines	758.9	575.5	183.4

Cash decreased by US$65.6 million to US$127.7 million as of 31 March 2017 as explained on pages 17 to 18. The proportion of cash held in the Euro decreased as Euro cash reserves were utilised to acquire AML Systems.

US$ million	31 Mar 2017	31 Mar 2016
RMB	40.4	42.7
EUR	35.3	98.3
USD	28.7	9.0
CAD	9.4	19.2
Others	13.9	24.1
Total	127.7	193.3

Borrowings decreased by US$43.7 million to US$176.4 million as of 31 March 2017, from US$220.1 million as of 31 March 2016. Further information on borrowings can be found in Note 12 to the accounts.

Convertible bonds: In April 2014, the Company issued convertible bonds, in an aggregate principal amount of US$200 million with a cash coupon rate of 1% per annum, maturing in April 2021, with an April 2019 put option for the bondholders. The bonds have an effective annual yield of 3.57%. As of 31 March 2017, the carrying value of these bonds was US$207.6 million. Further information on the convertible bonds can be found in Note 13 to the accounts.

Borrowings and Convertible Bonds

US$ million	Total debt	Swap contracts *	Total after effect of swaps	%
USD	359.0	(145.0)	214.0	56%
EUR	16.4	142.0	158.4	42%
CAD	8.6	-	8.6	2%
Total	384.0	(3.0)	381.0	100%

Balance Sheet presentation:

Borrowings - current	26.2
Borrowings - noncurrent	150.2
Convertible bonds	207.6
Gross debt	384.0
Swap contracts* (Other financial assets)	(3.0)
Total debt including swap contracts	381.0

Gearing:

- The Group's total debt to capital ratio was 16% as of 31 March 2017, down from 18% as of 31 March 2016.
- Total debt to EBITDA ratio (adjusted to include 12 months of AML Systems) was 0.9 as of 31 March 2017, down from 1.1 (adjusted to include 12 months of Stackpole and exclude nonrecurring items) as of 31 March 2016.
- Interest coverage (defined as EBITDA, excluding nonrecurring items, divided by gross interest expense) was 40 times for FY2016/17, compared to 36 times for FY2015/16.
- Free cash flow from operations as a percentage of gross debt increased to 42% for FY2016/17 from 17% for FY2015/16. This was due to the combined effects of a decrease in borrowings and an increase in free cash flow explained earlier.

Available credit lines — The Group had US$759 million available unutilised credit lines as of 31 March 2017, as follows:

- Of US$255 million committed revolving credit facilities provided by certain of its principal bankers, US$243 million remained unutilised. These facilities have expiry dates ranging from September 2018 to February 2020;
- US$376 million of uncommitted and unutilised revolving credit facilities, provided by its principal bankers; and
- US$140 million of uncommitted and unutilised trade receivable financing lines.

Dividends and Shares

Dividends: The Board has recommended a final dividend of 34 HK cents per share for FY2016/17 (FY2015/16: 34 HK cents per share) equivalent to US$37.6 million, to be paid in August 2017. The Company paid an interim dividend of 16 HK cents per share for FY2016/17, an increase of 7% over the prior year amount (FY2015/16: 15 HK cents per share) equivalent to US$17.7 million.

Purchase of shares for incentive share schemes: To foster a focus on long-term sustainable growth, JEHL maintains long-term incentive share schemes, further discussed on page 49. There were no purchases of shares in relation to these schemes in FY2016/17. In FY2015/16, the Company purchased 6.5 million shares for US$22.0 million including brokerage fees, for use in granting shares to eligible Directors and employees under the incentive share schemes.

Purchase of shares for cancellation of issued capital: In FY2016/17 no shares were purchased for cancellation of issued share capital. In FY2015/16, 1.7 million shares were purchased for cancellation at a total cost of US$5.2 million including brokerage and cancellation fees.

Foreign Exchange and Raw Material Commodity Price Risk

The Group is exposed to foreign exchange risk and hedges part of this risk through forward contracts. These forward contracts have varying maturities, ranging from 1 to 84 months as of 31 March 2017, to match the underlying cash flows of the business and included:

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

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

	FY2016/17	FY2015/16
USD	37%	43%
EUR	30%	31%
RMB	19%	18%
CAD	11%	5%
Others	3%	3%

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

The Group is exposed to commodity price risk, mainly from fluctuations in steel, copper, silver and aluminium prices.

- Price risk due to steel is reduced through fixed price contracts 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 22 to 34 months.
- Price risk due to copper, silver and aluminium is reduced by hedging through appropriate financial instruments with varying maturities ranging from 1 to 63 months as of 31 March 2017. 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.

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

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

ENTERPRISE RISK MANAGEMENT

The Group identifies, mitigates and manages its exposure to risk and uncertainty through proactive oversight and robust business processes. Management monitors these business processes, testing them periodically to ensure their continued effectiveness.

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

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

Principal risks and uncertainties [1]

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

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

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

Nature of risk	How we respond
Strategic risks	
Macroeconomic changes – The Group's business is sensitive to the global economic and socio-political environment. Further, the financial performance of the Group's Automotive and Industry Product Groups depends on conditions in the industries in which they operate. Production and sales in these industries are cyclical and sensitive to the general economic conditions and other factors including interest rates, consumer credit and consumer preferences.	• Ensuring that the operational footprint can respond quickly and cost effectively to changes in the market and capacity utilisation. • Seeking organic and acquisition related growth, across all regions, to mitigate the potential impact of an economic downturn in any particular region. • Diversifying customer and product portfolios through internal development and acquisition to mitigate the adverse impact of economic downturn or market changes in a particular industry.
Market competition and Technology advancement – The Group is under intense pressure to compete on both price and technology as large, multinational and smaller, regional or niche competitors attempt to increase market share. The Group must continually demonstrate its ability to deliver innovative, cost-effective solutions, otherwise it may lose business to competitors who adapt to such technological changes or who develop and offer more suitable or technologically advanced products.	• Developing and managing product differentiation through technology, innovation and intellectual property in order to be the definitive supplier of motion solutions to its customers.
Reputation – The Group may lose potential business if its character or quality is called into question.	• Continuously improving engineering, manufacturing processes and quality standards to maintain the Group's position as the "safe choice" for customers. • Ensuring that a strong tone at the top is reflected in business practices. High integrity, sound ethics and good business practices are expected to be followed by employees at all levels of Johnson Electric's global organisation, with zero tolerance for non-compliance.
Mergers and acquisitions – Should suitable opportunities occur, the Group makes acquisitions (such as Stackpole and AML) that can complement its strategy, broaden its technology offering and accelerate growth. The Group faces risks in integrating such newly acquired businesses, including the integration of business models, product portfolios, operations, systems, employees and business cultures. Depending on the size and complexity of such acquired businesses, the Group may not be able to take advantage of synergies quickly.	• Prior to acquiring new business, the Group carries out a comprehensive appraisal to establish its commercial potential and fit with the Group's strategy and product portfolio, to evaluate the assets and liabilities that will be acquired and to identify potential issues. • The Group stipulates procedures and post-acquisition support to ensure that integration is smooth. The Stackpole and AML acquisitions are further discussed in Note 26 to the financial statements.

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

1 The performance of the Group's credit risk management is discussed in the Working Capital Section on page 15 and in Note 9 to the financial statements.

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

1 The Group's policies on investing in people are further discussed on pages 27 to 29.
2 The Group's EHS management is further discussed on pages 29 to 30.
3 A detailed discussion of the nature of financial risks and the Group's financial management and treasury policies for managing its exposure to these risks are set out on pages 19 to 22.

STAKEHOLDER ENGAGEMENT

Johnson Electric is dedicated to socially responsible interactions with its stakeholders including shareholders, customers, employees, suppliers, business partners and local communities worldwide. The Group's commitment to social accountability includes policies and practices on a variety of issues such as human rights, non-discrimination, social responsibilities and environmental management.

Relationships with customers and suppliers

Customers: Johnson Electric believes that making customers successful is vital to delivering sustainable business growth and profitability. This is a key part of the Group's core values, internally referred to as "MARBLE"[1].

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

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

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

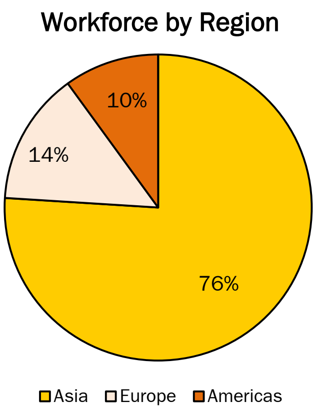
Suppliers are contractually required to be certified with international accreditations such as ISO9001, ISO14001, ISO/TS16949 and ISO13485 and are encouraged to be in compliance with various environmental and conflict minerals requirements. To ensure that suppliers are committed to ethical practices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

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

The Group's purchase terms and conditions requires suppliers to adhere to directives set by the International Labour Organisation's "ILO Declaration on Fundamental Principles on Business and Human Rights at Work" and the United Nations' "UN Guiding Principles on Business and Human Rights", which adhere to the principles of the freedom of association, right of collective bargaining, abolition of child labour and the elimination of forced or compulsory labour or discrimination at work. Compliance with these laws and directives is periodically monitored through self-declarations and on-site audits. Furthermore, the Group's Supplier Performance Rating System enables it to continuously gauge and calibrate suppliers' ability to meet the above requirements.

Investing in people

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



As of 31 March 2017, the Group's total global headcount stood at over 39,000 across Asia, the Americas and Europe.

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

Additionally, to address local talent needs, the Group launches talent acquisition initiatives, as needed, targeting candidates with specific skills and experience. For example, in FY2016/17:

- Stackpole cooperated with the Government of Ontario, Canada to launch a Skills Advance pilot project offering industry-specific training. The project assists Johnson Electric in hiring the right people with the right skills, while also taking a proactive move in the competitive labour market.

- In Asti, Italy, the Group offered internship opportunities to students from technical and commercial high schools, to meet the growing demand for talent.

- In Serbia, Johnson Electric cooperated with the Faculty of Mechanical Engineering of the University of Niš in an internship program for Master Academic students in Mechatronics and Management, as well as Production-Information Technology.

- In Dresden, Germany, a Johnson Electric Prize was awarded to the best diploma thesis in precision engineering at Technical University Dresden, to feature the Group as a potential employer and open up a talent pipeline for the Company.

Compensation and Rewards: The Group maintains a global compensation structure to ensure competitive pay levels and benefit offerings in each market in which it operates. Annual incentive pay is tied to the achievement of revenue, profitability and liquidity goals and is an important component of compensation for more than 80% of staff-level employees, including all management staff. Additionally, the Group's long-term incentive share scheme forms a critical part of the competitive compensation package for senior executives, encouraging retention while aligning rewards to shareholder value. The scheme includes not only time-vested restricted stock units, but also a high proportion of performance stock units which vest only if stringent financial conditions are achieved.

Training and Development: Johnson Electric promotes the 70/20/10 learning and development model, a self-directed, self-paced approach to acquire 70% of learning through real life and on-the-job experiences, tasks, challenges and practice, 20% through a variety of activities that include feedback, social learning, coaching, mentoring, collaborative learning and other interactions with peers, and 10% from formal training.

The Group's Training and Development teams design and deliver just-in-time, pragmatic programs to align the Group's business direction through advancing the skills and knowledge of employees. Training subjects range from leadership development, ISO international standards, compliance awareness, hazardous substance process management to specialised workshops on motor design engineering, innovations plus a wide range of soft skills training.

Additionally, Johnson Electric is dedicated to developing future talent and leaders to meet its ambitious growth targets. To support this, the Group operates the Johnson Electric Technical College (JETC). Founded in 2004 in Shajing, China, with an additional centre opened in Zacatecas, Mexico in FY2016/17, JETC provides a mix of general and technical education for youth over a three-year course. This paves the way for young generations to choose engineering as a viable career option and join the Group's workforce upon graduation. Targeting underprivileged youth, JETC is also part of Johnson Electric's corporate social responsibility to give back to society. Since its foundation, JETC has accepted 1,093 students, including a further intake of 60 expected to join later in 2017.

In Serbia, Johnson Electric provides training schemes in partnership with a local secondary mechanical school and with the University of Niš. Students participating in these schemes spend 2 days a week in the factory, following detailed programs based on the JETC concept, bringing together theory with practical experience. Since their inception, 18 secondary school students and 10 master's degree students have been accepted in these schemes.

Johnson Electric also affiliates with Universities and Technical Colleges to organise part-time studies for employees who would like to further their growth and advancement. Examples of collaborative programs include Master of Mechanical Engineering, Master of Control Engineering, Bachelor of Manufacturing and Automation and High Diploma of Mechatronics.

Environmental, Health and Safety

The Group is committed to protecting the environment and the health and safety of employees wherever it operates around the world. Johnson Electric believes that excellent EHS performance will contribute to the sustainable growth of the company for generations to come. Specific EHS goals include no harm to people working for Johnson Electric and no damage to the environment wherever the Group operates.

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

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

Major EHS achievements in FY2016/17 include:

Energy Management and Energy Saving: In FY2016/17, the Group's factories completed a number of energy saving projects resulting in a significant reduction in carbon emissions. These projects included:

- Improvements in the air conditioning system in Shajing;
- The installation of hydraulic presses with frequency conversion control;
- The use of servo motors for plastic injection machines and hydraulic presses;
- The replacement of air dryer ovens with infrared heating ovens; and
- Improvements to powder metal parts production processes.

Material and Resource Management: Manufacture of the Group's products consumes raw materials such as steel, copper, aluminium and plastic resins. The Group recycles scrap from production processes to recover as much of these valuable resources as possible. This scrap may be sold for further recycling, or in the case of aluminium scraps from aluminium die casting processes, is fully recovered through collection, remelting and reuse as raw material.

In addition to the conventional recovery of steel, copper, aluminium, plastics and paper, in 2016, we took the initiative to recover other reusable materials from the process waste streams. In the manufacturing of motors, epoxy powder was generated as a relatively inert solid waste. In 2016, the Group's Shenzhen factories analysed the contents of this waste and confirmed its reusability. As a result, it is estimated that more than 82 tonnes of epoxy powder was recovered and converted to useful materials for epoxy coating applications in the Shenzhen and Beihai operations.

Waste Management: In 2016, there were various accomplishments in the area of waste reduction in the Group's factories. Examples include:

- In Mexico, JE started a campaign to reduce its garbage, separating out those materials that could be recycled and re-used (including steel, wood, expanded polystyrene, plastics, etc.). This resulted in most of the waste being reused as raw material for other activities. As well as being environmentally friendly, cost is recovered from the process.

- JE's factory in Poland reduced plastics packaging waste. By using a baler, 100% of the packing plastics were removed from the waste stream, for recycling and re-use.

Chemical Safety: In 2016, JE launched a Chemicals War Room, to identify, consolidate and reduce or eliminate the use of chemicals in the company, especially potentially hazardous chemicals. In the first year of this initiative, the Group's Shenzhen factories successfully reduced the number of chemicals by more than 40%. The War Room only allows new chemicals after careful scrutiny of their health and environmental performance. Consequently, the increase in new chemicals used by the company has been effectively checked.

Employee and Community Engagement

The Group seeks to continuously enhance communications within the organisation as it expands through organic growth and acquisitions. Employees are kept up to date with corporate news through internal communications channels at global and local levels. Globally, the Group utilises an enterprise social network as a major internal communications vehicle to disseminate company news. At local level, all-staff meetings were held to update staff on business performance and key priorities.

During the year, a number of employee activities were held at different sites to boost employee morale, build team rapport, enhance employee wellbeing and support various local charities. A diversity of creativity was shown across regions, including sports competitions, festive celebrations, family days, health and safety awareness programs and influenza vaccination programs.

The third One Johnson Celebration, held in December 2016, was an occasion for employees to celebrate another year of impressive accomplishments. All locations joined in organising a wide range of celebratory activities around a common theme of **Simplify, Standardize and Globalize (SSG)** which is also a key business priority going forward. A global SSG contest was organised to reward and recognise projects and teams that have helped the Company increase operational efficiency and effectiveness.

Caring for the Underprivileged: Echoing the Group's core values of good corporate citizenship, Johnson Electric actively engages its employees through participation in community service or partnering with not-for-profit organisations to show care for society. The good deeds employees made time to do over the past year included clothes donation and blood donation drives, cancer awareness campaigns, visiting children's hospitals and elderly homes, organising activities for low-income families, supporting animal welfare and promoting environmental causes.

FY2016/17 also saw the launch of Junior Engineer, a global community project aiming to build a culture of giving back and nurturing future generations of engineers. More than 20 locations cooperated with a local school or a not-for-profit organisation of their choice to invite a group of up to 20 children to have a fun time with volunteering employees, by participating in a competition to build model cars powered by the Group's proprietary electric motors.

CORPORATE GOVERNANCE REPORT

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

BOARD OF DIRECTORS

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

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

In accordance with Rule 13.51(B)(1) of the Listing Rules, the Company is required to disclose changes in information of Directors of the Company subsequent to the date of the Interim Report 2016. Mr. Austin Jesse Wang ceased to be a committee member of the Shenzhen Committee of The Chinese People's Political Consultative Conference. Mr. Joseph Chi-Kwong Yam ceased to be a member of the Board of Directors, the Corporate Culture and Responsibility Committee and the Risk Committee of UBS Group AG.

THE BOARD AT WORK

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

The Company seeks to provide its independent non-executive directors with extensive exposure and access to its operations and management. The board meeting agendas are structured to address the broad spectrum of key governance issues on a regular and systematic basis. Forming part of the continuous professional development program for Directors, visits to the Group's principal operating facilities are arranged and relevant subject area experts are invited to address the Board from time to time.

The Board recognises the importance and benefits of conducting regular evaluations of its performance to ensure the effectiveness of its functioning. On an annual basis, a board effectiveness survey is sent to each Director in order to enable the performance of the Board to be evaluated.

Responses to the survey are analysed and discussed at the Board meeting. Suggestions made by the Directors have been implemented to further improve the performance of the Board.

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

The Group's Executive Vice Presidents attend board meetings to advise on strategic planning, corporate governance, enterprise risk management, statutory compliance, internal controls, mergers and acquisitions, financial, tax and accounting matters.

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

COMMITTEES

The monitoring and assessment of certain governance matters are delegated to four committees which operate under defined terms of reference and are required to report to the Board on a regular basis. The composition of the committees during FY2016/17 and up to the date of this report is set out in the table below.

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

C – Chairman
M – Member

Audit Committee

The Audit Committee comprises three independent non-executive directors and one non-executive director who together have substantial experience in the fields of accounting, taxation, business, corporate governance and regulatory affairs. The current members are Mr. Patrick Blackwell Paul (Committee Chairman), Prof. Michael John Enright, Mr. Christopher Dale Pratt and Mr. Peter Kin-Chung Wang.

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

Four committee meetings were held in FY2016/17 to discuss and review relevant matters together with senior management and the independent auditor, including the following:

1. The FY2015/16 annual results and interim results for FY2016/17, to ensure that the related disclosures in the financial statements were complete, accurate and fair and complied with accounting standards, the Listing Rules and legal requirements, and to submit the same to the Board for approval;

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

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

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

5. The overall adequacy and effectiveness of internal controls;

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

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

8. The status of the Group's global tax position and any fiscal audits by the various jurisdictions;

9. The status of litigation;

10. Information Technology management and security;

11. Hedging policies and practice;

12. The status of funded pension schemes; and

13. Environmental, social and governance reporting.

Remuneration Committee

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

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

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

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

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

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

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

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

Four committee meetings were held in FY2016/17. During the financial year, the Committee addressed the following:

1. Review of the Executive Directors and Senior Executive Compensation and Benefits;
2. Long-Term Incentive Share Scheme Awards;
3. Annual Incentive Plan Measurement;
4. Cost Reduction Actions;
5. Review of Executive Grades and Compensation; and
6. Review of Succession Planning for the JE Executive Committee.

Nomination and Corporate Governance Committee

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

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

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

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

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

Two committee meetings were held in FY2016/17. The following is a summary of work performed by the Committee during the financial year:

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

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

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

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

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

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

7. Update on New UK legal requirements; and

8. Review of compliance certificate assurance.

Board Committee

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

Attendance of Directors at Various Meetings

The Board held five board meetings in FY2016/17 and the average attendance rate was 90%. Details of the attendance of individual directors at board meetings, committee meetings and the annual general meeting during FY2016/17 are set out in the table below:

	Number of meetings attended/held				
Directors	Board Meeting	Audit Committee Meeting	Remuneration Committee Meeting	Nomination and Corporate Governance Committee Meeting	Annual General Meeting
Executive Directors					
Patrick Shui-Chung Wang *(Chairman and Chief Executive)*	5/5	-	-	2/2	1/1
Winnie Wing-Yee Wang *(Vice-Chairman)*	5/5	-	4/4	-	1/1
Austin Jesse Wang	5/5	-	-	-	1/1
Non-Executive Directors					
Yik-Chun Koo Wang *(Honorary Chairman)*	3/5	-	-	-	0/1
Peter Kin-Chung Wang	4/5	2/4	-	-	0/1
Independent Non-Executive Directors					
Peter Stuart Allenby Edwards	5/5	-	-	2/2	0/1
Patrick Blackwell Paul	5/5	4/4	-	2/2	0/1
Michael John Enright	5/5	4/4	4/4	-	1/1
Joseph Chi-Kwong Yam	4/5	-	4/4	-	1/1
Christopher Dale Pratt	4/5	4/4	3/4	-	0/1
Average attendance rate	90%	87.5%	93.8%	100%	50%
Date of meetings	17/05/2016 16/09/2016 09/11/2016 02/03/2017 09/03/2017	16/05/2016 25/07/2016 07/11/2016 16/01/2017	16/05/2016 20/05/2016 08/11/2016 08/03/2017	17/05/2016 09/03/2017	14/07/2016

INTERNAL CONTROL AND ENTERPRISE RISK MANAGEMENT

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

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

The internal control and enterprise risk management system is established to ensure reasonable, but not absolute, assurance against material misstatement or loss and to manage, but not to eliminate, risks of failure in achieving the Group's objectives.

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

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

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

Based on the results of evaluations and representations made by the management, the Group's Corporate Audit Services Department and the external auditor in FY2016/17, the Audit Committee is satisfied that:

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

- An appropriate, effective and adequate system of internal control and enterprise risk management has been in place in FY2016/17, and up to the date of approval of the Annual Report.

AUDITOR

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

During FY2015/16 and FY2016/17, the services (and associated remuneration) provided to the Group by PricewaterhouseCoopers were as follows:

US$ million	FY2016/17	FY2015/16
Audit	2.68	2.52
Taxation services	0.74	1.31
Other advisory services	0.34	0.57

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

CORPORATE GOVERNANCE CODE

During the year ended 31 March 2017, the Company complied with the code provisions set out in the Corporate Governance Code contained in Appendix 14 of the Listing Rules, except for the following:

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.

Code Provision A.6.7

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

Ms. Yik-Chun Koo Wang, Mr. Peter Kin-Chung Wang, Mr. Peter Stuart Allenby Edwards, Mr. Patrick Blackwell Paul and Mr. Christopher Dale Pratt were unable to attend the annual general meeting of the Company held on 14 July 2016 due to overseas commitments or other prior business engagements.

CONTINUOUS PROFESSIONAL DEVELOPMENT

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

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

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

SHAREHOLDERS' RIGHTS

Convening a Special General Meeting

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

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

Putting Forward Proposals at General Meetings

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

Proposing a Person for Election as a Director

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

Enquiries to the Board

Shareholders may send their enquiries and concerns, in written form, to the Board by addressing them to the Company Secretary at 12 Science Park East Avenue, 6/F., Hong Kong Science Park, Shatin, New Territories, Hong Kong. Shareholders may also make enquiries to the Board at the general meetings of the Company. In addition, shareholders can contact Computershare Hong Kong Investor Services Limited, the share registrar of the Company in Hong Kong, if they have any enquiries about their shareholdings and entitlements to dividend.

Constitutional Documents

There was no significant change to the Company's constitutional documents during FY2016/17.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted procedures governing directors' securities transactions in compliance with the Model Code as set out in Appendix 10 of the Listing Rules. Specific confirmation has been obtained from all Directors to confirm compliance with the Model Code throughout the year ended 31 March 2017.

COMMUNICATIONS WITH SHAREHOLDERS

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

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

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

REPORT OF THE DIRECTORS

The Directors have pleasure in submitting their report together with the accounts for the year ended 31 March 2017.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding.

BUSINESS REVIEW

The business review of the Group for the year ended 31 March 2017 are provided in the Letter to Shareholders and Management's Discussion and Analysis sections respectively from pages 2 to 5 and pages 6 to 31.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2017 are set out in the consolidated income statement on page 58.

The Directors declared an interim dividend of 16 HK cents (2.05 US cents) per share, totalling US$17.7 million which was paid on 6 January 2017.

The Board recommends the payment of a final dividend of 34 HK cents (4.36 US cents) per share, totalling US$37.6 million, payable on 11 August 2017.

DISTRIBUTABLE RESERVES

As of 31 March 2017, the distributable reserves of the Company available for distribution as dividends amounted to US$1,826.3 million, comprising retained earnings of US$1,769.7 million and contributed surplus of US$56.6 million.

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

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

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

DONATIONS

During the year, the Group made donations of US$0.2 million (FY2015/16: US$0.2 million).

CONVERTIBLE BONDS

On 2 April 2014, the Group issued convertible bonds ("CB") in an aggregate principal amount of US$200 million with a cash coupon rate of 1% per annum, and a 7 year life with a 5 year put option. Further information on the CB can be found in Note 13 to the accounts.

DIRECTORS

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

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

In accordance with Bye-law 109(A) of the Company's Bye-laws, Ms. Winnie Wing-Yee Wang, Mr. Patrick Blackwell Paul and Mr. Christopher Dale Pratt shall retire from office by rotation and being eligible, offer themselves for re-election.

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

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

The Company is managed through the Board which currently comprises ten directors. As of the date of this report, three of the directors are executive and seven of the directors are non-executive, of whom five are independent.

DISCLOSURE OF INTERESTS

Directors

As of 31 March 2017, the interests of each Director and Chief Executive of the Company in the shares of the Company or any of the Company's associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept under Section 352 of the SFO were as follows:

	Shares of HK$0.05 each of the Company			
Name	Personal Interests	Other Interests		Approximate % of shareholding
Yik-Chun Koo Wang	-	495,192,200	(Notes 1 & 2)	56.345
Patrick Shui-Chung Wang	1,267,500	-	(Note 3)	0.144
Winnie Wing-Yee Wang	402,500	-	(Note 4)	0.045
Austin Jesse Wang	157,875	-	(Note 5)	0.017
Peter Kin-Chung Wang	-	55,897,770	(Notes 2, 6 & 7)	6.360
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 1,267,500 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 402,500 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 157,875 underlying shares in respect of the awarded shares granted, which remained unvested, under the Long-Term Incentive Share Scheme and the Johnson Electric Restricted and Performance Stock Unit Plan.
6. 55,753,520 shares were held under a trust of which Peter Kin-Chung Wang was a beneficiary.
7. 144,250 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, already mentioned at the beginning of this page, 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 year, the Directors and Chief Executive (including their spouses and children under 18 years of age) had any interests in, or had been granted, or exercised, any rights to subscribe for shares of the Company or its associated corporations required to be disclosed pursuant to the SFO.

Substantial Shareholders

As of 31 March 2017, the register of substantial shareholders maintained under Section 336 of the SFO shows that the Company had been notified of the following substantial shareholders' interests, being 5% or more of the Company's issued share capital:

Name of shareholder	Capacity	Numbers of shares held	Approximate % of shareholding
Yik-Chun Koo Wang	Beneficiary of family trusts	495,192,200 (Notes 1 & 2)	56.34
Ansbacher (Bahamas) Limited	Trustee	221,760,000 (Note 1)	25.23
HSBC International Trustee Limited	Trustee	190,763,415 (Note 1)	21.70
Great Sound Global Limited	Interest of controlled corporation	188,956,840 (Note 3)	21.50
Winibest Company Limited	Beneficial owner	188,956,840 (Note 4)	21.50
Federal Trust Company Limited	Trustee	140,228,880 (Note 1)	15.95
Schroders Plc	Investment manager	70,105,868	7.97
Peter Kin-Chung Wang	Beneficiary of family trust and interest of spouse	55,897,770 (Note 5)	6.36
Ceress International Investment (PTC) Corporation	Trustee	55,753,520 (Note 6)	6.34
Merriland Overseas Limited	Interest of controlled corporation	52,985,760 (Note 7)	6.02

Notes:

1. The shares in which Ansbacher (Bahamas) Limited was interested, 188,956,840 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. 55,753,520 shares in which Ceress International Investment (PTC) Corporation was interested were held by it as a trustee of a unit trust of which all issued units were held by a trust of which Peter Kin-Chung Wang was a beneficiary. 144,250 shares were held beneficially by Peter Kin-Chung Wang's spouse. All these shares were included in the shares in which Peter Kin-Chung Wang was interested as referred to above under Directors' Disclosure of Interests.
6. The interests of Ceress International Investment (PTC) Corporation in the Company formed part of the interests in the Company held by Federal Trust Company Limited. The interests of Ceress International Investment (PTC) Corporation in the Company formed part of the interests held by Peter Kin-Chung Wang as referred to in Note 5.
7. The interests of Merriland Overseas Limited in the Company formed part of the interests in the Company held by Federal Trust Company Limited.

Save as disclosed herein, as of 31 March 2017, the register maintained by the Company pursuant to Section 336 of the SFO recorded no other interests or short positions in the shares of the Company.

INCENTIVE SHARE SCHEMES

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

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

The following is a summary of the Stock Unit Plan:

1. **Participants**

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

2. **Awards**

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

3. **Term**

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

4. **Eligibility**

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

5. Administration

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

6. Grant of Awards

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

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

7. Vesting of Awards

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

8. Maximum Number of Shares to be Granted

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

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

Stock Unit Plan will be counted for the purpose of determining the aggregate number of shares in issue as of the new approval date.

9. **Dividends and Voting Rights**

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

10. **Transferability**

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

11. **Alteration**

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

12. **Termination**

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

During the year ended 31 March 2017, no shares of the Company were purchased by the Company in connection with the Stock Unit Plan for eligible employees and directors.

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

	Number of unvested units granted (thousands)		
	Restricted Stock Units	Performance Stock Units	Total
Unvested units outstanding, as of 31 March 2016	5,608	6,477	12,085
Units granted to Directors and employees during the year	3,305	3,504	6,809
Shares vested to employees during the year	(1,391)	(2,043)	(3,434)
Forfeited during the year	(573)	(798)	(1,371)
Unvested shares granted, as of 31 March 2017	6,949	7,140	14,089
Forfeited in FY2017/18	(127)	(216)	(343)
Unvested units outstanding, as of the date of this report	6,822	6,924	13,746

As of 31 March 2017, the number of unvested units outstanding 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
FY2017/18	1,228	1,801	3,029
FY2018/19	2,252	1,941	4,193
FY2019/20	3,342	3,182	6,524
Unvested units outstanding, as of the date of this report	6,822	6,924	13,746

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 16 to the accounts, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares during the year ended 31 March 2017.

JOHNSON ELECTRIC GROUP TEN-YEAR SUMMARY

A summary of the results and of the assets and liabilities of the Group for the previous ten financial years are set out on pages 117 to 118.

PRE-EMPTIVE RIGHTS

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

MAJOR SUPPLIERS AND CUSTOMERS

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

PERMITTED INDEMNITY PROVISION

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

PUBLIC FLOAT

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

CORPORATE GOVERNANCE

Principal corporate governance practices as adopted by the Company are set out in the Corporate Governance Report on pages 32 to 44.

AUDITOR

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

FINAL DIVIDEND

The Board will recommend at the Annual General Meeting to be held on 12 July 2017 (Wednesday) a final dividend of 34 HK Cents equivalent to 4.36 US Cents per share (2016: 34 HK Cents or 4.36 US Cents) payable on 11 August 2017 (Friday) to persons who are registered shareholders of the Company on 2 August 2017 (Wednesday), making a total distribution of 50 HK Cents equivalent to 6.41 US Cents per share for the year ended 31 March 2017 (2016: 49 HK Cents or 6.28 US Cents).

CLOSING REGISTER OF SHAREHOLDERS

ATTENDING ANNUAL GENERAL MEETING

The Register of Shareholders of the Company will be closed from 7 July 2017 (Friday) to 12 July 2017 (Wednesday) inclusive, during which no transfer of shares will be registered.

In order to qualify for attending and voting at the Annual General Meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company's registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong (not the registrar in Bermuda) for registration, not later than 4:30 p.m. on 6 July 2017 (Thursday).

FINAL DIVIDEND

The Register of Shareholders of the Company will be closed from 31 July 2017 (Monday) to 2 August 2017 (Wednesday) inclusive, during which no transfer of shares will be registered.

In order to qualify for the proposed final dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong (not the registrar in Bermuda) for registration, not later than 4:30 p.m. on 28 July 2017 (Friday). Shares of the Company will be traded ex-dividend as from 27 July 2017 (Thursday).

CONSOLIDATED BALANCE SHEET

As of 31 March 2017

	Note	2017 US$'000	2016 US$'000
Assets			
Non-current assets			
Property, plant and equipment	3	**799,406**	667,489
Investment property	4	**93,385**	91,530
Intangible assets	5	**1,076,744**	1,083,405
Investment in associates	6	**39,799**	37,897
Other financial assets	7	**159,370**	137,092
Defined benefit pension plan assets	14	**9,352**	8,410
Deferred income tax assets	15	**49,657**	48,650
Other non-current assets		**11,055**	19,099
		2,238,768	2,093,572
Current assets			
Inventories	8	**313,115**	270,692
Trade and other receivables	9	**614,651**	542,234
Other financial assets	7	**53,189**	38,434
Income tax recoverable		**2,523**	2,035
Pledged deposits	10	**4,747**	9,119
Cash and cash equivalents	10	**127,689**	193,325
		1,115,914	1,055,839
Current liabilities			
Trade payables	11	**288,262**	250,240
Other payables and deferred income		**265,654**	224,257
Current income tax liabilities		**48,241**	34,892
Other financial liabilities	7	**28,015**	31,271
Borrowings	12	**26,128**	98,434
Provision obligations and other liabilities	14	**39,239**	29,033
		695,539	668,127
Net current assets		**420,375**	387,712
Total assets less current liabilities		**2,659,143**	2,481,284

	Note	2017 US$'000	2016 US$'000
Non-current liabilities			
Other payables and deferred income		**15,321**	14,854
Other financial liabilities	7	**109,343**	111,848
Borrowings	12	**150,233**	121,706
Convertible bonds	13	**207,610**	202,387
Deferred income tax liabilities	15	**105,093**	103,487
Provision obligations and other liabilities	14	**46,548**	42,250
		634,148	596,532
NET ASSETS		**2,024,995**	1,884,752
Equity			
Share capital - Ordinary shares (at par value)	16	**5,670**	5,670
Shares held for incentive share schemes (at purchase cost)	16	**(64,813)**	(75,450)
Reserves	17	**2,051,333**	1,912,358
		1,992,190	1,842,578
Non-controlling interests		**32,805**	42,174
TOTAL EQUITY		**2,024,995**	1,884,752

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2017

	Note	2017 US$'000	2016 US$'000
Sales	2	2,776,101	2,235,945
Cost of goods sold		(2,028,334)	(1,646,433)
Gross profit		747,767	589,512
Other income and gains, net	18	19,091	28,454
Selling and administrative expenses	19	(471,344)	(410,763)
Operating profit		295,514	207,203
Share of profit of associates	6	4,756	2,613
Finance income	20	1,132	6,236
Finance costs	20	(11,090)	(9,416)
Profit before income tax		290,312	206,636
Income tax expense	15	(43,806)	(23,889)
Profit for the year		246,506	182,747
Profit attributable to non-controlling interests		(8,586)	(10,087)
Profit attributable to shareholders		237,920	172,660
Basic earnings per share for profit attributable to the shareholders for the year (expressed in US cents per share)	22	27.71	20.09
Diluted earnings per share for profit attributable to the shareholders for the year (expressed in US cents per share)	22	26.91	19.75

Please see Note 23 for details of dividend.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2017

	Note	2017 US$'000	2016 US$'000
Profit for the year		**246,506**	182,747
Other comprehensive income / (expenses)			
Items that will not be recycled to profit and loss:			
Defined benefit plans			
– remeasurements	14 & 17	(7,795)	1,932
– deferred income tax effect	15 & 17	996	753
Long service payment			
– remeasurements	14 & 17	308	98
– deferred income tax effect	15 & 17	(67)	(17)
Investment property			
– deferred income tax effect	15 & 17	(1,547)	-
Share of other comprehensive expenses of associates	6 & 17	(2,394)	-
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 gains / (losses), net	17	40,741	(51,268)
– transferred to inventory and subsequently recognised in income statement	17	18,511	20,878
– deferred income tax effect	15 & 17	(9,777)	5,014
Total items that will not be recycled to profit and loss directly		38,976	(22,610)
Items that will be recycled to profit and loss:			
Hedging instruments			
– forward foreign currency exchange contracts			
– fair value losses, net	17	(4,727)	(67,676)
– transferred to income statement	17	(13,675)	(38,978)
– deferred income tax effect	15 & 17	4,045	19,053
– net investment hedge			
– fair value gains / (losses), net	17	16,550	(13,422)
Currency translations of subsidiaries		(78,914)	837
Currency translations of associates	17	87	36
Total items that will be recycled to profit and loss directly		(76,634)	(100,150)
Other comprehensive expenses for the year, net of tax		**(37,658)**	(122,760)
Total comprehensive income for the year, net of tax		**208,848**	59,987
Total comprehensive income attributable to:			
Shareholders		202,527	52,169
Non-controlling interests			
Share of profits for the year		8,586	10,087
Currency translations		(2,265)	(2,269)
		208,848	59,987

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2017

	Note	Attributable to shareholders of JEHL					
		Share capital US$'000	Other reserves * US$'000	Retained earnings US$'000	Total US$'000	Non-controlling interests US$'000	Total equity US$'000
As of 31 March 2016		(69,780)	16,912	1,895,446	1,842,578	42,174	1,884,752
Profit for the year		-	-	237,920	237,920	8,586	246,506
Other comprehensive income / (expenses):							
Hedging instruments							
– raw material commodity contracts							
– fair value gains, net	17	-	40,741	-	40,741	-	40,741
– transferred to inventory and subsequently recognised in income statement	17	-	18,511	-	18,511	-	18,511
– deferred income tax effect	15 & 17	-	(9,777)	-	(9,777)	-	(9,777)
– forward foreign currency exchange contracts							
– fair value losses, net	17	-	(4,727)	-	(4,727)	-	(4,727)
– transferred to income statement	17	-	(13,675)	-	(13,675)	-	(13,675)
– deferred income tax effect	15 & 17	-	4,045	-	4,045	-	4,045
– net investment hedge							
– fair value gains, net	17	-	16,550	-	16,550	-	16,550
Defined benefit plans							
– remeasurements	14 & 17	-	-	(7,795)	(7,795)	-	(7,795)
– deferred income tax effect	15 & 17	-	-	996	996	-	996
Long service payment							
– remeasurements	14 & 17	-	-	308	308	-	308
– deferred income tax effect	15 & 17	-	-	(67)	(67)	-	(67)
Investment property							
– revaluation surplus realised upon disposal	17	-	(31)	31	-	-	-
– deferred income tax effect	15 & 17	-	(1,547)	-	(1,547)	-	(1,547)
Share of other comprehensive expenses of associates	6 & 17	-	-	(2,394)	(2,394)	-	(2,394)
Currency translations of subsidiaries	17	-	(76,649)	-	(76,649)	(2,265)	(78,914)
Currency translations of associates	17	-	87	-	87	-	87
Total comprehensive income / (expenses) for FY2016/17		-	(26,472)	228,999	202,527	6,321	208,848
Transactions with shareholders:							
Appropriation of retained earnings to statutory reserve	17	-	2,928	(2,928)	-	-	-
Incentive share schemes							
– shares vested	16 & 17	10,637	(10,637)	-	-	-	-
– value of employee services	17 & 25	-	12,376	-	12,376	-	12,376
Acquisition of non-controlling interests	27	-	(9,896)	-	(9,896)	(9,416)	(19,312)
Dividend paid to non-controlling shareholders of a subsidiary		-	-	-	-	(6,274)	(6,274)
FY2015/16 final dividend paid	17	-	-	(37,672)	(37,672)	-	(37,672)
FY2016/17 interim dividend paid	17	-	-	(17,723)	(17,723)	-	(17,723)
Total transactions with shareholders		10,637	(5,229)	(58,323)	(52,915)	(15,690)	(68,605)
As of 31 March 2017		**(59,143)** **	**(14,789)**	**2,066,122**	**1,992,190**	**32,805**	**2,024,995**

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

** The total of US$(59.1) million is comprised by share capital of US$5.7 million and shares held for incentive share schemes of US$(64.8) million.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2016

		Attributable to shareholders of JEHL					
	Note	Share capital US$'000	Other reserves * US$'000	Retained earnings US$'000	Total US$'000	Non-controlling interests US$'000	Total equity US$'000
As of 31 March 2015		(55,401)	138,937	1,778,782	1,862,318	38,594	1,900,912
Profit for the year		-	-	172,660	172,660	10,087	182,747
Other comprehensive income / (expenses):							
Hedging instruments							
– raw material commodity contracts							
– fair value losses, net	17	-	(51,268)	-	(51,268)	-	(51,268)
– transferred to inventory and subsequently recognised in income statement	17	-	20,878	-	20,878	-	20,878
– deferred income tax effect	15 & 17	-	5,014	-	5,014	-	5,014
– forward foreign currency exchange contracts							
– fair value losses, net	17	-	(67,676)	-	(67,676)	-	(67,676)
– transferred to income statement	17	-	(38,978)	-	(38,978)	-	(38,978)
– deferred income tax effect	15 & 17	-	19,053	-	19,053	-	19,053
– net investment hedge							
– fair value losses, net	17	-	(13,422)	-	(13,422)	-	(13,422)
Defined benefit plans							
– remeasurements	14 & 17	-	-	1,932	1,932	-	1,932
– deferred income tax effect	15 & 17	-	-	753	753	-	753
Long service payment							
– remeasurements	14 & 17	-	-	98	98	-	98
– deferred income tax effect	15 & 17	-	-	(17)	(17)	-	(17)
Investment property							
– revaluation surplus realised upon disposal	17	-	(108)	108	-	-	-
Currency translations of subsidiaries	17	-	3,106	-	3,106	(2,269)	837
Currency translations of associates	17	-	36	-	36	-	36
Total comprehensive income / (expenses) for FY2015/16		-	(123,365)	175,534	52,169	7,818	59,987
Transactions with shareholders:							
Appropriation of retained earnings to statutory reserve	17	-	4,476	(4,476)	-	-	-
Cancellation of issued capital	16 & 17	(11)	(5,224)	-	(5,235)	-	(5,235)
Incentive share schemes							
– shares vested	16 & 17	7,646	(7,646)	-	-	-	-
– value of employee services	17 & 25	-	9,734	-	9,734	-	9,734
– purchase of shares	16	(22,014)	-	-	(22,014)	-	(22,014)
Dividend paid to non-controlling shareholders of a subsidiary		-	-	-	-	(4,238)	(4,238)
FY2014/15 final dividend paid	17	-	-	(37,802)	(37,802)	-	(37,802)
FY2015/16 interim dividend paid	17	-	-	(16,592)	(16,592)	-	(16,592)
Total transactions with shareholders		(14,379)	1,340	(58,870)	(71,909)	(4,238)	(76,147)
As of 31 March 2016		(69,780)	16,912	1,895,446	1,842,578	42,174	1,884,752

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

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 March 2017

	Note	2017 US$'000	2016 US$'000
Cash flows from operating activities			
Earnings before interest, taxes, depreciation and amortisation	25	448,353	321,869
Other adjustments	25	12,024	4,870
Change in working capital	25	(15,357)	(46,352)
Cash generated from operations	25	445,020	280,387
Interest paid		(5,867)	(4,373)
Income taxes paid		(39,208)	(34,635)
Net cash generated from operating activities		399,945	241,379
Investing activities			
Purchase of property, plant and equipment and capitalised expenditure of investment property, net of subsidies		(240,242)	(186,239)
Proceeds from disposal of property, plant and equipment and investment property	25	6,019	15,640
Capitalised expenditure of engineering development	5 & 21	(6,729)	(6,144)
Finance income received		1,132	6,236
		(239,820)	(170,507)
Business combination and acquisition			
- acquisition of subsidiary *	26	(64,704)	(671,184)
- leased properties and related items **		(29,887)	-
Increase in pledged deposits		-	(9,119)
Proceeds from sale of financial assets at fair value through profit and loss		249	179
Net cash used in investing activities		(334,162)	(850,631)

* On 18 May 2016, the Group acquired AML Développement, the holding company of the AML Group ("AML"). In FY2016/17, cash consideration net of cash and debt in subsidiaries acquired in relation to this acquisition amounted to US$64.7 million. For details, please refer to Note 26.

In FY2015/16, the Group acquired the Stackpole International group of companies ("Stackpole International"). Cash consideration net of cash in subsidiaries acquired in relation to this acquisition amounted to US$657.2 million. In addition, US$12.7 million acquisition transaction costs (US$11.1 million current year charges and US$1.6 million prepaid) had been paid.

In FY2015/16, the Group also spent US$1.3 million related to the acquisition of AML.

** Stackpole acquisition of three previously leased properties and related items of US$29.9 million.

	Note	2017 US$'000	2016 US$'000
Financing activities			
Acquisition of non-controlling interests	27	**(19,312)**	-
Purchase of shares for cancellation of issued capital		**-**	(5,235)
Purchase of shares held for incentive share schemes		**-**	(22,014)
Proceeds from bank borrowings		**10,520** (a)	72,680
Proceeds from loan from International Finance Corporation ("IFC"), net of transaction costs		**-**	74,173
Repayments of bank borrowings and finance leases		**(54,481)** (b)	(32,358)
Dividends paid to shareholders		**(55,395)**	(54,394)
Dividends paid to non-controlling interests		**(6,274)**	(4,238)
Net cash (used in) / generated from financing activities		**(124,942)**	28,614
Net decrease in cash and cash equivalents		**(59,159)**	(580,638)
Cash and cash equivalents at beginning of the year		**193,325**	773,172
Currency translations on cash and cash equivalents		**(6,477)**	791
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		**127,689**	193,325

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

	Borrowings (current) US$'000	Borrowings (non-current) US$'000	Convertible bonds US$'000	Finance lease liability US$'000	Total US$'000	
As of 31 March 2016	98,434	121,706	202,387	6,473	429,000	
Currency translations	(1,308)	(189)	-	(45)	(1,542)	
Cash flows						
– inflow from financing activities	472	10,048	-	-	10,520	(a)
– outflow from financing activities	(19,129)	(33,673)	-	(1,679)	(54,481)	(b)
– outflow from operating activities	-	-	(2,000)	-	(2,000)	
Non-cash changes						
– finance costs	-	-	7,223	440	7,663	
– reclassification	(52,341)	52,341	-	-	-	
– buyout of finance lease	-	-	-	(3,644)	(3,644)	
As of 31 March 2017	26,128	150,233	207,610	1,545	385,516	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION AND BASIS OF PREPARATION

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

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

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

These consolidated financial statements are presented in US Dollars, unless otherwise stated and has been approved for issue by the Board of Directors on 17 May 2017. They have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRS") using the historical cost convention, as modified by the revaluation of financial assets and financial liabilities (including derivative instruments) at fair value through profit and loss, and investment property, which are carried at fair value.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

2. SEGMENT INFORMATION

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

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

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

	2017 US$'000	2016 US$'000
Operating profit presented to management	276,423	178,749
Other income and gains, net (Note 18)	19,091	28,454
Operating profit per consolidated income statement	295,514	207,203

Sales from external customers by business unit was as follows:

	2017 US$'000	2016 US$'000
Automotive Products Group ("APG")		
– Existing business	1,511,634	1,423,196
– Stackpole and AML	604,975	181,781
Industry Products Group ("IPG")	659,492	630,968
	2,776,101	2,235,945

The Powertrain Cooling business (included in APG) is primarily engaged in the manufacture and sale of cooling fan modules for OEM and Tier 1 customers. Sales for this business unit accounted for 19% of the total sales of the Group for FY2016/17 (FY2015/16: 22%). The change in percentage year-on-year is due to the effect of the acquisitions enlarging the total Group.

2. SEGMENT INFORMATION *(Cont'd)*

Sales by geography

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

	2017 US$'000	2016 US$'000
Europe *	**1,021,088**	870,597
North America **	**818,460**	602,004
People's Republic of China ("PRC")	**690,882**	557,131
Asia (excluding PRC)	**206,362**	177,209
South America	**30,228**	22,987
Others	**9,081**	6,017
	2,776,101	2,235,945

* Included in Europe are sales to external customers in Germany of US$223.3 million and France of US$130.7 million for FY2016/17 (FY2015/16: Germany of US$218.3 million and France of US$104.9 million).

** Included in North America are sales to external customers in USA of US$703.5 million for FY2016/17 (FY2015/16: US$510.9 million).

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

Segment assets

For FY2016/17, the additions to non-current assets (other than deferred tax assets, other financial assets and defined benefit pension plan assets) were US$244.5 million (FY2015/16: US$212.4 million) excluding the additions from acquisitions.

The non-current assets (other than goodwill, deferred tax assets, other financial assets and defined benefit pension plan assets) by geography location as of 31 March 2017 and 31 March 2016 were as follow:

	2017 US$'000	2016 US$'000
HK / PRC	**447,596**	415,177
Canada	**393,682**	374,621
Switzerland	**140,100**	155,847
Others	**326,759**	261,446
	1,308,137	1,207,091

3. PROPERTY, PLANT AND EQUIPMENT

	Freehold land, leasehold land and buildings US$'000	Machinery and equipment US$'000	Assets under construction US$'000	Moulds and tools US$'000	Other assets* US$'000	Total US$'000
As of 31 March 2015						
Cost	211,931	616,373	64,495	280,859	136,115	1,309,773
Accumulated depreciation and impairment	(123,700)	(459,909)	(79)	(223,643)	(91,864)	(899,195)
Net book amount	88,231	156,464	64,416	57,216	44,251	410,578
FY2015/16						
As of 31 March 2015	88,231	156,464	64,416	57,216	44,251	410,578
Currency translations	4	(3,672)	643	(1,832)	(618)	(5,475)
Business combination	9,999	105,821	32,733	2,948	1,456	152,957
Additions	10,347	32,874	135,976	12,847	4,676	196,720
Transfer	8,516	51,895	(80,459)	13,994	6,054	-
Disposals	(315)	(490)	-	(220)	(95)	(1,120)
Reversal of / (provision for) impairment (Note 21 & 25)	3,481	(336)	(129)	(1,659)	(228)	1,129
Depreciation (Note 21)	(12,188)	(43,372)	-	(21,932)	(9,808)	(87,300)
As of 31 March 2016	108,075	299,184	153,180	61,362	45,688	667,489
As of 31 March 2016						
Cost	235,754	863,685	153,380	300,767	144,617	1,698,203
Accumulated depreciation and impairment	(127,679)	(564,501)	(200)	(239,405)	(98,929)	(1,030,714)
Net book amount	108,075	299,184	153,180	61,362	45,688	667,489

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

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

	Freehold land, leasehold land and buildings US$'000	Machinery and equipment US$'000	Assets under construction US$'000	Moulds and tools US$'000	Other assets* US$'000	Total US$'000
FY2016/17						
As of 31 March 2016	108,075	299,184	153,180	61,362	45,688	667,489
Currency translations	(3,909)	(14,254)	(6,671)	(3,484)	(1,168)	(29,486)
Business combination and acquisition ** (Note 26)	31,343	5,867	3,004	1,165	861	42,240
Buyout of a finance leased property	(3,644)	-	-	-	-	(3,644)
Additions	11,037	35,150	175,424	15,844	7,102	244,557
Transfer	28,969	93,436	(152,042)	21,778	7,859	-
Disposals	(2,320)	(1,041)	-	(215)	(127)	(3,703)
Provision for impairment (Note 21 & 25)	(235)	(99)	(1,116)	(1,112)	(3)	(2,565)
Depreciation (Note 21)	(11,954)	(64,899)	-	(27,207)	(11,422)	(115,482)
As of 31 March 2017	**157,362**	**353,344**	**171,779**	**68,131**	**48,790**	**799,406**
As of 31 March 2017						
Cost	289,148	931,827	173,086	307,835	153,899	1,855,795
Accumulated depreciation and impairment	(131,786)	(578,483)	(1,307)	(239,704)	(105,109)	(1,056,389)
Net book amount	**157,362**	**353,344**	**171,779**	**68,131**	**48,790**	**799,406**

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

** This includes the acquisition of AML of US$13.0 million and Stackpole acquisition of three previously leased properties of US$29.2 million.

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

The Group begins depreciating an item of property, plant and equipment when it is available for use. Depreciation of property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Leasehold land	Shorter of lease term or useful life
Buildings on leasehold land	Shorter of lease term or useful life
Buildings on freehold land	10 to 50 years *
Machinery, equipment, moulds and tools	2 to 12 years
Furniture and fixtures and computers	3 to 10 years
Motor vehicles	3 to 7 years
Aircraft	25 years

* 50 years for buildings in Hungary, Germany and Switzerland

4. INVESTMENT PROPERTY

	2017 US$'000	2016 US$'000
At beginning of the year	**91,530**	82,035
Currency translations	**(435)**	(387)
Fair value gains (Note 18 & 25)	**1,218**	10,205
Capitalised expenditure	**1,438**	90
Disposals	**(366)**	(413)
At end of the year	**93,385**	91,530

The Group's investment property portfolio in HK/PRC was valued on an open market basis as of 31 March 2017. The appraisals were performed by independent, professionally qualified valuers, Chung, Chan & Associates, Chartered Surveyors.

As of 31 March 2017, the Group's investment property portfolio has tenancies expiring in the period from October 2018 to May 2027 (31 March 2016: from December 2016 to May 2027).

5. INTANGIBLE ASSETS

	Goodwill US$'000	Technology US$'000	Patents and engineering development US$'000	Brands US$'000	Client relationships US$'000	Land use rights US$'000	Total US$'000	
As of 31 March 2015								
Cost	432,036	140,326	21,955	63,023	112,657	4,835	774,832	
Accumulated amortisation and impairment	-	(84,502)	(9,089)	(23,123)	(61,067)	(1,473)	(179,254)	
Net book amount	432,036	55,824	12,866	39,900	51,590	3,362	595,578	
FY2015/16								
As of 31 March 2015	432,036	55,824	12,866	39,900	51,590	3,362	595,578	
Currency translations	6,765	673	379	1,000	3,783	(167)	12,433	
Business combination	253,527	30,372	-	39,943	173,335	-	497,177	
Additions (Note 21)	-	-	6,144	-	-	-	6,144	
Amortisation (Note 21 & 25)	-	(10,610)	(2,812)	(2,445)	(11,620)	(234)	(27,721)	
Provision for impairment (Note 21 & 25)	-	-	-	-	-	(206)	(206)	
As of 31 March 2016	692,328	76,259	16,577	78,398	217,088	2,755	1,083,405	
As of 31 March 2016								
Cost	692,328	171,677	28,192	104,032	290,089	4,579	1,290,897	
Accumulated amortisation and impairment	-	(95,418)	(11,615)	(25,634)	(73,001)	(1,824)	(207,492)	
Net book amount	692,328	76,259	16,577	78,398	217,088	2,755	1,083,405	
FY2016/17								
As of 31 March 2016	692,328	76,259	16,577	78,398	217,088	2,755	1,083,405	
Currency translations	(22,407)	(2,157)	(1,066)	(2,425)	(7,578)	(157)	(35,790)	
Business combination (Note 26)	42,331*	3,792	866	-	12,490	-	59,479	
Additions (Note 21)	-	-	6,729	-	-	-	6,729	
Amortisation (Note 21 & 25)	-	(13,243)	(3,888)	(2,407)	(17,328)	(213)	(37,079)	
As of 31 March 2017	**712,252**	**64,651**	**19,218**	**73,566**	**204,672**	**2,385**	**1,076,744**	**
As of 31 March 2017								
Cost	712,252	170,025	36,120	100,646	292,011	4,310	1,315,364	
Accumulated amortisation and impairment	-	(105,374)	(16,902)	(27,080)	(87,339)	(1,925)	(238,620)	
Net book amount	**712,252**	**64,651**	**19,218**	**73,566**	**204,672**	**2,385**	**1,076,744**	

* Goodwill acquired from business combination are US$40.4 million relating to the acquisition of AML (see details in Note 26) and a US$1.9 million goodwill adjustment relating to acquisition of Stackpole completed in last year.

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

5. INTANGIBLE ASSETS *(Cont'd)*

Total intangible assets as of 31 March 2017 and 31 March 2016 are denominated in the following underlying currencies.

	USD equivalent	
	2017	2016
	US$'000	US$'000
In CAD	**479,106**	503,463
In CHF	**437,195**	471,188
In USD	**83,652**	82,423
In EUR	**66,048**	12,600
In GBP	**8,358**	10,976
In RMB	**2,385**	2,755
Total intangible assets	**1,076,744**	1,083,405

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

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

Technology, patents and engineering development	4 to 20 years
Brands	25 years / indefinite
Client relationships	15 to 20 years
Land use rights	Shorter of remaining lease term or useful life

Impairment tests for brand with an indefinite useful life

As of 31 March 2017, the carrying amount of the brand name "Stackpole", considered to have an indefinite useful life, was US$39.7 million (31 March 2016: US$40.9 million).

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

Impairment testing for the brand is based on its fair value less cost of disposal (level 3 of the HKFRS 13 fair value hierarchy). Key assumptions include a royalty rate of 0.75% and a 2% perpetual growth rate for extrapolating cash flows over 5 years.

5. INTANGIBLE ASSETS *(Cont'd)*

Impairment test for goodwill

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

For the years ended 31 March 2017 and 2016, the recoverable amount of the Group is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on the financial budget and future forecast respectively.

Forecast profitability is based on past performance and expected future changes in costs and sales prices. Cash flow projections are based on long-range financial forecasts using an estimated sales growth rate of 6% until 2022 and a 2% perpetual growth rate thereafter (FY2015/16: 6% and 2% respectively) and operating margin of 10% (FY2015/16: 10%). Future cash flows are discounted at a pre-tax rate of 9% (equivalent to post-tax weighted average cost of capital of 8%) (FY2015/16: pre-tax rate of 11.6%).

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

6. INVESTMENT IN ASSOCIATES

	2017 US$'000	2016 US$'000
At beginning of the year	**37,897**	2,720
Currency translations	**88**	36
Business combination	**-**	33,914
Share of associates' profit for the year	**4,756**	2,613
Share of other comprehensive expenses of associates (Note 17)	**(2,394)**	-
Dividends received	**(548)**	(1,386)
At end of the year	**39,799**	37,897

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

	2017			2016		
	HSC US$'000	SMART US$'000	**Group US$'000**	HSC US$'000	SMART US$'000	Group US$'000
Non-current assets	72,325	564	**72,889**	69,091	521	69,612
Current assets	83,634	8,431	**92,065**	76,342	6,560	82,902
Non-current liabilities	(18,329)	-	**(18,329)**	(30,042)	-	(30,042)
Current liabilities	(34,285)	(3,537)	**(37,822)**	(21,981)	(1,670)	(23,651)
Net assets	103,345	5,458	**108,803**	93,410	5,411	98,821
Sales	139,879	12,492	**152,371**	61,586	9,864	71,450
Expenses	(122,641)	(10,441)	**(133,082)**	(53,534)	(7,825)	(61,359)
Profit before income tax	17,238	2,051	**19,289**	8,052	2,039	10,091
Income tax expense	(3,854)	(539)	**(4,393)**	(1,726)	(579)	(2,305)
Post-tax profit from continuing operations	13,384	1,512	**14,896**	6,326	1,460	7,786
Other comprehensive expense	(7,978)	-	**(7,978)**	-	-	-
Total comprehensive income	5,406	1,512	**6,918**	6,326	1,460	7,786
Dividends received from associate	-	548	**548**	753	633	1,386

7. OTHER FINANCIAL ASSETS AND LIABILITIES

	31 March 2017			31 March 2016		
	Assets US$'000	(Liabilities) US$'000	Net US$'000	Assets US$'000	(Liabilities) US$'000	Net US$'000
Cash flow hedge						
– raw material commodity contracts (Note a (i))	14,916	(8,094)	6,822	1,164	(47,422)	(46,258)
– forward foreign currency exchange contracts (Note a (ii))	160,476	(129,252)	31,224	142,881	(92,729)	50,152
Net investment hedge (Note b)						
– forward foreign currency exchange contracts to hedge European subsidiaries	32,106	-	32,106	23,384	-	23,384
– cross currency interest rate swaps	3,029	-	3,029	-	(2,203)	(2,203)
Fair value hedge						
– forward foreign currency exchange contracts to hedge CAD intercompany loan interest (Note c)	437	-	437	-	-	-
– forward foreign currency exchange contracts to hedge EUR cash balance	-	-	-	7,825	-	7,825
Held for trading (Note d)	1,595	(12)	1,583	156	(645)	(489)
Others	-	-	-	116	(120)	(4)
Total (Note e)	212,559	(137,358)	75,201	175,526	(143,119)	32,407
Current portion	53,189	(28,015)	25,174	38,434	(31,271)	7,163
Non-current portion	159,370	(109,343)	50,027	137,092	(111,848)	25,244
Total	212,559	(137,358)	75,201	175,526	(143,119)	32,407

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

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

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

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

As of 31 March 2017, 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	34,775 metric ton	197.2	5,671	5,849	5,848	1 - 63	6,152
Silver commodity	570,000 oz	9.8	17.27	18.06	18.60	1 - 36	754
Aluminium commodity	775 metric ton	1.4	1,759	1,947	1,967	1 -12	162
Iron ore commodity	135,000 metric ton	6.4	47	79	47	22 - 34	(21)
Coking coal commodity	15,000 metric ton	2.2	147	171	132	25 - 30	(225)
Total							6,822

(ii) Forward foreign currency exchange contracts

The EUR, HUF, PLN, CAD, HKD, CHF, RSD, JPY, MXN and RMB forward foreign currency exchange contracts as per the table in the following page are designated as cash flow hedges. The Group has sales in EUR and JPY, thus it entered into EUR and JPY forward foreign currency exchange contracts. The Group incurs majority of its operating expenses (including conversion costs) in domestic currencies in China, Hungary, Poland, Switzerland, Mexico, Serbia and Hong Kong, hence, it entered into forward foreign currency exchange contracts to hedge these expenses. The Group also entered into sell CAD forward foreign currency exchange contracts to hedge the material purchase 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).

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

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

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

As of 31 March 2017, 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 584.0	1.41	1.07	1.16	1 - 84	821.0	144,694
Buy HUF forward	EUR	HUF 33,308.0	337.22	308.48	312.83	1 - 52	105.4	8,217
Buy PLN forward	EUR	PLN 396.7	4.64	4.21	4.47	1 - 57	91.2	3,624
Sell CAD forward	USD	CAD 175.6	1.27	1.33	1.29	1 - 29	138.4	2,428
Buy HKD forward	USD	HKD 1,173.7	7.85	7.77	7.84	1 - 26	149.5	142
Buy CHF forward	EUR	CHF 51.8	1.16	1.07	1.16	1 - 9	47.6	50
Buy EUR forward	USD	EUR 0.8	1.05	1.07	1.07	1 - 2	0.8	15
Buy RSD forward	EUR	RSD 1,472.2	127.12	124.11	127.48	4 - 12	12.4	(35)
Sell JPY forward	USD	JPY 354.0	114.26	111.98	110.31	1 - 18	3.1	(111)
Buy MXN forward	USD	MXN 2,025.2	17.65	18.71	21.50	1 - 70	114.8	(20,558)
Buy RMB forward	USD	RMB 8,500.1	6.69	6.89	7.31	1 - 72	1,270.7	(107,242)
Total								31,224

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

As of 31 March 2017, the Group had the following outstanding contracts:

	Settlement currency	Notional value (million)	Weighted average contract rate *	Spot rate	Mark-to-market rate	Remaining maturities range (months)	Settlement value in USD equivalent (US$ million)	Assets net carrying value (US$'000)
Net investment hedge contracts								
Sell EUR forward	USD	EUR 111.0	1.40	1.07	1.11	9 - 33	155.9	32,106
Cross currency interest rate swaps (pay EUR, receive USD)	USD	EUR 130.6	1.11	1.07	1.09	46 - 58	145.0	3,029

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

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

(c) Fair value hedge

The CAD forward foreign currency exchange contracts in the table below are designated as a fair value hedge to hedge the CAD intercompany loan interest balance. Gains and losses were recognised in the income statement.

As of 31 March 2017, the Group had the following outstanding contracts:

	Settlement currency	Notional value (million)	Weighted average contract rate *	Spot rate	Mark-to-market rate	Remaining maturities range (months)	Settlement value in USD equivalent (US$ million)	Assets, net carrying value (US$'000)
Fair value hedge contracts								
Sell CAD forward	USD	CAD 26.4	1.30	1.33	1.33	1 - 7	20.3	437

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

(d) Held for trading

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

As of 31 March 2017, the Group had the following outstanding contracts:

	Settlement currency	Notional value (million)	Weighted average contract rate *	Spot rate	Mark-to-market rate	Remaining maturities range (months)	Settlement value in USD equivalent (US$ million)	Assets, net carrying value (US$'000)
Held for trading contracts								
Buy INR forward	USD	INR 1,671.1	78.12	64.94	72.74	1 - 58	21.4	1,583

* 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 FY2016/17 was a net gain of US$1.8 million (FY2015/16: net gain of US$21.1 million).

(g) As of 31 March 2017, the balance in the exchange reserve for continuing hedges that are accounted for net investment hedge was US$57.2 million (31 March 2016: US$40.6 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 31 March 2017 would result in approximately US$211 million cash flow benefit (31 March 2016: US$145 million).

8. INVENTORIES

	2017 US$'000	2016 US$'000
Raw materials	140,670	124,499
Finished goods	172,445	146,193
	313,115	270,692

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

9. TRADE AND OTHER RECEIVABLES

	2017 US$'000	2016 US$'000
Trade receivables – gross	520,620	447,370
Less: impairment of trade receivables	(4,736)	(2,073)
Trade receivables – net	515,884	445,297
Prepayments and other receivables	98,767	96,937
	614,651	542,234

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.

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

Ageing of gross trade receivables

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

	2017 US$'000	2016 US$'000
0 – 30 days	249,578	325,892
31 – 90 days	246,235	98,879
Over 90 days	24,807	22,599
Total	520,620	447,370

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

	2017 US$'000	2016 US$'000
Current	481,825	429,593
1 – 30 days overdue	25,937	12,452
31 – 90 days overdue	7,782	3,622
Over 90 days overdue	5,076	1,703
Total	520,620	447,370

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

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

	2017 US$'000	2016 US$'000
USD	172,398	161,486
EUR	163,069	132,937
RMB	129,207	96,999
CAD	43,861	43,492
Others	12,085	12,456
Total	520,620	447,370

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

Ageing of overdue trade receivables but not impaired

The Group has credit policies in place to review the credit worthiness of all existing and potential customers. The Group normally grants credit terms ranging from 30 to 105 days to trade customers. As of 31 March 2017, trade receivables of US$34.1 million (31 March 2016: US$15.7 million) were overdue but not impaired. Management assessed the credit quality of this US$34.1 million by reference to the repayment history and current financial position of the customers. Management believes that no provision for impairment is necessary and these balances are expected to be fully recovered.

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

	2017 US$'000	2016 US$'000
1 – 30 days overdue	25,591	12,011
31 – 90 days overdue	7,782	3,548
Over 90 days overdue	686	145
Total	34,059	15,704

Impairment of trade receivables

As of 31 March 2017, trade receivables of US$4.7 million (31 March 2016: US$2.1 million) were impaired. The ageing of these receivables is as follows:

	2017 US$'000	2016 US$'000
1 – 30 days overdue	347	441
31 – 90 days overdue	-	74
Over 90 days overdue	4,389	1,558
Total	4,736	2,073

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

Movements on the impairment of trade receivables were as follows:

	2017 US$'000	2016 US$'000
At beginning of the year	2,073	2,751
Currency translations	(74)	144
Receivables written off during the year as uncollectible	(448)	(272)
Provision / (write back) for impairment of trade receivables / bad debt expense (Note 21)	3,185	(550)
At end of the year	4,736	2,073

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

10. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	2017 US$'000	2016 US$'000
Cash at bank and in hand	119,840	174,268
Short term bank deposits	7,849	19,057
Total cash and cash equivalents	127,689	193,325
Pledged deposits	4,747	9,119

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

	2017 US$'000	2016 US$'000
RMB	40,353	42,721
EUR	35,295	98,331
USD	28,689	8,954
CAD	14,142	28,329
Others	13,957	24,109
Total	132,436	202,444

11. TRADE PAYABLES

	2017 US$'000	2016 US$'000
Trade payables	**288,262**	250,240

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:

	2017 US$'000	2016 US$'000
0 – 60 days	**220,081**	178,212
61 – 90 days	**45,520**	47,378
Over 90 days	**22,661**	24,650
Total	**288,262**	250,240

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

	2017 US$'000	2016 US$'000
RMB	**108,720**	98,778
USD	**80,143**	74,333
EUR	**70,384**	47,008
HKD	**20,052**	22,913
CAD	**4,150**	3,925
Others	**4,813**	3,283
Total	**288,262**	250,240

12. BORROWINGS

	2017 US$'000	2016 US$'000
Loans based on trade receivables (Note a)	61,710	62,376
Loan from International Finance Corporation ("IFC") (Note b)	74,279	74,173
Other borrowings – Non-current	30,254	35,333
– Current	10,118	48,258
Total borrowings	176,361	220,140
Current borrowings	26,128	98,434
Non-current borrowings	150,233	121,706

Note:

(a) Subsidiary companies have borrowed US$61.7 million in the USA, Europe and Hong Kong as of 31 March 2017 (31 March 2016: US$62.4 million) based on trade receivables. These loans are placed such that the interest expense will match the geography of the operating income as follows:

- Unsecured borrowings in the USA of US$32.0 million, with a covenant that trade receivables shall not be pledged to any parties (31 March 2016: US$27.5 million).
- Borrowings in Europe of US$16.0 million (EUR15.0 million) (31 March 2016: US$22.7 million (EUR20.0 million)), which are secured by trade receivables and require an over-collateralisation level of 20% of the amount loaned (US$19.2 million as of 31 March 2017 and US$27.2 million as of 31 March 2016).
- Unsecured borrowings in Hong Kong of US$13.7 million with a covenant that trade receivables shall not be pledged to any parties (31 March 2016: US$12.2 million).

(b) Loan from IFC – US$74.3 million (principal US$75.0 million less US$0.7 million transaction costs) was drawn in January 2016. This is an 8-year loan for projects in Serbia, Mexico, Brazil and India with quarterly repayments beginning from April 2019 with final maturity date of 15 January 2024.

12. BORROWINGS *(Cont'd)*

The maturity of borrowings was as follows:

	Bank borrowings		Other loans	
	2017	2016	**2017**	2016
	US$'000	US$'000	**US$'000**	US$'000
Less than 1 year	**25,510**	98,020	**618**	414
1 – 2 years	**31,200**	5,000	**480**	164
2 – 5 years	**35,000**	42,200	**53,743**	29,638
Over 5 years	**-**	-	**29,810**	44,704
	91,710	145,220	**84,651**	74,920

As of 31 March 2017, the interest rate charged on outstanding balances ranged from 0.5% to 6.0% per annum (31 March 2016: 0.6% to 4.3% per annum) and the weighted average effective interest rate of the borrowings was approximately 0.6% (31 March 2016: 1.2%). Interest expense is disclosed in Note 20.

Johnson Electric subscribes to both Moody's Investors Service and Standard & Poor's (S&P) Ratings Services for independent long-term credit ratings. As of 31 March 2017, the Group maintained investment grade ratings from both agencies. Moody's was Baa1 and S&P was BBB. These ratings represent 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 are floating in nature. The fair values are based on cash flows discounted using a rate based on the borrowing rate and are within level 2 of the fair value hierarchy.

The carrying amounts of the borrowings were denominated in the following currencies:

	2017	2016
	US$'000	US$'000
USD	**151,418**	165,874
EUR	**16,324**	23,422
CAD	**8,619**	-
RMB	**-**	30,844
Total borrowings	**176,361**	220,140

13. CONVERTIBLE BONDS

	2017 US$'000	2016 US$'000
Convertible Bonds (Liability component)	**207,610**	202,387

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

The funds raised by this bond issue were utilised for the acquisition of Stackpole International in FY2015/16.

The bondholders have the right to convert their bonds into ordinary shares of JEHL at the conversion price at any time on or after 13 May 2014 up to the maturity date. No such conversions had occurred as of 31 March 2017.

With effect from 28 July 2016, the conversion price was adjusted to HK$38.85 per share as a result of the interim and final dividend for FY2015/16. The conversion price was not adjusted for the interim dividend for FY2016/17 since this event fell below the 1% threshold for adjustment as per the terms and conditions of the Bond Offering. The effect of this interim dividend will be accumulated and included in the next adjustment to the conversion price.

The fair value of the liability component of the Group's convertible bonds was approximately equal to its carrying value as of 31 March 2017. The fair values of convertible bonds are within level 2 of the fair value hierarchy.

14. PROVISION OBLIGATIONS AND OTHER LIABILITIES

	Retirement benefit obligations US$'000	Legal and warranty US$'000	Severance US$'000	Finance lease liability US$'000	Long service payment and others US$'000	Total US$'000
As of 31 March 2015	21,319	23,794	3,983	3,710	3,827	56,633
Currency translations	1,614	401	179	(129)	1	2,066
Business combination	(1,575)	485	-	12,427	-	11,337
Provisions	4,891	11,290	5,087	339	5,710	27,317
Utilised	(4,736)	(12,318)	(250)	(9,874)	(5,272)	(32,450)
Remeasurements (Note 17) *	(1,932)	-	-	-	(98)	(2,030)
As of 31 March 2016	19,581 **	23,652	8,999	6,473	4,168	62,873
Provision obligations and other liabilities:						
Current portion	-	18,054	8,999	1,239	741	29,033
Non-current portion	27,991	5,598	-	5,234	3,427	42,250
Defined benefit pension plan assets:						
Non-current portion	(8,410)	-	-	-	-	(8,410)
As of 31 March 2016	19,581	23,652	8,999	6,473	4,168	62,873
As of 31 March 2016	19,581	23,652	8,999	6,473	4,168	62,873
Currency translations	(833)	(911)	(311)	(45)	18	(2,082)
Business combination (Note 26)	1,879	4,352	-	-	-	6,231
Buyout of finance lease	-	-	-	(3,644)	-	(3,644)
Provisions	3,798	19,870	8,893	440	8,779	41,780
Utilised	(4,647)	(13,448)	(10,400)	(1,679)	(6,036)	(36,210)
Remeasurements (Note 17) *	7,795	-	-	-	(308)	7,487
As of 31 March 2017	**27,573** **	**33,515**	**7,181**	**1,545**	**6,621**	**76,435**
Provision obligations and other liabilities:						
Current portion	-	26,881	7,181	1,287	3,890	39,239
Non-current portion	36,925	6,634	-	258	2,731	46,548
Defined benefit pension plan assets:						
Non-current portion	(9,352)	-	-	-	-	(9,352)
As of 31 March 2017	**27,573**	**33,515**	**7,181**	**1,545**	**6,621**	**76,435**

* Remeasurements represent actuarial gains and losses.

** The retirement benefit obligations were mainly denominated in CHF, GBP, EUR and CAD as of 31 March 2017. These retirement benefit obligations of US$27.6 million (31 March 2016: US$19.6 million) comprised gross present value of obligations of US$161.9 million (31 March 2016: US$149.7 million) less fair value of plan assets of US$134.3 million (31 March 2016: US$130.1 million).

14.1 Retirement benefit plans and obligations

Defined benefit pension plans

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

The Group's defined benefit plans provide pensions to employees after meeting specific retirement age / period of service. Pensions are based on specific pension rates applied to each participating employees' years of service. The assets of funded plans are held independently of the Group’s assets in separate trustee administered funds.

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

	2017 US$'000	2016 US$'000
Present value of obligations that are funded	147,007	135,728
Present value of obligations that are unfunded	14,922	14,006
Gross present value of obligations	161,929	149,734
Less : Fair value of plan (assets)	(134,356)	(130,153)
Total retirement benefit obligations - net liability	27,573	19,581
Represented by:		
Defined benefit pension plan (assets)	(9,352)	(8,410)
Provisions obligations and other liabilities	36,925	27,991

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

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

The movement of the retirement benefit obligations was as follows:

	Present value of obligations US$'000	Fair value of plan (assets) US$'000	Total net liability US$'000
As of 31 March 2015	184,050	(162,731)	21,319
Current service cost	4,471	-	4,471
Interest cost / (income)	2,637	(3,111) *	(474)
Past service cost	894	-	894
Net cost / (income) to the income statement (Note 21)	8,002	(3,111)	4,891
Remeasurements:			
– Gains from change in demographic assumptions	(2,065)	-	(2,065)
– Losses / (gains) from change in financial assumptions	124	(206)	(82)
– Experience (gains) / losses	(9,454)	9	(9,445)
– Return on plan assets, excluding amounts included in interest income	-	9,660	9,660
(Gains) / losses recognised in equity (Note 17)	(11,395)	9,463	(1,932)
Currency translations	532	1,082	1,614
Contributions by plan participants	2,694	(2,694)	-
Contributions by employer	-	(3,539)	(3,539)
Business combination	21,739	(23,314)	(1,575)
Benefits paid	(5,819)	4,622	(1,197)
Settlement	(50,069)	50,069	-
As of 31 March 2016	149,734	(130,153)	19,581
As of 31 March 2016	149,734	(130,153)	19,581
Current service cost	4,669	-	4,669
Interest cost / (income)	2,594	(2,472) *	122
Past service cost	(993)	-	(993)
Net cost / (income) to the income statement (Note 21)	6,270	(2,472)	3,798
Remeasurements:			
– Losses from change in financial assumptions	8,782	-	8,782
– Experience losses	11,385	37	11,422
– Return on plan assets, excluding amounts included in interest income	-	(12,409)	(12,409)
Losses / (gains) recognised in equity (Note 17)	20,167	(12,372)	7,795
Currency translations	(10,013)	9,180	(833)
Contributions by plan participants	2,328	(2,328)	-
Contributions by employer	-	(3,819)	(3,819)
Business combination	1,879	-	1,879
Benefits paid	(8,436)	7,608	(828)
As of 31 March 2017	**161,929**	**(134,356)**	**27,573**

* The interest income on plan assets were calculated at discount rate shown in page 89.

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

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

The principal actuarial assumptions used were as follows:

	2017 Percentage	2016 Percentage
Discount rate	**0.5% - 3.5%**	0.4% - 3.8%
Future pension obligation growth rate	**0% - 2.7%**	0% - 3.2%

Future pension obligation growth rate is primarily related to the statutory inflation rates.

Sensitivity analysis

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

	Impact on defined benefit obligations	
	Increase in assumption	Decrease in assumption
Discount rate - change by 0.5%	Decrease by 6.6%	Increase by 7.5%
Future pension growth rate - increase by 0.25%	Increase by 1.6%	n/a

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

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

During the year, the increase in the present value of funded defined benefit obligations due to remeasurement losses comprised the experience losses arising from the apportionment of investment return to the prior pension plan in Switzerland and a net loss from change in financial assumptions mainly due to change in discount rate as follow:

	2017 Percentage	2016 Percentage
Switzerland	**0.5%**	0.4%
United Kingdom	**2.6%**	3.8%
Canada	**3.5%**	3.5%
Germany	**1.7%**	1.9%

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

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

The weighted average duration of the defined benefit obligations is 18.4 years (31 March 2016: 18.8 years).

The expected maturity of undiscounted pension benefits as of 31 March 2017 and 31 March 2016 was:

	2017 US$'000	2016 US$'000
Less than 1 year	4,192	3,985
1 – 2 years	4,476	3,864
2 – 5 years	11,961	12,377
Over 5 years	254,632	271,597
	275,261	291,823

Plan assets

Plan assets comprised the following:

	2017		2016	
	US$'000	Percentage	US$'000	Percentage
Quoted				
Equities				
Asia	4,066	3%	4,416	3%
Europe	16,534	12%	15,949	12%
Americas	7,808	6%	22,268	17%
Global	19,598	14%	13,463	10%
Bonds				
Europe	34,978	26%	30,222	23%
Americas	1,272	1%	11,600	9%
Global	29,298	22%	10,053	8%
Others				
Europe	5,586	4%	7,390	6%
Global	7,720	6%	7,253	6%
	126,860	94%	122,614	94%
Unquoted				
Property investment - Europe	5,010	4%	7,255	6%
Property investment - Global	2,125	2%	-	0%
Others - Europe	361	0%	284	0%
	7,496	6%	7,539	6%
	134,356	100%	130,153	100%

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

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

Plan assets *(Cont'd)*

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

Asset-liability matching has been undertaken to reduce risk.

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

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

The Group expects to make contributions of US$3.9 million to post-employment benefit plans for fiscal year FY2017/18 (FY2016/17: US$3.8 million).

14.2 Defined contribution pension plans

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

If employees leave the ORSO scheme prior to the contributions fully vesting, these may be forfeited and the charge to income statement reduced accordingly. There were no forfeited contributions as of 31 March 2017 (31 March 2016: nil).

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

Contributions made by the Group are charged to the income statement as incurred. The charge to income statement for all defined contribution plans for FY2016/17 was US$4.6 million (FY2015/16: US$5.0 million) as shown in Note 21.

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

14.3 Finance lease liability

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

	2017 US$'000	2016 US$'000
Cost – capitalised finance lease	10,270	13,371
Accumulated depreciation and impairment	(10,270)	(8,917)
Net book amount	-	4,454

Gross finance lease obligation – minimum lease payments:

	2017 US$'000	2016 US$'000
Less than 1 year	1,400	1,831
1 – 5 years	262	3,378
Over 5 years	-	5,361
	1,662	10,570
Future finance charges on the finance lease	(117)	(4,097)
Present value of the finance lease liability	1,545	6,473

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

	2017 US$'000	2016 US$'000
Less than 1 year	1,287	1,239
1 – 5 years	258	2,016
Over 5 years	-	3,218
	1,545	6,473

Currently the Group has one finance lease, which expires on 15 May 2018, for which notification for termination has been given.

15. TAXATION

15.1 Income tax expense

The amount of taxation in the consolidated income statement represents:

	2017 US$'000	2016 US$'000
Current income tax		
Provision for the year	47,375	33,824
Under / (over) provision in prior years	5,152	(1,319)
	52,527	32,505
Deferred income tax (Note 15.2)	(8,721)	(8,616)
Total income tax expense	43,806	23,889
Effective tax rate	15.1%	11.6%

Tax has been provided at the applicable rates on the estimated assessable profit in the respective countries of operations for the year. The overall global effective tax rate for FY2016/17 was 15.1% (FY2015/16: 11.6%). Excluding the estimated settlement for a fiscal audit in Europe for the 4 year period of FY2006/07 through FY2009/10, the effective tax rate would have been 12.7%. The Group's effective tax rate differed from the statutory tax rate of Hong Kong of 16.5% (FY2015/16: 16.5%) as follows:

	2017		2016	
		US$'000		US$'000
Profit before income tax		290,312		206,636
Tax charged at Hong Kong profits tax rate	16.5%	47,901	16.5%	34,095
Effect of different tax rates in other countries				
– Countries with taxable profit	1.7%	4,893	1.6%	3,348
– Countries with taxable loss	(2.6)%	(7,480)	(1.0)%	(2,146)
Effect of income, net of expenses, not subject to tax	(5.6)%	(16,383)	(4.6)%	(9,572)
Under / (over) provisions in prior years (current and deferred)	1.4%	4,009	(0.9)%	(1,861)
Withholding tax	2.5%	7,242	2.5%	5,178
Other taxes and timing differences, net of (tax loss recognition) and other (tax benefits)	1.2%	3,624	(2.5)%	(5,153)
	15.1%	43,806	11.6%	23,889

15. TAXATION *(Cont'd)*

15.2 Deferred income tax

Deferred tax assets and liabilities are offset when the deferred income taxes relate to the same fiscal authority and when there is a legally enforceable right to offset current tax assets against current tax liabilities. Income tax expense is discussed in Note 15.1.

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

	2017 US$'000	2016 US$'000
Deferred income tax assets	49,657	48,650
Deferred income tax liabilities	(105,093)	(103,487)
Deferred income tax liabilities, net	(55,436)	(54,837)

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

	2017 US$'000	2016 US$'000
Gross deferred income tax assets	107,277	101,374
Gross deferred income tax liabilities	(162,713)	(156,211)
Deferred income tax liabilities, net	(55,436)	(54,837)

15. TAXATION *(Cont'd)*

15.2 Deferred income tax *(Cont'd)*

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

	Accrued liabilities		Accelerated tax depreciation		Tax losses		Fair value (gains) / losses		Others		Total	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016
	US$'000	US$'000	**US$'000**	US$'000	**US$'000**	US$'000	**US$'000**	US$'000	**US$'000**	US$'000	**US$'000**	US$'000
Deferred income tax assets												
At beginning of the year	**18,962**	19,149	**8,116**	4,747	**23,056**	20,424	**27,101**	16,625	**24,139**	9,430	**101,374**	70,375
Currency translations	**(571)**	90	**(366)**	(111)	**(420)**	78	**(9)**	38	**(547)**	346	**(1,913)**	441
Business combination	**456**	373	**319**	2,213	**-**	2	**-**	297	**571**	12,847	**1,346** *	15,732
Credited / (charged) to income statement	**3,646**	(650)	**37**	1,267	**2,052**	2,552	**402**	(733)	**153**	1,644	**6,290**	4,080
Credited / (charged) to equity	**-**	-	**-**	-	**-**	-	**(697)**	10,874	**877**	(128)	**180**	10,746
Assets at end of the year	**22,493**	18,962	**8,106**	8,116	**24,688**	23,056	**26,797**	27,101	**25,193**	24,139	**107,277**	101,374
Deferred income tax (liabilities)												
At beginning of the year	**(1,830)**	(4,737)	**(22,918)**	(4,826)	**-**	-	**(108,938)**	(68,524)	**(22,525)**	(18,609)	**(156,211)**	(96,696)
Currency translations	**126**	(132)	**629**	(494)	**-**	-	**2,884**	(1,293)	**376**	(3)	**4,015**	(1,922)
Business combination	**-**	-	**(571)**	(17,890)	**-**	-	**(5,373)**	(57,722)	**(474)**	(574)	**(6,418)** *	(76,186)
Credited / (charged) to income statement	**(1,015)**	3,039	**1,470**	292	**-**	-	**6,590**	5,409	**(4,614)**	(4,204)	**2,431**	4,536
Credited / (charged) to equity	**-**	-	**-**	-	**-**	-	**(6,582)**	13,192	**52**	865	**(6,530)**	14,057
(Liabilities) at end of the year	**(2,719)**	(1,830)	**(21,390)**	(22,918)	**-**	-	**(111,419)**	(108,938)	**(27,185)**	(22,525)	**(162,713)**	(156,211)
Deferred income tax assets / (liabilities), net	**19,774**	17,132	**(13,284)**	(14,802)	**24,688**	23,056	**(84,622)**	(81,837)	**(1,992)**	1,614	**(55,436)**	(54,837)

* Taking into consideration of offsetting of balances within the same tax jurisdiction, the deferred income tax assets and deferred income tax liabilities acquired from business combination were US$1.3 million and US$(6.4) million respectively. Details please see Note 26.

Deferred income tax liabilities of US$2.6 million (FY2015/16: US$2.6 million) have not been recognised in respect of the withholding or other tax payable on the unremitted profits of certain subsidiaries where JEHL controls the dividend policy and it has been determined that these undistributed profits will not be distributed in the foreseeable future.

15. TAXATION *(Cont'd)*

15.2 Deferred income tax *(Cont'd)*

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

Accrued liabilities:

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

Accelerated tax depreciation:

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

Tax losses:

This represents the value of current tax losses that can be offset against future taxable profits to reduce future taxation charges. As of 31 March 2017, the Group's subsidiaries in USA, Canada, UK and Japan had accumulated net operating losses carried forward of US$47.3 million, US$17.5 million, US$1.4 million and US$3.8 million respectively (31 March 2016: US$48.5 million, US$4.8 million, US$3.8 million and US$3.6 million for subsidiaries in USA, Canada, UK and Japan respectively) to offset future taxable income.

Fair value gains / (losses):

The extent to which a change in value resulting from the reassessment of an asset's carrying value is not treated as current year taxable income.

Others:

This mainly represents other timing differences arising from taxation on profit distribution from foreign subsidiaries, goodwill from past acquisitions, timing difference arising from deduction of expenses and adjustments from past reorganisation.

15. TAXATION *(Cont'd)*

15.2 Deferred income tax *(Cont'd)*

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

	2017 US$'000	2016 US$'000
Deferred income tax assets:		
Deferred income tax assets to be recovered after more than twelve months	**79,517**	76,007
Deferred income tax assets to be recovered within twelve months	**27,760**	25,367
Deferred income tax assets	**107,277**	101,374
Deferred income tax liabilities:		
Deferred income tax liabilities to be settled after more than twelve months	**(149,105)**	(145,451)
Deferred income tax liabilities to be settled within twelve months	**(13,608)**	(10,760)
Deferred income tax liabilities	**(162,713)**	(156,211)
Deferred income tax liabilities, net	**(55,436)**	(54,837)

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

	2017 US$'000	2016 US$'000
At beginning of the year, net (liability)	**(54,837)**	(26,321)
Currency translations	**2,102**	(1,481)
Business combination	**(5,072)**	(60,454)
Transfer to income statement (Note 15.1)	**8,721**	8,616
(Charged) / credited to equity	**(6,350)**	24,803
At end of the year, net (liability)	**(55,436)**	(54,837)

15. TAXATION *(Cont'd)*

15.2 Deferred income tax *(Cont'd)*

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

	2017 US$'000	2016 US$'000
Net fair value (gains) / losses of hedging instruments (Note 17)	(5,732)	24,067
Remeasurements of defined benefit plans (Note 17)	996	753
Remeasurements of long service payment (Note 17)	(67)	(17)
Investment property (Note 17)	(1,547)	-
	(6,350)	24,803

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

The movement in the Group's unrecognised tax losses for FY2016/17 and FY2015/16 is presented below:

	2017 US$'000	2016 US$'000
At beginning of the year	105,056	78,121
Currency translations	1,482	(187)
Business combination	-	31,560
(Utilised / recognised) during the year	(21,557)	(6,231)
(Reduction) / addition for tax positions of prior years	(1,484)	1,793
At end of the year	83,497	105,056

Deferred income tax assets in respect of tax losses amounting to US$83.5 million (FY2015/16: US$105.1 million) have not been recognised primarily due to the uncertainty on availability of future profit generation or temporary differences in the legal entities where such losses were incurred.

15. TAXATION *(Cont'd)*

15.2 Deferred income tax *(Cont'd)*

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

	2017 US$'000	2016 US$'000
Less than 1 year	**13**	11
1 – 2 years	**2,245**	4,808
2 – 5 years	**14,385**	25,563
5 – 20 years	**30,513**	45,038
Unlimited	**36,341**	29,636
	83,497	105,056

Deferred income tax assets have not been recognised with respect to other deductible temporary differences amounting to US$0.9 million (FY2015/16: US$1.9 million) for which no taxable profit or temporary differences will be available to offset the deductible temporary difference.

16. SHARE CAPITAL

Number of shares (thousands)	Share capital - ordinary shares (at par value)	Shares held for the incentive share schemes (at purchase cost)	Total
As of 31 March 2015	880,542	(19,108)	861,434
Repurchase and cancellation of issued capital	(1,697)	-	(1,697)
Shares purchased by trustee for the incentive share schemes	-	(6,495)	(6,495)
Shares vested to Directors and employees for the incentive share schemes	-	2,527	2,527
As of 31 March 2016	878,845	(23,076)	855,769
Shares vested to employees for the incentive share schemes	-	3,434	3,434
As of 31 March 2017	**878,845**	**(19,642)**	**859,203**

16. SHARE CAPITAL *(Cont'd)*

As of 31 March 2017, the total authorised number of ordinary shares was 1,760.0 million (31 March 2016: 1,760.0 million) with a par value of HK$0.05 per share (31 March 2016: HK$0.05 per share). All issued shares were fully paid.

	Share capital - ordinary shares (at par value) US$'000	Shares held for the incentive share schemes (at purchase cost) US$'000	Total US$'000	
As of 31 March 2015	5,681	(61,082)	(55,401)	
Repurchase and cancellation of issued capital	(11)	-	(11)	*
Shares purchased by trustee for the incentive share schemes	-	(22,014)	(22,014)	
Shares vested to Directors and employees for the incentive share schemes (Note 17)	-	7,646	7,646	
As of 31 March 2016	5,670	(75,450)	(69,780)	
Shares vested to employees for the incentive share schemes (Note 17)	-	10,637	10,637	
As of 31 March 2017	**5,670**	**(64,813)**	**(59,143)**	

The total repurchase and cancellation of issued capital as shown in the "Consolidated Statement of Changes in Equity" on page 60 to 61 was recorded as a reduction in equity in two parts as follows:

	2017 US$'000	2016 US$'000
Share capital *	-	11
Other reserves	-	5,224
Total cost	-	5,235

Cancellation of issued capital

A general mandate was approved and given to the Board by shareholders at JEHL's AGM held on 14 July 2016 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 FY2016/17 for cancellation (FY2015/16: 1.7 million shares at a total cost of US$5.2 million).

16. SHARE CAPITAL *(Cont'd)*

Incentive share schemes

Share awards under the Long-Term Incentive Share Scheme ("Share Scheme") are granted to directors, senior management and other employees as recommended by the Chairman and Chief Executive and approved by the Remuneration Committee of the Group. The Share Scheme was approved by the shareholders on 24 August 2009 and was further amended and approved by the shareholders on 20 July 2011.

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

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

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

	Three-year cumulative goal for earnings per share
Fiscal years of 2014/15 through 2016/17	64.0 US cents *
Fiscal years of 2015/16 through 2017/18	77.0 US cents
Fiscal years of 2016/17 through 2018/19	65.4 US cents

* The fiscal years program of 2014/15 through 2016/17 is based on basic earnings per share

16. SHARE CAPITAL *(Cont'd)*

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 outstanding, as of 31 March 2015	4,518	5,530	10,048
Units granted to Directors and employees during the year	2,487	2,312	4,799
Units vested to Directors and employees during the year	(1,275)	(1,252)	(2,527)
Forfeited during the year	(122)	(113)	(235)
Unvested units outstanding, as of 31 March 2016	5,608	6,477	12,085
Units granted to Directors and employees during the year	3,305	3,504	6,809
Units vested to employees during the year	(1,391)	(2,043)	(3,434)
Forfeited during the year	(573)	(798)	(1,371)
Unvested units outstanding, as of 31 March 2017	**6,949**	**7,140**	**14,089**

The weighted average fair value of the unvested units granted during the year was HK$18.74 (US$2.40) (FY2015/16: HK$28.02 (US$3.59)).

As of 31 March 2017, 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
FY2017/18	1,230	1,817	3,047
FY2018/19	2,301	2,028	4,329
FY2019/20	3,418	3,295	6,713
Total unvested units outstanding	**6,949**	**7,140**	**14,089**

* Shares are typically vested on 1 June of the year

17. RESERVES

	Note	Capital reserve US$'000	Goodwill on consolidation US$'000	Exchange reserve US$'000	Share-based employee compensation reserve US$'000	Hedging reserve US$'000	Miscellaneous reserves * US$'000	Retained earnings US$'000	Total US$'000
As of 31 March 2016		16,751	(233,885)	159,048	17,516	2,005	55,477	1,895,446	1,912,358
Hedging instruments									
– raw material commodity contracts									
– fair value gains, net		-	-	-	-	40,741	-	-	40,741
– transferred to inventory and subsequently recognised in income statement		-	-	-	-	18,511	-	-	18,511
– deferred income tax effect	15	-	-	-	-	(9,777)	-	-	(9,777)
– forward foreign currency exchange contracts									
– fair value losses, net		-	-	-	-	(4,727)	-	-	(4,727)
– transferred to income statement		-	-	-	-	(13,675)	-	-	(13,675)
– deferred income tax effect	15	-	-	-	-	4,045	-	-	4,045
– net investment hedge									
– fair value gains, net		-	-	16,550	-	-	-	-	16,550
Defined benefit plans									
– remeasurements	14	-	-	-	-	-	-	(7,795)	(7,795)
– deferred income tax effect	15	-	-	-	-	-	-	996	996
Long service payment									
– remeasurements	14	-	-	-	-	-	-	308	308
– deferred income tax effect	15	-	-	-	-	-	-	(67)	(67)
Investment property									
– revaluation surplus realised upon disposal		-	-	-	-	-	(31)	31	-
– deferred income tax effect	15	-	-	-	-	-	(1,547)	-	(1,547)
Share of other comprehensive expenses of associates	6	-	-	-	-	-	-	(2,394)	(2,394)
Currency translations of subsidiaries		-	-	(76,246)	-	(403)	-	-	(76,649)
Currency translations of associates		-	-	87	-	-	-	-	87
Net income / (expenses) recognised directly in equity		-	-	(59,609)	-	34,715	(1,578)	(8,921)	(35,393)
Profit for the year		-	-	-	-	-	-	237,920	237,920
Total comprehensive income / (expenses) for the year		-	-	(59,609)	-	34,715	(1,578)	228,999	202,527
Appropriation of retained earnings to statutory reserve		-	-	-	-	-	2,928	(2,928)	-
Incentive share schemes									
– shares vested	16	(1,015)	-	-	(9,622)	-	-	-	(10,637)
– value of employee services	25	-	-	-	12,376	-	-	-	12,376
Acquisition of non-controlling interests	27	-	-	-	-	-	(9,896)	-	(9,896)
FY2015/16 final dividend paid		-	-	-	-	-	-	(37,672)	(37,672)
FY2016/17 interim dividend paid		-	-	-	-	-	-	(17,723)	(17,723)
		(1,015)	-	(59,609)	2,754	34,715	(8,546)	170,676	138,975
As of 31 March 2017		**15,736**	**(233,885)**	**99,439**	**20,270**	**36,720**	**46,931**	**2,066,122**	**2,051,333**
Final dividend proposed	23	-	-	-	-	-	-	37,600	37,600
Other		15,736	(233,885)	99,439	20,270	36,720	46,931	2,028,522	2,013,733
As of 31 March 2017		**15,736**	**(233,885)**	**99,439**	**20,270**	**36,720**	**46,931**	**2,066,122**	**2,051,333**

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

17. RESERVES *(Cont'd)*

	Note	Capital reserve US$'000	Goodwill on consolidation US$'000	Exchange reserve US$'000	Share-based employee compensation reserve US$'000	Hedging reserve US$'000	Miscellaneous reserves * US$'000	Retained earnings US$'000	Total US$'000
As of 31 March 2015		23,477	(233,885)	169,473	13,926	114,837	51,109	1,778,782	1,917,719
Hedging instruments									
– raw material commodity contracts									
– fair value losses, net		-	-	-	-	(51,268)	-	-	(51,268)
– transferred to inventory and subsequently recognised in income statement		-	-	-	-	20,878	-	-	20,878
– deferred income tax effect	15	-	-	-	-	5,014	-	-	5,014
– forward foreign currency exchange contracts									
– fair value losses, net		-	-	-	-	(67,676)	-	-	(67,676)
– transferred to income statement		-	-	-	-	(38,978)	-	-	(38,978)
– deferred income tax effect	15	-	-	-	-	19,053	-	-	19,053
– net investment hedge									
– fair value losses, net		-	-	(13,422)	-	-	-	-	(13,422)
Defined benefit plans									
– remeasurements	14	-	-	-	-	-	-	1,932	1,932
– deferred income tax effect	15	-	-	-	-	-	-	753	753
Long service payment									
– remeasurements	14	-	-	-	-	-	-	98	98
– deferred income tax effect	15	-	-	-	-	-	-	(17)	(17)
Investment property									
– revaluation surplus realised upon disposal		-	-	-	-	-	(108)	108	-
Currency translations of subsidiaries		-	-	2,961	-	145	-	-	3,106
Currency translations of associates		-	-	36	-	-	-	-	36
Net income / (expenses) recognised directly in equity		-	-	(10,425)	-	(112,832)	(108)	2,874	(120,491)
Profit for the year		-	-	-	-	-	-	172,660	172,660
Total comprehensive income / (expenses) for the year		-	-	(10,425)	-	(112,832)	(108)	175,534	52,169
Appropriation of retained earnings to statutory reserve		-	-	-	-	-	4,476	(4,476)	-
Cancellation of issued capital	16	(5,224)	-	-	-	-	-	-	(5,224)
Incentive share schemes									
– shares vested	16	(1,502)	-	-	(6,144)	-	-	-	(7,646)
– value of employee services	25	-	-	-	9,734	-	-	-	9,734
FY2014/15 final dividend paid		-	-	-	-	-	-	(37,802)	(37,802)
FY2015/16 interim dividend paid		-	-	-	-	-	-	(16,592)	(16,592)
		(6,726)	-	(10,425)	3,590	(112,832)	4,368	116,664	(5,361)
As of 31 March 2016		16,751	(233,885)	159,048	17,516	2,005	55,477	1,895,446	1,912,358
Final dividend proposed	23	-	-	-	-	-	-	37,525	37,525
Other		16,751	(233,885)	159,048	17,516	2,005	55,477	1,857,921	1,874,833
As of 31 March 2016		16,751	(233,885)	159,048	17,516	2,005	55,477	1,895,446	1,912,358

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

18. OTHER INCOME AND GAINS, NET

	2017 US$'000	2016 US$'000
Gross rental income from investment property	3,595	3,771
Gains on investments, net	134	105
Gains on disposal of property, plant and equipment and investment property (Note 25)	1,950	5,949
Fair value gains on investment property (Note 4 & 25)	1,218	10,205
Fair value gains / (losses) on other financial assets / liabilities	2,745	(433)
Subsidies and other income	9,449	8,857 *
	19,091	28,454

* In FY2015/16, US$4.7 million of subsidies received above were compensation for a forthcoming plant relocation and were an offer for certain asset impairments.

19. SELLING AND ADMINISTRATIVE EXPENSES

	2017 US$'000	2016 US$'000
Selling expenses	100,124	98,260
Administrative expenses	382,399	336,706
Legal and warranty	19,870	11,290
Net gains on realisation of other financial assets and liabilities and revaluation of monetary assets and liabilities (Note 21)	(31,049)	(35,493)
	471,344	410,763

Note: Selling and administrative expenses included operating lease payments for FY2016/17 of US$7.5 million (FY2015/16: US$6.2 million).

20. FINANCE INCOME / (COSTS), NET

	2017 US$'000	2016 US$'000
Interest income	1,132	3,814
Other finance income	-	2,422
Interest expense	(3,867)	(2,374)
Interest expense on convertible bonds (Note 22)	(7,223)	(7,042)
Net finance costs (Note 25)	(9,958)	(3,180)

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

21. EXPENSES BY NATURE

Operating profit was stated after crediting and charging the following:

	2017 US$'000	2016 US$'000
Depreciation		
Depreciation of property, plant and equipment (Note 3)	**115,482**	87,300
Less: amounts capitalised in assets under construction	**(1,023)**	(988)
Net depreciation (Note 25)	**114,459**	86,312
Engineering expenditure *		
Engineering expenditure	**152,601**	131,231
Capitalisation of engineering development costs (Note 5)	**(6,729)**	(6,144)
Net engineering expenditure	**145,872**	125,087
Employee compensation		
Wages and salaries	**750,145**	647,489
Share-based payments	**12,376**	9,699
Social security costs	**63,898**	59,308
Pension costs - defined benefit plans (Note 14.1)	**3,798**	4,891
Pension costs - defined contribution plans (Note 14.2)	**4,614**	4,959
	834,831	726,346
Less: amounts capitalised in assets under construction	**(6,566)**	(7,022)
	828,265	719,324
Other items:		
Cost of goods sold **	**2,028,334**	1,646,433
Auditors' remuneration	**2,682**	2,516
Amortisation of intangible assets (Note 5 & 25)	**37,079**	27,721
Provision for / (reversal of) impairment of property, plant and equipment (Note 3 & 25)	**2,565**	(1,129)
Provision for impairment of intangible assets (Note 5 & 25)	**-**	206
Net gains on realisation of other financial assets and liabilities and revaluation of monetary assets and liabilities (Note 19)	**(31,049)**	(35,493)
Provision / (write back) for impairment of trade receivables / bad debt expense (Note 9)	**3,185**	(550)

* Engineering expenditure as a percentage of sales was 5.5% in FY2016/17 (FY2015/16: 5.9%).

** Cost of goods sold comprised materials, direct labour costs (including their social costs) and production overheads including operating lease payments of US$15.0 million (FY2015/16: US$15.4 million).

22. EARNINGS PER SHARE

Basic earnings per share

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

	2017	2016
Profit attributable to shareholders (thousands US Dollar)	237,920	172,660
Weighted average number of ordinary shares in issue (thousands)	858,666	859,540
Basic earnings per share (US cents per share)	27.71	20.09
Basic earnings per share (HK cents per share)	214.99	155.83

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.

	2017	2016
Profit attributable to shareholders (thousands US Dollar)	237,920	172,660
Adjustments for convertible bonds		
– Interest (thousands US Dollar) (Note 20)	7,223	7,042
– Deferred income tax effect (thousands US Dollar)	(773)	(743)
Adjusted profit attributable to shareholders (thousands US Dollar)	244,370	178,959
Weighted average number of ordinary shares issued and outstanding (thousands)	858,666	859,540
Adjustments for incentive shares granted		
– Incentive share schemes - Restricted Stock Units	6,430	4,972
– Incentive share schemes - Performance Stock Units	3,011	2,568
Adjustments for convertible bonds		
– assumed conversion of convertible bonds	39,959	39,025
Weighted average number of ordinary shares (diluted) (thousands)	908,066	906,105
Diluted earnings per share (US cents per share)	26.91	19.75
Diluted earnings per share (HK cents per share)	208.81	153.21

23. DIVIDEND

	2017 US$'000	2016 US$'000
Interim, of 16 HK cents (2.05 US cents) per share, paid in January 2017 (FY2015/16: 15 HK cents or 1.92 US cents)	17,723	16,592
Final, proposed, of 34 HK cents (4.36 US cents) per share, to be paid in August 2017 (FY2015/16: 34 HK cents or 4.36 US cents) (Note 17)	37,600 *	37,525
	55,323	54,117

* Proposed dividend is calculated based on the total number of shares as of 31 March 2017. Actual dividend will be paid on 11 August 2017 to shareholders whose names appear on the Register of Shareholders of JEHL on 2 August 2017.

Total dividend per share for the year is 50 HK cents (FY2015/16 was 49 HK cents).

At a meeting held on 17 May 2017 the Directors recommended a final dividend of 34 HK cents (4.36 US cents) per share to be paid out in August 2017. The recommended final dividend will be reflected as an appropriation of retained earnings for FY2017/18.

Dividends for the periods FY2009/10 through FY2016/17 are shown in the table below:

	Interim HK cents per share	Final HK cents per share	Total HK cents per share	Total dividend US$'000
FY2009/10 *	-	20.0	20.0	23,659
FY2010/11 *	12.0	24.0	36.0	42,488
FY2011/12 *	12.0	28.0	40.0	46,118
FY2012/13 *	12.0	32.0	44.0	50,396
FY2013/14 *	12.0	34.0	46.0	52,648
FY2014/15	14.0	34.0	48.0	53,290
FY2015/16	15.0	34.0	49.0	54,117
FY2016/17	16.0	34.0 **	50.0	55,323

* The interim and final dividends per share for prior periods have been adjusted to reflect the impact of the 1 for 4 share consolidation in FY2014/15.

** Final dividend for FY2016/17 has been recommended by the Board of Directors and is subject to shareholder approval.

24. COMMITMENTS

24.1 Capital commitments

	2017 US$'000	2016 US$'000
Capital commitments for property, plant and equipment		
Contracted but not provided for	**43,299**	48,782

24.2 Operating lease commitments

(i) The Group's future aggregate minimum lease payments under non-cancellable operating leases as of 31 March 2017 and 31 March 2016 were as follows:

	2017		2016	
	Land and buildings US$'000	Others US$'000	Land and buildings US$'000	Others US$'000
Less than 1 year	**19,220**	**2,572**	20,562	2,171
1 – 5 years	**49,573**	**4,465**	55,143	4,872
Over 5 years	**32,413**	**260**	51,609	744
	101,206	**7,297**	127,314	7,787

(ii) The Group's future aggregate minimum lease rental receivables under non-cancellable operating leases on land and buildings as of 31 March 2017 and 31 March 2016 were as follows:

	2017 US$'000	2016 US$'000
Less than 1 year	**1,175**	1,360
1 – 5 years	**4,852**	5,138
Over 5 years	**4,313**	5,864
	10,340	12,362

25. CASH GENERATED FROM OPERATIONS

	2017 US$'000	2016 US$'000
Profit before income tax	290,312	206,636
Add: Depreciation of property, plant and equipment (Note 21)	114,459	86,312
Amortisation of intangible assets (Note 5 & 21)	37,079	27,721
Finance expense, net (Note 20)	9,958	3,180
Associates dividend receipts less share of profits	(3,455)	(1,980)
EBITDA*	448,353	321,869
Adjustments for		
Gains on disposal of property, plant and equipment and investment property (Note 18)	(1,950)	(5,949)
Provision for / (reversal of) impairment of property, plant and equipment (Note 3 & 21)	2,565	(1,129)
Provision for impairment of intangible assets (Note 5 & 21)	-	206
Net realised and unrealised gains on financial assets at fair value through profit and loss	(132)	(171)
Share-based compensation expense (Note 17)	12,376	9,734
Fair value gains on investment property (Note 4 & 18)	(1,218)	(10,205)
Acquisition transaction costs	383	12,384
	12,024	4,870
EBITDA* net of other adjustments	460,377	326,739
Change in working capital		
Increase in inventories	(44,350)	(28,956)
Increase in trade and other receivables	(60,152)	(43,105)
Decrease / (increase) in other non-current assets	3,140	(1,702)
Increase in trade payables, other payables and deferred income	64,747	16,870
Increase in provision obligations and other liabilities **	7,249	4,741
Change in other financial assets / liabilities	14,009	5,800
	(15,357)	(46,352)
Cash generated from operations	445,020	280,387

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

** Net of defined benefit pension plan assets

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

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

	2017 US$'000	2016 US$'000
Net book amount	**4,069**	9,691
Gains on disposal of property, plant and equipment and investment property (Note 18)	**1,950**	5,949
Proceeds from disposal of property, plant and equipment and investment property	**6,019**	15,640

26. BUSINESS COMBINATION

26.1 Business combination in FY2016/17

On 18 May 2016, the Group acquired the entire share capital of AML Développement, the holding company of the AML Group for a consideration of US$72.3 million (EUR65 million).

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

The acquired business contributed revenue of US$129.8 million and net profit of US$9.2 million to the Group for the period from the date of acquisition to 31 March 2017.

If the acquisition had occurred on 1 April 2016, the Group's consolidated income statement for FY2016/17 would show pro forma revenue of US$2,800.5 million (AML 2 months before acquisition: US$24.4 million), EBITDA of US$450.5 million (AML 2 months before acquisition: US$2.1 million) and net profit to shareholders of US$237.8 million (AML 2 months before acquisition: US$0.1 million loss).

26. BUSINESS COMBINATION *(Cont'd)*

26.1 Business combination in FY2016/17 *(Cont'd)*

Details of net assets acquired and goodwill are as follows:

	2017 US$'000
Purchase consideration	72,347
Fair value of net assets acquired – shown as below	(31,950)
Goodwill *	**40,397**

	Fair Value US$'000
Property, plant and equipment	13,004
Intangible assets	17,148
Deferred income tax assets	1,346
Other non-current assets	166
Inventories	11,686
Trade receivables and other receivables	29,304
Income tax recoverable	843
Cash and cash equivalents	14,334
Trade payables and other payables	(35,924)
Current income tax liabilities	(617)
Borrowings	(6,691)
Provision obligations and other liabilities	(6,231)
Deferred income tax liabilities	(6,418)
Net assets acquired	31,950
Purchase consideration settled in cash	
Cash	72,347
Cash and cash equivalents, net of debt in subsidiaries acquired	(7,643)
Cash outflow on acquisition	**64,704**

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

As of 31 March 2017, the Group has substantially completed the fair value assessments for net assets acquired (including intangible assets) from the business combination activities. The fair values of net assets stated above are on a provisional basis subject to the final valuation of certain assets and liabilities.

26. BUSINESS COMBINATION *(Cont'd)*

26.2 Business combination in FY2015/16

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

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

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

The acquired business contributed revenue of US$181.8 million and net profit of US$4.7 million (excluding transaction costs) to the Group for period from the date of acquisition to 31 March 2016. If the acquisition had occurred on 1 April 2015, the Group's consolidated income statement would show pro forma revenue of US$2,481.5 million (Stackpole International 7 months: US$245.6 million), EBITDA of US$368.3 million (Stackpole International 7 months: US$35.3 million) and net profit of US$191.7 million (Stackpole International 7 months: US$7.9 million). This excluded acquisition transaction costs for Stackpole International of US$11.1 million.

	2016 US$'000
Purchase consideration	675,524
Fair value of net assets acquired	(421,997)
Goodwill *	253,527
Purchase consideration settled in cash	
Cash	675,524
Cash and cash equivalents in subsidiaries acquired	(18,357)
Cash outflow on acquisition	657,167

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

27. CHANGES IN OWNERSHIP INTERESTS IN SUBSIDIARIES WITHOUT CHANGE OF CONTROL

On 15 September 2016, the Group completed the acquisition of 10% equity interest in Shanghai Ri Yong-JEA Gate Electric Co., Ltd., and a 5% equity interest in Changchun Ri Yong JEA Gate Electric Co., Ltd and Chengdu Ri Yong JEA Gate Electric Co Ltd. The transaction is accounted for as a transaction with non-controlling interest. Accordingly, the difference between the fair value of consideration paid and the combined carrying value of 10% of the non-controlling interest acquired is recorded as a reduction in equity.

	2017 US$'000
Consideration (RMB128 million)	19,312
Reduction of carrying amount of non-controlling interest	(9,416)
Net effect charged against equity	9,896

28. POST BALANCE SHEET EVENT

On 21 March 2017, an indirect wholly-owned subsidiary of the Group entered into a share purchase agreement with Halla Holdings Corporation to acquire an equity interest in Halla Stackpole Corporation for a total consideration of up to KRW93.9 billion (subject to adjustments) (approximately US$83.8 million). On completion of the acquisition, the Group's attributable interest in Halla Stackpole Corporation will increase from 30% to 80% through the purchaser's acquisition of the equity interest.

Halla Stackpole Corporation together with its subsidiary is a major manufacturer of powder metal components primarily for the automotive industry in Asia. It is headquartered in Ochang, Republic of Korea and it has production facilities in Korea and China. This acquisition increases the Group's exposure to the rapidly growing powder metal market in Asia. 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.

Completion occurred on 16 May 2017 as all conditions precedent set out in the agreement were satisfied. The consideration was financed from the Group's internal cash reserves and available credit facilities.

The purchase price allocation and fair value assessment are not yet completed. These will be completed in FY2017/18 after obtaining more information on asset valuations.

Acquisition expenses amounted to US$0.8 million were incurred in FY2016/17 and recognised in the income statement within selling and administrative expenses.

JOHNSON ELECTRIC GROUP TEN-YEAR SUMMARY

US$ million	2017	2016	2015
Consolidated income statement			
Sales	2,776.1	2,235.9	2,136.1
Earnings before interest and tax (EBIT) [1]	300.3	209.8	243.5
Profit before income tax	290.3	206.6	249.0
Income tax (expense) / income	(43.8)	(23.9)	(29.2)
Discontinued operations	-	-	-
Profit for the year	246.5	182.7	219.8
Non-controlling interests	(8.6)	(10.0)	(8.9)
Profit attributable to shareholders	237.9	172.7	210.9
Consolidated balance sheet			
Fixed assets	892.8	759.0	492.6
Goodwill and intangible assets	1,076.7	1,083.4	595.6
Cash and cash equivalents	127.7	193.3	773.2
Other current and non-current assets	1,257.5	1,113.7	986.6
Total assets	3,354.7	3,149.4	2,848.0
Equity attributable to shareholders	1,992.2	1,842.6	1,862.3
Non-controlling interests	32.8	42.2	38.6
Total equity	2,025.0	1,884.8	1,900.9
Total debt [2]	384.0	422.5	291.3
Other current and non-current liabilities	945.7	842.1	655.8
Total equity and liabilities	3,354.7	3,149.4	2,848.0
Per share data [3]			
Basic earnings per share - continuing operations (US cents)	27.7	20.1	24.1
Dividend per share (US cents)	6.4	6.3	6.2
Closing stock price (HKD)	23.2	24.0	27.3
Other information			
Free cash flow from operations [4]	160.1	70.8	155.8
Earnings before interest, tax, depreciation and amortisation (EBITDA)	448.4	321.9	335.5
EBITDA to sales%	16.2%	14.4%	15.7%
Capital expenditure (CAPEX)	240.2	186.2	119.9
CAPEX to sales %	8.7%	8.3%	5.6%
Market Capitalisation	2,565.6	2,643.3	3,032.5
Enterprise Value (EV)	2,854.7	2,914.7	2,589.3
EV / EBITDA [5]	6.3	7.9	7.7
Ratios			
EBIT to sales %	10.8%	9.4%	11.4%
Return on average total equity % [6]	12.6%	9.7%	12.0%
Free cash flow from operations to debt %	42%	17%	53%
Total debt to EBITDA (times) [5]	0.9	1.1	0.9
Total debt to capital %	16%	18%	13%
Interest coverage (times) [7]	27.1	22.3	28.8

1 Earnings before interest and tax (EBIT) is defined as operating profit (per accounts) plus share of profits / (losses) of associates
2 Total debt calculated as borrowings plus convertible bonds
3 Per share data had been adjusted to reflect the impact of 1 for 4 share consolidation on 15 July 2014
4 Net cash generated from operating activities plus interest received, less capital expenditure (net of proceeds from disposal of assets) and capitalisation of engineering development costs
5 When calculating EV / EBITDA and Total debt to EBITDA, where a business is acquired part way through the year, we adjust EBITDA to include 12 months for that year on a pro forma basis. EBITDA for FY2011/12 excluded non-recurring items
6 Return on average total equity is calculated as profit for the year over average total equity during the year
7 Interest coverage (times) is calculated by EBIT / interest expense

2014	2013	2012	2011	2010 *	2009	2008
2,097.6	2,059.7	2,140.8	2,104.0	1,741.0	1,828.2	2,220.8
233.9	213.2	221.6	235.8	110.5	47.0	188.9
243.0	218.0	220.5	226.4	103.8	37.4	170.1
(28.1)	(21.1)	(31.6)	(36.1)	(16.4)	0.4	(31.9)
-	-	-	-	-	(31.1)	-
214.9	196.9	188.9	190.3	87.4	6.7	138.2
(7.0)	(5.6)	(2.2)	(8.6)	(10.4)	(4.1)	(7.4)
207.9	191.3	186.7	181.7	77.0	2.6	130.8
460.6	425.6	433.1	457.5	440.6	428.3	471.3
650.7	621.5	757.8	774.7	699.9	662.1	775.2
644.0	480.9	385.1	354.7	367.1	302.0	268.0
745.4	715.9	704.0	755.5	623.2	557.5	840.2
2,500.7	2,243.9	2,280.0	2,342.4	2,130.8	1,949.9	2,354.7
1,732.3	1,568.5	1,461.6	1,362.2	1,121.7	964.4	1,101.9
34.0	30.3	25.9	60.1	51.5	33.7	31.0
1,766.3	1,598.8	1,487.5	1,422.3	1,173.2	998.1	1,132.9
116.9	125.0	205.4	313.7	408.7	528.9	564.5
617.5	520.1	587.1	606.4	548.9	422.9	657.3
2,500.7	2,243.9	2,280.0	2,342.4	2,130.8	1,949.9	2,354.7
23.4	21.4	20.7	19.9	8.4	3.7	14.3
5.9	5.6	5.1	4.6	2.6	-	7.3
28.7	23.1	19.3	18.2	20.6	6.0	14.7
231.1	111.9	166.0	169.6	215.1	168.5	186.7
321.8	304.3	314.3	322.5	197.9	136.2	279.5
15.3%	14.8%	14.7%	15.3%	11.4%	7.4%	12.6%
92.2	82.6	91.3	85.6	38.0	62.8	97.1
4.4%	4.0%	4.3%	4.1%	2.2%	3.4%	4.4%
3,282.2	2,646.2	2,229.5	2,134.4	2,426.3	704.3	1,732.3
2,789.1	2,320.5	2,075.6	2,153.4	2,519.4	964.9	2,059.8
8.7	7.6	6.3	6.7	12.7	7.1	7.4
11.2%	10.4%	10.4%	11.2%	6.3%	2.6%	8.5%
12.8%	12.8%	13.0%	14.7%	8.1%	0.6%	13.2%
198%	90%	81%	54%	53%	32%	33%
0.4	0.4	0.7	1.0	2.1	3.9	2.0
6%	7%	12%	18%	26%	35%	33%
127.8	79.0	32.1	18.2	12.4	3.0	7.2

* Historical data for FY2009/10 had been restated for the adoption of HKAS 12 (amendment) - deferred tax related to investment properties. Historical data for FY2007/08 to FY2008/09 had not been restated in this summary.

CORPORATE AND SHAREHOLDER INFORMATION

Johnson Electric Holdings Limited

(Incorporated in Bermuda with limited liability)

CORPORATE INFORMATION

Board of Directors

Executive Directors

Patrick Shui-Chung Wang *JP*
Chairman and Chief Executive
Winnie Wing-Yee Wang
Vice-Chairman
Austin Jesse Wang

Non-Executive Directors

Yik-Chun Koo Wang
Honorary Chairman
Peter Kin-Chung Wang
Peter Stuart Allenby Edwards *
Patrick Blackwell Paul *CBE, FCA* *
Michael John Enright *
Joseph Chi-Kwong Yam
GBM, GBS, CBE, JP *
Christopher Dale Pratt *CBE* *

* *Independent Non-Executive Director*

Company Secretary

Lai-Chu Cheng

Auditor

PricewaterhouseCoopers

Registrars and Transfer Offices

Principal Registrar:
MUFG Fund Services (Bermuda) Limited
The Belvedere Building
69 Pitts Bay Road
Pembroke HM 08
Bermuda

Registrar in Hong Kong:
Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wan Chai, Hong Kong

Registered Office

Canon's Court
22 Victoria Street
Hamilton HM 12
Bermuda

Hong Kong Head Office

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

Tel	: (852) 2663 6688
Fax	: (852) 2897 2054
Website	: www.johnsonelectric.com

Principal Bankers

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

Rating agencies

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

LISTING INFORMATION

Share Listing

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

Stock Code

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

SHAREHOLDERS' CALENDAR

Annual General Meeting (AGM)

12 July 2017 (Wed)

Register of Shareholders

Closure of Register (both dates inclusive)

For attending AGM: 7 - 12 July 2017 (Fri – Wed)

For final dividend: 31 July – 2 August 2017 (Mon – Wed)

Dividend (per Share)

Interim Dividend	: 16 HK cents
Paid on	: 6 January 2017 (Fri)
Final Dividend	: 34 HK cents
Payable on	: 11 August 2017 (Fri)

REVIEW OF ANNUAL RESULTS

The Company's annual results for the year ended 31 March 2017 has been reviewed by the Audit Committee.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement is published on the websites of the Company (www.johnsonelectric.com) and HKExnews (www.hkexnews.hk). The Company's Annual Report 2017 will be despatched to the shareholders and available on the same websites on or about 2 June 2017.

BOARD OF DIRECTORS

As of the date of this announcement, the Board comprises Patrick Shui-Chung Wang, Winnie Wing-Yee Wang, Austin Jesse Wang, being the Executive Directors, and Yik-Chun Koo Wang, Peter Kin-Chung Wang, being the Non-Executive Directors, and Peter Stuart Allenby Edwards, Patrick Blackwell Paul, Michael John Enright, Joseph Chi-Kwong Yam and Christopher Dale Pratt being the Independent Non-Executive Directors.

On behalf of the Board

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

Hong Kong, 17 May 2017

Johnson Electric is one of the constituent stocks on the Hang Seng Composite MidCap Index under the Hang Seng Composite Index, the Bloomberg World Index and the S&P Europe Pacific Asia Composite (EPAC) SmallCap Index. For further information, please visit: www.johnsonelectric.com.