Johnson Electric Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code : 179)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2018

HIGHLIGHTS

- For the financial year ended 31 March 2018, total sales amounted to US$3,237 million – an increase of 17% compared to the prior financial year. Excluding the effects of acquisitions and foreign currency movements, underlying sales increased by 8%
- EBITDA totalled US$520 million – an increase of 16%
- Operating profits increased by 13% to US$335 million or 10.4% of sales (compared to 10.6% of sales in FY2016/17)
- Net profit attributable to shareholders increased by 11% to US$264 million or 29.65 US cents per share on a fully diluted basis
- Capital expenditure totalled US$306 million – up 27% and indicative of the Group's strong order book of new business and major investments in advanced automation and technology
- As of 31 March 2018, cash reserves amounted to US$169 million and the Group's ratio of total debt to EBITDA was 0.9 times

LETTER TO SHAREHOLDERS

Johnson Electric achieved record net income for the financial year 2017/18 – underpinned by strong organic revenue growth from both of our two operating divisions and by the positive impact of recent acquisitions.

Dividends

Given the substantial capital investment requirements of the business projected for the short to medium term, the Board considers it prudent to recommend maintaining a final dividend of 34 HK cents per share. Together with the interim dividend of 17 HK cents per share paid in January 2018, this amounts to a total dividend of 51 HK cents per share (FY2016/17: 50 HK cents per share).

Sales Performance

The Group's strong organic sales performance reflected the combination of an improving global economic environment, new product launches and market share gains in a number of key product applications.

Total Group sales amounted to US$3,237 million, an increase of 17% over the prior financial year. This figure included a full year sales contribution from AML Systems compared to a ten and a half month contribution in FY2016/17 following its acquisition. Halla Stackpole Corporation, which became a 80% owned subsidiary in May 2017, contributed sales of US$144 million. Excluding these acquisitions and the impact of foreign exchange rate movements, underlying total sales increased by 8%.

The Automotive Products Group ("APG"), the largest operating division, achieved sales of US$2,494 million including Halla Stackpole Corporation and AML Systems. Excluding acquisitions and currency effects, APG's sales increased by 8%.

Despite passenger vehicle production volume growth in Asia of 1% over the past financial year, APG grew sales in the region by 15% in constant currency terms and excluding acquisitions. Johnson Electric's strong market position in China continues to be the main driver of APG's growth in Asia, with numerous new product launches and new platform awards across a range of product applications including powertrain cooling, engine and transmission oil pumps, lighting subsystems and engine management actuators.

European passenger car production volumes grew by almost 2% during the period and total annualised levels reached a 10-year high as the region's gradual economic recovery boosted consumer confidence. APG's European sales mirrored the overall market by increasing 2% in constant currency terms. In contrast, APG sales in the Americas region comfortably outperformed the overall market with growth of 9% following the launch and ramp-up of new programmes in powertrain cooling and electric parking brake applications. After several years of uninterrupted volume growth, the North American light vehicle sector experienced a softening in demand in 2017 due to the combination of rising automotive financing costs, a switch in consumer sentiment away from traditional passenger cars and towards SUVs, and targeted reductions in rental fleet sales by some OEMs.

The Industry Products Group ("IPG") reported a 8% increase in sales to US$743 million – representing 23% of total Group sales. Divisional management has made excellent progress in implementing more focused go-to-market strategies that target segments and key customers where Johnson Electric's motion solutions and products are competitively advantaged. All geographic regions in IPG achieved higher year-on-year sales growth with standout performances from the floor care and printer application segments in Asia, the metering and lawn and garden application segments in Europe, and the lawn and garden and window automation application segments in the Americas.

Delivering Record Net Income

Gross profit increased by 6% to US$791 million – which as a percentage of sales represented a reduction from 26.9% to 24.4%. This was partly due to the negative impact of pricing pressure and higher raw material, labour and depreciation expenses; and also partly due to product mix changes as the result of acquisitions. The recently acquired Halla Stackpole Corporation 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 – but also feature cost structures with much lower overheads.

Group operating profits increased by 13% to US$335 million or 10.4% of sales (10.6% in the prior year). The slight decline in operating margins reflected the combined net negative pre-tax impact of US$18 million from two non-cash items: a valuation gain related to the acquisition of an additional 50% equity interest in Halla Stackpole Corporation; and a mark-to-market liability related to structured foreign exchange contracts that form part of the Group's long-term operational hedging activities.

Net profit attributable to shareholders increased by 11% to a record US$264 million.

Investing to Drive Growth and Transform the Business Model

There is little doubt that over the course of the next ten to twenty years, the automotive industry – by far the Group's largest end market – will undergo the greatest structural disruption in its recent history. Changes in technology, regulation and consumer preferences will reshape the industry landscape and upend many existing business models.

The precise nature, scope and timing of these changes, however, are the subject of considerable debate. Opinions diverge sharply when it comes to predicting how quickly internal combustion engines will be replaced by alternative types of propulsion, how widely consumers will adopt (and regulators may allow) autonomous driving, or how extensively shared mobility services will impact passenger vehicle sales globally.

For automotive components suppliers, this degree of disruptive change presents opportunities and challenges. In Johnson Electric's case, we see an exciting growth opportunity stemming from the market's need for innovative, cost-competitive solutions to reduce emissions, enable electrification and optimise thermal management. These imperatives are right in the sweet spot for our unique range of electric motors, actuators and pump technologies.

Meeting this strong and sustained demand for our products is requiring significant investment in new plant, tooling and automation equipment. And it is also presenting management with the welcome – though nonetheless non-trivial – challenge of simultaneously executing multiple new product launches across multiple geographies.

In parallel to the Group's progressive build-up of a larger, more automated and more global manufacturing footprint, the Digital Revolution is set to bring about a fundamental shift in the way we operate. Advances in sensors, machine vision, digital twin technology, machine learning and artificial intelligence will enable improved product quality, added speed and agility, reduced costs, increased customer satisfaction and new potential streams of revenue.

Taken together these changes will transform Johnson Electric as a business enterprise. Shareholders can expect to see the first stage of this transformation play out over the next three to five years as we invest to respond to the strong "pull" from the market for our products and we embrace digitalisation as the essential means to sustain our long-term competitiveness.

Outlook

Heading into the new 2018/19 financial year, the business is performing well in the context of a global economy that is expanding – but at growth rates still below pre-crisis averages. Very robust demand for our motion products and solutions continues and, barring rising protectionist sentiment boiling over into a major trade war, we anticipate organic sales growth for the current financial year to be similar to the level achieved in 2017/18.

At present, it is not possible to predict whether the on-going public trade dispute involving the US, China and the European Union will result in higher tariffs or other measures that could seriously threaten the global economic recovery. It is equally difficult to gauge the potential impact on Johnson Electric and its customers with any degree of precision. However, based purely on information currently available relating to the proposed additional Section 301 tariffs on products imported into the USA from China, it appears that these may apply to product lines that amount to less than 3 per cent of the Group's total annual sales.

In summary, I am excited by the growth trajectory of the business and optimistic that the investments we are making will position Johnson Electric for enduring success.

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

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

Hong Kong, 16 May 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL PERFORMANCE

US$ million	FY2017/18 [1]	FY2016/17
Sales	3,236.6	2,776.1
Gross profit	791.2	747.8
Gross margin	*24.4%*	*26.9%*
Profit attributable to shareholders	264.0	237.9
Diluted earnings per share (US cents)	29.65	26.91
EBITDA [2]	519.8	448.4
EBITDA margin	*16.1%*	*16.2%*
Free cash flow from operations [3]	88.2	160.1

US$ million	31 Mar 2018	31 Mar 2017
Cash	168.9	127.7
Total debt [4]	492.2	384.0
Net debt (total debt less cash)	323.3	256.3
Total equity	2,365.8	2,025.0
Market capitalisation [5]	3,236.1	2,565.6
Enterprise value [6]	3,626.7	2,854.7
EBITDA adjusted on a proforma basis [7]	521.8	450.5

Key Financial Ratios	31 Mar 2018	31 Mar 2017
Enterprise value to EBITDA [7]	7.0	6.3
Free cash flow [7] to total debt	18%	42%
Total debt to EBITDA [7]	0.9	0.9
Total debt and leases [8] to EBITDA [7]	1.1	1.0
Total debt to capital (total equity + total debt)	17%	16%

1 FY2017/18 includes 12 months' results of AML Systems ("AML") and 11 months' results of Halla Stackpole ("HSC"). FY2016/17 includes 10½ months' results of AML Systems

2 Earnings before interest, tax, depreciation and amortisation

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

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

5 Outstanding number of shares multiplied by the closing share price (HK$29.45 per share as of 31 March 2018 and HK$23.20 per share as of 31 March 2017) 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 and free cash flow from operations adjusted to include 12 months' results of HSC (FY2017/18) and AML Systems (FY2016/17) 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

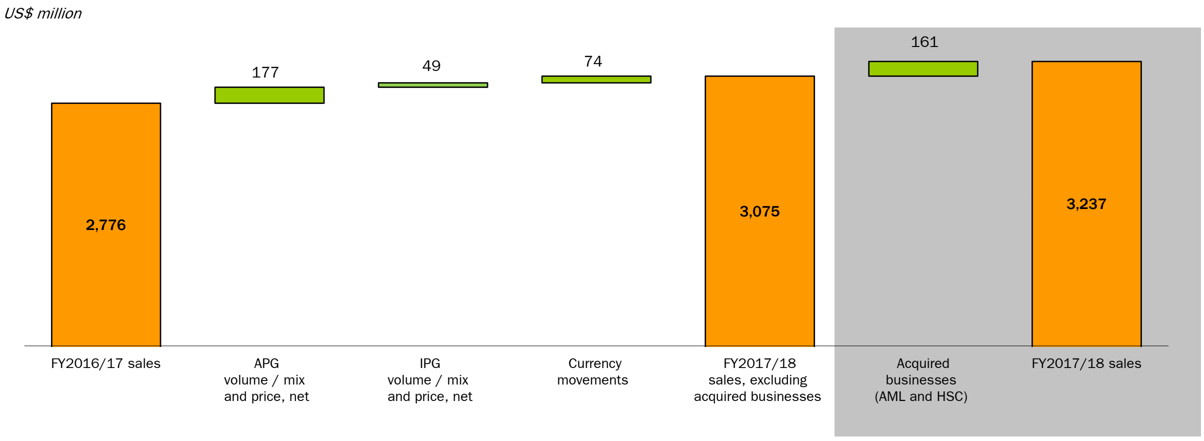
BUSINESS REVIEW

Sales

Sales increased US$460.5 million or 17% to US$3,236.6 million in FY2017/18 (FY2016/17: US$2,776.1 million). Excluding acquisitions and currency movements, sales increased by US$225.3 million or 8% compared to the prior year, as shown below:

US$ million	FY2017/18		FY2016/17		Change	
Automotive Products Group ("APG") sales						
– Excluding acquisitions and currency movements	2,267.6	72%	2,090.8	75%	176.8	8%
– Acquired businesses	161.2	5%	-	0%	161.2	
– Subtotal	2,428.8	77%	2,090.8	75%	338.0	16%
– Currency movements	64.9		n/a		64.9	
APG sales	2,493.7		2,090.8		402.9	19%
Industry Products Group ("IPG") sales						
– Excluding currency movements	733.8	23%	685.3	25%	48.5	7%
– Currency movements	9.1		n/a		9.1	
IPG sales	742.9		685.3		57.6	8%
Group sales						
– Excluding acquisitions and currency movements	3,001.4	95%	2,776.1	100%	225.3	8%
– Acquired businesses	161.2	5%	-	0%	161.2	
– Subtotal	3,162.6	100%	2,776.1	100%	386.5	14%
– Currency movements	74.0		n/a		74.0	
Group sales	**3,236.6**		**2,776.1**		**460.5**	**17%**

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

Volume / mix and price increased sales by US$225.3 million. Organic changes in the sales of the Automotive Products Group and the Industry Products Group are discussed on pages 8 to 10.

Newly acquired businesses increased sales by US$161.2 million. The addition of AML and HSC's businesses is further discussed, within the review of Johnson Electric's automotive business, on pages 8 to 9.

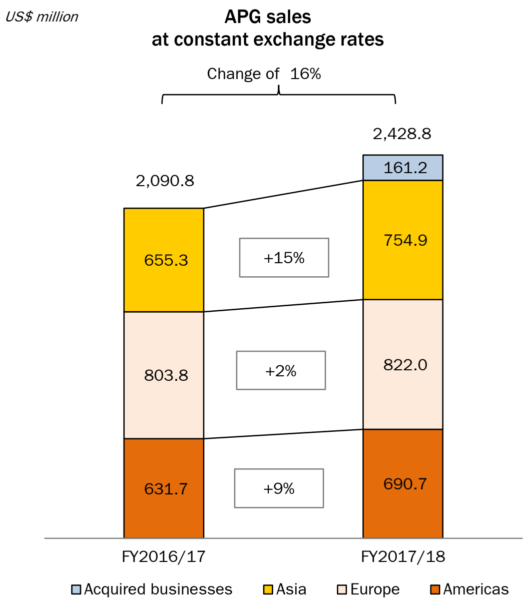
Currency movements had a positive impact on revenues of US$74.0 million due to the stronger Euro, Chinese Renminbi and Canadian Dollar versus US Dollar in FY2017/18 compared to FY2016/17. The Group's sales are largely denominated in the US Dollar, the Euro, the Chinese Renminbi and the Canadian Dollar.

Automotive Products Group

Through the combined effects of organic business growth and the acquisitions of AML and Halla Stackpole, APG's sales increased by 16%, excluding currency movements.

Organic growth: APG's sales excluding currency effects and acquired businesses increased by 8%, compared to FY2016/17, while light vehicle production globally grew less than 1%. The market out-performance came from multiple product platforms as the industry increased its level of electrification to increase powertrain efficiency and reduce weight, while improving safety, reliability and comfort.

In Asia, sales increased by 15%, significantly outpacing the 1% growth in light vehicle production in the region as APG benefited from new products, the ramp-up of recent platform launches and market share gains, especially in China and Japan. This was reflected in increased sales of the Group's products for powertrain cooling, lighting, engine and transmission oil pumps, braking, engine emissions, valvetrain and power liftgate applications, slightly offset by reduced sales in the drivetrain and power steering segments.



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

	APG sales growth/(decline)			
Year ended	Asia	Europe	Americas	Total
31 March 2018	15%	2%	9%	8%
31 March 2017	20%	2%	3%	9%
31 March 2016	4%	5%	4%	5%
31 March 2015	12%	5%	(8%)	4%

In Europe, sales increased by a little over 2%, slightly ahead of the less than 2% growth in light vehicle production in the region, as APG benefited from recent platform launches and the ramp-up of customer programs. The highest growth areas were engine and transmission oil pumps, thermal cooling (including engine coolant valves and brushless powertrain cooling fan modules), heating, ventilation and air-conditioning, lighting and window lift. This was slightly offset by reduced sales of products for seat and braking applications.

In the Americas, sales increased 9% despite a 2% drop in light vehicle production in the region, as sales of products for powertrain cooling, electric parking brake, engine air management, powder metal components and lighting systems benefited from customer growth and the ramp-up of customer programs. This was partially offset by a decline in sales of engine and transmission oil pumps in the region due to a change in product mix as Stackpole introduced new lower-cost, more efficient pumps, phasing out older, higher-cost models, although revenues are expected to increase in future periods as volumes grow.

Viewed by major product lines:

- The Stackpole business, primarily engaged in the manufacture and sale of engine and transmission oil pumps and powder metal components accounted for 20% (16% excluding the acquisition of Halla Stackpole) of the Group's sales for the FY2017/18 (FY2016/17: 17%). Excluding currency movements and acquisitions, Stackpole achieved 4% organic growth.

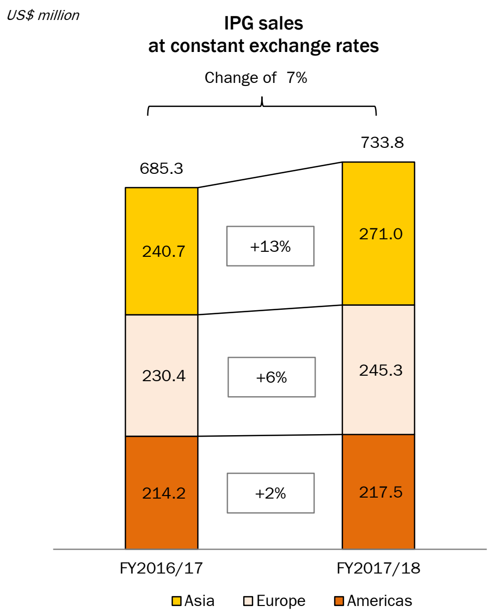
- The Powertrain Cooling business, including the "GATE" brand, primarily engaged in the manufacture and sale of cooling fan modules for OEM and Tier 1 customers, accounted for 19% of the Group's sales for FY2017/18 (FY2016/17: 19%).

Newly acquired businesses increased APG's sales by US$161.2 million in FY2017/18, as follows:

- Underlying sales of AML grew by approximately 4%, excluding currency effects compared to FY2016/17 (combining 1½ months' pre-acquisition sales of US$17.2 million on a pro forma basis and 10½ months' post-acquisition sales), driven by increased market penetration, product launches and ramp-ups in Europe, Asia and the Americas.

- Halla Stackpole's sales for the 11 months since acquisition were US$144.0 million. Excluding currency effects, underlying sales for FY2017/18 (including 1 month's pre-acquisition sales on a pro forma basis) grew by approximately 9% compared to FY2016/17 (pre-acquisition). This was driven by product launches and ramp-ups in Asia and the opening of new markets in the Americas.

Industry Products Group



IPG's sales, excluding currency movements, increased 7% for FY2017/18 compared to the prior year.

In Asia, sales increased 13%, for a second successive year of growth, driven by increased share and new program wins at existing customers and extending the prior year's turnaround from the decline seen in earlier years. In Europe, sales increased 6% driven by the ramp-up of programs launched in the prior year. In the Americas, sales increased 2% to reverse the decline of the prior year, driven by the production launch of new programs.

Yearly trend in sales (excluding currency movements)

	IPG sales growth/(decline)			
Year ended	Asia	Europe	Americas	Total
31 March 2018	13%	6%	2%	7%
31 March 2017	3%	18%	(3%)	5%
31 March 2016	(17%)	8%	0%	(5%)
31 March 2015	(4%)	6%	12%	4%

IPG's "Solutions Business" unit is focused on selected global market segments and key accounts; all segments demonstrated year on year revenue growth. The largest revenue growth segment was key accounts followed by metering, lawn and garden equipment, heating, power tools and window motorisation. The key account revenue growth was driven by increased demand and our share of customers' business in the printer, floor care, point of sale and small domestic appliance segments. Metering growth was driven by the European rollout of smart meter programs for gas and electric utilities. The growth in the lawn segment was driven by demand for robotic lawn mowers. Heating segment growth was driven by European demand for improved energy efficiency. Window motorisation is a growing market trend in the USA, driven by a recent voluntary safety standard.

IPG's "Products Business" unit is focused on a large number of medium-sized accounts throughout the world, served through IPG's own sales teams as well as regional distributers. Global revenue growth resulted from strong performance in Asia and Europe and steady performance in the American Product Business unit. This growth was supported by an engineering focus on new products, production automation and cost reduction for motors, micro-switches, solenoids and flexible printed circuit products.

Profitability Review

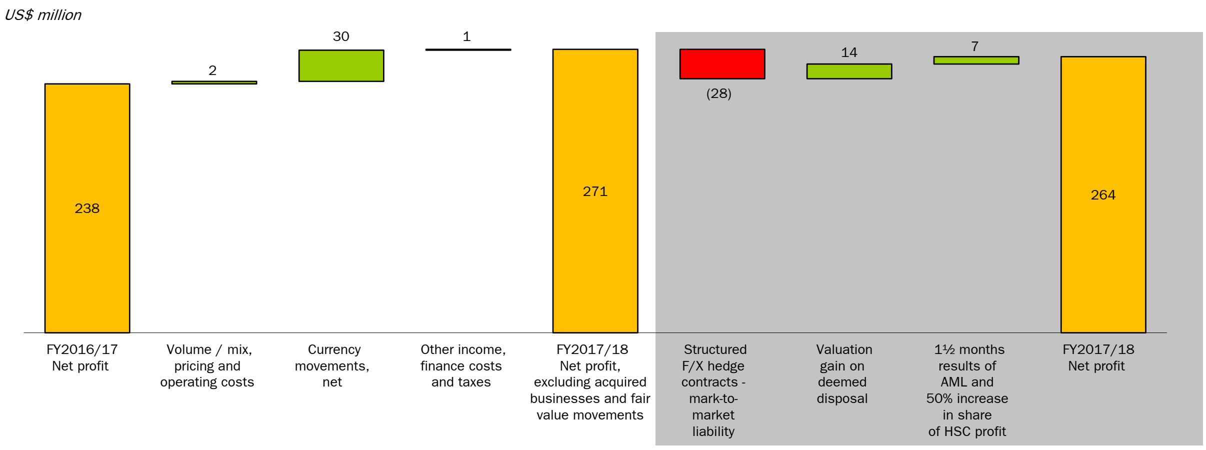
Profit attributable to shareholders was US$264.0 million in FY2017/18, up US$26.1 million from US$237.9 million in FY2016/17. Excluding the effects of acquisition of AML Systems and Halla Stackpole and unrealised losses on structured foreign currency contracts, profit for FY2017/18 was US$270.9 million.

US$ million	FY2017/18 [1]	FY2016/17	Increase / (decrease)
Sales	3,236.6	2,776.1	460.5
Gross profit	791.2	747.8	43.4
Gross margin %	*24.4%*	*26.9%*	
Other income and gains, net	6.2	19.1	(12.9)
Intangible assets amortisation expense	(40.7)	(37.1)	(3.6)
Intangible assets amortisation expense %	*1.3%*	*1.3%*	
Other selling and administrative expenses ("S&A")	(421.5)	(434.3)	12.8
Other S&A %	*13.0%*	*15.6%*	
Operating profit	335.2	295.5	39.7
Operating profit margin %	*10.4%*	*10.6%*	
Share of profit of associates	1.1	4.8	(3.7)
Net interest expense	(13.5)	(10.0)	(3.5)
Profit before income tax	322.8	290.3	32.5
Income tax expense	(48.6)	(43.8)	(4.8)
Effective tax rate	*15.0%*	*15.1%*	
Profit for the year	274.2	246.5	27.7
Non-controlling interests	(10.2)	(8.6)	(1.6)
Profit attributable to shareholders	264.0	237.9	26.1
Basic earnings per share (US cents)	30.64	27.71	2.93
Diluted earnings per share (US cents)	29.65	26.91	2.74

1 FY2017/18 includes 12 months' results of AML Systems and 11 months' results of Halla Stackpole and a valuation gain on a deemed disposal due to the acquisition of Halla Stackpole. FY2016/17 includes 10½ months' results of AML Systems

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

Profit Attributable to Shareholders



Volume / mix, pricing and operating costs: Profits in FY2017/18 benefited from increased volumes and cost reduction activities, offset by price reductions, wage inflation, mix changes and new product start-up costs in North America. The net effect of these changes increased net profit by US$2.4 million.

The gross profit margin decreased to 24.4% for FY2017/18, from 26.9% prior year for the reasons identified above. When adjusted for the currency hedges for export sales (reported in selling and administrative expenses), the gross margin would be 24.9% (FY2016/17: 27.8%).

Selling and administrative expense, as a percentage of sales, decreased to 13.0% from 15.6% in the prior year due to the combined impact of the Group's cost saving efforts and improved operating leverage as sales grew while selling and administrative costs shrank.

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 increased net profit by US$29.8 million in FY2017/18.

Other income, finance costs and taxes: Other income, net interest and taxes increased profits for FY2017/18 by US$0.8 million.

- Other income increased, largely due to higher levels of government subsidies in the second half of FY2017/18 to support business growth. Other income in FY2016/17 included gains on disposal of property; there were no such gains on disposals in FY2017/18.
- Net interest expense, excluding interest attributable to acquisitions, increased slightly due to rising interest rates. Finance income and costs are analysed in Note 22 to the accounts.
- The effective tax rate decreased slightly to 15.0% for FY2017/18, from 15.1% for the prior year. Net deferred tax assets in the US were written down by US$2.5 million following the impact of US tax reforms that reduced the statutory rate from 35% to 21%. If the effect of US tax reform on deferred tax assets is excluded, the effective tax would have been 14.3%. Taxes are analysed further in Note 17 to the accounts.

Structured foreign currency hedge contracts – mark-to-market liability: Unrealised losses on structured foreign currency contracts decreased net profit for FY2017/18 by US$28.0 million, net of tax (US$31.9 million pre-tax). The Group entered into these contracts for economic hedging purposes to mitigate potential future risks from changes in currency exchange rates. The latest structured foreign currency contract was entered on 11 August 2017.

These contracts were executed in accordance with the following foreign currency policy approvals:

Purpose of contract	Sell	Buy	Maturity dates at inception	Policy [1] - % of need	Policy - F/X rate
Protect future cash flows from exposure to future changes in currency rates	Canadian Dollars	US Dollars	1 - 36 months forward	75%	< 1.30
	Euro	US Dollars	36 - 84 months forward	40%	≥ 1.30
	Euro	US Dollars	36 - 84 months forward	80%	≥ 1.35
	US Dollars	Chinese Renminbi	48 - 72 months forward	60%	≥ 8.00
Protect net investment in European operations from exposure to future changes in currency rates	Euro	US Dollars	63 - 87 months forward	80%	≥ 1.35

1 The policy limits do not include any growth in volume from today's business levels

These structured contracts achieved rates that were not available at the time using plain vanilla contracts. However, the contracts have an option that allows the counterparty banks to cancel a portion of the hedge; therefore, they do not qualify for hedge accounting under HKFRS 9. Consequently, the unrealised mark-to-market remeasurements recognised in the consolidated income statement in each accounting period will eventually reverse on settlement at the various option expiration dates. The final realised gain or loss for each contract will crystallise based on the prevailing spot rate at the date of maturity versus the contract rate and will impact on cash flow at that time, accordingly. In terms of estimating future cash flow, the structured contract rates at maturity compared to spot rates as of 31 March 2018 would give rise to a cash flow benefit of approximately US$36 million (assuming minimum delivery for EUR and RMB contracts and a mixture of minimum and maximum delivery for CAD contracts depending on the contract delivery rate). See Note 8(b) to the accounts for details of these contracts, including the weighted average contract rates.

Acquired businesses (and valuation gain on deemed disposal): AML Systems added US$1.1 million to the Group's net profit in the 1½ months to 18 May 2017. Halla Stackpole, acquired on 16 May 2017, added US$6.0 million to the Group's net profit in the 11 months since its acquisition. The acquisition of an equity interest in Halla Stackpole also created a US$14.0 million non-cash valuation gain on the deemed disposal of the pre-existing 30% holding in Halla Stackpole, net of transaction costs.

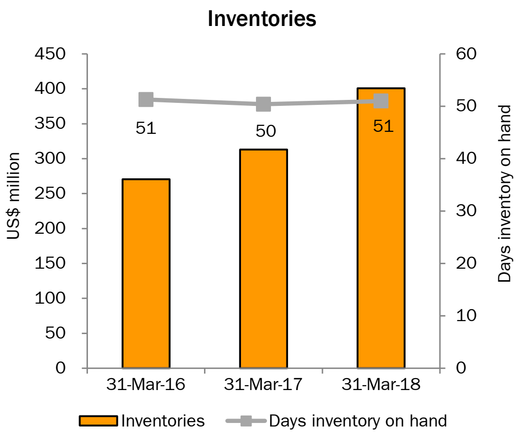
WORKING CAPITAL

US$ million	Balance sheet as of 31 Mar 2017	Currency translation	Acquisitions	Working capital changes per cash flow	All other	Balance sheet as of 31 Mar 2018
Inventories	313.1	20.4	11.6	55.7	-	400.8
Trade and other receivables	614.7	40.0	47.0	64.8	4.9	771.4
Other non-current assets	11.1	1.4	4.0	2.1	13.4	32.0
Trade payables, other payables and deferred income [1]	(569.2)	(42.4)	(23.2)	(48.9)	(26.9)	(710.6)
Retirement benefit obligations [1, 2]	(30.8)	(4.4)	(8.5)	(2.7)	13.5	(32.9)
Provisions and other liabilities [1]	(59.6)	(4.3)	(0.4)	17.2	1.7	(45.4)
Other financial assets /(liabilities), net [1]	75.2	1.6	-	(9.5)	30.4	97.7
Total working capital per balance sheet	354.5	12.3	30.5	78.7	37.0	513.0

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

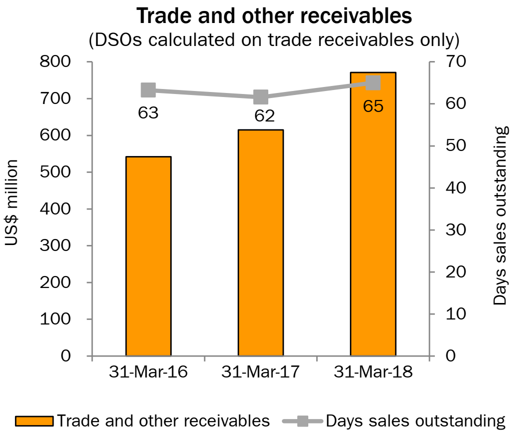
Inventories increased by US$87.7 million to US$400.8 million as of 31 March 2018 (31 March 2017, US$313.1 million) due to higher production volumes (including product launches and ramp-ups), the acquisition of Halla Stackpole and higher stocks of certain electronic components with long lead times.

Days inventory on hand, increased slightly to 51 days as of 31 March 2018 from 50 days as of 31 March 2017.



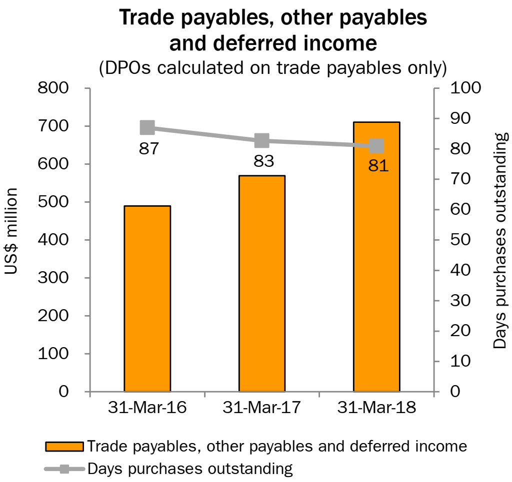
Trade and other receivables increased by US$156.7 million to US$771.4 million as of 31 March 2018 (31 March 2017, US$614.7 million) as higher sales volumes, the acquisition of Halla Stackpole increased trade receivables and VAT recoverable increased driven by higher volumes of purchases.

Days sales outstanding ("DSOs") increased to 65 days as of 31 March 2018 from 62 days as of 31 March 2017 due to an increase in the proportion of sales to customers with longer credit terms and the acquisition of Halla Stackpole. 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$141.4 million to US$710.6 million as of 31 March 2018 (31 March 2017, US$569.2 million) due to higher business volumes and the acquisition of Halla Stackpole, partly offset by the insourcing of some parts production.

Days purchases outstanding ("DPOs") decreased to 81 days as of 31 March 2018 from 83 days as of 31 March 2017 due to the seasonal effect on purchases of materials around the public holidays in China (celebrated in January 2017 and February 2018) and the insourcing of some parts production.



Retirement benefit obligations: The acquisition of Halla Stackpole, offset by gains made by the underlying pension scheme assets, increased retirement benefit obligations by US$2.1 million, net, to US$32.9 million as of 31 March 2018 (31 March 2017, US$30.8 million). The Group will make contributions of US$3.3 million to defined benefit retirement plans for FY2018/19 (FY2017/18: paid contributions of US$4.1 million to defined benefit retirement plans). For further details of retirement benefit obligations, see Note 15 to the accounts.

Provisions and other liabilities decreased by US$14.2 million to US$45.4 million as of 31 March 2018 (31 March 2017, US$59.6 million), largely due to the utilisation of warranty provisions. Provisions and other liabilities as of 31 March 2017 were revised to include a US$14.0 million adjustments to legal and warranty provisions related to AML during the remeasurement period (12 months from the date of acquisition). For further details of provision and other liabilities, see Note 16 to the accounts.

Other financial assets / (liabilities), net: The Group holds commodity and foreign currency contracts for hedge purposes to mitigate potential future risks from changes in commodity prices and currency exchange rates. Changes in the fair value of hedge contracts increased other financial assets / (liabilities), net, by US$22.5 million to a net financial asset of US$97.7 million as of 31 March 2018 (31 March 2017, US$75.2 million).

- The fair value of commodity contracts increased by US$21.6 million largely driven by a rise in mark-to-market rates for copper.

- Fair value gains on foreign currency forward contracts and cross-currency interest rate swaps increased in value by US$0.9 million, largely due to favourable changes in the mark-to-market value of Chinese Renminbi and Mexican Peso hedge contracts, offset by adverse changes in the mark-to-market value of Euro and Swiss Franc hedge contracts.

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

	Spot rates as of 31 Mar 2018	Spot rates as of 31 Mar 2017	Strengthen /(weaken)
USD per EUR	1.23	1.07	(13%)
CHF per EUR	1.18	1.07	(9%)
RMB per USD	6.28	6.89	10%
CAD per USD	1.29	1.33	3%
HUF per EUR	312.39	308.48	(1%)
MXN per USD	18.27	18.71	2%
USD per metric ton of copper	6,685	5,849	14%
USD per ounce of silver	16.28	18.06	(10%)

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

CASH FLOW

US$ million	FY2017/18 [1]	FY2016/17	Change
Operating profit [2]	336.2	296.9	39.3
Depreciation and amortisation	183.6	151.5	32.1
EBITDA	519.8	448.4	71.4
Other non-cash items	35.5	12.0	23.5
Working capital changes	(78.7)	(15.4)	(63.3)
Interest paid	(8.2)	(5.9)	(2.3)
Income taxes paid	(67.6)	(39.2)	(28.4)
Capital expenditure, net of subsidies	(305.8)	(240.2)	(65.6)
Proceeds from disposal of fixed assets	0.7	6.0	(5.3)
Capitalisation of engineering development costs	(8.7)	(6.7)	(2.0)
Interest received	1.2	1.1	0.1
Free cash flow from operations	**88.2**	**160.1**	**(71.9)**
Acquisitions and related costs	(104.8)	(94.6)	(10.2)
Acquisition of non-controlling interests	-	(19.3)	19.3
Dividends paid	(56.5)	(55.4)	(1.1)
Other investing activities	0.1	0.2	(0.1)
Other financing activities	(1.7)	(7.9)	6.2
Borrowing proceeds / (repayments)	101.6	(42.3)	143.9
Increase / (decrease) in cash (excluding currency movements)	26.9	(59.2)	86.1
Currency translation gains / (losses) on cash and cash equivalents	14.3	(6.4)	20.7
Net movement in cash	41.2	(65.6)	106.8

1 FY2017/18 includes 12 months' results of AML Systems and 11 months' results of Halla Stackpole. FY2016/17 includes 10½ months' results of AML Systems

2 Operating profit plus US$1.0 million dividend received from associate in FY2017/18 (FY2016/17: US$1.3 million)

The Group generated US$88.2 million free cash flow from operations in FY2017/18; a decrease of US$71.9 million from US$160.1 million in FY2016/17. This movement in operating cash flows includes the followings:

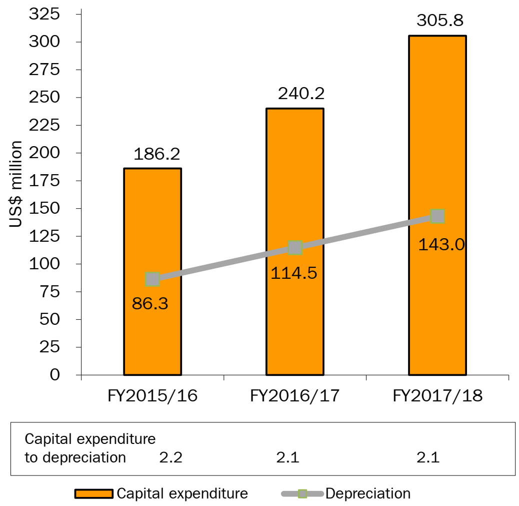
- **Working capital changes** of US$78.7 million, to support increased business volumes, as explained in the previous section.

- **Income taxes paid** increased US$28.4 million due to higher pre-tax profits year-on-year and the settlement of certain tax audits for prior years in Europe.

- **Capital expenditure** of US$305.8 million in FY2017/18. The Group continues to invest in new product launches; long-term technology / testing development; enhanced automation to standardise operating processes, further improve product quality and reliability and mitigate rising labour costs in China; and on-going replacement of assets.

- **Proceeds from disposal of fixed assets** of US$0.7 million in FY2017/18 (FY2016/17: US$6.0 million, largely from the disposal of property).

Capital expenditure and depreciation



The net movement in cash includes the following:

- **Acquisitions and related costs:** In May 2017, the Group acquired a controlling interest in Halla Stackpole for cash outlay of US$76.9 million plus transaction costs of US$0.8 million. This acquisition increased the Group's equity interest in Halla Stackpole from 30% to 80%. Halla Stackpole manufactures powder metal components, largely for the Korean automotive market. Additionally in FY2017/18, in relation to the earlier acquisition of Stackpole, the Group paid US$27.1 million for Stackpole's Ancaster facilities.

  In FY2016/17, the Group acquired AML systems for US$64.7 million and paid US$29.9 million for Stackpole's Mississauga and Stratford facilities and related items.

- **Acquisition of non-controlling interests:** In FY2016/17, 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. There were no such transactions in FY2017/18.

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

FINANCIAL MANAGEMENT AND TREASURY POLICY

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

Credit Rating

Johnson Electric subscribes to both Moody's Investors Service and Standard and Poor's (S&P) Ratings Services for independent long-term credit ratings. As of 31 March 2018, 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.

Net Debt and Credit lines

US$ million	31 Mar 2018	31 Mar 2017	Change
Cash	168.9	127.7	41.2
Borrowings	(279.2)	(176.4)	(102.8)
Convertible bonds	(213.0)	(207.6)	(5.4)
Net debt	(323.3)	(256.3)	(67.0)
Available unutilised credit lines	905.6	758.9	146.7

Cash increased by US$41.2 million to US$168.9 million as of 31 March 2018 as explained on pages 17 to 18.

US$ million	31 Mar 2018	31 Mar 2017
RMB	50.9	40.4
EUR	48.8	35.3
USD	33.1	28.7
KRW	12.6	-
CAD	0.4	9.4
Others	23.1	13.9
Total	168.9	127.7

Borrowings increased by US$102.8 million to US$279.2 million as of 31 March 2018 (31 March 2017, US$176.4 million) due to the acquisition of a controlling interest in Halla Stackpole and the high rate of organic business growth. Further information on borrowings 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	413.5	(125.0)	288.5	57%
HKD	19.9	(19.9)	-	0%
EUR	0.2	160.8	161.0	32%
CAD	58.6	-	58.6	11%
Total	492.2	15.9	508.1	100%

Balance Sheet presentation:

Borrowings - current	126.1
Borrowings - noncurrent	153.1
Convertible bonds	213.0
Gross debt	492.2
Swap contracts (Other financial liabilities)	15.9
Total debt including swap contracts	508.1

Convertible bonds: In April 2014, the Company issued convertible bonds with 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 2018, the carrying value of these bonds was US$213.0 million. Further information on the convertible bonds can be found in Note 14 to the accounts.

Gearing:

- The Group's total debt to capital ratio was 17% as of 31 March 2018, up from 16% as of 31 March 2017, due to the acquisition of Halla Stackpole.
- Total debt to EBITDA ratio remained flat at 0.9 (31 March 2018 adjusted to include 12 months of Halla Stackpole. 31 March 2017 adjusted to include 12 months of AML Systems).
- Interest coverage (defined as EBITDA adjusted as above, divided by gross interest expense) was 35 times for FY2017/18, compared to 40 times for FY2016/17.
- Free cash flow from operations as a percentage of gross debt decreased to 18% for FY2017/18 from 42% for FY2016/17. This was due to the combined effects of an increase in borrowings and a decrease in free cash flow, explained earlier.

Available credit lines – The Group had US$906 million available unutilised credit lines as of 31 March 2018, as follows:

- Of US$255 million committed revolving credit facilities provided by certain of its principal bankers, US$238 million remained unutilised. These facilities have expiry dates ranging from September 2018 to February 2020;
- US$506 million of uncommitted and unutilised revolving credit facilities, provided by its principal bankers; and
- US$162 million of uncommitted and unutilised trade receivable financing lines.

Dividends

The Board has recommended a final dividend of 34 HK cents per share for FY2017/18 (FY2016/17: 34 HK cents per share) equivalent to US$37.4 million, to be paid in August 2018. The Company paid an interim dividend of 17 HK cents per share for FY2017/18, an increase of 6% over the prior year amount (FY2016/17: 16 HK cents per share) equivalent to US$18.8 million.

Foreign Exchange and Raw Material Commodity Price Risk

The Group is exposed to foreign exchange risk and hedges part of this risk through forward contracts. These forward contracts have varying maturities, ranging from 1 to 84 months as of 31 March 2018, 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 Israeli Shekel ("ILS") and the Serbian Dinar ("RSD") to hedge production conversion costs and other operating costs denominated in these currencies.

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

	FY2017/18	FY2016/17
USD	37%	37%
EUR	29%	30%
RMB	21%	19%
CAD	9%	11%
KRW	2%	0%
Others	2%	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 10 to 36 months.
- Price risk due to copper, silver and aluminium is reduced by hedging through appropriate financial instruments with varying maturities ranging from 1 to 51 months as of 31 March 2018. The Group also manages these commodity prices by way of incorporating appropriate clauses in certain customer contracts to pass increases / decreases in raw material costs onto these customers.

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, Internal Audit and Environment, Health and Safety departments.

The principal risks and uncertainties facing the Group 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 and market disruption	Warranty sharing	Intellectual property	Foreign exchange
Disruptive digitalisation	Non-payment by customers	Supply chain	Interest rates
Reputation		Warranty and product liability	Commodity prices
Mergers and acquisitions		Human resources	
		IT vulnerability	
		Environment, health and safety	

1 This list is not exclusive and comprehensive as the nature, severity and frequency of risks changes over time due to the complexity of the Group's business environment and 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 market disruption – The Group must compete on both price and product technology as large, multinational and smaller, regional or niche competitors attempt to increase market share. In addition, some of the Group's market segments face the risk of rapid disruption from new technologies, new business models and regulatory changes.	• Developing cost-effective solutions and managing technological competitiveness though innovation and intellectual property in order to be the definitive supplier of motion solutions to its customers. • Diversifying customer and product portfolios through internal development and acquisition to mitigate the adverse impact or exploit the favourable impact of technology, business model or regulatory changes in a particular industry.
Disruptive digitalisation – The current trend of increasing automation, artificial intelligence and data exchange in manufacturing technologies to create the smart factory will give rise to challenges in implementation including controlling investment, resolving IT security and reliability issues, maintaining the integrity of production and managing disruption to the workforce as required skill-sets change and as some positions are eliminated through automation.	• Strategic planning and risk assessment, aligned to a technology roadmap that considers the converging capabilities of robotic process automation and cyber-physical systems, advanced analytics and artificial intelligence and growth in the internet of things. • Closely monitored and controlled capital expenditure to create the smart factory, with appropriate safeguards to mitigate the related operational, financial, regulatory, organisational and technological risks.
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 HSC 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 HSC and AML acquisitions are further discussed in Note 28 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 10 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 31.
2 The Group's EHS management is further discussed on pages 31 to 33.
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.

SOCIAL AND ENVIRONMENTAL RESPONSIBILITY

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 sustainability includes policies and practices on a variety of issues such as human rights, non-discrimination, responsible consumption and production as well as 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 consistent quality and performance achieved across its facilities worldwide. The Group's global manufacturing footprint and logistics know-how, together with a high degree of 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 with and sign up to Johnson Electric'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 US Foreign Corrupt Practices Act, the UK Bribery Act 2010 and the Criminal Law of the PRC.

The Group's purchase terms and conditions require 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

1 "MARBLE" stands for Make customers successful; Attract and develop great people; Reach higher; Believe in practical solutions; Lead by example; and Excel in execution. Please see page 29 for further information.

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

Johnson Electric endeavours to cultivate an environment where employees can benefit from three key value propositions.

ONE JOHNSON AROUND THE WORLD

We are a truly global team bound together by our shared values. We recognise that the talent and diversity of our people drive business results.

WE MAKE THINGS HAPPEN

We thrive on innovation and excel in execution. We are committed to making our customers successful and our world a better place.

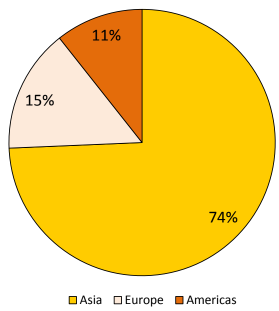
RIGHT PEOPLE, RIGHT JOBS

We are highly selective. We believe that hiring the right people and putting them in the right jobs maximises the success of our people and the business.

These value propositions are supported by a three-pronged people strategy to attract and develop the **Right People**, put them in the **Right Jobs** and provide them with the **Right Environment** to excel at what they do. Together, they contribute to fulfilling Johnson Electric's people vision to become "One Johnson around the world, a great company and a great place to work!"

As of 31 March 2018, the Group's total global headcount stood at over 40,000 across Asia, Europe and the Americas.

Workforce by Region



Human Resources Policy

Johnson Electric is committed to respecting the labour and human rights of all its employees. Global policies relating to these aspects are in place and diligently adhered to. They include:

- **Equal employment opportunity:** Johnson Electric is committed to treating all applicants and employees in a fair and non-discriminatory manner without regard to age, disability, marital status, race or colour, national origin, veteran status, religion, sex, sexual orientation, or any other legal protected status.

- **Open communication:** Johnson Electric is committed to maintaining open two-way communication throughout the Group, keeping employees informed of current happenings and fostering an environment where employees are comfortable voicing their opinions, ideas, suggestions and concerns.

- **Harassment free workplace:** Johnson Electric is committed to providing a workplace in which the dignity of every individual is respected.

- **Workplace violence and weapons:** Johnson Electric's objective is to provide a safe work environment that is free from violent acts and threats of violence.

- **Code of ethics and business conduct:** This guides every employee in the use of good judgment and ethical decision-making, ensuring employees uphold Johnson Electric's belief in conducting our business lawfully and ethically. Globally, every manager is required to declare annually that they have read and conformed to the requirements of the Code of Ethics and Business Conduct. For more details of the whistleblower policy, please refer to page 42 for further information.

Every year, the Group's regional and country Human Resources teams acknowledge and certify their full compliance to the Human Resources policies and to relevant labour laws and regulations. Additionally, the Group's subsidiaries around the world set their labour standards in line with local governmental requirements, so that the employment conditions fully comply with the relevant labour laws and regulations.

MARBLE Values and Imperatives

Johnson Electric prides itself on a set of shared core values and commitments that together form the foundation to everything the Group does. The first initial of each of these values spell the word "MARBLE" - the acronym that Johnson Electric employees use internally when referring to these values.

- **Make customers successful:** Providing "Safe Choice" solutions and delivering what our customers need, when they need it, is the primary goal of Johnson Electric. We are committed to making our customers successful in their business, as the basis for long-term success in our business.
- **Attract and develop great people:** Johnson Electric aims to offer its people a superior career development experience that rewards results, enterprise, coaching and teamwork. We recognise that our business thrives on the diversity of our people and their ideas.
- **Reach higher:** Johnson Electric people set stretch goals for themselves to drive business growth and personal career fulfilment. We know from experience that bold thinking and bold action will bring about extraordinary results. We make Johnson Electric a great company and a great place to work.
- **Believe in practical solutions:** Johnson Electric is driven by shop-floor practicality and a positive "can do" mindset. We seek to turn innovative ideas into cash flow by working quickly as a team and refusing to be stalled by complexity.
- **Lead by example:** Johnson Electric believes that good corporate citizenship requires uncompromising standards of integrity, openness and fairness. We are committed to demonstrating leadership wherever we do business through the promotion of a safe and healthy environment for our people and the local community.
- **Excel in execution:** Johnson Electric's customers expect the highest standards of quality and performance. We work not only to meet those expectations but also to exceed them through continuous cycles of learning. We have fun at work and celebrate success.

A group-wide "Living MARBLE" program recognises employees who exemplify the MARBLE values. Since its inception in 2014, the program has made awards to over 800 employees whose role-model behaviour illustrates the MARBLE values in action, including 250 awards made during FY2017/18.

Talent Management

Johnson Electric is highly selective in its hiring decisions, to recruit great people who will excel in its culture and make things happen. Johnson Electric thrives on innovation and never stops investing in the next generation of engineers, to bring new ideas and insights. It is also Johnson Electric's ambition to become the employer of choice for engineers.

The Group's talent management is overseen by a Corporate Human Capital Committee ("HCC") comprising the most senior executives in the Group. The HCC is committed to building succession plans for mission critical roles, increasing talent pipeline and assessing organisational effectiveness.

The HCC has established a people calibration process; a formal system to evaluate, define and assess each employee's capability. This forms the backbone of a sustainable leadership pipeline. Succession planning reviews are conducted twice a year. Each session pursues employee development, strong succession management and employee capability to underpin the Group's overall strategy. This regular review accelerates the readiness of high potential employees and ensures that emerging requirements are considered when the business model changes.

To enhance and broaden career opportunities for Johnson Electric people, the Group fosters a culture of "promoting from within". An internal talent management program, "My Career In Motion", was launched in March 2018 to empower employees to take greater accountability for their career growth and development by working in partnership with their managers and human resources. At the heart of this program is a self-nomination process that encourages employees to apply for open positions for which they are qualified.

The Group also places great local accountability in building talent for the future. Part of local management's role is to uncover and develop talent, guide and shape meaningful career experience, and ensure Johnson Electric's success through its employees everywhere.

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.

Growth and development

The Johnson Electric Learning Institute, established in 2016, provides a global direction for all employee learning and development activities in the Group. A Steering Committee comprising representatives from all regions meets once a month to guide and shape policies and practices. This is supported by a strong network of learning and development teams in each location to deliver local learning programs in response to business priorities and organisation talent needs.

Johnson Electric's 70/20/10 learning and development model unlocks people's full potential through formal and informal learning. Under this self-directed, self-paced approach, 70% of employees' learning is acquired through real-life and on-the-job experiences; 20% is acquired through interactions with others including feedback, social learning, coaching, mentoring and collaborative learning; and 10% is acquired from attending formal training. Our wide variety of development channels includes stretch assignments and international secondments that provide employees with opportunities to gain global exposure and broaden their horizons. The Group also offers just-in-time classroom and eLearning programs to grow employees' soft and technical skills. The Group's learning and development activities are facilitated by its "Learning In Motion" hub. Launched in 2018, this global learning platform makes over 200 courses available to Johnson Electric employees, covering key business and soft-skill areas and allowing employees to learn anytime, anywhere, on any device, at their own pace.

In FY2017/18, Johnson Electric employees received over 200,000 training hours, excluding on-the-job experience.

Additionally, operating from campuses in China and Mexico, the Johnson Electric Technical College ("JETC"), targets underprivileged youth and provides a way for the new generation to choose engineering as a viable career option and join the Group's workforce upon graduation. Founded in Shajing, China in 2004, JETC provides a mix of general and technical education to youth over a three-year course. Since its foundation, JETC has accepted 1,079 students, including a further intake of 92 expected to join in China and Mexico later in 2018.

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 and practical experience. In FY2017/18, 23 secondary school students and 5 master's degree students were accepted onto these schemes.

Environmental, Health and Safety

The Group takes practical steps to protect 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 Group 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 addressing and managing EHS related issues with a progressive EHS management structure; resources devoted to reaching clear, defined EHS objectives; and an EHS management system to monitor and control EHS risks and track critical measurable factors worldwide. The Chief Executive and the Executive Committee receive reports on key EHS performance indicators on a regular basis.

All locations, worldwide, are required to apply this EHS management system and comply with Johnson Electric's global EHS standards as well as local regulations. Most of the Group's operating facilities are certified under 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 under the ISO50001 standard on energy management.

Major EHS achievements in FY2017/18 include:

Certification of environmental management systems: The Chennai plant in India obtained ISO14001: 2015 certification. The Arujá plant in Brazil, the Bedzin plant in Poland and the Ózd plant in Hungary obtained ISO14001 certification. Sites with existing certifications under ISO 14001 are now focusing on the transition to the ISO14001: 2015 standard.

Energy management and energy saving: The Group's factories constantly pursue energy savings. From around the world, projects resulting in a significant reduction in carbon emissions included:

- Improvements to hydraulic presses by installing frequency conversion control and the replacement of some hydraulic presses with more energy efficient electrical injection molding machines
- The replacement of electrostatic epoxy powder collectors with more energy efficient units
- More efficient usage of compressed air through the use of electro-magnetic valves and automatic air controls to optimise flow as well as heat exchangers to use of waste heat from compression
- Improvements to nitrogen injection and heat treatment furnaces
- Modernisation of facilities including more efficient air-conditioning units, updates to lighting control systems, replacement of neon lights with LED lights, installation of solar energy collectors
- The factory in Shanghai, China achieved ISO50001 certification for its energy management system

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 (e.g. steel, copper, plastic and wood) or recovered through collection for reuse as raw material (e.g. aluminium scraps and epoxy powder).

Waste and wastewater management: Projects to reduce waste and wastewater in the Group's factories included:

- The construction of treatment facilities for wastewater from production processes in Niš, Serbia and Shajing, China
- Reduced usage of oil and oil filter paper in magnet pressing machines in Nanjing, China
- The replacement of cardboard packaging with reusable packaging in Ri-Yong, China and Chennai, India

Brownfield Remediation: To support Stackpole's expansion in Mississauga, Canada, the Group has remediated a brownfield site. 31,000 tonnes of soil contaminated with heavy metals and petroleum hydrocarbons by previous industrial land users was removed for certified treatment and safe disposal.

Chemical Safety: The Group constantly seeks, to identify, consolidate and reduce or eliminate the use of chemicals in all sites; especially potentially hazardous chemicals. Projects to improve chemical safety included:

- In Shajing, China methanol has been replaced completely by a non-hazardous solvent for the cleaning of production equipment. Additionally, laser etching technology has replaced some printing processes to further reduce the use of solvents
- In Murten, Switzerland a water-based ecologically friendly solvent was put into use for manual washing stations
- In the Isle of Wight, United Kingdom the number of chemicals in use in the factory was reduced by 40%

Employee and Community Engagement

Employee engagement

Employee communications: Open and honest communication is a fundamental part of Johnson Electric's pledge to employees, inseparably linked to the high performance engagement culture that the Group constantly seeks to instil. The Group utilises a variety of channels for this, including:

- **JE In Motion:** A digital two-way communication platform for management and employees to post and share multimedia news with all employees, globally, or with targeted groups, who can respond, comment and contribute ideas to facilitate knowledge sharing and team collaboration.
- **Regular all-staff meetings:** These meetings, held in every Johnson Electric location, provide updates on business performance and developments on key projects. Other means to ensure employees' alignment with Johnson Electric's strategy and direction include newsletters, open forums and employee contests.
- **Employee survey:** This survey measures employees' level of engagement and provides a confidential route for employee feedback. Follow up actions ensure that employees' voices are heard and responded to at both corporate and team levels.
- **One Johnson Global Celebration:** This annual event brings all Johnson Electric employees around the globe together on a common theme, celebrating "One Johnson around the world". The theme for 2017's celebration was Industrial Logic, exploring key concepts of the evolution of industry towards automation and digitisation.

Employee health and wellbeing: Every June is designated as safety month across the entire Group. Activities organised at both global and site level aim to raise plant and office workers' awareness of safety risks. Additionally, sites apply their creative talents to organise additional activities throughout the year at local level, to ensure employees enjoy a safe work environment at all of our premises and to encourage employees to take care of their general health and wellbeing. Activities ranged from sports teams and events to weight challenges, flu vaccination programmes and assorted talks on health issues, work life balancing and other topics.

Community engagement

Johnson Electric's community engagement runs on the flagship theme of "**technical education**", which comprises two main initiatives:

- **Johnson Electric Technical College (JETC):** The JETC, discussed on page 31, serves a dual purpose, providing the Group with a stream of well-educated future employees, and giving back to society by supporting underprivileged youngsters in China and Mexico to obtain a quality general and technical education. Additionally, in Serbia, the Group provides a local technical high school with access to Johnson Electric's facilities and staff, using similar concepts to JETC, to assist students in receiving a quality education.
- **Junior Engineer:** This global community outreach programme is a simple but effective initiative to encourage an early interest in science, technology, engineering and mathematics subjects by enabling children between 6 and 12 to build and race 4-wheel drive cars powered by Johnson Electric motors. Debuted in 2016, the programme has expanded to include 29 Johnson Electric locations, benefitting nearly 1,000 children in FY2017/18.

Additionally, around the world, local sites partnered with local NGOs to take part in charitable activities and actions including health education, poverty action, children, elderly, underprivileged groups, animals, environmental protection, community order, etc.

For example, employees in Shajing, China can join an employee volunteer team that carries out regular voluntary activities in the local community. During FY2017/18, their activities included setting up a Johnson Electric branch of the Bao'an Municipal Library, visiting the elderly, cleaning up illegal ads on the streets, caring for the homeless by helping them find rescue stations, keeping shared bicycles in order and maintaining train stations' order during the peak time of workers returning to the district from their hometowns after major festivals.

Johnson Electric's commitment to social responsibility is reflected in the accolades received around the world during the year, including:

- Springfield, USA – "Strength" award from the YMCA ABC (After Breast Cancer) Awareness Program
- Hong Kong – Caring Company award from The Hong Kong Council of Social Service; and Outstanding Fundraiser Award from Oxfam
- Shajing, China – Excellent Volunteer Contribution Award of XinQiao Street and Excellent Volunteer Group of XinQiao Street from XinQiao Volunteer Federation
- Bedzin, Poland – Business Fair Play 2017 from the Polish Chamber of Commerce

Sustainability Report

For further information of Johnson Electric's sustainability policies and activities please refer to the Group's Sustainability Report.

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 2017. Mr. Christopher Dale Pratt ceased to be a Director of PureCircle Limited with effect from 5 March 2018.

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 FY2017/18 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 Director of Internal Audit 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 FY2017/18 to discuss and review relevant matters together with senior management and the independent auditor, including the following:

1. The FY2016/17 annual results and interim results for FY2017/18, 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 Internal Audit 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 controls;

11. The revised standard operating procedures on hedging and derivatives for approval; and

12. Sustainability 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.

Five committee meetings were held in FY2017/18. 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. UK and Canada defined benefit retirement plans; and

5. Review of Succession Planning.

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 FY2017/18. 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 the latest development on the Listing Rules; 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 four board meetings in FY2017/18 and the average attendance rate was 95%. Details of the attendance of individual directors at board meetings, committee meetings and the annual general meeting during FY2017/18 are set out in the table below:

Directors	Board Meeting	Audit Committee Meeting	Remuneration Committee Meeting	Nomination and Corporate Governance Committee Meeting	Annual General Meeting
	Number of meetings attended/held				
Executive Directors					
Patrick Shui-Chung Wang *(Chairman and Chief Executive)*	4/4	-	-	2/2	1/1
Winnie Wing-Yee Wang *(Vice-Chairman)*	4/4	-	5/5	-	1/1
Austin Jesse Wang	4/4	-	-	-	0/1
Non-Executive Directors					
Yik-Chun Koo Wang *(Honorary Chairman)*	2/4	-	-	-	0/1
Peter Kin-Chung Wang	4/4	2/4	-	-	0/1
Independent Non-Executive Directors					
Peter Stuart Allenby Edwards	4/4	-	-	2/2	0/1
Patrick Blackwell Paul	4/4	4/4	-	2/2	0/1
Michael John Enright	4/4	4/4	5/5	-	1/1
Joseph Chi-Kwong Yam	4/4	-	5/5	-	1/1
Christopher Dale Pratt	4/4	3/4	4/5	-	1/1
Average attendance rate	95%	81%	95%	100%	50%
Date of meetings	17/05/2017 15/09/2017 08/11/2017 27/03/2018	15/05/2017 24/07/2017 06/11/2017 22/01/2018	12/04/2017 16/05/2017 19/05/2017 07/11/2017 26/03/2018	17/05/2017 27/03/2018	12/07/2017

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 Internal Audit 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 Internal Audit 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 Internal Audit Department and the external auditor in FY2017/18, 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 FY2017/18, 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 FY2017/18 and FY2016/17, the services (and associated remuneration) provided to the Group by PricewaterhouseCoopers were as follows:

US$ million	FY2017/18	FY2016/17
Audit	2.73	2.68
Taxation services	1.10	0.74
Other advisory services	0.28	0.34

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 2018, 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.

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 FY2017/18.

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 2018.

COMMUNICATIONS WITH SHAREHOLDERS

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

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

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

REPORT OF THE DIRECTORS

The Directors have pleasure in submitting their report together with the audited financial statements for the year ended 31 March 2018.

PRINCIPAL ACTIVITY

The principal activity of the Company is investment holding.

BUSINESS REVIEW

The business review of the Group for the year ended 31 March 2018 are provided in the Letter to Shareholders and Management's Discussion and Analysis sections respectively from pages 2 to 5 and pages 6 to 34.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2018 are set out in the consolidated income statement on page 61 of the financial statements.

The Directors declared an interim dividend of 17 HK cents (2.18 US cents) per share, totalling US$18.8 million which was paid on 5 January 2018.

The Board recommends the payment of a final dividend of 34 HK cents (4.36 US cents) per share, totalling US$37.4 million, payable on 13 August 2018.

DISTRIBUTABLE RESERVES

As of 31 March 2018, the distributable reserves of the Company available for distribution as dividends amounted to US$1,819.5 million, comprising retained earnings of US$1,762.4 million and contributed surplus of US$57.1 million.

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

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

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

DONATIONS

During the year, the Group made donations of US$0.2 million (FY2016/17: 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 14 to the financial statements.

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, Mr. Austin Jesse Wang, Mr. Peter Kin-Chung Wang and Mr. Joseph Chi-Kwong Yam shall retire from office by rotation and being eligible, offer themselves for re-election.

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

No 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 2018, the interests of each Director and Chief Executive of the Company in the shares of the Company or any of the Company's associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept under Section 352 of the SFO were as follows:

Name	Shares of HK$0.05 each of the Company Personal Interests	 Other Interests		Approximate % of shareholding
Yik-Chun Koo Wang	-	502,570,700	(Notes 1 & 2)	57.185
Patrick Shui-Chung Wang	1,610,000	-	(Note 3)	0.183
Winnie Wing-Yee Wang	517,000	-	(Note 4)	0.058
Austin Jesse Wang	193,875	-	(Note 5)	0.022
Peter Kin-Chung Wang	-	25,598,770	(Notes 6 & 7)	2.912
Peter Stuart Allenby Edwards	-	40,250	(Note 8)	0.004
Patrick Blackwell Paul	32,750	-		0.003
Michael John Enright	15,250	-		0.001
Joseph Chi-Kwong Yam	11,750	-		0.001
Christopher Dale Pratt	56,000	-		0.006

Notes:

1. These shares were held, directly or indirectly, by the trustees of various trusts associated with the Wang family.
2. Duplications of shareholdings occurred among and between the parties shown below under Substantial Shareholders.
3. The interest comprises 1,610,000 underlying shares in respect of the awarded shares granted, which remained unvested, under the Johnson Electric Restricted and Performance Stock Unit Plan.
4. The interest comprises 517,000 underlying shares in respect of the awarded shares granted, which remained unvested, under the Johnson Electric Restricted and Performance Stock Unit Plan.
5. The interest comprises 147,000 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. 25,478,520 shares were held under a trust of which Peter Kin-Chung Wang was a beneficiary.
7. 120,250 shares were held beneficially by Peter Kin-Chung Wang's spouse.
8. These shares were held under a trust of which Peter Stuart Allenby Edwards was one of the beneficiaries.

Save as disclosed above, the register maintained by the Company pursuant to Section 352 of the SFO recorded no other interests or short positions of the Directors and Chief Executive in the shares, underlying shares in, or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO).

At no time during the 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 2018, the shareholders' interests being 5% or more of the Company's issued share capital as shown in the register of substantial shareholders maintained under Section 336 of the SFO or as otherwise notified to the Company and the Stock Exchange are set out below:

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

Notes:

1. The shares in which Ansbacher (Bahamas) Limited was interested, 196,335,340 of the shares in which HSBC International Trustee Limited was interested and 84,475,360 of the shares in which Federal Trust Company Limited was interested were held, directly or indirectly, by them as trustees of various trusts associated with the Wang family and were included in the shares in which Yik-Chun Koo Wang was interested as referred to above under Directors' Disclosure of Interests.
2. The shares in which Yik-Chun Koo Wang was interested as referred to above formed part of the shares referred to in Note 1.
3. The interests of Great Sound Global Limited in the Company formed part of the interests in the Company held by HSBC International Trustee Limited.
4. The interests of Winibest Company Limited in the Company were duplicated by the interests in the Company held by Great Sound Global Limited.
5. The interests of Merriland Overseas Limited in the Company formed part of the interests in the Company held by Federal Trust Company Limited.

Save as disclosed herein, as of 31 March 2018, the register maintained by the Company pursuant to Section 336 of the SFO recorded no other interests or short positions in the shares of the Company.

INCENTIVE SHARE SCHEMES

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

The purpose of the Stock Unit Plan is to align management with ownership. The Stock Unit Plan helps to attract skilled and experienced personnel, incentivise them to remain with 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 2018, 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 units granted as of the date of this report under both the Share Scheme and the Stock Unit Plan on a combined basis are as follows:

	Number of unvested units granted (thousands)		
	Restricted Stock Units	Performance Stock Units	Total
Unvested units granted, as of 31 March 2017	6,949	7,140	14,089
Units granted to Directors and employees during the year	1,671	1,616	3,287
Shares vested to Directors and employees during the year	(1,297)	(1,801)	(3,098)
Forfeited during the year	(299)	(395)	(694)
Unvested units granted, as of 31 March 2018	7,024	6,560	13,584
Forfeited in FY2018/19	(8)	-	(8)
Unvested units granted, as of the date of this report	7,016	6,560	13,576

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

	Number of unvested units granted (thousands)		
Vesting period	Restricted Stock Units	Performance Stock Units	Total
FY2018/19	2,178	1,928	4,106
FY2019/20	3,219	3,061	6,280
FY2020/21	1,619	1,571	3,190
Unvested units granted, as of the date of this report	7,016	6,560	13,576

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 18 to the financial statements, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares during the year ended 31 March 2018.

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 122 to 123.

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 35 to 47.

AUDITOR

The financial statements 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 2018 (Thursday) a final dividend of 34 HK Cents equivalent to 4.36 US Cents per share (2017: 34 HK Cents or 4.36 US Cents) payable on 13 August 2018 (Monday) to persons who are registered shareholders of the Company on 2 August 2018 (Thursday), making a total distribution of 51 HK Cents equivalent to 6.54 US Cents per share for the year ended 31 March 2018 (2017: 50 HK Cents or 6.41 US Cents).

CLOSING REGISTER OF SHAREHOLDERS

ATTENDING ANNUAL GENERAL MEETING

The Register of Shareholders of the Company will be closed from 9 July 2018 (Monday) to 12 July 2018 (Thursday) inclusive, during which no transfer of shares will be registered.

In order to qualify for attending and voting at the Annual General Meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company's registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong (not the registrar in Bermuda) for registration, not later than 4:30 p.m. on 6 July 2018 (Friday).

FINAL DIVIDEND

The Register of Shareholders of the Company will be closed from 31 July 2018 (Tuesday) to 2 August 2018 (Thursday) 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 30 July 2018 (Monday). Shares of the Company will be traded ex-dividend as from 27 July 2018 (Friday).

CONSOLIDATED BALANCE SHEET

As of 31 March 2018

	Note	2018 US$'000	2017 US$'000
Assets			
Non-current assets			
Property, plant and equipment	3	**1,115,354**	799,406
Investment property	4	**99,199**	93,385
Intangible assets	5	**1,178,636**	1,086,072
Investment in associates	6	**3,448**	39,799
Other financial assets	7	**111,437**	159,370
Financial assets at fair value through profit and loss	8	**7,241**	-
Defined benefit pension plan assets	15	**21,783**	9,352
Deferred income tax assets	17	**44,272**	54,320
Other non-current assets		**31,962**	11,055
		2,613,332	2,252,759
Current assets			
Inventories	9	**400,765**	313,115
Trade and other receivables	10	**771,412**	614,651
Other financial assets	7	**40,361**	53,189
Financial assets at fair value through profit and loss	8	**63**	-
Income tax recoverable		**7,404**	2,523
Pledged deposits	11	**-**	4,747
Cash and cash equivalents	11	**168,942**	127,689
		1,388,947	1,115,914
Current liabilities			
Trade payables	12	**357,315**	288,262
Other payables and deferred income		**334,060**	265,654
Current income tax liabilities		**46,869**	48,241
Other financial liabilities	7	**12,200**	28,015
Financial liabilities at fair value through profit and loss	8	**78**	-
Borrowings	13	**126,110**	26,128
Retirement benefit obligations	15	**492**	474
Provisions and other liabilities	16	**39,546**	52,756
		916,670	709,530
Net current assets		**472,277**	406,384
Total assets less current liabilities		**3,085,609**	2,659,143

	Note	2018 US$'000	2017 US$'000
Non-current liabilities			
Other payables and deferred income		19,196	15,321
Other financial liabilities	7	41,946	109,343
Financial liabilities at fair value through profit and loss	8	36,660	-
Borrowings	13	153,056	150,233
Convertible bonds	14	213,018	207,610
Deferred income tax liabilities	17	116,410	105,093
Put option written to a non-controlling interest	28	79,451	-
Retirement benefit obligations	15	54,206	39,656
Provisions and other liabilities	16	5,861	6,892
		719,804	634,148
NET ASSETS		2,365,805	2,024,995
Equity			
Share capital - Ordinary shares (at par value)	18	5,670	5,670
Shares held for incentive share schemes (at purchase cost)	18	(55,219)	(64,813)
Reserves	19	2,347,995	2,051,333
		2,298,446	1,992,190
Non-controlling interests		67,359	32,805
TOTAL EQUITY		2,365,805	2,024,995

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2018

	Note	2018 US$'000	2017 US$'000
Sales	2	3,236,560	2,776,101
Cost of goods sold		(2,445,328)	(2,028,334)
Gross profit		791,232	747,767
Other income and gains, net	20	6,197	19,091
Selling and administrative expenses	21	(462,231)	(471,344)
Operating profit		335,198	295,514
Share of profit of associates	6	1,147	4,756
Finance income	22	1,161	1,132
Finance costs	22	(14,692)	(11,090)
Profit before income tax		322,814	290,312
Income tax expense	17	(48,548)	(43,806)
Profit for the year		274,266	246,506
Profit attributable to non-controlling interests		(10,219)	(8,586)
Profit attributable to shareholders		264,047	237,920
Basic earnings per share for profit attributable to the shareholders for the year (expressed in US cents per share)	24	30.64	27.71
Diluted earnings per share for profit attributable to the shareholders for the year (expressed in US cents per share)	24	29.65	26.91

Please see Note 25 for details of dividend.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2018

	Note	2018 US$'000	2017 US$'000
Profit for the year		274,266	246,506
Other comprehensive income / (expenses)			
Items that will not be recycled to profit and loss:			
Defined benefit plans			
– remeasurements	15 & 19	12,931	(7,795)
– deferred income tax effect	17 & 19	(1,992)	996
Long service payment			
– remeasurements	15 & 19	585	308
– deferred income tax effect	17 & 19	(98)	(67)
Investment property			
– deferred income tax effect	17 & 19	-	(1,547)
Share of other comprehensive expenses of associates	6 & 19	-	(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, net	19	30,427	40,741
– transferred to inventory and subsequently recognised in income statement	19	(5,007)	18,511
– deferred income tax effect	17 & 19	(4,194)	(9,777)
Total items that will not be recycled to profit and loss directly		32,652	38,976
Items that will be recycled to profit and loss:			
Hedging instruments			
– forward foreign currency exchange contracts			
– fair value gains / (losses), net	19	61,855	(4,727)
– transferred to income statement	19	(15,242)	(13,675)
– deferred income tax effect	17 & 19	(12,875)	4,045
– net investment hedge			
– fair value (losses) / gains, net	19	(41,622)	16,550
Release of exchange reserve of an associate upon business combination	28	(469)	-
Currency translations of subsidiaries		138,244	(78,914)
Currency translations of associates	19	159	87
Total items that will be recycled to profit and loss directly		130,050	(76,634)
Other comprehensive income / (expenses) for the year, net of tax		162,702	(37,658)
Total comprehensive income for the year, net of tax		436,968	208,848
Total comprehensive income attributable to:			
Shareholders		422,260	202,527
Non-controlling interests			
Share of profits for the year		10,219	8,586
Currency translations		4,489	(2,265)
		436,968	208,848

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2018

	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 2017		(59,143)	(14,789)	2,066,122	1,992,190	32,805	2,024,995
Profit for the year		-	-	264,047	264,047	10,219	274,266
Other comprehensive income / (expenses):							
Hedging instruments							
– raw material commodity contracts							
– fair value gains, net	19	-	30,427	-	30,427	-	30,427
– transferred to inventory and subsequently recognised in income statement	19	-	(5,007)	-	(5,007)	-	(5,007)
– deferred income tax effect	17 & 19	-	(4,194)	-	(4,194)	-	(4,194)
– forward foreign currency exchange contracts							
– fair value gains, net	19	-	61,855	-	61,855	-	61,855
– transferred to income statement	19	-	(15,242)	-	(15,242)	-	(15,242)
– deferred income tax effect	17 & 19	-	(12,875)	-	(12,875)	-	(12,875)
– net investment hedge							
– fair value losses, net	19	-	(41,622)	-	(41,622)	-	(41,622)
Defined benefit plans							
– remeasurements	15 & 19	-	-	12,931	12,931	-	12,931
– deferred income tax effect	17 & 19	-	-	(1,992)	(1,992)	-	(1,992)
Long service payment							
– remeasurements	15 & 19	-	-	585	585	-	585
– deferred income tax effect	17 & 19	-	-	(98)	(98)	-	(98)
Release of exchange reserve of an associate upon business combination	28	-	(469)	-	(469)	-	(469)
Currency translations of subsidiaries	19	-	133,755	-	133,755	4,489	138,244
Currency translations of associates	19	-	159	-	159	-	159
Total comprehensive income for FY2017/18		-	146,787	275,473	422,260	14,708	436,968
Transactions with shareholders:							
Appropriation of retained earnings to statutory reserve	19	-	8,600	(8,600)	-	-	-
Incentive share schemes							
– shares vested	18 & 19	9,594	(9,594)	-	-	-	-
– value of employee services	19 & 27	-	12,685	-	12,685	-	12,685
Dividend declared to non-controlling shareholders of a subsidiary		-	-	-	-	(5,228)	(5,228)
Non-controlling interest arising on business combination	28	-	-	-	-	25,074	25,074
Put option written to a non-controlling interest	28	-	(72,191)	-	(72,191)	-	(72,191)
FY2016/17 final dividend paid	19	-	-	(37,735)	(37,735)	-	(37,735)
FY2017/18 interim dividend paid	19	-	-	(18,763)	(18,763)	-	(18,763)
Total transactions with shareholders		9,594	(60,500)	(65,098)	(116,004)	19,846	(96,158)
As of 31 March 2018		**(49,549)****	**71,498**	**2,276,497**	**2,298,446**	**67,359**	**2,365,805**

* 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, reserve arising from put option written to a non-controlling interest and goodwill on consolidation.

** The total of US$(49.5) million is comprised by share capital of US$5.7 million and shares held for incentive share schemes of US$(55.2) million.

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	19	-	40,741	-	40,741	-	40,741
– transferred to inventory and subsequently recognised in income statement	19	-	18,511	-	18,511	-	18,511
– deferred income tax effect	17 & 19	-	(9,777)	-	(9,777)	-	(9,777)
– forward foreign currency exchange contracts							
– fair value losses, net	19	-	(4,727)	-	(4,727)	-	(4,727)
– transferred to income statement	19	-	(13,675)	-	(13,675)	-	(13,675)
– deferred income tax effect	17 & 19	-	4,045	-	4,045	-	4,045
– net investment hedge							
– fair value gains, net	19	-	16,550	-	16,550	-	16,550
Defined benefit plans							
– remeasurements	15 & 19	-	-	(7,795)	(7,795)	-	(7,795)
– deferred income tax effect	17 & 19	-	-	996	996	-	996
Long service payment							
– remeasurements	15 & 19	-	-	308	308	-	308
– deferred income tax effect	17 & 19	-	-	(67)	(67)	-	(67)
Investment property							
– revaluation surplus realised upon disposal	19	-	(31)	31	-	-	-
– deferred income tax effect	17 & 19	-	(1,547)	-	(1,547)	-	(1,547)
Share of other comprehensive expenses of associates	6 & 19	-	-	(2,394)	(2,394)	-	(2,394)
Currency translations of subsidiaries	19	-	(76,649)	-	(76,649)	(2,265)	(78,914)
Currency translations of associates	19	-	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	19	-	2,928	(2,928)	-	-	-
Incentive share schemes							
– shares vested	18 & 19	10,637	(10,637)	-	-	-	-
– value of employee services	19 & 27	-	12,376	-	12,376	-	12,376
Acquisition of non-controlling interests		-	(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	19	-	-	(37,672)	(37,672)	-	(37,672)
FY2016/17 interim dividend paid	19	-	-	(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.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 March 2018

	Note	2018 US$'000	2017 US$'000
Cash flows from operating activities			
Earnings before interest, taxes, depreciation and amortisation	27	**519,857**	448,353
Other non-cash items	27	**35,469**	12,024
Change in working capital	27	**(78,735)**	(15,357)
Cash generated from operations	27	**476,591**	445,020
Interest paid		**(8,158)**	(5,867)
Income taxes paid		**(67,632)**	(39,208)
Net cash generated from operating activities		**400,801**	399,945
Investing activities			
Purchase of property, plant and equipment and capitalised expenditure of investment property, net of subsidies		**(305,824)**	(240,242)
Proceeds from disposal of property, plant and equipment and investment property	27	**739**	6,019
Capitalised expenditure of engineering development	5 & 23	**(8,726)**	(6,729)
Finance income received		**1,161**	1,132
		(312,650)	(239,820)
Business combination and acquisition			
– acquisition of subsidiary *	28	**(77,689)**	(64,704)
– leased properties and related items **		**(27,088)**	(29,887)
Proceeds from sale of financial assets at fair value through profit and loss		**145**	249
Net cash used in investing activities		**(417,282)**	(334,162)

* On 16 May 2017, the Group acquired an additional 50% equity interest in Halla Stackpole Corporation. Cash outlay in relation to this acquisition amounted to US$77.7 million. For details, please refer to Note 28.

In FY2016/17, cash outlay in relation to the acquisition of AML amounted to US$64.7 million.

** In FY2017/18, Stackpole acquisition of two previously leased properties of US$27.1 million (FY2016/17: Stackpole acquisition of three previously leased properties and related items of US$29.9 million).

	Note	2018 US$'000	2017 US$'000
Financing activities			
Proceeds from bank borrowings		**132,290**	10,520
Repayments of bank borrowings and finance leases		**(32,367)**	(54,481)
Dividends paid to shareholders		**(56,498)**	(55,395)
Dividends paid to non-controlling interests		**-**	(6,274)
Acquisition of non-controlling interests		**-**	(19,312)
Net cash generated from / (used in) financing activities		**43,425**	(124,942)
Net increase / (decrease) in cash and cash equivalents		**26,944**	(59,159)
Cash and cash equivalents at beginning of the year		**127,689**	193,325
Currency translations on cash and cash equivalents		**14,309**	(6,477)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		**168,942**	127,689

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 2017	26,128	150,233	207,610	1,545	385,516
Currency translations	949	271	-	-	1,220
Cash flows					
– inflow from financing activities	108,034	24,256	-	-	132,290
– outflow from financing activities	(30,270)	(435)	-	(1,662)	(32,367)
– outflow from operating activities	-	-	(2,000)	-	(2,000)
Non-cash changes					
– finance costs	-	-	7,408	117	7,525
– reclassification	21,269	(21,269)	-	-	-
As of 31 March 2018	126,110	153,056	213,018	-	492,184

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 have been approved for issue by the Board of Directors on 16 May 2018. 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 was as follows:

	2018 **US$'000**	2017 US$'000
Operating profit presented to management	**329,001**	276,423
Other income and gains, net (Note 20)	**6,197**	19,091
Operating profit per consolidated income statement	**335,198**	295,514

Sales from external customers by business unit were as follows:

	2018 **US$'000**	2017 US$'000
Automotive Products Group ("APG")	**2,493,619**	2,090,815
Industry Products Group ("IPG")	**742,941**	685,286
	3,236,560	2,776,101

The Stackpole business, primarily engaged in the manufacture and sale of engine and transmission oil pumps and powder metal components accounted for 20% (16% excluding the acquisition of Halla Stackpole) of the Group's sales for FY2017/18 (FY2016/17: 17%).

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 FY2017/18 (FY2016/17: 19%).

2. SEGMENT INFORMATION *(Cont'd)*

Sales by geography

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

	2018 US$'000	2017 US$'000
Europe *	**1,132,545**	1,021,088
North America **	**876,300**	818,460
People's Republic of China ("PRC")	**856,858**	690,882
Asia (excluding PRC)	**316,476**	206,362
South America	**44,139**	30,228
Others	**10,242**	9,081
	3,236,560	2,776,101

* Included in Europe were sales to external customers in Germany of US$217.9 million and France of US$142.7 million for FY2017/18 (FY2016/17: US$223.3 million and US$130.7 million respectively).

** Included in North America were sales to external customers in USA of US$729.6 million for FY2017/18 (FY2016/17: US$703.5 million).

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

Segment assets

For FY2017/18, the additions to non-current assets (other than deferred tax assets, other financial assets and defined benefit pension plan assets) were US$341.6 million (FY2016/17: US$244.5 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 geographic location as of 31 March 2018 and 31 March 2017 were as follows:

	2018 US$'000	2017 US$'000
Hong Kong ("HK") / PRC	**619,880**	447,596
Canada	**454,280**	393,682
Switzerland	**150,465**	140,100
Others	**414,028**	326,759
	1,638,653	1,308,137

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 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
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	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 23 & 27)	(235)	(99)	(1,116)	(1,112)	(3)	(2,565)
Depreciation (Note 23)	(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.

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
FY2017/18						
As of 31 March 2017	157,362	353,344	171,779	68,131	48,790	799,406
Currency translations	12,309	34,721	14,151	8,213	2,524	71,918
Business combination and acquisition **	37,289	50,096	6,774	460	1,470	96,089
Additions	5,882	62,524	201,702	22,702	7,157	299,967
Transfer	8,677	125,348	(181,883)	39,455	8,403	-
Disposals	-	(647)	-	(514)	(119)	(1,280)
Provision for impairment (Note 23 & 27)	-	(5,381)	-	(689)	(10)	(6,080)
Depreciation (Note 23)	(13,097)	(82,439)	-	(35,621)	(13,509)	(144,666)
As of 31 March 2018	**208,422**	**537,566**	**212,523**	**102,137**	**54,706**	**1,115,354**
As of 31 March 2018						
Cost	351,128	1,267,685	219,237	393,585	180,282	2,411,917
Accumulated depreciation and impairment	(142,706)	(730,119)	(6,714)	(291,448)	(125,576)	(1,296,563)
Net book amount	**208,422**	**537,566**	**212,523**	**102,137**	**54,706**	**1,115,354**

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

** This includes acquisition of Halla Stackpole of US$69.0 million (see Note 28) and Stackpole's subsequent acquisition of two previously leased properties of US$27.1 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

	2018 US$'000	2017 US$'000
At beginning of the year	**93,385**	91,530
Currency translations	**714**	(435)
Fair value gains (Note 20 & 27)	**1,625**	1,218
Capitalised expenditure	**3,475**	1,438
Disposals	-	(366)
At end of the year	**99,199**	93,385

The Group's investment property portfolio in HK/PRC was valued on an open market basis as of 31 March 2018. The appraisals were performed by independent, professionally qualified valuers, Chung, Chan & Associates, Chartered Surveyors.

As of 31 March 2018, the Group's investment property portfolio has tenancies expiring in the period from October 2018 to June 2027 (31 March 2017: from October 2018 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 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	51,659 *	3,792	866	-	12,490	-	68,807
Additions (Note 23)	-	-	6,729	-	-	-	6,729
Amortisation (Note 23 & 27)	-	(13,243)	(3,888)	(2,407)	(17,328)	(213)	(37,079)
As of 31 March 2017	721,580	64,651	19,218	73,566	204,672	2,385	1,086,072
As of 31 March 2017							
Cost	721,580	170,025	36,120	100,646	292,011	4,310	1,324,692
Accumulated amortisation and impairment	-	(105,374)	(16,902)	(27,080)	(87,339)	(1,925)	(238,620)
Net book amount	721,580	64,651	19,218	73,566	204,672	2,385	1,086,072
FY2017/18							
As of 31 March 2017	721,580	64,651	19,218	73,566	204,672	2,385	1,086,072
Currency translations	34,638	2,506	2,167	2,763	9,950	915	52,939
Business combination (Note 28)	33,728	-	-	-	25,374	-	59,102
Additions (Note 23)	-	-	8,726	-	-	12,476	21,202
Amortisation (Note 23 & 27)	-	(13,583)	(5,412)	(2,449)	(19,019)	(216)	(40,679)
As of 31 March 2018	**789,946**	**53,574**	**24,699**	**73,880**	**220,977**	**15,560**	**1,178,636** **
As of 31 March 2018							
Cost	789,946	177,058	49,422	104,710	331,588	17,900	1,470,624
Accumulated amortisation and impairment	-	(123,484)	(24,723)	(30,830)	(110,611)	(2,340)	(291,988)
Net book amount	**789,946**	**53,574**	**24,699**	**73,880**	**220,977**	**15,560**	**1,178,636**

* Adjustments to goodwill related to acquisition of AML during the remeasurement period (12 months from the date of acquisition). Details are set out in Note 28.

** Total intangible assets by underlying currencies as of 31 March 2018 and 31 March 2017 are disclosed on the next page.

5. INTANGIBLE ASSETS *(Cont'd)*

Total intangible assets as of 31 March 2018 and 31 March 2017 were denominated in the following underlying currencies.

	USD equivalent	
	2018	2017
	US$'000	US$'000
In CAD	**481,746**	479,106
In CHF	**439,906**	437,195
In USD	**83,964**	83,652
In EUR	**87,467**	75,376
In KRW	**61,868**	-
In RMB	**15,560**	2,385
In GBP	**8,125**	8,358
Total intangible assets	**1,178,636**	1,086,072

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 2018, the carrying amount of the brand name "Stackpole", considered to have an indefinite useful life, was US$41.0 million (31 March 2017: US$39.7 million).

In accordance with the Group's accounting policy on asset impairment, the carrying amount of the brand is reviewed and tested for impairment at least annually. The results of the review and test indicated that no impairment charge was necessary as of 31 March 2018.

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% (31 March 2017: 0.75%) and a 2% perpetual growth rate (31 March 2017: 2%) 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 2018 and 2017, 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 2023 and a 2% perpetual growth rate thereafter (FY2016/17: 6% and 2% respectively) and operating margin of 10% (FY2016/17: 10%). Future cash flows are discounted at a pre-tax rate of 9% (equivalent to post-tax weighted average cost of capital of 8%) (FY2016/17: pre-tax rate of 9%).

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

	2018 **US$'000**	2017 US$'000
At beginning of the year	**39,799**	37,897
Currency translations	**158**	88
Share of associates' profit for the year	**1,147**	4,756
Share of other comprehensive expenses of associates (Note 19)	**-**	(2,394)
Dividends received	**(1,014)**	(548)
Acquisition of an associate	**(36,642)**	-
At end of the year	**3,448**	39,799

On 16 May 2017, the Group acquired an additional 50% equity interest in Halla Stackpole Corporation ("HSC"), a 30% associate previously held by the Group, from Halla Holdings Corporation. For details please refer to Note 28.

The remaining investment in associate represents the 49% equity interest in Shenzhen SMART Micromotor Co Ltd ("SMART"), which is accounted for using the equity method.

7. OTHER FINANCIAL ASSETS AND LIABILITIES

	2018 Assets US$'000	2018 (Liabilities) US$'000	2018 Net US$'000	2017 Assets US$'000	2017 (Liabilities) US$'000	2017 Net US$'000
Cash flow hedge						
– raw material commodity contracts (Note a (i))	**29,316**	**(917)**	**28,399**	14,916	(8,094)	6,822
– forward foreign currency exchange contracts (Note a (ii))	**108,089**	**(28,731)**	**79,358**	160,476	(129,252)	31,224
Net investment hedge (Note b)						
– forward foreign currency exchange contracts to hedge European subsidiaries	**10,743**	**(5,003)**	**5,740**	32,106	-	32,106
– cross currency interest rate swaps	**-**	**(19,417)**	**(19,417)**	3,029	-	3,029
Fair value hedge (Note c)						
– forward foreign currency exchange contracts to hedge CAD intercompany loan interest	**1,404**	**-**	**1,404**	437	-	437
– cross currency interest rate swaps	**-**	**(73)**	**(73)**	-	-	-
Held for trading (Note d)	**2,246**	**(5)**	**2,241**	1,595	(12)	1,583
Total (Note e)	**151,798**	**(54,146)**	**97,652**	212,559	(137,358)	75,201
Current portion	**40,361**	**(12,200)**	**28,161**	53,189	(28,015)	25,174
Non-current portion	**111,437**	**(41,946)**	**69,491**	159,370	(109,343)	50,027
Total	**151,798**	**(54,146)**	**97,652**	212,559	(137,358)	75,201

Note:

(a) Cash flow hedge

(i) Raw material commodity contracts

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

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 2018, the Group had the following outstanding raw material commodity contracts:

	Notional amount	Settlement value (US$ million)	Weighted average contract price (US$)	Spot price (US$)	Mark-to-market rate (US$)	Remaining maturities range (months)	Assets/ (liabilities), net carrying value (US$'000)
Cash flow hedge contracts							
Copper commodity	28,425 metric ton	165.9	5,837	6,685	6,750	1 – 51	25,956
Silver commodity	430,000 oz	7.1	16.55	16.28	16.71	1 – 30	68
Aluminium commodity	475 metric ton	1.0	2,072	1,997	2,011	1 – 12	(29)
Iron ore commodity	153,500 metric ton	7.3	48	63	59	10 – 36	1,725
Coking coal commodity	43,500 metric ton	6.6	152	189	168	13 – 36	679
Total							28,399

(ii) Forward foreign currency exchange contracts

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

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 2018, the Group had the following outstanding forward foreign currency exchange contracts:

	Settlement currency	Notional value (million)	Weighted average contract rate *	Spot rate	Mark-to-market rate	Remaining maturities range (months)	Settlement value in USD equivalent (US$ million)	Assets / (liabilities), net carrying value (US$'000)
Cash flow hedge contracts								
Sell EUR forward	USD	EUR 575.9	1.42	1.23	1.34	1 – 84	816.8	46,286
Buy RMB forward	USD	RMB 6,862.6	6.69	6.28	6.48	1 – 69	1,026.2	32,227
Buy HUF forward	EUR	HUF 42,348.4	333.61	312.39	317.44	1 – 60	156.2	7,959
Buy PLN forward	EUR	PLN 596.6	4.64	4.20	4.45	1 – 60	158.4	6,797
Sell CAD forward	USD	CAD 223.0	1.25	1.29	1.28	5 – 45	178.4	3,892
Buy RSD forward	EUR	RSD 3,985.0	124.15	118.35	121.28	1 – 24	39.5	934
Buy ILS forward	USD	ILS 2.5	3.50	3.51	3.50	1 – 2	0.7	(1)
Sell JPY forward	USD	JPY 108.0	114.76	106.84	105.66	1 – 6	0.9	(81)
Buy CHF forward	EUR	CHF 145.5	1.11	1.18	1.17	1 – 18	161.9	(9,154)
Buy MXN forward	USD	MXN 2,365.4	19.34	18.27	20.97	1 – 72	122.3	(9,501)
Total								79,358

* 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 as per the table below are designated as net investment hedges. Gains and losses recognised in the exchange reserve will be released from equity to profit and loss on the disposal or partial disposal of the foreign operations.

As of 31 March 2018, the Group had the following outstanding contracts:

	Settlement currency	Notional value (million)	Weighted average contract rate *	Spot rate	Mark-to-market rate	Remaining maturities range (months)	Settlement value in USD equivalent (US$ million)	Assets/ (liabilities), net carrying value (US$'000)
Net investment hedge contracts								
Sell EUR forward	USD	EUR 133.0	1.38	1.23	1.34	6 – 81	183.7	5,740
Cross currency interest rate swaps (pay EUR, receive USD)	USD	EUR 130.6	1.11	1.23	1.26	34 – 46	145.0	(19,417)

* 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 as per the table below are designated as a fair value hedge to hedge the CAD intercompany loan interest balance. The HKD cross currency swap contracts are designated to hedge the HKD loan balance. Gains and losses are recognised in the income statement.

As of 31 March 2018, the Group had the following outstanding contracts:

	Settlement currency	Notional value (million)	Weighted average contract rate *	Spot rate	Mark-to-market rate	Remaining maturities range (months)	Settlement value in USD equivalent (US$ million)	Assets/ (liabilities), net carrying value (US$'000)
Fair value hedge contracts								
Sell CAD forward	USD	CAD 57.3	1.25	1.29	1.29	1 – 19	45.9	1,404
Cross currency interest rate swaps (pay USD, receive HKD)	USD	HKD 156.5	7.83	7.85	7.85	5	20.0	(73)

* 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 2018, the Group had the following outstanding contracts:

	Settlement currency	Notional value (million)	Weighted average contract rate *	Spot rate	Mark-to-market rate	Remaining maturities range (months)	Settlement value in USD equivalent (US$ million)	Assets, net carrying value (US$'000)
Held for trading contracts								
Buy INR forward	USD	INR 1,799.2	78.91	65.27	71.87	1 – 56	22.8	2,235
Buy HKD structured forward	USD	HKD 86.4	7.85	7.85	7.85	1 – 11	11.0	6
Total								2,241

* 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 FY2017/18 was a net gain of US$23.9 million (FY2016/17: net gain of US$1.8 million).

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

(g) As of 31 March 2018, the balance in the exchange reserve for continuing hedges that are accounted for as a net investment hedge was US$15.5 million (31 March 2017: US$57.2 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 2018 would result in approximately US$230 million cash flow benefit (31 March 2017: US$211 million).

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

	2018			2017		
	Assets US$'000	**(Liabilities) US$'000**	**Net US$'000**	Assets US$'000	(Liabilities) US$'000	Net US$'000
Fair value of a call option related to the acquisition of Halla Stackpole (Note a)	**2,511**	**-**	**2,511**	-	-	-
Structured foreign currency contracts (Note b)	**4,793**	**(36,738)**	**(31,945)**	-	-	-
Total	**7,304**	**(36,738)**	**(29,434)**	-	-	-
Current portion	**63**	**(78)**	**(15)**	-	-	-
Non-current portion	**7,241**	**(36,660)**	**(29,419)**	-	-	-
Total	**7,304**	**(36,738)**	**(29,434)**	-	-	-

Note:

(a) Fair value of a call option related to the acquisition of Halla Stackpole
The Group has been granted a call option in which the Group shall have the right to require Halla Holdings Corporation to sell all of its rights to the Group, exercisable at any time during a 4-year period immediately following the expiry of the Put Exercise Period. Please see details in Note 28.

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

(b) Structured foreign currency contracts (economic hedge)

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

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

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

	Sell EUR (EUR million)	Buy RMB (RMB million)	Sell CAD (CAD million)
Hedge – by plain vanilla	575.9	6,862.6	223.0
Economic hedge – by structured forward			
– minimum possible hedge	174.8	208.0	41.9
– maximum possible hedge	346.6	416.0	87.6
Hedged % *			
– Plain vanilla	53%	42%	45%
– Plain vanilla and structured forward – minimum	69%	44%	53%
– Plain vanilla and structured forward – maximum	84%	45%	63%

* The hedged % is based on actual requirements in FY2017/18 and therefore does not factor in future growth.

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

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

As of 31 March 2018, the Group had the following structured foreign currency contracts:

	Option features	Settlement currency	Notional value - minimum (million)	Notional value - maximum (million)	Range of contract rates	Weighted average contract rate*	Remaining maturities range (months)	Assets / (liabilities), net carrying value (US$'000)
Structured foreign currency contracts								
Sell EUR (for sales)	Reduction of notional amount	USD	EUR 174.8	EUR 346.6	1.30 – 1.39	1.35	28 – 77	(28,013)
Sell EUR (for net investment)	Reduction of notional amount	USD	EUR 50.0	EUR 100.0	1.36 – 1.40	1.38	57 – 81	(8,457)
Sell CAD	Reduction of notional amount	USD	CAD 41.9	CAD 87.6	1.25 – 1.30	1.27	1 – 21	(204)
Buy RMB	Reduction of notional amount	USD	RMB 208.0	RMB 416.0	8.00 – 8.01	8.00	46 – 62	4,729
Total								(31,945)

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

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

Sensitivity

As of 31 March 2018, a 1% change in the exchange rate for EUR, RMB and CAD respectively against the USD will have the following impact to the Group's income statement:

	Profit before income tax increase / (decrease)		
	EUR contracts	RMB contracts	CAD contracts
Increase by 1%	US$(4.1) million	US$(0.3) million	US$(0.4) million
Decrease by 1%	US$4.5 million	US$0.3 million	US$1.0 million

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

Estimate of future cash flow

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

9. INVENTORIES

	2018 US$'000	2017 US$'000
Raw materials	206,832	140,670
Finished goods	193,933	172,445
	400,765	313,115

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

10. TRADE AND OTHER RECEIVABLES

	2018 US$'000	2017 US$'000
Trade receivables – gross	641,837	520,620
Less: impairment of trade receivables	(500)	(4,736)
Trade receivables – net	641,337	515,884
Prepayments and other receivables	130,075	98,767
	771,412	614,651

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

Ageing of gross trade receivables

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

	2018 US$'000	2017 US$'000
0 – 30 days	315,339	249,578
31 – 90 days	289,748	246,235
Over 90 days	36,750	24,807
Total	641,837	520,620

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

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

(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:

	2018 US$'000	2017 US$'000
Current	593,672	481,825
1 – 30 days overdue	36,251	25,937
31 – 90 days overdue	7,800	7,782
Over 90 days overdue	4,114	5,076
Total	641,837	520,620

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 was denominated in the following currencies:

	2018 US$'000	2017 US$'000
RMB	193,812	129,207
USD	190,386	172,398
EUR	183,107	163,069
CAD	44,276	43,861
Others	30,256	12,085
Total	641,837	520,620

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. As of 31 March 2018, trade receivables of US$47.7 million (31 March 2017: US$34.1 million) were overdue but not impaired. Management assessed the credit quality of this US$47.7 million by reference to the repayment history and current financial position of the customers. Management believes that no provision for impairment is necessary and these balances are expected to be fully recovered.

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

Ageing of overdue trade receivables but not impaired *(Cont'd)*

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

	2018 US$'000	2017 US$'000
1 – 30 days overdue	36,251	25,591
31 – 90 days overdue	7,800	7,782
Over 90 days overdue	3,614	686
Total	47,665	34,059

Impairment of trade receivables

As of 31 March 2018, trade receivables of US$0.5 million (31 March 2017: US$4.7 million) were impaired. The ageing of these receivables was as follows:

	2018 US$'000	2017 US$'000
1 – 30 days overdue	-	347
Over 90 days overdue	500	4,389
Total	500	4,736

Movements on the impairment of trade receivables were as follows:

	2018 US$'000	2017 US$'000
At beginning of the year	4,736	2,073
Currency translations	315	(74)
Receivables written off during the year as uncollectible	(57)	(448)
(Written back of impairment) / impairment of trade receivables / bad debt expense (Note 23)	(4,494)	3,185
At end of the year	500	4,736

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

11. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	2018 US$'000	2017 US$'000
Cash at bank and in hand	154,736	119,840
Short term bank deposits	14,206	7,849
Total cash and cash equivalents	168,942	127,689
Pledged deposits	-	4,747

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

	2018 US$'000	2017 US$'000
RMB	50,895	40,353
EUR	48,814	35,295
USD	33,102	28,689
KRW	12,604	-
CAD	395	14,142
Others	23,132	13,957
Total	168,942	132,436

12. TRADE PAYABLES

	2018 US$'000	2017 US$'000
Trade payables	**357,315**	288,262

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:

	2018 US$'000	2017 US$'000
0 – 60 days	**274,047**	220,081
61 – 90 days	**58,405**	45,520
Over 90 days	**24,863**	22,661
Total	**357,315**	288,262

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

	2018 US$'000	2017 US$'000
RMB	**132,232**	108,720
USD	**101,093**	80,143
EUR	**88,719**	70,384
HKD	**20,812**	20,052
CAD	**3,144**	4,150
Others	**11,315**	4,813
Total	**357,315**	288,262

13. BORROWINGS

	2018 US$'000	2017 US$'000
Loans based on trade receivables (Note a)	76,000	61,710
Loan from International Finance Corporation ("IFC") (Note b)	74,385	74,279
Other borrowings – Non-current	40,670	30,254
– Current	88,111	10,118
Total borrowings (Note c)	279,166	176,361
Current borrowings	126,110	26,128
Non-current borrowings	153,056	150,233

Note:

(a) Subsidiary companies have borrowed US$76.0 million based on trade receivables in the USA, Hong Kong and Europe as of 31 March 2018 (31 March 2017: US$61.7 million). 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$46.0 million, with a covenant that trade receivables shall not be pledged to any parties (31 March 2017: US$32.0 million).
- Unsecured borrowings in Hong Kong of US$30.0 million with a covenant that trade receivables shall not be pledged to any parties (31 March 2017: US$13.7 million).
- Europe repaid the borrowings during the year (31 March 2017: US$16.0 million (EUR15.0 million)).

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

(c) Total borrowing increased by US$102.8 million due to the acquisition of a controlling interest in HSC and the need to fund organic business growth.

13. BORROWINGS *(Cont'd)*

The maturity of borrowings was as follows:

	Bank borrowings		Other loans	
	2018 US$'000	2017 US$'000	**2018 US$'000**	2017 US$'000
Less than 1 year	**124,776**	25,510	**1,334**	618
1 – 2 years	**58,332**	31,200	**31,296**	480
2 – 5 years	**2,488**	35,000	**45,371**	53,743
Over 5 years	**-**	-	**15,569**	29,810
	185,596	91,710	**93,570**	84,651

As of 31 March 2018, the interest rate charged on outstanding balances ranged from 0.6% to 6.0% per annum (31 March 2017: 0.5% to 6.0% per annum) and the weighted average effective interest rate of the borrowings was approximately 1.6% (31 March 2017: 0.6%). Interest expense is disclosed in Note 22.

Johnson Electric subscribes to both Moody's Investors Service and Standard & Poor's Ratings Services (S&P) for independent long-term credit ratings. As of 31 March 2018, 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 have floating interest rates. 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:

	2018 US$'000	2017 US$'000
USD	**200,452**	151,418
CAD	**58,587**	8,619
HKD	**19,944**	-
EUR	**183**	16,324
Total borrowings	**279,166**	176,361

14. CONVERTIBLE BONDS

	2018 US$'000	2017 US$'000
Convertible Bonds (Liability component)	**213,018**	207,610

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

The bondholders have the right to convert their bonds into ordinary shares of JEHL at the conversion price at any time on or after 13 May 2014 up to the maturity date. No such conversions had occurred as of 31 March 2018.

With effect from 27 July 2017, the conversion price was adjusted to HK$38.12 per share as a result of the interim and final dividend for FY2016/17. The conversion price was not adjusted for the interim dividend for FY2017/18 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 2018. The fair values of convertible bonds are within level 2 of the fair value hierarchy.

15. RETIREMENT BENEFIT OBLIGATIONS

	Defined benefit pension plans US$'000	Defined contribution pension plans and long service payment US$'000	Total US$'000
FY2016/17			
As of 31 March 2016	19,581	4,009	23,590
Currency translations	(833)	12	(821)
Business combination	1,879	-	1,879
Charges	3,798	4,592	8,390
Utilisations	(4,647)	(5,100)	(9,747)
Remeasurements (Note 19) *	7,795	(308)	7,487
As of 31 March 2017	27,573	3,205	30,778
Retirement benefit obligations:			
Current portion	-	474	474
Non-current portion	36,925	2,731	39,656
Defined benefit pension plan assets:			
Non-current portion	(9,352)	-	(9,352)
As of 31 March 2017	27,573	3,205	30,778
FY2017/18			
As of 31 March 2017	27,573	3,205	30,778
Currency translations	4,369	67	4,436
Business combination (Note 28)	8,533	-	8,533
Charges	7,066	5,781	12,847
Utilisations	(4,961)	(5,202)	(10,163)
Remeasurements (Note 19) *	(12,931)	(585)	(13,516)
As of 31 March 2018	**29,649** **	**3,266**	**32,915**
Retirement benefit obligations:			
Current portion	-	492	492
Non-current portion	51,432	2,774	54,206
Defined benefit pension plan assets:			
Non-current portion	(21,783)	-	(21,783)
As of 31 March 2018	**29,649**	**3,266**	**32,915**

* Remeasurements represent actuarial (gains) and losses.

** The retirement benefit obligations were mainly denominated in CHF, GBP, EUR, CAD and KRW as of 31 March 2018. These retirement benefit obligations of US$29.6 million (31 March 2017: US$27.6 million) comprised gross present value of obligations of US$182.2 million (31 March 2017: US$161.9 million) less fair value of plan assets of US$152.6 million (31 March 2017: US$134.3 million).

15. RETIREMENT BENEFIT OBLIGATIONS *(Cont'd)*

15.1 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 ages / periods of service. Pensions are based on specific pension rates applied to each participating employee's 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:

	2018 US$'000	2017 US$'000
Present value of obligations that are funded	155,227	147,007
Present value of obligations that are unfunded	27,042	14,922
Gross present value of obligations	182,269	161,929
Less : Fair value of plan (assets)	(152,620)	(134,356)
Total retirement benefit obligations - net liability	29,649	27,573
Represented by:		
Defined benefit pension plan (assets)	(21,783)	(9,352)
Retirement benefit obligations	51,432	36,925

15. RETIREMENT BENEFIT OBLIGATIONS *(Cont'd)*

15.1 Defined benefit pension plans *(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 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 23)	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 19)	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
As of 31 March 2017	161,929	(134,356)	27,573
Current service cost	6,715	-	6,715
Interest cost / (income)	2,975	(2,624)*	351
Net cost / (income) to the income statement (Note 23)	9,690	(2,624)	7,066
Remeasurements:			
– Gains from change in demographic assumptions	(970)	-	(970)
– Gains from change in financial assumptions	(7,110)	-	(7,110)
– Experience gains	(1,211)	(39)	(1,250)
– Return on plan assets, excluding amounts included in interest income	-	(3,601)	(3,601)
Gains recognised in equity (Note 19)	(9,291)	(3,640)	(12,931)
Currency translations	12,964	(8,595)	4,369
Contributions by plan participants	2,529	(2,529)	-
Contributions by employer	-	(4,118)	(4,118)
Business combination	10,820	(2,287)	8,533
Benefits paid	(6,372)	5,529	(843)
As of 31 March 2018	**182,269**	**(152,620)**	**29,649**

* The interest income on plan assets was calculated at discount rates shown on the next page.

15. RETIREMENT BENEFIT OBLIGATIONS *(Cont'd)*

15.1 Defined benefit pension plans *(Cont'd)*

The principal actuarial assumptions used were as follows:

	2018 Percentage	2017 Percentage
Discount rate	**1.0% – 4.2%**	0.5% – 3.5%
Future pension obligation growth rate	**0% – 2.6%**	0% – 2.7%

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 6.2%	Increase by 6.8%
Future pension growth rate - increase by 0.25%	Increase by 1.4%	Decrease by 1.3%

This is 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 present value of funded defined benefit obligations increased due to the effect of currency translations and the acquisition of HSC, partially offset by remeasurement gains. These remeasurement gains arose from changes in financial assumptions due to changes in the discount rates as follow:

	2018 Percentage	2017 Percentage
Switzerland	**1.0%**	0.5%
United Kingdom	**2.6%**	2.6%
Canada	**3.4%**	3.5%
Germany	**2.1%**	1.7%

15. RETIREMENT BENEFIT OBLIGATIONS *(Cont'd)*

15.1 Defined benefit pension plans *(Cont'd)*

The weighted average duration of the defined benefit obligations is 17.4 years (31 March 2017: 18.4 years).

The expected maturity of undiscounted pension benefits as of 31 March 2018 and 31 March 2017 was:

	2018 US$'000	2017 US$'000
Less than 1 year	4,615	4,192
1 – 2 years	5,254	4,476
2 – 5 years	15,121	11,961
Over 5 years	281,290	254,632
	306,280	275,261

Plan assets

Plan assets comprised the following:

	2018 US$'000	2018 Percentage	2017 US$'000	2017 Percentage
Quoted				
Equities				
Asia	1,190	1%	4,066	3%
Europe	13,354	9%	16,534	12%
Americas	1,855	1%	7,808	6%
Global	26,084	17%	19,598	14%
Bonds				
Asia	2,560	2%	-	-
Europe	48,192	32%	34,978	26%
Americas	18,380	12%	1,272	1%
Global	11,296	7%	29,298	22%
Others				
Europe	7,453	5%	5,586	4%
Global	13,104	9%	7,720	6%
	143,468	95%	126,860	94%
Unquoted				
Property investment – Europe	8,863	5%	5,010	4%
Property investment – Global	-	-	2,125	2%
Others – Europe	289	0%	361	0%
	9,152	5%	7,496	6%
	152,620	100%	134,356	100%

15. RETIREMENT BENEFIT OBLIGATIONS *(Cont'd)*

15.1 Defined benefit pension plans *(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.

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$3.3 million to post-employment benefit plans for fiscal year FY2018/19 (FY2017/18: US$3.9 million).

15.2 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 2018 (31 March 2017: 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 the income statement for all defined contribution plans for FY2017/18 was US$5.8 million (FY2016/17: US$4.6 million) as shown in Note 23.

16. PROVISIONS AND OTHER LIABILITIES

	Legal and warranty US$'000	Severance US$'000	Finance lease liability US$'000	Others US$'000	Total US$'000
FY2016/17					
As of 31 March 2016	23,652	8,999	6,473	159	39,283
Currency translations	(911)	(311)	(45)	6	(1,261)
Business combination (Note 28)	18,343 *	-	-	-	18,343
Buyout of finance lease	-	-	(3,644)	-	(3,644)
Charges	19,870	8,893	440	4,187	33,390
Utilisations	(13,448)	(10,400)	(1,679)	(936)	(26,463)
As of 31 March 2017	47,506	7,181	1,545	3,416	59,648
Current portion	40,872	7,181	1,287	3,416	52,756
Non-current portion	6,634	-	258	-	6,892
As of 31 March 2017	47,506	7,181	1,545	3,416	59,648
FY2017/18					
As of 31 March 2017	47,506	7,181	1,545	3,416	59,648
Currency translations	3,433	636	-	93	4,162
Business combination (Note 28)	435	-	-	-	435
Charges / (take backs)	6,001	(1,309)	117	(1,278)	3,531
Utilisations	(17,016)	(2,221)	(1,662)	(1,470)	(22,369)
As of 31 March 2018	**40,359**	**4,287**	**-**	**761**	**45,407**
Current portion	34,498	4,287	-	761	39,546
Non-current portion	5,861	-	-	-	5,861
As of 31 March 2018	**40,359**	**4,287**	**-**	**761** **	**45,407**

* Adjustment to legal and warranty liabilities related to AML during the remeasurement period (12 month from the date of acquisition). Details are set out in Note 28.

** Mainly represents provision for an onerous lease contract.

17. TAXATION

17.1 Income tax expense

The amount of taxation in the consolidated income statement represents:

	2018 US$'000	2017 US$'000
Current income tax		
Charges for the year	**56,742**	47,375
(Reduction) / addition for tax of prior years	**(1,373)**	5,152
	55,369	52,527
Deferred income tax (Note 17.2)	**(6,821)**	(8,721)
Total income tax expense	**48,548**	43,806
Effective tax rate	**15.0%**	15.1%

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 FY2017/18 was 15.0% (FY2016/17: 15.1%). Net deferred tax assets in the US were written down by US$2.5 million following the impact of US tax reforms that reduced the statutory rate from 35% to 21%. If the effect of US tax reform on deferred tax assets is excluded, the effective tax would have been 14.3%. The Group's effective tax rate differed from the statutory tax rate of Hong Kong of 16.5% (FY2016/17: 16.5%) as follows:

	2018		2017	
		US$'000		US$'000
Profit before income tax		**322,814**		290,312
Tax charged at Hong Kong profits tax rate	**16.5%**	**53,264**	16.5%	47,901
Effect of different tax rates in other countries				
– Countries with taxable profit	**2.4%**	**7,700**	1.7%	4,893
– Countries with taxable loss	**(1.7)%**	**(5,521)**	(2.6)%	(7,480)
Effect of income, net of expenses, not subject to tax	**(5.3)%**	**(17,117)**	(5.6)%	(16,383)
(Reductions) / addition of tax for prior years (current and deferred)	**(0.9)%**	**(2,823)**	1.4%	4,009
Withholding tax	**2.3%**	**7,529**	2.5%	7,242
Other taxes and timing differences, net of (tax loss recognition) and other (tax benefits)	**1.7%**	**5,516**	1.2%	3,624
	15.0%	**48,548**	15.1%	43,806

17. TAXATION *(Cont'd)*

17.2 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 17.1.

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

	2018 US$'000	2017 US$'000
Deferred income tax assets	44,272	54,320
Deferred income tax liabilities	(116,410)	(105,093)
Deferred income tax liabilities, net	(72,138)	(50,773)

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

	2018 US$'000	2017 US$'000
Gross deferred income tax assets	96,838	111,940
Gross deferred income tax liabilities	(168,976)	(162,713)
Deferred income tax liabilities, net	(72,138)	(50,773)

17. TAXATION *(Cont'd)*

17.2 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	
	2018 US$'000	2017 US$'000	**2018 US$'000**	2017 US$'000	**2018 US$'000**	2017 US$'000	**2018 US$'000**	2017 US$'000	**2018 US$'000**	2017 US$'000	**2018 US$'000**	2017 US$'000
Deferred income tax assets												
At beginning of the year	**27,156**	18,962	**8,106**	8,116	**24,688**	23,056	**26,797**	27,101	**25,193**	24,139	**111,940**	101,374
Currency translations	**1,561**	(571)	**794**	(366)	**341**	(420)	**28**	(9)	**1,069**	(547)	**3,793**	(1,913)
Business combination	**2,712**	5,119	**179**	319	**-**	-	**-**	-	**-**	571	**2,891** *	6,009
Credited / (charged) to income statement	**(3,983)**	3,646	**89**	37	**5,850**	2,052	**397**	402	**(1,256)**	153	**1,097**	6,290
Credited / (charged) to equity	**-**	-	**-**	-	**-**	-	**(22,884)**	(697)	**1**	877	**(22,883)**	180
Assets at end of the year	**27,446**	27,156	**9,168**	8,106	**30,879**	24,688	**4,338**	26,797	**25,007**	25,193	**96,838**	111,940
Deferred income tax (liabilities)												
At beginning of the year	**(2,719)**	(1,830)	**(21,390)**	(22,918)	**-**	-	**(111,419)**	(108,938)	**(27,185)**	(22,525)	**(162,713)**	(156,211)
Currency translations	**(355)**	126	**(944)**	629	**-**	-	**(4,074)**	2,884	**(880)**	376	**(6,253)**	4,015
Business combination	**-**	-	**(531)**	(571)	**-**	-	**(5,854)**	(5,373)	**(3,073)**	(474)	**(9,458)** *	(6,418)
Credited / (charged) to income statement	**(221)**	(1,015)	**(4,050)**	1,470	**-**	-	**7,465**	6,590	**2,530**	(4,614)	**5,724**	2,431
Credited / (charged) to equity	**-**	-	**-**	-	**-**	-	**5,815**	(6,582)	**(2,091)**	52	**3,724**	(6,530)
(Liabilities) at end of the year	**(3,295)**	(2,719)	**(26,915)**	(21,390)	**-**	-	**(108,067)**	(111,419)	**(30,699)**	(27,185)	**(168,976)**	(162,713)
Deferred income tax assets / (liabilities), net	**24,151**	24,437	**(17,747)**	(13,284)	**30,879**	24,688	**(103,729)**	(84,622)	**(5,692)**	(1,992)	**(72,138)**	(50,773)

* Taking into consideration the offsetting of balances within the same tax jurisdiction, the deferred income tax assets and deferred income tax liabilities acquired from business combination were US$2.4 million and US$(9.0) million respectively. Details please see Note 28.

Deferred income tax liabilities of US$4.3 million (FY2016/17: 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.

17. TAXATION *(Cont'd)*

17.2 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 2018, the Group's subsidiaries in USA, Canada, UK and Japan had accumulated net operating losses carried forward of US$39.7 million, US$72.0 million, US$1.5 million and US$6.5 million respectively (31 March 2017: US$47.3 million, US$17.5 million, US$1.4 million and US$3.8 million 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 differences arising from deduction of expenses and adjustments from past reorganisations.

17. TAXATION *(Cont'd)*

17.2 Deferred income tax *(Cont'd)*

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

	2018 US$'000	2017 US$'000
Deferred income tax assets:		
Deferred income tax assets to be recovered after more than twelve months	69,135	79,517
Deferred income tax assets to be recovered within twelve months	27,703	32,423
Deferred income tax assets	96,838	111,940
Deferred income tax liabilities:		
Deferred income tax liabilities to be settled after more than twelve months	(153,805)	(149,105)
Deferred income tax liabilities to be settled within twelve months	(15,171)	(13,608)
Deferred income tax liabilities	(168,976)	(162,713)
Deferred income tax liabilities, net	(72,138)	(50,773)

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

	2018 US$'000	2017 US$'000
At beginning of the year, net (liability)	(50,773)	(54,837)
Currency translations	(2,460)	2,102
Business combination	(6,567)	(409)
Transfer to income statement (Note 17.1)	6,821	8,721
Charged to equity	(19,159)	(6,350)
At end of the year, net (liability)	(72,138)	(50,773)

17. TAXATION *(Cont'd)*

17.2 Deferred income tax *(Cont'd)*

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

	2018 US$'000	2017 US$'000
Net fair value gains of hedging instruments (Note 19)	**(17,069)**	(5,732)
Remeasurements of defined benefit plans (Note 19)	**(1,992)**	996
Remeasurements of long service payment (Note 19)	**(98)**	(67)
Investment property (Note 19)	**-**	(1,547)
	(19,159)	(6,350)

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 FY2017/18 and FY2016/17 is presented below:

	2018 US$'000	2017 US$'000
At beginning of the year	**83,497**	105,056
Currency translations	**198**	1,482
(Utilised / recognised) during the year	**(20,756)**	(21,557)
Addition / (reduction) for tax positions of prior years	**2,601**	(1,484)
At end of the year	**65,540**	83,497

Deferred income tax assets in respect of tax losses amounting to US$65.5 million (FY2016/17: US$83.5 million) have not been recognised primarily due to the uncertainty over the availability of future profit generation or temporary differences in the legal entities where such losses were incurred.

17. TAXATION *(Cont'd)*

17.2 Deferred income tax *(Cont'd)*

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

	2018 US$'000	2017 US$'000
Less than 1 year	**-**	13
1 – 2 years	**6,800**	2,245
2 – 5 years	**4,617**	14,385
5 – 20 years	**23,509**	30,513
Unlimited	**30,614**	36,341
	65,540	83,497

Deferred income tax assets have not been recognised with respect to other deductible temporary differences amounting to US$1.0 million (FY2016/17: US$0.9 million) for which no taxable profit or temporary differences will be available to offset the deductible temporary difference.

18. SHARE CAPITAL

	Share capital – ordinary shares (thousands)	Shares held for the incentive share schemes (thousands)	Total
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
Shares vested to Directors and employees for the incentive share schemes	-	3,098	3,098
As of 31 March 2018	**878,845**	**(16,544)**	**862,301**

As of 31 March 2018, the total authorised number of ordinary shares was 1,760.0 million (31 March 2017: 1,760.0 million) with a par value of HK$0.05 per share (31 March 2017: HK$0.05 per share). All issued shares were fully paid.

	Share capital – ordinary shares US$'000	Shares held for the incentive share schemes US$'000	Total US$'000
As of 31 March 2016	5,670	(75,450)	(69,780)
Shares vested to employees for the incentive share schemes (Note 19)	-	10,637	10,637
As of 31 March 2017	5,670	(64,813)	(59,143)
Shares vested to Directors and employees for the incentive share schemes (Note 19)	-	9,594	9,594
As of 31 March 2018	**5,670**	**(55,219)**	**(49,549)**

Cancellation of issued capital

A general mandate was approved and given to the Board by shareholders at JEHL's AGM held on 12 July 2017 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 FY2017/18 for cancellation (FY2016/17: nil).

18. 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 receive annual grants of time-vested units (Restricted Stock Units or RSUs) and performance-vested units (Performance Stock Units or PSUs). According to current granting policy, time-vested units typically vest after three years. Performance-vested units vest after three years, subject to achievement of performance conditions over a three-year performance period including a three-year cumulative earnings per share target and revenue goal for individual divisions (starting with the FY2017/18 grants). If the primary condition is met in full, then the entire grant of PSUs will vest at the end of the vesting period. If the primary performance condition is not met, then the secondary performance conditions are considered. The secondary performance conditions consist of a series of one-year earnings per share targets and one-year revenue targets for individual divisions set at the beginning of each year of the three-year performance period. The earnings per share and revenue targets are of equal weight in the grants for FY2017/18. Partial vesting occurs if one or more of the one-year earnings per share targets and one-year revenue targets for individual divisions are met.

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

	Three-year cumulative goal for earnings per share
Fiscal years of 2015/16 through 2017/18	77.00 US cents
Fiscal years of 2016/17 through 2018/19	65.40 US cents
Fiscal years of 2017/18 through 2019/20	89.08 US cents
Fiscal years of 2018/19 through 2020/21	104.46 US cents

18. 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 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 granted, as of 31 March 2017	6,949	7,140	14,089
Units granted to Directors and employees during the year	1,671	1,616	3,287
Units vested to Directors and employees during the year	(1,297)	(1,801)	(3,098)
Forfeited during the year	(299)	(395)	(694)
Unvested units granted, as of 31 March 2018	**7,024**	**6,560**	**13,584**

The weighted average fair value of the unvested units granted during the year was HK$28.21 (US$3.62) (FY2016/17: HK$18.74 (US$2.40)).

As of 31 March 2018, the number of unvested units outstanding under both the Share Scheme and the Stock Unit Plan on a combined basis was as follows:

	Number of unvested units granted (thousands)		
Vesting year *	Restricted Stock Units	Performance Stock Units	Total
FY2018/19	2,182	1,928	4,110
FY2019/20	3,221	3,061	6,282
FY2020/21	1,621	1,571	3,192
Total unvested units granted	**7,024**	**6,560**	**13,584**

* Shares are typically vested on 1 June of the year

19. 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 2017		15,736	(233,885)	99,439	20,270	36,720	46,931	2,066,122	2,051,333
Hedging instruments									
– raw material commodity contracts									
– fair value gains, net		-	-	-	-	30,427	-	-	30,427
– transferred to inventory and subsequently recognised in income statement		-	-	-	-	(5,007)	-	-	(5,007)
– deferred income tax effect	17	-	-	-	-	(4,194)	-	-	(4,194)
– forward foreign currency exchange contracts									
– fair value gains, net		-	-	-	-	61,855	-	-	61,855
– transferred to income statement		-	-	-	-	(15,242)	-	-	(15,242)
– deferred income tax effect	17	-	-	-	-	(12,875)	-	-	(12,875)
– net investment hedge									
– fair value losses, net		-	-	(41,622)	-	-	-	-	(41,622)
Defined benefit plans									
– remeasurements	15	-	-	-	-	-	-	12,931	12,931
– deferred income tax effect	17	-	-	-	-	-	-	(1,992)	(1,992)
Long service payment									
– remeasurements	15	-	-	-	-	-	-	585	585
– deferred income tax effect	17	-	-	-	-	-	-	(98)	(98)
Release of exchange reserve of an associate upon business combination	28	-	-	(469)	-	-	-	-	(469)
Currency translations of subsidiaries		-	-	132,493	-	1,262	-	-	133,755
Currency translations of associates		-	-	159	-	-	-	-	159
Net income recognised directly in equity		-	-	90,561	-	56,226	-	11,426	158,213
Profit for the year		-	-	-	-	-	-	264,047	264,047
Total comprehensive income for the year		-	-	90,561	-	56,226	-	275,473	422,260
Appropriation of retained earnings to statutory reserve		-	-	-	-	-	8,600	(8,600)	-
Incentive share schemes									
– shares vested	18	488	-	-	(10,082)	-	-	-	(9,594)
– value of employee services	27	-	-	-	12,685	-	-	-	12,685
Put option written to a non-controlling interest	28	-	-	-	-	-	(72,191)	-	(72,191)
FY2016/17 final dividend paid		-	-	-	-	-	-	(37,735)	(37,735)
FY2017/18 interim dividend paid		-	-	-	-	-	-	(18,763)	(18,763)
		488	-	90,561	2,603	56,226	(63,591)	210,375	296,662
As of 31 March 2018		**16,224**	**(233,885)**	**190,000**	**22,873**	**92,946**	**(16,660)**	**2,276,497**	**2,347,995**
Final dividend proposed	25	-	-	-	-	-	-	37,360	37,360
Other		16,224	(233,885)	190,000	22,873	92,946	(16,660)	2,239,137	2,310,635
As of 31 March 2018		**16,224**	**(233,885)**	**190,000**	**22,873**	**92,946**	**(16,660)**	**2,276,497**	**2,347,995**

* Miscellaneous reserves mainly represent property revaluation reserve, equity component of convertible bonds (net of tax), statutory reserve and reserve arising from put option written to a non-controlling interest.

19. 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 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	17	-	-	-	-	(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	17	-	-	-	-	4,045	-	-	4,045
– net investment hedge									
– fair value gains, net		-	-	16,550	-	-	-	-	16,550
Defined benefit plans									
– remeasurements	15	-	-	-	-	-	-	(7,795)	(7,795)
– deferred income tax effect	17	-	-	-	-	-	-	996	996
Long service payment									
– remeasurements	15	-	-	-	-	-	-	308	308
– deferred income tax effect	17	-	-	-	-	-	-	(67)	(67)
Investment property									
– revaluation surplus realised upon disposal		-	-	-	-	-	(31)	31	-
– deferred income tax effect	17	-	-	-	-	-	(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	18	(1,015)	-	-	(9,622)	-	-	-	(10,637)
– value of employee services	27	-	-	-	12,376	-	-	-	12,376
Acquisition of non-controlling interests		-	-	-	-	-	(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	25	-	-	-	-	-	-	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.

20. OTHER INCOME AND GAINS, NET

	2018 US$'000	2017 US$'000
Gross rental income from investment property	4,095	3,595
Gains on investments, net	145	134
(Losses) / gains on disposal of property, plant and equipment and investment property (Note 27)	(541)	1,950
Fair value gains on investment property (Note 4 & 27)	1,625	1,218
Fair value gains on other financial assets / liabilities	1,149	2,745
Fair value losses on structured forward currency exchange contracts	(32,185)	-
Gain on deemed disposal of previously 30% equity interests in HSC (Note 27 & 28)	14,012	-
Subsidies and other recoveries	17,897	9,449
Other income and gains, net	6,197	19,091

21. SELLING AND ADMINISTRATIVE EXPENSES

	2018 US$'000	2017 US$'000
Selling expenses	105,309	100,124
Administrative expenses	387,228	382,399
Legal and warranty	6,001	19,870
Net gains on realisation of other financial assets and liabilities and revaluation of monetary assets and liabilities (Note 23)	(36,307)	(31,049)
Selling and administrative expenses	462,231	471,344

Note: Selling and administrative expenses included operating lease payments for FY2017/18 of US$7.4 million (FY2016/17: US$7.5 million).

22. FINANCE INCOME / (COSTS), NET

	2018 US$'000	2017 US$'000
Interest income	1,161	1,132
Interest expense	(6,158)	(3,867)
Interest expense on convertible bonds (Note 24)	(7,408)	(7,223)
	(12,405)	(9,958)
Accrued interest on put option written to a non-controlling interest *	(1,126)	-
Net finance costs (Note 27)	(13,531)	(9,958)

* The interest was calculated by the effective interest method over the estimated gross obligation arising from the put option written to the seller related to the acquisition of Halla Stackpole Corporation. For details please refer to Note 28.

Borrowings are discussed in Note 13. Convertible bonds are discussed in Note 14.

23. EXPENSES BY NATURE

Operating profit was stated after crediting and charging the following:

	2018 US$'000	2017 US$'000
Depreciation		
Depreciation of property, plant and equipment (Note 3)	144,666	115,482
Less: amounts capitalised in assets under construction	(1,700)	(1,023)
Net depreciation (Note 27)	142,966	114,459
Engineering expenditure *		
Engineering expenditure	177,047	152,601
Capitalisation of engineering development costs (Note 5)	(8,726)	(6,729)
Net engineering expenditure	168,321	145,872
Employee compensation		
Wages and salaries	808,556	736,524
Share-based payments	12,685	12,376
Social security costs	92,892	77,519
Pension costs - defined benefit plans (Note 15.1)	7,066	3,798
Pension costs - defined contribution plans (Note 15.2)	5,794	4,614
	926,993	834,831
Less: amounts capitalised in assets under construction	(6,841)	(6,566)
	920,152	828,265
Other items:		
Cost of goods sold **	2,445,328	2,028,334
Auditors' remuneration	2,729	2,682
Amortisation of intangible assets (Note 5 & 27)	40,679	37,079
Impairment of property, plant and equipment (Note 3 & 27)	6,080	2,565
Net gains on realisation of other financial assets and liabilities and revaluation of monetary assets and liabilities (Note 21)	(36,307)	(31,049)
(Written back of impairment) / impairment of trade receivables / bad debt expense (Note 10)	(4,494)	3,185

* Engineering expenditure as a percentage of sales was 5.5% in FY2017/18 (FY2016/17: 5.5%).

** Cost of goods sold comprised materials, direct labour costs (including their social costs) and production overheads including operating lease payments of US$15.4 million (FY2016/17: US$15.0 million).

24. 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.

	2018	2017
Profit attributable to shareholders (thousands US Dollar)	**264,047**	237,920
Weighted average number of ordinary shares in issue (thousands)	**861,775**	858,666
Basic earnings per share (US cents per share)	**30.64**	27.71
Basic earnings per share (HK cents per share)	**239.26**	214.99

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.

	2018	2017
Profit attributable to shareholders (thousands US Dollar)	**264,047**	237,920
Adjustments for convertible bonds		
– Interest (thousands US Dollar) (Note 22)	**7,408**	7,223
– Deferred income tax effect (thousands US Dollar)	**(803)**	(773)
Adjusted profit attributable to shareholders (thousands US Dollar)	**270,652**	244,370
Weighted average number of ordinary shares issued and outstanding (thousands)	**861,775**	858,666
Adjustments for incentive shares granted		
– Incentive share schemes - Restricted Stock Units	**6,752**	6,430
– Incentive share schemes - Performance Stock Units	**3,680**	3,011
Adjustments for convertible bonds		
– Assumed conversion of convertible bonds	**40,725**	39,959
Weighted average number of ordinary shares (diluted) (thousands)	**912,932**	908,066
Diluted earnings per share (US cents per share)	**29.65**	26.91
Diluted earnings per share (HK cents per share)	**231.50**	208.81

25. DIVIDEND

	2018 US$'000	2017 US$'000
Interim, of 17 HK cents (2.18 US cents) per share, paid in January 2018 (FY2016/17: 16 HK cents or 2.05 US cents)	**18,763**	17,723
Final, proposed, of 34 HK cents (4.36 US cents) per share, to be paid in August 2018 (FY2016/17: 34 HK cents or 4.36 US cents) (Note 19)	**37,360** *	37,600
	56,123	55,323

* Proposed dividend is calculated based on the total number of shares as of 31 March 2018. Actual dividend will be paid on 13 August 2018 to shareholders whose names appear on the Register of Shareholders of JEHL on 2 August 2018.

Total dividend per share for the year is 51 HK cents (FY2016/17 was 50 HK cents).

At a meeting held on 16 May 2018 the Directors recommended a final dividend of 34 HK cents (4.36 US cents) per share to be paid out in August 2018. The recommended final dividend will be reflected as an appropriation of retained earnings for FY2018/19.

Dividends for the periods FY2009/10 through FY2017/18 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
FY2017/18	17.0	34.0 **	51.0	56,123

* 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 FY2017/18 has been recommended by the Board of Directors and is subject to shareholder approval.

26. COMMITMENTS

26.1 Capital commitments

	2018 US$'000	2017 US$'000
Capital commitments for property, plant and equipment		
Contracted but not provided for	**98,097**	43,299

26.2 Operating lease commitments

(i) The Group's future aggregate minimum lease payments under non-cancellable operating leases as of 31 March 2018 and 31 March 2017 were as follows:

	2018		2017	
	Land and buildings US$'000	**Others US$'000**	Land and buildings US$'000	Others US$'000
Less than 1 year	**22,415**	**2,161**	19,220	2,572
1 – 5 years	**57,945**	**4,361**	49,573	4,465
Over 5 years	**21,404**	**-**	32,413	260
	101,764	**6,522**	101,206	7,297

(ii) The Group's future aggregate minimum lease rental receivables under non-cancellable operating leases on land and buildings as of 31 March 2018 and 31 March 2017 were as follows:

	2018 US$'000	2017 US$'000
Less than 1 year	**1,276**	1,175
1 – 5 years	**5,074**	4,852
Over 5 years	**5,772**	4,313
	12,122	10,340

27. CASH GENERATED FROM OPERATIONS

	2018 US$'000	2017 US$'000
Profit before income tax	322,814	290,312
Add: Depreciation of property, plant and equipment (Note 23)	142,966	114,459
Amortisation of intangible assets (Note 5 & 23)	40,679	37,079
Finance expense, net (Note 22)	13,531	9,958
Associates dividend receipts less share of profits	(133)	(3,455)
EBITDA*	**519,857**	448,353
Other non-cash items		
Losses / (gains) on disposal of property, plant and equipment and investment property (Note 20)	541	(1,950)
Impairment of property, plant and equipment (Note 3 & 23)	6,080	2,565
Net realised and unrealised gains on financial assets / liabilities at fair value through profit and loss	(145)	(132)
Share-based compensation expense (Note 19)	12,685	12,376
Fair value gains on investment property (Note 4 & 20)	(1,625)	(1,218)
Fair value losses on structured foreign currency contracts	31,945	-
Gain on deemed disposal of previously 30% equity interests in HSC (Note 20 & 28)	(14,012)	-
Acquisition transaction costs	-	383
	35,469	12,024
EBITDA* net of other non-cash items	**555,326**	460,377
Change in working capital		
Increase in inventories	(55,732)	(44,350)
Increase in trade and other receivables	(64,801)	(60,152)
(Increase) / decrease in other non-current assets	(2,112)	3,140
Increase in trade payables, other payables and deferred income	48,908	64,747
Increase / (decrease) in retirement benefit obligations **	2,684	(1,357)
(Decrease) / increase in provision and other liabilities	(17,176)	8,606
Change in other financial assets / liabilities	9,494	14,009
	(78,735)	(15,357)
Cash generated from operations	**476,591**	445,020

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

** Net of defined benefit pension plan assets

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

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

	2018 US$'000	2017 US$'000
Net book amount	1,280	4,069
(Losses) / gains on disposal of property, plant and equipment and investment property (Note 20)	(541)	1,950
Proceeds from disposal of property, plant and equipment and investment property	739	6,019

28. BUSINESS COMBINATION

28.1 Business combination in FY2017/18

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

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

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

The difference between the fair value and the Group's carrying amount of its 30% equity interests in HSC before the acquisition and the release of a related exchange reserve of US$14.0 million, was recognised in the Group's consolidated income statement as "Gain on deemed disposal of previously 30% equity interests in HSC" under "Other income and gains, net" (Note 20).

Acquisition transaction costs of US$1.1 million were incurred (US$0.8 million in FY2016/17 and US$0.3 million in FY2017/18) and recognised in the income statement within selling and administrative expenses.

The acquired business contributed revenue of US$144.0 million and net profit of US$6.0 million to the Group for period from the date of acquisition to 31 March 2018.

If the acquisition had occurred on 1 April 2017, the Group's consolidated income statement for FY2017/18 would show pro forma revenue of US$3,248.3 million (HSC 1 month: US$11.8 million), EBITDA of US$521.8 million (HSC 1 month: US$2.0 million) and net profit of US$265.4 million (HSC 1 month: US$1.4 million).

28. BUSINESS COMBINATION *(Cont'd)*

28.1 Business combination in FY2017/18 *(Cont'd)*

Details of net assets acquired and goodwill are as follows:

	2018 US$'000
Purchase consideration	83,172
Fair value of equity interest held before the business combination	50,681
A call option written to the Group to acquire the remaining 20% interest	(2,404)
Total consideration	131,449
Non-controlling interest *	25,074
Fair value of net assets acquired – shown as below	(122,795)
Goodwill **	**33,728**

	Fair Value US$'000
Property, plant and equipment	69,001
Intangible assets	25,374
Deferred income tax assets	2,394
Other non-current assets	3,973
Inventories	11,640
Trade receivables and other receivables	47,043
Cash and cash equivalents	27,261
Trade payables and other payables	(23,250)
Current income tax liabilities	(1,728)
Borrowings	(20,984)
Retirement benefit obligations	(8,533)
Provision and other liabilities	(435)
Deferred income tax liabilities	(8,961)
Net assets acquired	122,795
Purchase consideration settled in cash	
Cash	83,172
Cash and cash equivalents, net of debt in subsidiaries acquired	(6,277)
Cash outflow on acquisition	**76,895**

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

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

28. BUSINESS COMBINATION *(Cont'd)*

28.1 Business combination in FY2017/18 *(Cont'd)*

As of 31 March 2018, the Group has substantially completed the fair value assessments for net assets acquired (including intangible assets) from the business combination activities. The fair value of net assets stated opposite are on a provisional basis subject to the final valuation of certain assets and liabilities.

Pursuant to the Share Purchase Agreement in relation to the acquisition of a 50% equity interest in HSC, the Seller was granted a put option in which the Seller has the right to require the Group to acquire all of its rights in HSC, and the put option is exercisable at any time during a 4-year period immediately following the expiration of a 5-year period from the closing date of the acquisition ("Put Exercise Period").

The Group is also granted a call option in which the Group has the right to require the Seller to sell all of its rights to the Group, exercisable at any time during a 4-year period immediately following the expiry of the Put Exercise Period.

The exercise price of the options shall be based on EBITDA multiples, net of the net debt of HSC for the fiscal year immediately preceding the fiscal year when either option is exercised.

The estimated gross obligation arising from the put option written to the Seller was recognised when the contractual obligation to acquire the remaining 20% interest of HSC was established, even though the obligation is conditional on the option being exercised by the Seller. The liability as of 31 March 2018 was US$79.5 million (KRW84.5 billion). In subsequent periods, the remeasurement of the present value of the estimated gross obligation under the put option written to the non-controlling interests will be recognised in the consolidated income statement.

The call option written to the Group is recognised at its fair value of US$2.4 million and is included in "Financial assets at fair value through profit and loss". Any changes in fair value in subsequent reporting periods will be recognised in the Group's consolidated income statement (31 March 2018: US$2.5 million).

28. BUSINESS COMBINATION *(Cont'd)*

28.2 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.

During the year, the Group has finalised the fair value assessments for the net assets acquired (including intangible assets) from this acquisition. On completion of the fair value assessments, adjustments made to the provisional calculation of identifiable assets and liabilities as of 30 September 2016 amounted to US$9.3 million, with an equivalent increase in the reported value of goodwill. The changes mainly represent finalisation of warranty liabilities in relation to claims existing before the acquisition, with the related deferred tax adjustments. The comparative consolidated balance sheet as of 31 March 2017 has been retrospectively restated to reflect the final allocation of fair values of the net assets acquired in FY2016/17.

Details of net assets acquired and goodwill are as follows:

	US$'000
Purchase consideration	72,347
Fair value of net assets acquired	(22,622)
Goodwill, as adjusted	49,725
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

JOHNSON ELECTRIC GROUP TEN-YEAR SUMMARY

US$ million	2018	2017	2016
Consolidated income statement			
Sales	3,236.6	2,776.1	2,235.9
Earnings before interest and tax (EBIT) [1]	336.3	300.3	209.8
Profit before income tax	322.8	290.3	206.6
Income tax (expense) / income	(48.6)	(43.8)	(23.9)
Discontinued operations	-	-	-
Profit for the year	274.2	246.5	182.7
Non-controlling interests	(10.2)	(8.6)	(10.0)
Profit attributable to shareholders	264.0	237.9	172.7
Consolidated balance sheet			
Fixed assets	1,214.6	892.8	759.0
Goodwill and intangible assets	1,178.6	1,076.7	1,083.4
Cash and cash equivalents	168.9	127.7	193.3
Other current and non-current assets	1,440.1	1,257.5	1,113.7
Total assets	4,002.2	3,354.7	3,149.4
Equity attributable to shareholders	2,298.4	1,992.2	1,842.6
Non-controlling interests	67.4	32.8	42.2
Total equity	2,365.8	2,025.0	1,884.8
Total debt [2]	492.2	384.0	422.5
Other current and non-current liabilities	1,144.2	945.7	842.1
Total equity and liabilities	4,002.2	3,354.7	3,149.4
Per share data [3]			
Basic earnings per share - continuing operations (US cents)	30.6	27.7	20.1
Dividend per share (US cents)	6.5	6.4	6.3
Closing stock price (HKD)	29.5	23.2	24.0
Other information			
Free cash flow from operations [4]	88.2	160.1	70.8
Earnings before interest, tax, depreciation and amortisation (EBITDA)	519.8	448.4	321.9
EBITDA to sales%	16.1%	16.2%	14.4%
Capital expenditure (CAPEX)	305.8	240.2	186.2
CAPEX to sales %	9.4%	8.7%	8.3%
Market Capitalisation	3,236.1	2,565.6	2,643.3
Enterprise Value (EV)	3,626.7	2,854.7	2,914.7
EV / EBITDA [5]	7.0	6.3	7.9
Ratios			
EBIT to sales %	10.4%	10.8%	9.4%
Return on average total equity % [6]	12.5%	12.6%	9.7%
Free cash flow from operations to debt %	18%	42%	17%
Total debt to EBITDA (times) [5]	0.9	0.9	1.1
Total debt to capital %	17%	16%	18%
Interest coverage (times) [7]	22.9	27.1	22.3

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

2015	2014	2013	2012	2011	2010 *	2009
2,136.1	2,097.6	2,059.7	2,140.8	2,104.0	1,741.0	1,828.2
243.5	233.9	213.2	221.6	235.8	110.5	47.0
249.0	243.0	218.0	220.5	226.4	103.8	37.4
(29.2)	(28.1)	(21.1)	(31.6)	(36.1)	(16.4)	0.4
-	-	-	-	-	-	(31.1)
219.8	214.9	196.9	188.9	190.3	87.4	6.7
(8.9)	(7.0)	(5.6)	(2.2)	(8.6)	(10.4)	(4.1)
210.9	207.9	191.3	186.7	181.7	77.0	2.6
492.6	460.6	425.6	433.1	457.5	440.6	428.3
595.6	650.7	621.5	757.8	774.7	699.9	662.1
773.2	644.0	480.9	385.1	354.7	367.1	302.0
986.6	745.4	715.9	704.0	755.5	623.2	557.5
2,848.0	2,500.7	2,243.9	2,280.0	2,342.4	2,130.8	1,949.9
1,862.3	1,732.3	1,568.5	1,461.6	1,362.2	1,121.7	964.4
38.6	34.0	30.3	25.9	60.1	51.5	33.7
1,900.9	1,766.3	1,598.8	1,487.5	1,422.3	1,173.2	998.1
291.3	116.9	125.0	205.4	313.7	408.7	528.9
655.8	617.5	520.1	587.1	606.4	548.9	422.9
2,848.0	2,500.7	2,243.9	2,280.0	2,342.4	2,130.8	1,949.9
24.1	23.4	21.4	20.7	19.9	8.4	3.7
6.2	5.9	5.6	5.1	4.6	2.6	-
27.3	28.7	23.1	19.3	18.2	20.6	6.0
155.8	231.1	111.9	166.0	169.6	215.1	168.5
335.5	321.8	304.3	314.3	322.5	197.9	136.2
15.7%	15.3%	14.8%	14.7%	15.3%	11.4%	7.4%
119.9	92.2	82.6	91.3	85.6	38.0	62.8
5.6%	4.4%	4.0%	4.3%	4.1%	2.2%	3.4%
3,032.5	3,282.2	2,646.2	2,229.5	2,134.4	2,426.3	704.3
2,589.3	2,789.1	2,320.5	2,075.6	2,153.4	2,519.4	964.9
7.7	8.7	7.6	6.3	6.7	12.7	7.1
11.4%	11.2%	10.4%	10.4%	11.2%	6.3%	2.6%
12.0%	12.8%	12.8%	13.0%	14.7%	8.1%	0.7%
53%	198%	90%	81%	54%	53%	32%
0.9	0.4	0.4	0.7	1.0	2.1	3.9
13%	6%	7%	12%	18%	26%	35%
28.8	127.8	79.0	32.1	18.2	12.4	3.0

* Historical data for FY2009/10 had been restated for the adoption of HKAS 12 (amendment) - deferred tax related to investment properties. Historical data for 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

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 2018 (Thu)

Register of Shareholders

Closure of Register (both dates inclusive)

For attending AGM: 9 - 12 July 2018 (Mon – Thu)

For final dividend: 31 July – 2 August 2018 (Tue – Thu)

Dividend (per Share)

Interim Dividend	: 17 HK cents
Paid on	: 5 January 2018 (Fri)
Final Dividend	: 34 HK cents
Payable on	: 13 August 2018 (Mon)

REVIEW OF ANNUAL RESULTS

The Company's annual results for the year ended 31 March 2018 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 2018 will be despatched to the shareholders and available on the same websites on or about 1 June 2018.

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, 16 May 2018

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