Johnson Electric Holdings Limited

(Incorporated in Bermuda with limited liability)
(Stock Code : 179)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2019

HIGHLIGHTS

- For the financial year ended 31 March 2019, total sales amounted to US$3,280 million – an increase of 1% compared to the prior financial year. Excluding the effects of acquisition and foreign currency movements, underlying sales increased by 2%
- EBITDA totalled US$549 million – an increase of 6%
- Operating profits increased by 3% to US$344 million or 10.5% of sales (compared to 10.4% of sales in FY17/18)
- Net profit attributable to shareholders increased by 7% to US$281 million (or 31.60 US cents per share on a fully diluted basis). Underlying net profit, which excludes the net impact of non-cash foreign currency-related gains/losses and a prior year non-cash gain on an acquisition, decreased by 10% to US$243 million
- Capital expenditure totalled US$391 million – up 28%, reflecting major investments in advanced automation, technology and manufacturing footprint expansion
- As of 31 March 2019, cash reserves amounted to US$340 million and the Group's ratio of total debt to EBITDA was 1.2 times

LETTER TO SHAREHOLDERS

Johnson Electric achieved increased sales and net income for the financial year 2018/19 in the face of increasingly challenging operating conditions and weaker demand in several of the Group's major end markets.

Dividends

In view of the decrease in underlying operating income and significant ongoing capital investments in strengthening the business, the Board recommends maintaining the final dividend of 34 HK cents per share, which together with the interim dividend of 17 HK cents per share, represents a total dividend of 51 HK cents per share. The final dividend will be payable in cash with a scrip alternative where a 4% discount on the subscription price will be offered to shareholders who elect to subscribe for shares. The Board has further been informed that the controlling shareholder of the Company intends to subscribe for its entire eligible allocation of shares under the scrip dividend alternative. Full details of the scrip dividend alternative will be set out in a circular to shareholders.

Sales Performance

The softening in the global economy in the second half of the financial year, along with industry-specific factors, represented a major headwind for the Group with the result that total sales amounted to US$3,280 million, an increase of 1% over the prior financial year.

After several years of strong growth momentum, the global automotive industry stalled in 2018 as US car sales peaked, Europe was held back by new emissions testing rules and China sales declined for the first time in two decades.

The Automotive Products Group ("APG"), Johnson Electric's largest operating division, achieved sales of US$2,530 million. Excluding acquisition and currency effects, APG's sales increased by 2%. On a regional basis, the strongest performance was in the Americas where APG increased sales by almost 8% in constant currency terms against a market where light vehicle production volumes were flat. In Asia, sales grew by just over 2% in constant currency terms compared to a decline in regional industry production of almost 3%. China's car industry experienced a particularly sharp contraction in production volumes of over 6% as a result of the expiration of favourable tax purchase policies, as well as the overall slowdown in consumption and economic activity. APG performed less well in Europe with sales declining approximately 3% in constant currency terms compared to a decline of 2.6% in regional production volumes. European passenger car production was held back by the implementation of the "worldwide light vehicles test procedure", or WLTP – designed to offer more realistic fuel economy results – which caused OEM production bottlenecks and negatively impacted car sales in the second half of the year.

The Industry Products Group ("IPG") reported a 1% increase in sales to US$750 million – representing 23% of total Group sales. Generally weaker macro-economic conditions and the US-China tariff dispute put a dampener on demand across many of the Group's end-market segments. Nonetheless, through a combination of market share gains and new customer launches, IPG was able to grow sales in the Americas by over 6% in constant currency terms. Sales to European customers were essentially flat compared to the prior year. In Asia, sales were down just under 2% in constant currency terms due to the combination to uncertainties over US-China trade relations, slower economic growth in China and customer-specific launch delays.

Pressure on Underlying Profit

Gross profit decreased by 5% to US$751 million – which as a percentage of sales represented a reduction from 24.4% to 22.9%. This disappointing performance was due to the combination of weaker sales volumes in a majority of APG's business units (particularly in the second half when sales declined on both a sequential and year-on-year basis) and the negative impact of pricing pressure and higher raw material, labour and depreciation expenses.

The Group's operating profit benefited from a substantial increase in "Other income and expenses". This was primarily due to the impact of a mark-to-market gain on structured foreign exchange contracts that form part of Johnson Electric's long-term operational hedging activities and net changes in the revaluation of monetary assets and liabilities and other foreign currency hedging contracts. As a result of these and other non-cash items, operating profits increased by 3% to US$344 million or 10.5% of sales.

A lower effective tax rate also boosted the bottom line, with net profit attributable to shareholders totalling US$281 million – an increase of 7% compared to the prior year.

Investing to Adapt and Strengthen the Business

As has been noted in prior reports to shareholders, Johnson Electric is embarked on a major transformation of its business model to adapt to a number of disruptive forces impacting its operating environment and many of its end markets.

First, significant investments are being made in automation to further advance product quality and to pre-empt an era where more frequent labour shortages and higher wage inflation threaten to make many of today's more labour-intensive manufacturing processes uneconomic. Underpinning the business case for the near term increase in capital expenditure is the Group's sustained success in winning new programmes in higher volume product applications that in many instances also require supplying customer assembly plants in more than one continent.

The ability to respond effectively to customer needs across different geographic regions is a second imperative for component manufacturers. Recent geopolitical trends in relation to global trade and tariffs suggest that it will become even more competitively advantageous to possess comprehensive fulfilment capabilities in each of the three major economic regions. In this respect, the Group is seeking to build upon its extensive manufacturing and assembly operations in Europe and the Americas which complement our historic strength in China.

Third, advances in digital technology are set to trigger fundamental changes to the way our business operates both internally and externally. Investments in IT infrastructure and software are the enablers to increased functional efficiency and reduced operating costs. At the customer interface, we are beginning to make advances in combining the latest digital tools with our deep pool of product performance data to offer faster response times and superior solutions to customer problems.

Outlook

Demand levels in several of our major markets have remained comparatively weak in recent months – with China's automotive sector in particular continuing to contract. Consequently, the prospect of the US-China trade dispute escalating represents a significant risk as to whether trading conditions are able to improve in the near term.

Approximately 5% of the Group's total annual sales volume is currently subject to Section 301 tariffs that have been imposed on goods imported into the USA from China. While this exposure is not especially large in the context of Johnson Electric's diversified global sales base, if the USA and China fail to reach a negotiated trade agreement in the coming weeks the effects will be disruptive to our global supply chain and could result in higher cost for our business, our customers and consumers.

Notwithstanding the difficult and highly unpredictable current operating environment, I remain optimistic about Johnson Electric's competitive position and growth trajectory in the medium to longer term. Our product line is aligned with the market's need for mission-critical solutions to electrification, emissions, cooling, weight reduction and energy saving problems – as exemplified by a strong pipeline of new business launches scheduled for the current financial year. Our global manufacturing footprint provides us with the means to be both responsive to customers and mitigate the negative impact of foreign currency volatility and import tariffs. Further, we benefit significantly from a diverse, high-quality customer base balanced evenly across the world's three major regional economies.

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 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL PERFORMANCE

US$ million	FY18/19	FY17/18
Sales	3,280.4	3,236.6
Gross profit	751.4	791.2
Gross margin	*22.9%*	*24.4%*
EBITA [1]	386.5	377.0
EBITA margin	*11.8%*	*11.6%*
Profit attributable to shareholders	281.3	264.0
Diluted earnings per share (US cents)	31.60	29.65
Free cash flow from operations [2]	55.7	88.2

US$ million	31 Mar 2019	31 Mar 2018
Cash	340.0	168.9
Total debt	685.7	492.2
Net debt (total debt less cash)	345.7	323.3
Total equity	2,558.5	2,365.8
Market capitalisation [3]	2,019.2	3,236.1
Enterprise value [4]	2,436.2	3,626.7
EBITDA [5] adjusted on a pro forma basis [6]	549.3	521.8

Key Financial Ratios	31 Mar 2019	31 Mar 2018
Enterprise value to EBITDA [6]	4.4	7.0
Total debt to EBITDA [6]	1.2	0.9
Total debt and leases [7] to EBITDA [6]	1.3	1.1
Total debt to capital (total equity + total debt)	21%	17%

1 Earnings before interest, tax and amortisation

2 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

3 Outstanding number of shares multiplied by the closing price (HK$18.18 per share as of 31 March 2019 and HK$29.45 per share as of 31 March 2018) converted to USD at the closing exchange rate

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

5 Earnings before interest, tax, depreciation and amortisation

6 EBITDA for FY17/18 adjusted to include 12 months operations of HSC on a pro forma basis

7 Leases at 31 March 2019, adjusted to include lease liabilities that will be recognised for the first time on 1 April 2019, on the adoption of HKFRS 16. Leases at 31 March 2018, adjusted to include lease payments discounted at 7% for this analysis. EBITDA for FY18/19 and FY17/18 includes a corresponding adjustment to annual lease expense

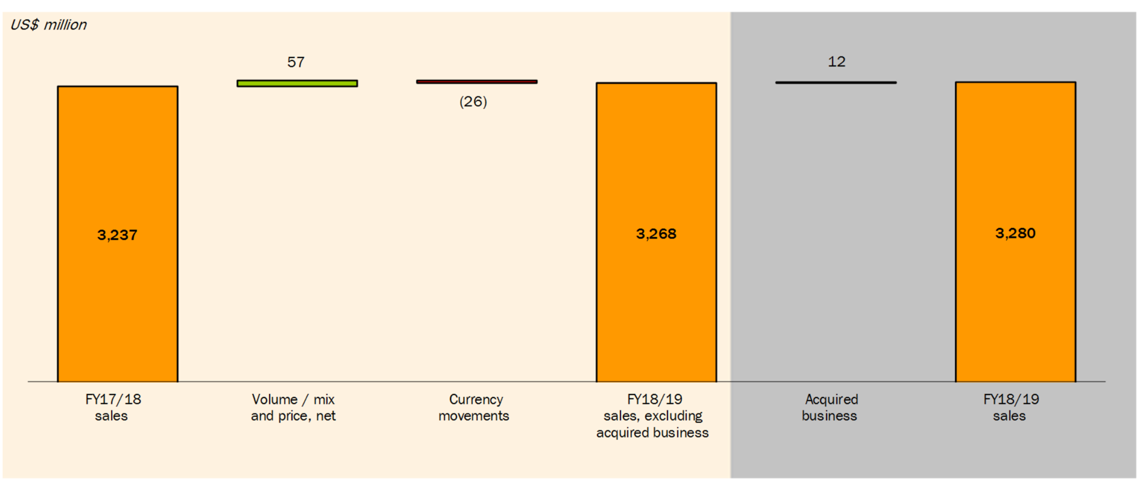
BUSINESS REVIEW

Sales

Sales increased by US$43.8 million or 1% to US$3,280.4 million in FY18/19 (FY17/18: US$3,236.6 million). Excluding acquisition effects and currency movements, sales increased by US$57.3 million or 2% compared to the prior year, as shown below:

US$ million	FY18/19		FY17/18		Change	
Automotive Products Group ("APG") sales						
– Excluding acquisition and currency movements	2,541.6	77%	2,493.7	77%	47.9	2%
– Acquired business	12.0	0%	-	0%	12.0	
– Subtotal	2,553.6	77%	2,493.7	77%	59.9	2%
– Currency movements	(23.6)		n/a		(23.6)	
APG sales	2,530.0		2,493.7		36.3	1%
Industry Products Group ("IPG") sales						
– Excluding currency movements	752.3	23%	742.9	23%	9.4	1%
– Currency movements	(1.9)		n/a		(1.9)	
IPG sales	750.4		742.9		7.5	1%
Group sales						
– Excluding acquisition and currency movements	3,293.9	100%	3,236.6	100%	57.3	2%
– Acquired business	12.0	0%	-	0%	12.0	
– Subtotal	3,305.9	100%	3,236.6	100%	69.3	2%
– Currency movements	(25.5)		n/a		(25.5)	
Group sales	**3,280.4**		**3,236.6**		**43.8**	**1%**

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



Volume / mix and price increased sales by US$57.3 million. Organic changes in APG and IPG's sales are discussed on pages 7 to 9.

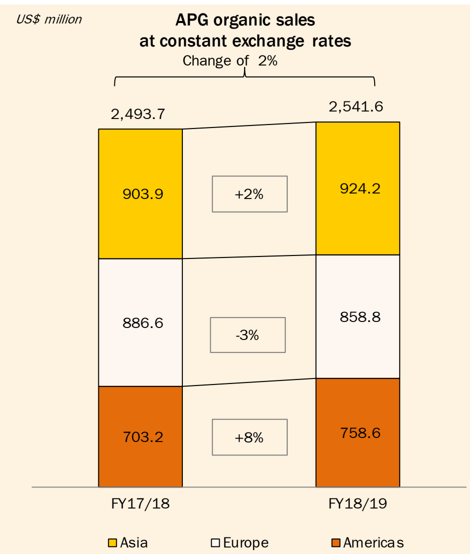
Newly acquired business increased sales by US$12.0 million.

Currency movements had a negative impact, reducing sales by US$25.5 million due to the decline of the Euro, the Chinese Renminbi and Canadian Dollar versus the US Dollar, comparing average exchange rates for FY18/19 to FY17/18. The Group's sales are largely denominated in the US Dollar, the Euro, the Chinese Renminbi and the Canadian Dollar.

Further information on the Group's foreign exchange risk can be found in the discussion of Financial Management and Treasury Policy

Automotive Products Group

Through the combined effects of organic business growth and the prior year's acquisition of Halla Stackpole, APG's sales increased by 2%, excluding currency movements.



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

	APG sales growth/(decline)			
Year ended	Asia	Europe	Americas	Total
31 March 2019	2%	(3%)	8%	2%
31 March 2018	15%	2%	9%	8%
31 March 2017	20%	2%	3%	9%
31 March 2016	4%	5%	4%	5%

Organic growth: APG's sales excluding acquisition effects and currency movements increased by 2%, compared to FY17/18. Strong growth in the first half of the year was partly offset by the impact of a slowdown in automotive markets in Asia and Europe in the second half of FY18/19. APG outperformed the automotive market, as global light vehicle production declined 3% in FY18/19. This was driven by multiple product platforms as the industry increased the level of electrification of critical automotive functions to increase powertrain efficiency and reduce vehicle weight, while improving safety, reliability and comfort.

In Asia, sales increased by 2%, despite a 3% decrease in light vehicle production in the region. APG benefited from increased sales of engine and transmission oil pumps, products for thermal management, braking and engine management applications due to new product launches, the ramp-up of recent platform launches and market share gains. This was slightly offset by reduced sales of products for sunroof, lighting systems and doorlock applications due to the decline in vehicle production.

In Europe, sales decreased by 3%, in line with the 3% decrease in light vehicle production in the region. Sales across a wide range of applications were slower in the middle of FY18/19 as automotive OEMs strove to comply with strict new European Union test procedures for emissions and fuel consumption. There was also an adverse impact from long-term structural changes as European consumers moved away from diesel-engined vehicles and held off purchasing cars, waiting for a wider range of hybrid/electric cars to become available. The decline in sales of diesel-engined light vehicles in the region reduced demand not only for the Group's products for diesel engine management and diesel exhaust applications but also for ancillary systems fitted to these vehicles. These adverse impacts were partly offset by increased sales of engine and transmission oil pumps and products for coolant valve applications due to new and recently launched programmes. APG believes that it is well placed to win new business in the region as automotive OEMs add more hybrid/electric cars to their ranges.

In the Americas, sales increased by 8%, despite light vehicle production in the region remaining flat. This was led by increased sales of powder metal components, ramped-up production of Stackpole's recently launched lower-cost, more efficient oil pumps, and volume growth in motors for seat adjustment and braking applications.

Major product lines: The Group's automotive business also includes:

- The Stackpole business, primarily engaged in the manufacture and sale of engine and transmission oil pumps and powder metal components, accounted for 22% of the Group's sales for FY18/19 (FY17/18: 20%).

- 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 FY18/19 (FY17/18: 19%).

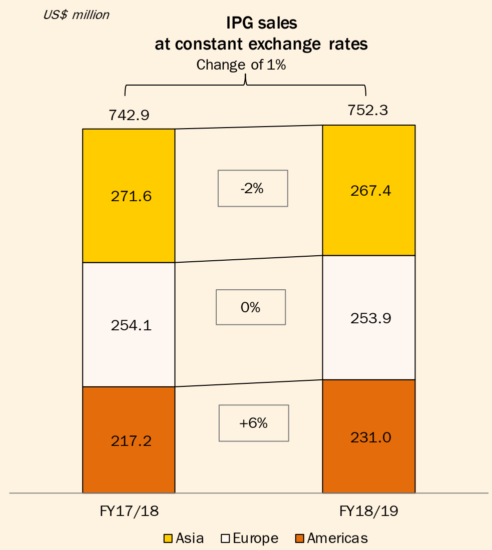
Industry Products Group

IPG's sales, excluding currency movements, increased by 1% for FY18/19 compared to the prior year.

In Asia, revenue decreased by 2% due to softening demand in the second half of the year from China key accounts for export to the domestic appliance and consumer goods segments.

In Europe, revenue was flat but with growth in key accounts, lawn and the window motorisation segments. That growth was offset by weaker demand in the heating and metering segments and the phase out of older microswitch programs.

In the Americas, revenue increased by 6%, driven by program launches in the medical and window motorisation segments, partially offset by the phase out of old programs at key accounts and lower demand in the second half in the white goods segment.



Yearly trend in sales
(excluding currency movements)

	IPG sales growth/(decline)			
Year ended	Asia	Europe	Americas	Total
31 March 2019	(2%)	0%	6%	1%
31 March 2018	13%	6%	2%	7%
31 March 2017	3%	18%	(3%)	5%
31 March 2016	(17%)	8%	0%	(5%)

IPG's "Solutions" business unit is focused on global market segments and regional key accounts. The majority of the focus segments achieved moderate growth, including the medical, ventilation, window, power tools and lawn segments. New product launches were the driver for growth in those segments. This was partly offset by lower demand in the white goods, metering and heating segments.

IPG's "Products" business unit is focused on a large number of customers throughout the world. IPG's inside sales teams in the regions serve those customers and manage regional distribution channels. The products business revenue grew globally driven by new products designed for production automation.

Profitability Review

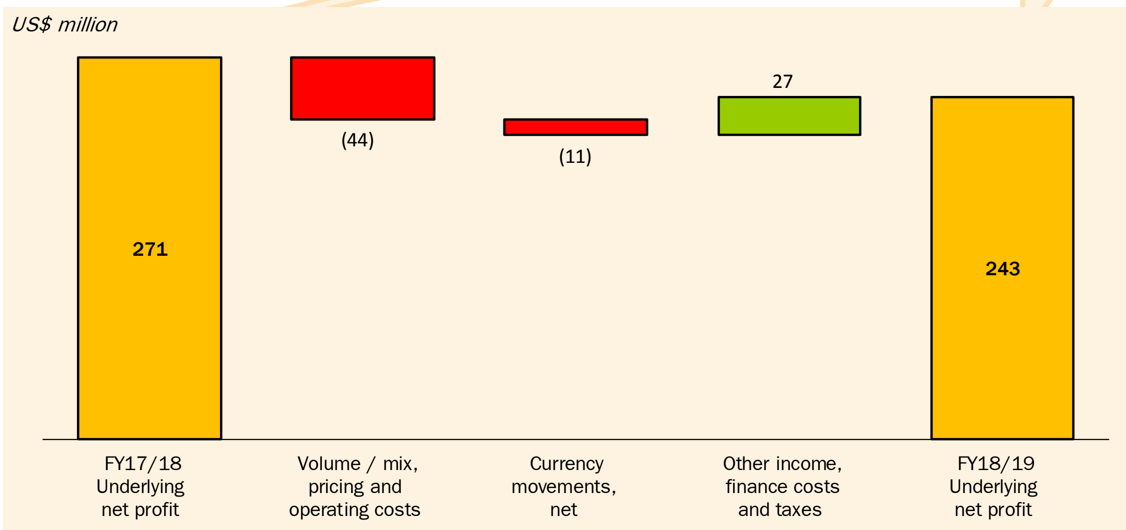
Profit attributable to shareholders was US$281.3 million in FY18/19, an increase of US$17.3 million from US$264.0 million in FY17/18.

US$ million	FY18/19	FY17/18	Increase / (decrease)
Sales	3,280.4	3,236.6	43.8
Gross profit	751.4	791.2	(39.8)
Gross margin %	*22.9%*	*24.4%*	
Other income and (expenses)	78.9	13.9	65.0
As a % of sales	*2.4%*	*0.4%*	
Intangible assets amortisation expense	(42.2)	(40.7)	(1.5)
As a % of sales	*1.3%*	*1.3%*	
Other selling and administrative expenses (“S&A”)	(443.9)	(429.2)	(14.7)
As a % of sales	*13.5%*	*13.3%*	
Operating profit	344.2	335.2	9.0
Operating profit margin %	*10.5%*	*10.4%*	
Share of profit of associates	0.1	1.1	(1.0)
Net interest expense	(16.4)	(13.5)	(2.9)
Profit before income tax	327.9	322.8	5.1
Income tax expense	(38.3)	(48.6)	10.3
Effective tax rate	*11.7%*	*15.0%*	
Profit for the year	289.6	274.2	15.4
Non-controlling interests	(8.3)	(10.2)	1.9
Profit attributable to shareholders	281.3	264.0	17.3
Basic earnings per share (US cents)	32.46	30.64	1.82
Diluted earnings per share (US cents)	31.60	29.65	1.95

A significant portion of this profit was due to non-cash items reported in other income and expenses. Excluding these items, profit for FY18/19 reduced (FY17/18 increased), as shown below:

	FY17/18			FY18/19		
US$ million	Before tax	Tax effect	Net of tax effect	Before tax	Tax effect	Net of tax effect
Net profit, as reported			**264.0**			**281.3**
Unrealised net fair value (gains) on other financial assets and liabilities	(1.5)	0.3	(1.2)	(18.6)	2.1	(16.5)
Unrealised net (gains) / losses from revaluation of monetary assets and liabilities	(7.1)	1.4	(5.7)	27.7	(4.9)	22.8
Unrealised net fair value losses / (gains) on structured forward currency exchange contracts	31.9	(3.9)	28.0	(51.0)	6.6	(44.4)
(Gain) on deemed disposal of previously 30% equity interest in Halla Stackpole	(14.0)	-	(14.0)	-	-	-
Net impact of significant non-cash items: losses / (gains)	9.3	(2.2)	**7.1**	(41.9)	3.8	**(38.1)**
Net profit excluding the impact of significant non-cash items			**271.1**			**243.2**

The drivers of the movements in underlying net profit are shown below:



Volume / mix, pricing and operating costs: Profits in FY18/19 were adversely affected by wage inflation, price reductions and increased depreciation charges, partly offset by cost savings activities. The net effect of these changes decreased the gross profit margin to 22.9% and decreased net profit by US$44.4 million.

Conditions in the second half of FY18/19 were more difficult as lower volumes had an adverse impact on the gross profit margin. The sequential change in gross profit margin by half-year is shown in the adjacent table.

	Gross margin %
First half of FY17/18	24.9%
Second half of FY17/18	24.0%
First half of FY18/19	23.8%
Second half of FY18/19	22.0%

Selling and administrative expenses (excluding intangible assets amortisation expense), as a percentage of sales, increased slightly to 13.5% (FY17/18: 13.3%).

Currency movements, net: The Group's global operations expose it to foreign exchange volatility, partially mitigated by hedging key currencies such as the Euro and the Chinese Renminbi. Excluding unrealised gains on currency hedges, monetary assets and liabilities and structured forward contracts, currency movements reduced net profit by US$10.7 million in FY18/19.

Further information on the Group's foreign exchange risk and forward foreign currency contracts can be found in the discussion of Financial Management and Treasury Policy

Other income, finance costs and taxes increased profits for FY18/19 by US$27.2 million.

- Other income increased due to fair value gains on investment property, subsidies and other recoveries.

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

Finance income and costs are further analysed in Note 22 to the consolidated financial statements (the "accounts")

- The effective tax rate decreased to 11.7% for FY18/19, from 15.0% for the prior year. This was largely due to the full-year effect of US tax reforms that reduced the statutory rate from 35% to 21% and a reduction in tax rates payable by the Group's manufacturing subsidiary in Switzerland.

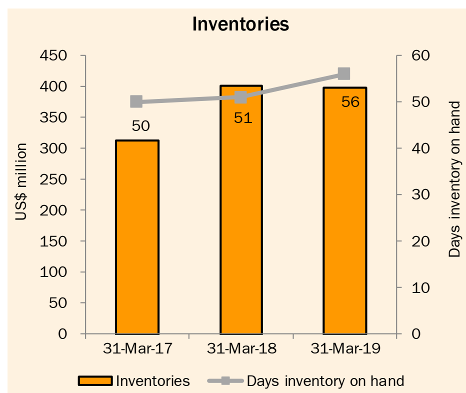
Taxes are further analysed in Note 17 to the accounts

WORKING CAPITAL

US$ million	Balance sheet as of 31 Mar 2018	Currency translation	Working capital changes per cash flow	Other	Balance sheet as of 31 Mar 2019
Inventories	400.8	(8.5)	5.6	-	397.9
Trade and other receivables	771.4	(22.5)	(41.4)	-	707.5
Other non-current assets	32.0	(1.6)	1.8	12.9	45.1
Trade payables, other payables and deferred income [1]	(710.6)	29.1	0.2	10.1	(671.2)
Retirement benefit obligations [1, 2]	(32.9)	3.3	(3.1)	(7.0)	(39.7)
Provisions and other liabilities [1]	(45.4)	2.6	6.2	-	(36.6)
Other financial assets / (liabilities), net [1]	97.7	(1.8)	12.7	66.1	174.7
Total working capital per balance sheet	513.0	0.6	(18.0)	82.1	577.7

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

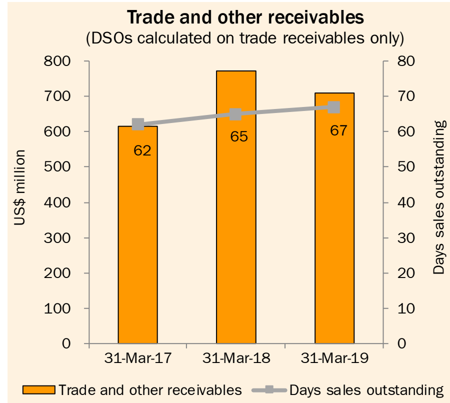
Inventories decreased by US$2.9 million to US$397.9 million as of 31 March 2019 (31 March 2018: US$400.8 million).



Comparing 31 March 2019 to 31 March 2018, the weakening of the Euro and the Chinese Renminbi decreased the value of inventories held in Europe and Asia. Although the impact of weak automotive markets in Europe and Asia reduced some inventory lines, this was more than offset by the combined effect of the build-up of safety stocks in readiness for the relocation of some production lines, increased inventory quantities required for product launches and ramp-ups, and higher stocks of certain electronic components with long-lead times. These factors also caused days inventory on hand to increase to 56 days as of 31 March 2019, from 51 days as of 31 March 2018.

Trade and other receivables decreased by US$63.9 million to US$707.5 million as of 31 March 2019 (31 March 2018: US$771.4 million) due to the recovery of VAT receivables and the weakening of the Euro and Chinese Renminbi.

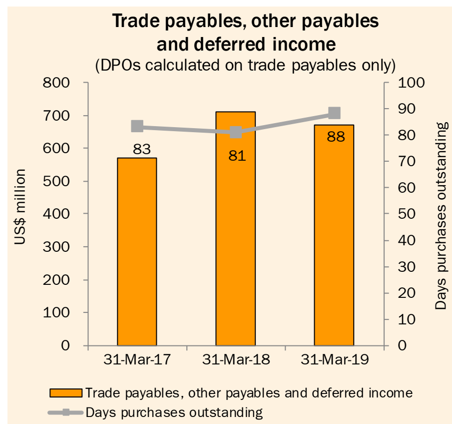
Days sales outstanding ("DSOs") increased slightly to 67 days as of 31 March 2019, from 65 days as of 31 March 2018 due to an increase in the proportion of sales to customers with longer credit terms.



The Group's trade receivables are of high quality. Current receivables and overdue balances of less than 30 days remained at about 97% of gross trade receivables.

Trade payables, other payables and deferred income decreased by US$39.4 million to US$671.2 million as of 31 March 2019 (31 March 2018: US$710.6 million). This was due to reduced volumes of purchases in the second half of FY18/19 and lower incentive compensation accruals. This was partly offset by the impact of some suppliers granting longer payment terms and an increase in tooling payables for new programs.

Days purchases outstanding ("DPOs") increased to 88 days as of 31 March 2019, from 81 days as of 31 March 2018, due to longer payment terms granted by some suppliers.



Retirement benefit obligations increased by US$6.8 million to US$39.7 million as of 31 March 2019 (31 March 2018: US$32.9 million). This increase was due to a change in the present value of pension obligations caused by a reduction in discount rates, partly offset by gains made by underlying pension scheme assets. The Group will make contributions of US$3.3 million to defined benefit retirement plans for FY19/20 (FY18/19: made contributions of US$3.2 million).

Further details of retirement benefit obligations can be found in Note 15 to the accounts

Provisions and other liabilities decreased by US$8.8 million to US$36.6 million as of 31 March 2019 (31 March 2018: US$45.4 million), due to the utilisation of warranty and severance provisions.

Further details of provisions and other liabilities can be found in Note 16 to the accounts

Other financial assets / (liabilities), net increased by US$77.0 million to US$174.7 million as of 31 March 2019 (31 March 2018: net financial asset of US$97.7 million), due to changes in the fair values of the Group's hedge contracts.

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

CASH FLOW

US$ million	FY18/19	FY17/18	Change
Operating profit [1]	344.9	336.2	8.7
Depreciation and amortisation	204.4	183.6	20.8
EBITDA	549.3	519.8	29.5
Other non-cash items	(45.1)	35.5	(80.6)
Working capital changes	18.0	(78.7)	96.7
Interest paid	(10.5)	(8.2)	(2.3)
Income taxes paid	(55.9)	(67.6)	11.7
Capital expenditure, net of subsidies	(391.4)	(305.8)	(85.6)
Proceeds from disposal of fixed assets	0.6	0.7	(0.1)
Capitalisation of engineering development costs	(11.2)	(8.7)	(2.5)
Interest received	1.9	1.2	0.7
Free cash flow from operations	**55.7**	**88.2**	**(32.5)**
Acquisitions and related costs	(2.4)	(104.8)	102.4
Purchase of intangible assets	(1.0)	-	(1.0)
Dividends paid	(43.3)	(56.5)	13.2
Purchase of shares held for incentive share schemes	(1.5)	-	(1.5)
Other investing activities	(8.2)	0.1	(8.3)
Dividends paid to non-controlling interests	(5.5)	-	(5.5)
Other financing activities	-	(1.7)	1.7
Repurchase of convertible bonds	(59.3)	-	(59.3)
Proceeds from public and private long-term debt issuance, net of transaction costs	396.1	-	396.1
Borrowing (repayments) / proceeds, net	(146.3)	101.6	(247.9)
Increase in cash and cash equivalents (excluding currency movements)	184.3	26.9	157.4
Currency translation (losses) / gains on cash and cash equivalents	(13.2)	14.3	(27.5)
Net movement in cash and cash equivalents	171.1	41.2	129.9

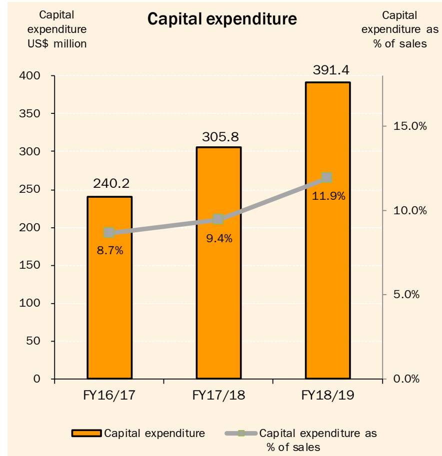
1 Operating profit plus US$0.7 million dividend received from associate in FY18/19 (FY17/18: US$1.0 million)

The Group generated US$55.7 million free cash flow from operations in FY18/19, a US$32.5 million decrease from the US$88.2 million free cash flow from operations generated in FY17/18. This movement in free cash flow includes the following:

- **Working capital changes** of US$18.0 million, as explained in the previous section.

- **Income taxes paid** of US$55.9 million, a decrease of US$11.7 million as income taxes paid in FY17/18 included the settlement of certain tax audits for prior years in Europe.

- **Capital expenditure** of US$391.4 million in FY18/19. The Group is building out its operating footprint in China, Switzerland and Canada. We continue 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.



The net movement in cash includes the following:

- **Acquisitions and related costs:** On 12 December 2018, the Group acquired the business of Apex, a privately owned chemical company providing specialty compacting lubricant formulations, for US$2.3 million plus transaction costs of US$0.1 million. The acquired business includes patents and technology that allow Stackpole's powder metal business to achieve high density in a single press.

  In FY17/18, the Group acquired a controlling interest in Halla Stackpole for US$77.7 million. Additionally, in FY17/18, in relation to the earlier acquisition of Stackpole, the Group paid US$27.1 million for Stackpole's Ancaster facilities.

- **Dividends and shares:** The Company utilised US$43.3 million cash for dividends payments in FY18/19, with a further US$13.0 million settled in scrip (US$56.5 million cash in FY17/18 with no scrip alternative).

  Additionally, the Company purchased 0.5 million shares for US$1.5 million including brokerage fees for the long-term incentive share scheme (FY17/18: nil).

Further details of dividends and shares, including the proposed final dividend for FY18/19, can be found in the Financial Management and Treasury Policy section

- **Other investing activities** of US$8.2 million included US$8.0 million to invest in an autonomous car start-up company focusing on the China market, and US$0.4 million in other seed capital investments.

- **Repurchase of convertible bonds:** The Company utilised US$59.3 million to repurchase convertible bonds for cancellation in FY18/19. There were no such repurchases in FY17/18.

Further details of the repurchase can be found in the Financial Management and Treasury Policy section

- **Proceeds from public and private long-term debt issuance:** The Group received US$396.1 million, net of fees, from the issuance of long-term bonds and a private loan from Export Development Canada in FY18/19. There was no such debt issuance in FY17/18.

Further details of the long-term bonds can be found in the Financial Management and Treasury Policy section

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. Treasury policies for this 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 to provide independent long-term credit ratings. As of 31 March 2019, the Group maintained investment grade ratings with a stable outlook from both agencies. These ratings reflect the Group's solid market position, stable profitability and prudent financial leverage.

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

Liquidity

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

Cash increased by US$171.1 million to US$340.0 million, as of 31 March 2019, as explained on pages 15 to 16.

Cash, borrowings and credit lines

US$ million	31 Mar 2019	31 Mar 2018	Change
Cash	340.0	168.9	171.1
Borrowings (including bonds and convertible bonds)	(685.7)	(492.2)	(193.5)
Net debt	(345.7)	(323.3)	(22.4)
Available unutilised credit lines	933.5	905.6	27.9

Cash by currency

US$ million	31 Mar 2019	31 Mar 2018
USD	134.1	33.1
RMB	94.0	50.9
EUR	68.5	48.8
KRW	24.2	12.6
Others	19.2	23.5
Total	340.0	168.9

Borrowings (including bonds and convertible bonds) increased by US$193.5 million to US$685.7 million, as of 31 March 2019 (31 March 2018: US$492.2 million). The most significant changes in borrowings during FY18/19 were:

- **Public and private debt issuance:** In January 2019, the Company issued US$300 million 4.125% bonds, due 30 July 2024, at an issue price of 99.402%. These bonds are listed on the Stock Exchange of Hong Kong. The proceeds from this issuance will be used for general corporate purposes, refinancing and to extend the debt maturity profile. The accreted value of the bonds as of 31 March 2019 was US$298.8 million.

  The Group also received a private loan of US$100.0 million (US$99.6 million, net of fees) from Export Development Canada in June 2018. This loan is to fund the Group's general operating and capital expenditure. It has a 5 year term, due 6 June 2023, with a fixed rate of 3.89%;

- **Repurchase and cancellation of convertible bonds:** The Company repurchased and cancelled US$59.3 million convertible bonds. As of 31 March 2019, the accreted value of the outstanding convertible bonds amounted to US$158.7 million. After the 31 March 2019 balance sheet date, on 2 April 2019, bondholders exercised a put option to redeem US$152.0 million (US$139.0 million issuance plus accretion) of the Company's convertible bonds. The redemption was funded from a combination of cash and available credit lines. Following the 2 April 2019 redemption, the accreted value of the remaining convertible bonds was US$6.7 million (US$6.2 million issuance plus accretion);

- **Loans based on trade receivables** decreased by US$70.0 million;

- **Other borrowings** decreased by US$80.7 million.

Changes in borrowings (including bonds and convertible bonds)

US$ million	31 Mar 2019	31 Mar 2018	Change
Bonds	298.8	-	298.8
Convertible bonds	158.7	213.0	(54.3)
Loan from Export Development Canada	99.6	-	99.6
Loan from International Finance Corporation	74.5	74.4	0.1
Loan based on trade receivables	6.0	76.0	(70.0)
Other borrowings	48.1	128.8	(80.7)
Total borrowings	685.7	492.2	193.5

Borrowings by currency, as of 31 March 2019

US$ million	Total debt	Swap contracts	Total after effect of swaps	%
USD	635.6	(239.9)	395.7	58%
CAD	28.7	-	28.7	4%
HKD	10.0	(10.1)	(0.1)	0%
RMB	9.4	(9.2)	0.2	0%
EUR	2.0	258.2	260.2	38%
Total	685.7	(1.0)	684.7	100%

Balance sheet presentation

Borrowings - current	211.1
Borrowings - non-current	474.6
Gross debt	685.7
Swap contracts (Other financial assets)	(1.0)
Total debt including swap contracts	684.7

Financial ratios: The Group maintains a prudent level of debt leverage and remains in full compliance with its financial covenants, including requirements for net worth and the ratios of total liabilities to net worth, net debt to EBITDA and EBITDA to interest expense. The Group's gearing ratios as of 31 March 2019, reflected the following changes:

- The total debt to capital ratio was 21% as of 31 March 2019, up from 17% as of 31 March 2018, as the Group increased its borrowings to fund capital expenditure. Adjusted to include the 2 April 2019 convertible bond redemption on a pro forma basis, the total debt to capital ratio was 19%;
- The total debt to EBITDA ratio increased to 1.2 as of 31 March 2019, up from 0.9 as of 31 March 2018, due to the increase in borrowings. Adjusted to include the 2 April 2019 convertible bond redemption on a pro forma basis, total debt to EBITDA ratio was 1.1;
- Interest coverage (defined as EBITDA divided by gross interest expense [1]) was 29 times for FY18/19, compared to 38 times for FY17/18; and
- Free cash flow from operations as a percentage of gross debt decreased to 8%, compared to 18% for FY17/18.

1 Gross interest expense adjusted to exclude notional interest on the Halla Stackpole put option and include capitalised interest

Dividends

Final dividend: The Board has recommended a final dividend of 34 HK cents per share for FY18/19 equivalent to US$37.8 million, to be paid in September 2019, with an option to receive scrip in lieu of cash (FY17/18: 34 HK cents per share with no scrip alternative).

Interim dividend: The Company paid an interim dividend of 17 HK cents per share for FY18/19 (FY17/18: 17 HK cents per share with no scrip alternative) equivalent to US$18.8 million. US$13.0 million of this interim dividend was settled by the issue of 6.2 million new shares under a scrip dividend option, and US$5.8 million was paid in cash.

Dividends for FY18/19 and FY17/18

		US$ million		
	HK cents per share	Cash	New shares	Total
FY18/19				
Final - proposed	34	*n / a*	*n / a*	37.8
Interim - paid Jan 2019	17	5.8	13.0	18.8
FY17/18				
Final - paid Aug 2018	34	37.5	-	37.5
Interim - paid Jan 2018	17	18.8	-	18.8

Further details of the scrip dividend option for the proposed final dividend can be found in the Dividend section on page 64

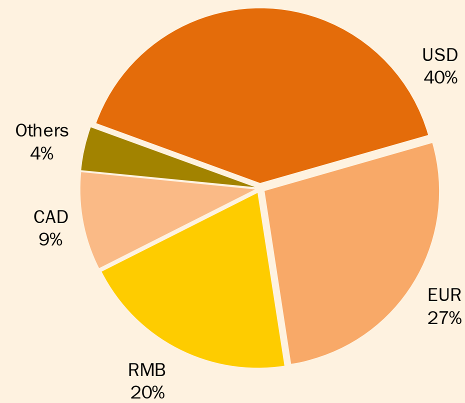
Foreign Exchange Risk

The Group is exposed to foreign exchange risk and mitigates this through plain vanilla forward currency contracts and structured foreign currency contracts. These contracts have varying maturity dates, ranging from 1 to 84 months after 31 March 2019, to match the underlying cash flows of the business and included:

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

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

Sales by currency



Spot rates of significant currencies

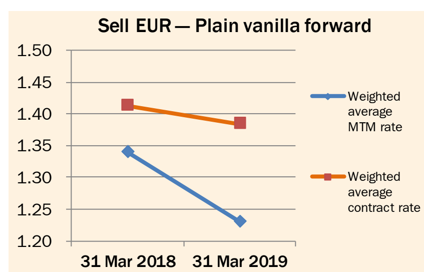
	Spot rates as of 31 Mar 2019	Spot rates as of 31 Mar 2018	Strengthen / (weaken)
USD per EUR	1.12	1.23	10%
CHF per EUR	1.12	1.18	5%
HUF per EUR	320.69	312.39	(3%)
CAD per USD	1.34	1.29	(4%)
RMB per USD	6.73	6.28	(7%)
MXN per USD	19.38	18.27	(6%)

The net fair value of currency contracts, including plain vanilla forward foreign currency contracts, cross-currency interest rate swaps and structured foreign currency contracts increased in value by US$135.3 million. This was largely due to favourable changes in the mark-to-market ("MTM") value of Euro contracts, partly offset by unfavourable changes in the mark-to-market value of Chinese Renminbi contracts.

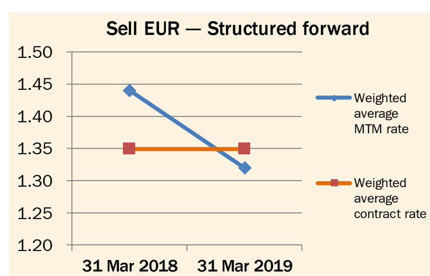
Financial assets / (liabilities) at fair value – currency contracts

US$ million		31 Mar 2019	31 Mar 2018	Change
Euro	Plain vanilla forward contracts	150.5	52.0	98.5
	Structured contracts	14.7	(36.5)	51.2
	Total	165.2	15.5	149.7
Chinese Renminbi	Plain vanilla forward contracts	(12.3)	32.2	(44.5)
	Structured contracts	3.9	4.7	(0.8)
	Total	(8.4)	36.9	(45.3)
Other currencies	Plain vanilla forward contracts and swaps	15.5	(14.9)	30.4
	Structured contracts	0.3	(0.2)	0.5
	Total	15.8	(15.1)	30.9
Total net fair value gains / (losses)	Plain vanilla forward contracts and swaps	153.7	69.3	84.4
	Structured contracts	18.9	(32.0)	50.9
	Total	172.6	37.3	135.3

As mark-to-market rates for plain vanilla forward contracts to sell the Euro declined further below the Group's weighted average contract rates, unrealised fair value gains on these contracts increased the related financial asset to US$150.5 million as of 31 March 2019 (31 March 2018: US$52.0 million financial asset).

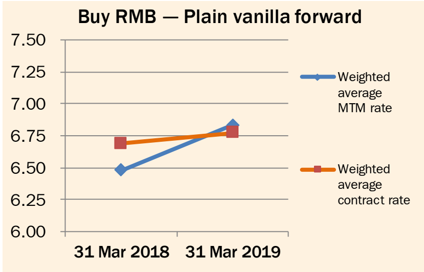


As mark-to-market rates for structured forward contracts to sell the Euro crossed the Group's weighted average contract rates, unrealised fair value gains on these contracts increased the related financial asset to US$14.7 million as of 31 March 2019 (31 March 2018: US$36.5 million financial liability).

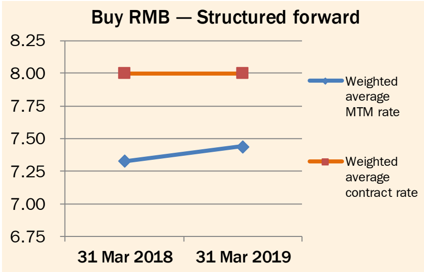


The overall effect of these changes was to turn the fair value of the Group's forward Euro contracts to a net financial asset of US$165.2 million as of 31 March 2019, from a net financial asset of US$15.5 million as of 31 March 2018.

As mark-to-market rates for plain vanilla contracts to buy the Chinese Renminbi increased and crossed the Group's weighted average contract rates, the unrealised fair value gains on these contracts became unrealised fair value losses. This created a financial liability of US$12.3 million as of 31 March 2019 (31 March 2018: US$32.2 million financial asset).



As mark-to-market rates for structured forward contracts to buy the Chinese Renminbi neared the Group's weighted average contract rates, unrealised fair value gains on these contracts decreased, reducing the related fair value financial asset to US$3.9 million as of 31 March 2019 (31 March 2018: US$4.7 million financial asset).



The overall effect of these changes was to turn the fair value of the Group's forward Chinese Renminbi contracts to a net financial liability of US$8.4 million as of 31 March 2019, from a net financial asset of US$36.9 million as of 31 March 2018.

The final realised gain or loss for each contract will crystallise based on the prevailing spot rate at the date of maturity versus the contract rate and will impact on cash flow at that time. In terms of estimating future cash flow, the contracts' rates at maturity compared to the spot rates as of 31 March 2019 would result in approximately:

- US$363 million cash flow benefit from plain vanilla forward foreign currency contracts and cross-currency interest rate swaps (31 March 2018: US$230 million)
- US$58 million cash flow benefit from structured foreign currency contracts (31 March 2018: US$36 million).

Further information about the Group's forward foreign currency exchange contracts can be found in Notes 7 and 8 to the accounts

Raw Material Commodity Price Risk

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

Price risk due to copper, silver and aluminium is reduced by hedging through cash flow hedge contracts with varying maturity dates ranging from 1 to 60 months after 31 March 2019.

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

US$ per metric ton	Spot prices as of 31 Mar 2019	Spot prices as of 31 Mar 2018	Strengthen / (weaken)
Copper	6,485	6,685	(3)%
Iron ore	83.48	63.08	32%
Coking coal	197	189	4%
Silver - US$ per ounce	15.10	16.28	(7)%

Price risk due to steel is reduced through some fixed price contracts for steel up to 3 months forward with the Groups suppliers and through cash flow hedge contracts for iron ore and coking coal with varying maturity dates ranging from 1 to 25 months after 31 March 2019.

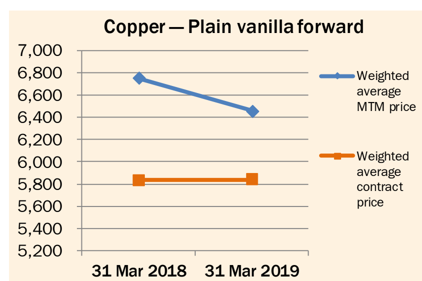
The Group also manages these commodity prices by way of incorporating appropriate clauses in certain customer contracts to pass increases / decreases in raw material costs onto these customers.

Net fair value of commodity contracts, decreased in value by US$7.4 million. This was largely due to unfavourable changes in the mark-to-market value of copper contracts.

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

US$ million	31 Mar 2019	31 Mar 2018	Change
Copper	15.4	26.0	(10.6)
Other commodities	5.6	2.4	3.2
Total	21.0	28.4	(7.4)

As **mark-to-market prices** for plain vanilla contracts for copper moved towards to the Group's **weighted average contract prices**, unrealised fair value gains on these contracts decreased, reducing the related fair value financial asset to US$15.4 million as of 31 March 2019 (31 March 2018: US$26.0 million financial asset).



Further information about the Group's raw material commodity contracts can be found in Note 7 to the accounts

Counterparty Risk

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

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 chaired by the Group's Chief Executive and comprised by the Chief Financial Officer, the Chief Information Officer, the Senior Vice Presidents of Human Resources, Supply Chain Services, Global Manufacturing and Corporate Engineering, and the Group's leaders from the Legal, Intellectual Property, Internal Audit, and Environment Health and Safety departments. There are additional management committees to ensure that certain risks are managed in timely and sufficient manners.

Principal risks and uncertainties

Strategic risks	Commercial risks	Operational risks	Financial risks
Global economy, trade issues and industry dynamics	Major customers and products	Supply chain	Liquidity
Group strategy and business plans	Contract performance	Warranty and product liability	Interest rates
Competitive environment	Intellectual property	Human resources	Foreign currency exposure
Technology	Reputation	Taxation	Commodity prices
Reliance on developing countries		Business interruption	Counterparty risk

This list is not exhaustive as the nature, severity and frequency of risk 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 now 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:

Strategic risks	How we respond
Global economy, trade issues and industry dynamics	
The Group's business is sensitive to the global economic and geopolitical environment. The following factors could lead to decline in demand for the Group's products or adversely affect the Group's financial condition, results of operations, asset values and liabilities: • Severe or prolonged instability in the global economy; • The effect of global trade issues (in particular the ongoing trade dispute between the United States and the PRC) on industries in countries where the Group manufactures, sources or exports goods. Actual and threatened trade protectionism due to trade disputes between nations could disrupt global trade and manufacturing supply chains; and • The 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 consumer preferences, general economic conditions and the impact of trade issues.	To mitigate risks arising from the global economy, trade issues and industry dynamics, the Group continually seeks: • To establish and strengthen its global footprint to ensure that the Group is effectively positioned to respond over time to changing customer demands, production and transportation costs, as well as indirect taxes, tariffs and import duties; • To grow, both organically and through acquisitions, across all regions to mitigate the impact of an economic downturn in any particular region; and • To diversify its customer and product portfolios through internal development and acquisition to mitigate the adverse impact of an economic downturn or market changes in any particular industry.
Group strategy and business plans	
The successful implementation of the Group's future business plans depends on a number of factors, some of which may be beyond the Group's control: • The Group's success requires the further expansion of production capacity and finding suitable locations for this; • The growth of the Group places a significant burden on its management, operational and financial resources; and • Many of the Group's businesses require significant capital expenditure and continued investment to support long-term growth.	To mitigate risks to the successful implementation of the Group's strategy and business plans, Johnson Electric stipulates procedures and support for: • The close oversight of the construction of new sites and expansion of existing sites; • The review and approval of all capital expenditure; and • A comprehensive appraisal, before acquiring new business, 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 identify potential issues.

Strategic risks	How we respond
Competitive environment The Group faces competition in its existing markets as well as in those markets into which it is trying to expand its business. The Group is under intense competitive pressure to reduce prices as both large multinational and smaller niche competitors attempt to expand their market share. Additionally, volumes may fluctuate as the Group's customers are also subject to competitive pressures.	The Group seeks to maintain its competitiveness in its core markets and enhance its competitiveness in those markets into which it is attempting to expand its business through: • Investing in developing cost effective solutions in order to be the definitive supplier of motion solutions to its customers; • Continuously seeking and investing in productivity and efficiency improvements; • Ensuring the suitability of the operational footprint to respond quickly and cost-effectively; • Formal, disciplined review of new business quotations; and • Regular review of market trends, products and prices.
Technology (and related regulation) changes The Group's product and manufacturing technologies and capabilities must continually demonstrate Johnson Electric's ability to innovate and be cost-effective or the Group may lose customers to competitors who adapt their businesses to such technological changes or develop and offer more suitable or technologically advanced products. Changes in regulations or standards for products and for industrial processes may necessitate the development of new or improved products and the use of new or improved manufacturing processes. Changes arising from disruptive digitalisation including: • Increasing automation, artificial intelligence and data exchange in manufacturing technologies to create the smart factory; • Challenges in implementation including controlling investment, resolving IT security and reliability issues; and • Maintaining the integrity of production and managing disruption to the workforce as required skill-sets change and as some positions are eliminated through automation.	The Group mitigates its risk from, and seeks opportunities to exploit technology and related regulation changes through: • Developing cost-effective solutions and managing technological competitiveness through innovation and creating intellectual property to be the definitive supplier of motion solutions to its customers; • Diversifying customer and product portfolios through internal development and acquisitions to mitigate the adverse impact or exploit the favourable opportunities presented by technology, business model and regulatory changes in a particular industry; • Strategic planning and risk assessment aligned to a technology roadmap that considers the converging capabilities of robot process automation and cyber-physical systems, advanced analytics, artificial intelligence and the internet of things; • IT security protocols enabled through software and business processes including virus, malware and intrusion protection, identity management and building employee awareness; and • Monitoring the level of threat to the Group's IT and identification of emerging security issues.

Strategic risks	How we respond
Reliance on developing countries	
The Group's expansion of its manufacturing and sales into emerging markets makes it susceptible to potential instability in political, regulatory, social and economic situations in these countries.	The Group continues to develop and strengthen its global footprint. This ensures that the Group is effectively positioned to respond over time to changing political, regulatory, social and economic situations in the countries where it operates and reduces reliance on any single country.

Commercial risks	How we respond
Major customers and products	
The Group relies on sales to certain major customers, who contribute significantly to the Group's total revenue. Additionally, the Group relies on sales of certain major product lines, the Stackpole business accounting for 22% of total sales and sales of products for powertrain cooling applications accounting for 19% of the Group's total sales for FY18/19. As a result, the Group could be adversely affected both by specific declines in major customer and products and by decline in the global automotive market.	The Group mitigates the risk of relying on major customers and products by diversifying customer and product portfolios through internal development and acquisitions. Consequently, no single customer contributes 10% or more to the Group's total sales and the Group has brought a consistent stream of new products to the market.
Contract performance	
Potential losses arising from failure in contract performance or onerous contract terms.	Contract risks are mitigated by managing customer relationships, including contract terms and conditions, in accordance with industry standards.

Commercial risks	How we respond
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 arising from this include the substantial cost of protecting its intellectual rights and the legal costs of defending claims of infringement.	Risks arising from intellectual property are mitigated by: • 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; and • Patent searches to avoid infringing others' intellectual property rights.
Reputation	
The Group may lose potential business if its character or quality is called into question.	Risks to the Group's reputation are mitigated by: • Setting a strong tone at the top, ensuring that this is reflected at all levels of the global organisation. High integrity, sound ethics, and good business practices are expected from all employees, with zero-tolerance for non-compliance; and • Continuously improving engineering, manufacturing processes and quality standards to maintain the Group's position as the safe choice for customers.

Operational risks	How we respond
Supply chain	
If the Group was to experience a prolonged shortage of raw materials or critical components, without being able to procure replacements for these items, it would be unable to meet its production schedules and could miss customer deliver deadlines and expectations.	Supply chain risks are mitigated by: • Ensuring supply chain resilience, including supplier continuity, quality and reliability; and • Continuously seeking opportunities to insource the supply chain to assure supply.

Operational risks	How we respond
Warranty and product liability	
The Group manufactures complex products through it 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.	Warranty and product liability risks are mitigated by: • Continuously improving engineering and manufacturing processes and quality standards to reduce the likelihood of quality issues; • Conducting product safety reviews to ensure that products fail safe and meet the highest market standards; and • Continuously seeking opportunities to insource the supply chain to ensure that components meet the Group's rigorous quality requirements.
Human resources	
The Group's business success depends on attracting and retaining qualified personnel and on maintaining an established workforce.	The Group mitigates its exposure to human resources risks by: • Attracting and retaining high-calibre management and other key personnel; • Building effective networks of employees and partners including maintaining good labour relationships; and • Minimising the impact of unexpected staff turnover through succession planning and standardisation of work procedures.
Taxation	
The Group may be subject to direct and indirect tax audits by government authorities in all legal jurisdictions where it conducts business. These tax audits are by nature, both ongoing and uncertain as to outcome. Negative or uncertain outcomes or changes to tax laws in the various jurisdictions in which the Group operates could adversely affect the Group's business, financial condition, results of operations and deferred tax asset valuations.	The Group mitigates its exposure to tax risks by: • Complying with relevant tax laws and regulations; and • Seeking professional guidance where tax laws and regulations are changing or unclear.

Operational risks	How we respond
Business interruption The Group's operations are affected by inherent risks and occupational hazards that may or may not be under the Group's control that may result in business disruption and interruption. In particular, the Group's operations require complex production facilities, skilled labour and specialised manufacturing equipment. Industrial accidents, equipment failures, fires, floods or other natural disasters, strikes or other labour difficulties, and disruption of transportation networks could disrupt the Group's production. Additionally, incidents causing injury to people or damage to the Group's facilities may give rise to compensation claims and lawsuits, loss of reputation, and adverse impact on the environment and communities in which the Group operates.	The Group mitigates the risks of business interruption by: • Developing and strengthening its global production facilities to reduce reliance on any single site; • Maintaining good labour relationships, meeting or exceeding requirements for employee safety; and • Meeting or exceeding requirements for product safety and environmental responsibility.

Financial risks	How we respond
Liquidity, interest rates, foreign currency exposure, commodity prices and counterparty risk.	The Group mitigates its exposure to financial risks through a variety of measures including: • Maintaining investment grade credit ratings, with a long-term debt maturity profile and a mixture of fixed and floating interest rates for the borrowings outstanding; • 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; and • Applying appropriate strategies to manage risk from interest rates, foreign exchange rates, commodity prices and counterparty risks.

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 wide variety of issues such as ethics and business conduct, human rights, non-discrimination, responsible consumption and production as well as environmental management.

Relationships with Customers

"Make customers successful" is the first element of the Group's core values, internally referred to as "MARBLE". Johnson Electric believes that this is vital to delivering business growth and profitability.

See page 34 for more information about Johnson Electric's "MARBLE" values

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 dialogue between the Group's sales and engineering departments 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.

Relationships with 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 and performance monitoring 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 under relevant international quality and environmental management standards such as ISO9001, ISO14001, ISO/TS16949 and ISO13485. Additionally, we support our suppliers to strive for continuous improvement and better performance, and encourage 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 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, A GREAT COMPANY AND A GREAT PLACE TO WORK!

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

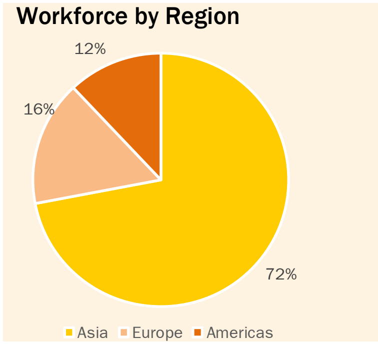
We thrive on innovation and excel in execution. We are committed to making our customers successful and our world a better place.

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.

Together, these three propositions 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 2019, the Group's total global headcount stood at over 38,000 across Asia, Europe and the Americas.



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:** 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, nationality, religion, gender, sexual orientation, or any other legally 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.
- **Protection from workplace violence:** 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 judgement and ethical decision-making, ensuring employees uphold Johnson Electric's belief in conducting our business lawfully and ethically. Globally, managers and employees in sensitive positions are required to declare annually that they have read and conformed to the requirements of the Code of Ethics and Business Conduct.

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 1,100 employees whose role-model behaviour illustrates the MARBLE values in action, including over 260 awards made during FY18/19.

Talent Management

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 the talent pipeline and assessing organisational effectiveness.

The HCC’s people calibration process provides a formal system to evaluate, define and assess each employee’s capability. This forms the backbone of the Group’s sustainable leadership pipeline. Succession planning reviews are conducted twice a year. This regular review accelerates the readiness of high potential employees and ensures that emerging requirements are considered when the business model changes.

In FY18/19, the Group implemented a self-service HR platform to widen the scope of participating managers in people calibration and to include more levels of the organisation in identifying talent and successors for mission critical roles. Using this platform, managers at all levels become accountable for identifying and developing talent in their own teams. The Group will continue to provide overall support for coaching, on-the-job training, international assignments and other wider talent initiatives.

Besides nurturing its existing talent, the Group places great emphasis on investing in the next generation of engineers to bring new ideas and insights to Johnson Electric. Every year, the Group provides scholarship opportunities to some of the top engineering schools and uses campus recruitment drives to invite talented engineers to join our trainee program. On joining, each trainee is provided with a focused development plan and is mentored by one of our senior engineers/managers.

The Group has also launched a new leadership competency framework. This provides a baseline of leadership behaviours that employees should strive to embody. Its usage has been embedded in the recruitment process and will be included in performance management. This is expected to ensure that the Group hires the right people to thrive within its culture and that all employees are aware of the key competencies that drive success at Johnson Electric and seek personal development in those areas.

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 ("JELI"), 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. A 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.

Learning and development activities are facilitated by the "Learning In Motion" hub, a global learning platform provides over 300 courses to employees, covering key business and soft-skill areas and allowing employees to learn anytime, anywhere, on any device, at their own pace. Also, as part of cultivating a learning culture, the Group organises a Learning Month every April. This emphasises continuous learning as a key attribute required in every Johnson Electric employee.

During FY18/19, Johnson Electric employees received 224,000 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 more than 1,300 students, including a further intake of 92 expected to join in China and Mexico later in 2019.

Polish Soldering Championships

During the year, representatives from Johnson Electric Poland were amongst the 70 participants in the 3rd Polish Soldering Championships. Competitors, representing companies across Poland, were required to assemble various electronic components – some as small as 0.2 x 0.4mm – to produce a working system. The assembly process and the finished system were judged by international class trainers and experts in the field.

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 practice experience. In FY18/19, 23 secondary school students and 5 master's degree students were accepted into these schemes.

Employee health and wellbeing

Johnson Electric is committed to protecting employees' good health and wellbeing wherever it operates around the world. The Group maintains a safety culture with unceasing emphasis on safety matters in the workforce and continuous improvement to eliminate potential causes of incidents. Activities to promote safety awareness during the year included:

Stackpole Powder Metals Ancaster and Springfield safety milestones

In August 2018, Stackpole Powder Metals Ancaster celebrated 8 successive years with no lost time accidents. Each employee received a commemorative t-shirt and hat.

In June 2018, Springfield celebrated 1 million man hours without a lost time accident.

- **Safety Month:** Every June is Safety Month across the entire Group. Activities are organised at both global and site level to raise plant and office workers' awareness of safety risks.
- **Safety Moment:** All-staff meetings begin with a Safety Moment. This regular practice draws employees' attention to prevailing safety topics, both within and outside of Johnson Electric.
- **Local initiatives:** Throughout the year, local teams organise activities to promote employee health and wellbeing. Activities included sports and competitions, a year-long mental health campaign, a suicide awareness month, a fasting day, vaccination programmes, talks on health issues and work life balance, amongst others.

Employee and Community Engagement

Employee engagement

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

- **One Johnson Global Celebration,** an annual event, for all Johnson Electric employees around the globe. This year the event celebrated Johnson Electric's 60th anniversary and also challenged employees on the theme of "Thriving in a Digitized World" to embrace change and upskill themselves to remain relevant in the digital age.

60th Anniversary Celebration

Unveiling the 60th anniversary celebration at the One Johnson Celebration in Hong Kong

- **JE In Motion,** a digital platform for sharing multimedia contents with all global employees or specific employee groups, facilitating knowledge sharing and team collaboration.
- **Regular all-staff meetings,** held in every Johnson Electric location to provide updates on business performance and developments on key projects.
- **MARBLE Snapshot survey** of the organisation's engagement level. This 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.
- **Local initiatives,** including a variety of recreational and team building activities throughout the year to boost engagement and promote recognition. Local teams organised festive celebrations, potlucks, outings, cultural excursions, "Take Your Kid to Work" days, karaoke nights, appreciation BBQs and similar events.

Other means to ensure employees' alignment with Johnson Electric's strategy and direction include newsflashes, open forums and global and local employee contests.

GATE's 40th Anniversary Celebration

In October 2018. Johnson Electric Italy celebrated the 40th anniversary of GATE, the Group's first acquisition

Community engagement

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

- Johnson Electric Technical College: The JETC serves a dual purpose. It provides the Group with a stream of well-educated future employees. It also gives back to society by supporting underprivileged youngsters in China and Mexico by providing a quality general and technical education. In Serbia, using similar concepts to JETC, the Group works in partnership with a local technical high school providing access to Johnson Electric's facilities and staff, to assist students in receiving a quality technical education; and

- Junior Engineer: 30 Johnson Electric locations hosted Junior Engineer events in 2018. This global community outreach programme is a simple but effective way to encourage early interest in science, technology, engineering and mathematics subjects. Participating children, from 6 to 12 years old, build a toy powered by a Johnson Electric motor.

  An employee contest produced a new toy design for the 2018 Junior Engineer event. The winning entry, named "J-bot", is a robot car with on-board programming and circuitry allowing the car to be controlled by mobile devices.

Technical Education is also a recurring theme in our community engagement activities. Local teams collaborate with educational institutions in their neighbourhoods to provide internship opportunities for students, reward outstanding performers and organise open house events for students.

Additionally, around the world, local sites partner with local non-governmental organisations (NGOs) to take part in charitable activities and actions including health education, poverty action, children, elderly, underprivileged groups, animals, environmental protection and community order amongst others.

Environmental responsibility

Johnson Electric is committed to responsible manufacturing and takes practical steps to protect the environment wherever it operates around the world. Johnson Electric believes that excellent environmental performance will contribute to the sustainable growth of the Group for generations to come. The Group's specific goal for the environment is "No damage to the environment wherever Johnson Electric operates."

Environmental management: The Group takes a proactive approach to addressing and managing environmental issues with a progressive environmental management structure, resources dedicated to reaching specific objectives and targets and a robust management system to monitor and control environmental risks and track critical measurable factors worldwide. All Johnson Electric manufacturing locations worldwide are required to apply the environmental management system and comply with both the Group's global environmental standards and local environmental regulations. This is subject to verification through internal audit programmes and by accredited external auditors. The Chairman and Chief Executive and the Executive Committee receive regular reports on key environmental performance indicators.

Energy consumption and greenhouse gasses: The Group seeks to reduce its energy and consumption and greenhouse gas emissions in all of its plants around the world. Some of the actions taken to improve energy and carbon intensity in FY18/19 include increased production automation, replacement of a high energy consumption sintering and smelting furnaces with more energy efficient furnaces and increased use of frequency converters to reduce electricity consumption.

Pollution prevention and management: Johnson Electric's non-CO2 emissions are mainly volatile organic compounds although the Group also has some particulate matter emissions. These come from glues used in product assembly, solvents used for parts cleaning, injection moulding and ink printing, and various powder processes. Some of the actions taken to reduce the Group's emissions in FY18/19 include the upgrading of grinding dust collection systems, reducing the use of solvents and the installation of emissions control for oily mist.

Materials consumption: The Group 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. Wherever possible, this scrap is recovered and reused directly in the Group's production processes (e.g. aluminium, epoxy powder, tin and some plastics), otherwise it is sold for further recycling (e.g. steel, copper, plastic and wood). The Group is continuing to explore ways to prevent or reduce the creation of scrap or to recover more for recycling or reuse.

Waste management: The Group seeks to prevent or minimise general and hazardous waste produced by its operations. Improvements in waste management during FY18/19 included the increased use of reusable product packaging, more separation of waste streams for increased recycling and the reduction of solvent waste.

Water stewardship: The Group's operations do not consume a significant amount of water, and none of its major operations are in water-stressed regions. Nevertheless, the Group takes a cautious approach to water stewardship, seeking to maximise efficiency, minimise waste and prevent poor quality wastewater. The Group seeks ways to improve its water stewardship in its existing facilities and designs good stewardship in when constructing new facilities. For example, when completed, the Group's new plant in Jiangmen, China is expected to comply with the stringent effluent discharge requirements of the Water Standard for Industrial Uses – Reuse of Urban Recycling Water.

Environmental improvements: Actions to improve the environment in FY18/19 included conversion to electric buses in Shajing, China. In common with the trend in other countries, cities in China have been moving to replace internal combustion engine vehicles with electric vehicles. The Group's Shajing plant has installed electric charging stations for electric vehicles. Before this, all of the buses contracted to carry commuting employees were all diesel engined. Now, more than 80% of these buses are electric vehicles.

Sustainability Report

For further information about Johnson Electric's sustainability policies, performance 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 subsequent to the date of the Interim Report 2018. Mr. Peter Kin-Chung Wang was appointed a member of the Council of Institute of New Structural Economics at Peking University in December 2018. Mr. Peter Stuart Allenby Edwards ceased to be a director of Martin Currie Asia Unconstrained Trust plc with effect from 6 February 2019.

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 FY18/19 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 Global Head 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 HKEXnews.

Four committee meetings were held in FY18/19 to discuss and review relevant matters together with senior management and the independent auditor, including the following:

1. The FY17/18 annual results and interim results for FY18/19, 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 strategy and cybersecurity controls;
11. The Terms of Reference of the Committee; 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 HKEXnews.

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 comparable companies 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 Group 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.

Three committee meetings were held in FY18/19. During the 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 HKEXnews.

The Board has formalised its existing practices into a Nomination Policy and adopted it during the year. The Nomination Policy (which is available on the website of the Group), as administered by the Nomination and Corporate Governance Committee, sets out the criteria and procedures for identifying and nominating suitably qualified candidates for appointment to the Board. The selection criteria specified in the Policy include:

- The highest personal and professional ethics and integrity;
- Contribution to the Board in terms of qualifications, skills, business experience, independence and such other factors as the Committee may consider relevant;
- Commitment in respect of available time and relevant interests;
- Board succession planning considerations;
- Consideration of the requirement of the minimum number of independent non-executive directors; and
- Diversity in all its aspects as set out in the Board Diversity Policy (incorporating relevant provisions of the Listing Rules) adopted by the Board in 2013.

In respect of the Board Diversity Policy, the Board is cognisant of the benefits of diversity and the Committee monitors implementation of this policy as part of the process of selecting and nominating candidates for appointment to the Board. Candidates are considered against the broad and diverse range of aspects specified in the Nomination Policy, which among other aspects also include gender, ethnicity and cultural background.

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.

Three committee meetings were held in FY18/19. The following is a summary of work performed by the Committee during the year:

1. Consideration and recommendation of the retiring directors for re-election at the Annual General Meeting;
2. Consideration of the independence of all independent non-executive directors;
3. Review and approval of the corporate governance report and information for the Annual Report and the Interim Report;
4. Review of the Group's report on compliance with laws and regulations in the countries in which it operates;
5. Review of the continuous professional development of Directors and senior management;
6. Review of the structure, size and composition of the Board;
7. Review of the Nomination Policy and recommendation to the Board for adoption; and
8. Formalisation and establishment of an internal checklist in assessing the suitability of potential independent non-executive director candidate(s).

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 FY18/19 and the average attendance rate was 90%. Details of the attendance of individual directors at board meetings, committee meetings and the annual general meeting during FY18/19 are set out in the table below:

	Number of meetings attended/held					
Directors	Board Meeting	Audit Committee Meeting	Remuneration Committee Meeting	Nomination and Corporate Governance Committee Meeting	Annual General Meeting	Continuous Professional Development *
Executive Directors						
Patrick Shui-Chung Wang *(Chairman and Chief Executive)*	4/4	-	-	3/3	1/1	√
Winnie Wing-Yee Wang *(Vice-Chairman)*	4/4	-	3/3	-	1/1	√
Austin Jesse Wang	4/4	-	-	-	0/1	√
Non-Executive Directors						
Yik-Chun Koo Wang *(Honorary Chairman)*	1/4	-	-	-	0/1	√
Peter Kin-Chung Wang	4/4	4/4	-	-	0/1	√
Independent Non-Executive Directors						
Peter Stuart Allenby Edwards	4/4	-	-	3/3	0/1	√
Patrick Blackwell Paul	4/4	4/4	-	3/3	1/1	√
Michael John Enright	4/4	3/4	3/3	-	0/1	√
Joseph Chi-Kwong Yam	4/4	-	3/3	-	1/1	√
Christopher Dale Pratt	3/4	3/4	2/3	-	1/1	√
Average attendance rate	90%	87.5%	91.7%	100%	50%	
Date of meetings	16/05/2018 14/09/2018 07/11/2018 13/03/2019	14/05/2018 23/07/2018 05/11/2018 28/01/2019	15/05/2018 06/11/2018 12/03/2019	16/05/2018 07/11/2018 13/03/2019	12/07/2018	

* This includes (i) continuous professional development through attending expert briefings / seminars / conferences relevant to the Company's business or directors' duties arranged by the Company or external organisations, (ii) visiting the Group's facilities and (iii) reading regulatory / corporate governance or industry related updates.

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. The Company continuously updates the 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.

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 FY18/19, 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 FY18/19, 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 FY18/19 and FY17/18, the services (and associated remuneration) provided to the Group by PricewaterhouseCoopers were as follows:

US$ million	FY18/19	FY17/18
Audit	2.78	2.73
Tax compliance	2.07	1.10
Other advisory services	0.37	0.28

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 2019, 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 except the Chairman and Chief Executive. 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.

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 FY18/19.

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 2019.

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 consolidated financial statements for the year ended 31 March 2019.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding.

BUSINESS REVIEW

The business review of the Group for the year ended 31 March 2019 are provided in the Letter to Shareholders and Management's Discussion and Analysis sections respectively from pages 2 to 4 and pages 5 to 40 of this announcement.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 March 2019 are set out in the consolidated income statement on page 68 of this announcement.

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 7 January 2019.

In line with the Company's dividend policy, the Board recommends the payment of a final dividend of 34 HK cents (4.36 US cents) per share payable on 4 September 2019. A scrip dividend alternative will be offered to allow shareholders to elect to receive the final dividend wholly or partly in the form of new shares in lieu of cash.

DISTRIBUTABLE RESERVES

As of 31 March 2019, the distributable reserves of the Company available for distribution as dividends amounted to US$2,342.1 million, comprising retained earnings of US$2,283.9 million and contributed surplus of US$58.2 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.

DIRECTORS

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

<u>Executive Directors</u>
Patrick Shui-Chung Wang *JP*
Winnie Wing-Yee Wang
Austin Jesse Wang

<u>Non-Executive Directors</u>
Yik-Chun Koo 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* *

** Independent Non-Executive Director*

In accordance with Bye-law 109(A) of the Company's Bye-laws, Madam Yik-Chun Koo Wang, Mr. Peter Stuart Allenby Edwards and Prof. Michael John Enright shall retire from office by rotation and being eligible, offer themselves for re-election.

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

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

DONATIONS

During the year, the Group made donations of US$0.3 million (FY17/18: US$0.2 million).

SHARE CAPITAL

Details of the movements in share capital of the Company during FY18/19 are set out in Note 18 to the accounts. Shares of the Company were issued during the year on election of scrip in lieu of cash dividends for the 2018 interim dividend pursuant to the Company's scrip dividend scheme. Details are set out in the Note 18 to the accounts.

CONVERTIBLE BONDS AND NOTES

Details of the Company's US$200,000,000 1.00% p.a. convertible bonds due 2021 are set out in Note 14 to the accounts.

The Company issued US$300,000,000 4.125% p.a. Notes due 2024 ("Notes") during the year ended 31 March 2019. Further information on the Notes can be found in Note 14 to the accounts.

DISCLOSURE OF INTERESTS

Directors

As of 31 March 2019, the interests of each Director and Chief Executive of the Company in the shares of the Company or any of the Company's associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept under Section 352 of the SFO were as follows:

	Shares of HK$0.05 each of the Company			
Name	Personal Interests	Other Interests		Approximate % of shareholding
Yik-Chun Koo Wang	-	507,629,136	(Notes 1 & 2)	57.358
Patrick Shui-Chung Wang	1,988,500	-	(Note 3)	0.224
Winnie Wing-Yee Wang	643,500	-	(Note 4)	0.072
Austin Jesse Wang	304,375	-	(Note 5)	0.034
Peter Kin-Chung Wang	-	25,598,770	(Notes 6 & 7)	2.892
Peter Stuart Allenby Edwards	-	40,654	(Note 8)	0.004
Patrick Blackwell Paul	32,750	-		0.003
Michael John Enright	15,250	-		0.001
Joseph Chi-Kwong Yam	11,750	-		0.001
Christopher Dale Pratt	56,000	-		0.006

Notes:

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

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

Apart from the shares awarded pursuant to the Stock Unit Plan as described in the Report of the Directors, 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 2019, 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	507,629,136 (Notes 1 & 2)	57.35
Ansbacher (Bahamas) Limited	Trustee	223,992,042 (Note 1)	25.30
HSBC International Trustee Limited	Trustee	199,320,721 (Note 1)	22.52
Great Sound Global Limited	Interest of controlled corporation	198,311,480 (Note 3)	22.40
Winibest Company Limited	Beneficial owner	198,311,480 (Note 4)	22.40
Federal Trust Company Limited	Trustee	110,804,134 (Note 1)	12.52
Schroders Plc	Investment manager	62,579,172	7.07
Merriland Overseas Limited	Interest of controlled corporation	53,519,068 (Note 5)	6.04

Notes:

1. The shares in which Ansbacher (Bahamas) Limited was interested, 198,311,480 of the shares in which HSBC International Trustee Limited was interested and 85,325,614 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 2019, 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 transferable. 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 2019, the Company purchased 529,000 shares of the Company at a cost of HK$11.7 million in connection with the Stock Unit Plan for eligible employees and directors. The highest and the lowest purchase price paid per share were HK$23.00 and HK$21.10, respectively.

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

	Number of unvested units granted (thousands)		
	Restricted Stock Units	Performance Stock Units	Total
Unvested units granted, as of 31 March 2018	7,024	6,560	13,584
Units granted to Directors and employees during the year	2,224	1,823	4,047
Shares vested to Directors and employees during the year	(2,181)	(1,878)	(4,059)
Forfeited during the year	(389)	(420)	(809)
Unvested units granted, as of 31 March 2019 and the date of this report	6,678	6,085	12,763

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

	Number of unvested units granted (thousands)		
Vesting period	Restricted Stock Units	Performance Stock Units	Total
FY19/20	3,048	2,914	5,962
FY20/21	1,513	1,465	2,978
FY21/22	1,757	1,706	3,463
FY23/24	360	-	360
Unvested units granted, as of the date of this report	6,678	6,085	12,763

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 LISTED SECURITIES

During the year, the Company repurchased and cancelled US$59.3 million the Company's US$200,000,000 1.00% p.a. convertible bonds due 2021 ("Convertible Bonds"), details of which can be found in Note 14 to the accounts. On 2 April 2019, the Company redeemed and cancelled part of the Convertible Bonds upon the exercise of the put option by the holders of the bonds at 109.31 per cent. The redemption involved the principal amount of US$139,000,000 (together with interest due on that date) which was satisfied by internal resources of the Company. Details of the redemption are set out in Note 14 to the accounts.

Save as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the shares or Convertible Bonds during the year ended 31 March 2019.

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 140 to 141.

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 41 to 52.

AUDITOR

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

DIVIDEND

DIVIDEND POLICY

Johnson Electric seeks to provide shareholders with stable and sustainable dividends that form a meaningful contribution to long-term "total shareholder return". Among the factors that the Board considers in determining the amount of dividends paid in any financial year are current and projected net profits, current and projected free cash flow (net of capital expenditure), and the maintenance of a prudent capital structure to fund organic growth. The Company offers a scrip dividend alternative to shareholders.

FINAL DIVIDEND

The Board will recommend at the Annual General Meeting to be held on 11 July 2019 (Thursday) a final dividend of 34 HK Cents equivalent to 4.36 US Cents per share (2018: 34 HK Cents or 4.36 US Cents) payable on 4 September 2019 (Wednesday) to persons who are registered shareholders of the Company on 22 July 2019 (Monday).

The Company intends to offer a scrip dividend option to shareholders, which will allow them to receive new shares in lieu of cash, retaining cash within the Group to fund growth. Participation in the scrip dividend scheme will be optional. The scrip dividend scheme is subject to the Stock Exchange granting the listing of and permission to deal in the new shares to be issued pursuant thereto. The Board has further been informed that the controlling shareholder of the Company intends to subscribe for its entire eligible allocation of shares under the scrip dividend alternative.

A circular containing details of this scrip dividend scheme will be dispatched to shareholders for the scrip dividend on or about 6 August 2019.

CLOSING REGISTER OF SHAREHOLDERS

ATTENDING ANNUAL GENERAL MEETING

The Register of Shareholders of the Company will be closed from 8 July 2019 (Monday) to 11 July 2019 (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 5 July 2019 (Friday).

FINAL DIVIDEND

The Register of Shareholders of the Company will be closed from 18 July 2019 (Thursday) to 22 July 2019 (Monday) 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 17 July 2019 (Wednesday). Shares of the Company will be traded ex-dividend as from 16 July 2019 (Tuesday).

CONSOLIDATED BALANCE SHEET
As of 31 March 2019

	Note	2019 US$'000	2018 US$'000
Non-current assets			
Property, plant and equipment	3	**1,239,935**	1,115,354
Investment property	4	**111,431**	99,199
Intangible assets	5	**1,109,708**	1,178,636
Investment in associates	6	**2,742**	3,448
Other financial assets	7	**150,119**	111,437
Financial assets at fair value through profit and loss	8	**29,735**	7,241
Defined benefit pension plan assets	15	**19,808**	21,783
Deferred income tax assets	17	**44,135**	44,272
Other non-current assets		**45,090**	31,962
		2,752,703	2,613,332
Current assets			
Inventories	9	**397,890**	400,765
Trade and other receivables	10	**707,480**	771,412
Other financial assets	7	**72,272**	40,361
Financial assets at fair value through profit and loss	8	**350**	63
Income tax recoverable		**7,321**	7,404
Cash and cash equivalents	11	**339,986**	168,942
		1,525,299	1,388,947
Current liabilities			
Trade payables	12	**351,716**	357,315
Other payables and deferred income		**286,263**	334,060
Current income tax liabilities		**36,511**	46,869
Other financial liabilities	7	**20,384**	12,200
Financial liabilities at fair value through profit and loss	8	**-**	78
Borrowings	14	**211,084**	126,110
Retirement benefit obligations	15	**568**	492
Provisions and other liabilities	16	**23,639**	39,546
		930,165	916,670
Net current assets		**595,134**	472,277
Total assets less current liabilities		**3,347,837**	3,085,609

	Note	2019 US$'000	2018 US$'000
Non-current liabilities			
Other payables and deferred income		**33,253**	19,196
Other financial liabilities	7	**27,259**	41,946
Financial liabilities at fair value through profit and loss	8	**318**	36,660
Borrowings	14	**474,597**	366,074
Deferred income tax liabilities	17	**107,865**	116,410
Put option written to a non-controlling interest	28	**74,245**	79,451
Retirement benefit obligations	15	**58,905**	54,206
Provisions and other liabilities	16	**12,918**	5,861
		789,360	719,804
NET ASSETS		**2,558,477**	2,365,805
Equity			
Share capital – Ordinary shares (at par value)	18	**5,709**	5,670
Shares held for incentive share schemes (at purchase cost)	18	**(44,427)**	(55,219)
Share premium	18	**13,265**	-
Reserves	19	**2,512,652**	2,347,995
		2,487,199	2,298,446
Non-controlling interests		**71,278**	67,359
TOTAL EQUITY		**2,558,477**	2,365,805

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2019

	Note	2019 US$'000	2018 US$'000
Sales	2	3,280,381	3,236,560
Cost of goods sold		(2,528,935)	(2,445,328)
Gross profit		751,446	791,232
Other income and (expenses)	20	78,940	13,948
Selling and administrative expenses	21	(486,140)	(469,982)
Operating profit		344,246	335,198
Share of profit of associates	6	124	1,147
Finance income	22	1,907	1,161
Finance costs	22	(18,362)	(14,692)
Profit before income tax		327,915	322,814
Income tax expense	17	(38,256)	(48,548)
Profit for the year		289,659	274,266
Profit attributable to non-controlling interests		(8,330)	(10,219)
Profit attributable to shareholders		281,329	264,047
Basic earnings per share for profit attributable to the shareholders for the year (expressed in US cents per share)	24	32.46	30.64
Diluted earnings per share for profit attributable to the shareholders for the year (expressed in US cents per share)	24	31.60	29.65

Please see Note 25 for details of dividend.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2019

	Note	2019 US$'000	2018 US$'000
Profit for the year		**289,659**	274,266
Other comprehensive income / (expenses)			
Items that will not be recycled to profit and loss:			
Defined benefit plans			
– remeasurements	15 & 19	**(6,875)**	12,931
– deferred income tax effect	17 & 19	**575**	(1,992)
Long service payment			
– remeasurements	15 & 19	**(131)**	585
– deferred income tax effect	17 & 19	**(19)**	(98)
Hedging instruments for transactions resulting in the recognition of inventories and subsequently recognised to the income statement upon consumption			
– raw material commodity contracts			
– fair value (losses) / gains, net	19	**(5,677)**	30,427
– transferred to inventory and subsequently recognised in income statement	7(f) & 19	**(5,308)**	(5,007)
– deferred income tax effect	17 & 19	**1,813**	(4,194)
Total items that will not be recycled to profit and loss directly		**(15,622)**	32,652
Items that will be recycled to profit and loss:			
Hedging instruments			
– forward foreign currency exchange contracts			
– fair value gains, net	19	**45,740**	61,855
– transferred to income statement	19	**(8,257)**	(15,242)
– deferred income tax effect	17 & 19	**(5,905)**	(12,875)
– net investment hedge			
– fair value gains / (losses), net	19	**39,572**	(41,622)
Release of exchange reserve of an associate upon business combination	28	**-**	(469)
Currency translations of subsidiaries		**(117,687)**	138,244
Currency translations of associates	19	**(190)**	159
Total items that will be recycled to profit and loss directly		**(46,727)**	130,050
Other comprehensive (expense) / income for the year, net of tax		**(62,349)**	162,702
Total comprehensive income for the year, net of tax		**227,310**	436,968
Total comprehensive income attributable to:			
Shareholders		**223,391**	422,260
Non-controlling interests			
Share of profits for the year		**8,330**	10,219
Currency translations		**(4,411)**	4,489
		227,310	436,968

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2019

	Note	Attributable to shareholders of JEHL					
		Share capital and share premium US$'000	Other reserves * US$'000	Retained earnings US$'000	Total US$'000	Non-controlling interests US$'000	Total equity US$'000
As of 31 March 2018		(49,549)	71,498	2,276,497	2,298,446	67,359	2,365,805
Profit for the year		-	-	281,329	281,329	8,330	289,659
Other comprehensive income / (expenses):							
Hedging instruments							
– raw material commodity contracts							
– fair value (losses), net	19	-	(5,677)	-	(5,677)	-	(5,677)
– transferred to inventory and subsequently recognised in income statement	7(f) & 19	-	(5,308)	-	(5,308)	-	(5,308)
– deferred income tax effect	17 & 19	-	1,813	-	1,813	-	1,813
– forward foreign currency exchange contracts							
– fair value gains, net	19	-	45,740	-	45,740	-	45,740
– transferred to income statement	19	-	(8,257)	-	(8,257)	-	(8,257)
– deferred income tax effect	17 & 19	-	(5,905)	-	(5,905)	-	(5,905)
– net investment hedge							
– fair value gains, net	19	-	39,572	-	39,572	-	39,572
Defined benefit plans							
– remeasurements	15 & 19	-	-	(6,875)	(6,875)	-	(6,875)
– deferred income tax effect	17 & 19	-	-	575	575	-	575
Long service payment							
– remeasurements	15 & 19	-	-	(131)	(131)	-	(131)
– deferred income tax effect	17 & 19	-	-	(19)	(19)	-	(19)
Currency translations of subsidiaries	19	-	(113,276)	-	(113,276)	(4,411)	(117,687)
Currency translations of associates	19	-	(190)	-	(190)	-	(190)
Total comprehensive income / (expenses) for FY18/19		-	(51,488)	274,879	223,391	3,919	227,310
Transactions with shareholders:							
Appropriation of retained earnings to statutory reserve	19	-	6,937	(6,937)	-	-	-
Incentive share schemes							
– shares vested	18 & 19	12,572	(12,572)	-	-	-	-
– value of employee services	19 & 27	-	10,400	-	10,400	-	10,400
– purchase of shares	18	(1,497)	-	-	(1,497)	-	(1,497)
Repurchase of convertible bonds		-	(261)	54	(207)	-	(207)
FY17/18 final dividend paid	19	-	-	(37,530)	(37,530)	-	(37,530)
FY18/19 interim dividend							
– Cash paid	19	-	-	(5,804)	(5,804)	-	(5,804)
– Shares issued in respect of scrip dividend	18 & 19	13,304	-	(13,304)	-	-	-
– Scrip dividend for shares held for the incentive shares schemes	18 & 19	(283)	-	283	-	-	-
Total transactions with shareholders		24,096	4,504	(63,238)	(34,638)	-	(34,638)
As of 31 March 2019		**(25,453)** **	**24,514**	**2,488,138**	**2,487,199**	**71,278**	**2,558,477**

* 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$(25.5) million is comprised by share capital of US$5.7 million, share premium US$13.2 million and shares held for incentive share schemes of US$(44.4) million.

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	7(f) & 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		-	(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 FY17/18		-	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 paid to non-controlling shareholders of a subsidiary		-	-	-	-	(5,228)	(5,228)
Non-controlling interest arising on business combination		-	-	-	-	25,074	25,074
Put option written to a non-controlling interest		-	(72,191)	-	(72,191)	-	(72,191)
FY16/17 final dividend paid	19	-	-	(37,735)	(37,735)	-	(37,735)
FY17/18 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.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 March 2019

	Note	2019 US$'000	2018 US$'000
Cash flows from operating activities			
Earnings before interest, taxes, depreciation and amortisation	27	**549,258**	519,857
Other non-cash items	27	**(45,045)**	35,469
Change in working capital	27	**17,970**	(78,735)
Cash generated from operations	27	**522,183**	476,591
Interest paid		**(10,409)**	(8,158)
Income taxes paid		**(55,934)**	(67,632)
Net cash generated from operating activities		**455,840**	400,801
Investing activities			
Purchase of property, plant and equipment and capitalised expenditure of investment property, net of subsidies		**(391,444)**	(305,824)
Proceeds from disposal of property, plant and equipment	27	**613**	739
Capitalised expenditure of engineering development	5 & 23	**(11,181)**	(8,726)
Finance income received		**1,907**	1,161
		(400,105)	(312,650)
Business combination and acquisition			
– acquisition of subsidiary *	28	**(2,372)**	(77,689)
– leased properties and related items **		**-**	(27,088)
Purchase of intangible assets		**(1,042)**	-
Purchase of financial assets at fair value through profit and loss		**(8,360)**	-
Proceeds from sale of financial assets at fair value through profit and loss		**146**	145
Net cash used in investing activities		**(411,733)**	(417,282)

* On 12 December 2018, the Group acquired the business of Apex. The cash outlay in relation to this acquisition amounted to US$2.4 million. Please see Note 28 for details.

In FY17/18, cash outlay in relation to the acquisition of Halla Stackpole Corporation ("HSC") amounted to US$77.7 million.

** In FY17/18, Stackpole acquisition of two previously leased properties of US$27.1 million.

	Note	2019 US$'000	2018 US$'000
Financing activities			
Proceeds from bank borrowings		**15,114**	132,290
Repayments of bank borrowings and finance leases		**(161,446)**	(32,367)
Proceeds from issuance of long-term debt, net of transaction costs		**396,127**	-
Repurchase of convertible bonds		**(59,326)**	-
Dividends paid to shareholders		**(43,334)**	(56,498)
Purchase of shares held for incentive share schemes		**(1,497)**	-
Dividends paid to non-controlling interests		**(5,458)**	-
Net cash generated from financing activities		**140,180**	43,425
Net increase in cash and cash equivalents		**184,287**	26,944
Cash and cash equivalents at beginning of the year		**168,942**	127,689
Currency translations on cash and cash equivalents		**(13,243)**	14,309
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		**339,986**	168,942

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

	Borrowings (current) US$'000	Borrowings (non-current) US$'000	Total US$'000
As of 31 March 2018	126,110	366,074	492,184
Currency translations	(4,348)	236	(4,112)
Cash flows			
– inflow from financing activities	15,114	396,127	411,241
– outflow from financing activities	(116,214)	(104,558)	(220,772)
– outflow from operating activities	-	(1,635)	(1,635)
Non-cash changes			
– finance costs	-	8,568	8,568
– reclassification	190,422	(190,422)	-
– release of equity component from repurchase of convertible bonds	-	207	207
As of 31 March 2019	211,084	474,597	685,681

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.

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 2019. 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.

2. SEGMENT INFORMATION *(Cont'd)*

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

	2019 US$'000	2018 US$'000
Operating profit presented to management	**265,306**	321,250
Other income and (expenses) (Note 20)	**78,940**	13,948
Operating profit per consolidated income statement	**344,246**	335,198

Sales

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

Sales from external customers by business unit were as follows:

	2019 US$'000	2018 US$'000
Automotive Products Group ("APG")	**2,529,976**	2,493,619
Industry Products Group ("IPG")	**750,405**	742,941
	3,280,381	3,236,560

The Stackpole business, primarily engaged in the manufacture and sale of engine and transmission oil pumps and powder metal components accounted for 22% of the Group's sales for FY18/19 (FY17/18: 20%).

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 FY18/19 (FY17/18: 19%).

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

2. SEGMENT INFORMATION *(Cont'd)*

Sales by geography

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

	2019 US$'000	2018 US$'000
Europe *	**1,085,683**	1,132,545
North America **	**942,945**	876,300
People's Republic of China ("PRC")	**860,868**	856,858
Asia (excluding PRC)	**331,714**	316,476
South America	**40,155**	44,139
Others	**19,016**	10,242
	3,280,381	3,236,560

* Included in Europe were sales to external customers in Germany of US$202.1 million and France of US$137.5 million for FY18/19 (FY17/18: US$217.9 million and US$142.7 million respectively).

** Included in North America were sales to external customers in the USA of US$725.8 million for FY18/19 (FY17/18: US$729.6 million).

Accounting policy

Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group. Revenue from the sales of goods is recognised when performance obligations under the terms of a contract are satisfied, which generally occurs with the transfer of control of the Group's products.

Customers are invoiced accordingly to the agreed billing schedule set out in the customer contracts. If consideration is received from customers in advance of transferring goods promised in a contract, a contract liability is recognised, see Note 13.

No significant financing component exists as the period between payments for goods by the customers and transfer of goods is within 1 year.

The Group's obligation to warranty and claims is recognised as a provision.

2. SEGMENT INFORMATION *(Cont'd)*

Segment assets

For FY18/19, the additions to non-current assets (other than deferred tax assets, other financial assets, financial assets at fair value through profit and loss and defined benefit pension plan assets) were US$401.3 million (FY17/18: US$341.6 million) excluding the additions from acquisitions.

The non-current assets (other than goodwill, deferred tax assets, other financial assets, financial assets at fair value through profit and loss and defined benefit pension plan assets) by geographic location as of 31 March 2019 and 31 March 2018 were as follows:

	2019 US$'000	2018 US$'000
Hong Kong ("HK") / PRC	**736,223**	619,880
Canada	**457,276**	454,280
Switzerland	**146,681**	150,465
Others	**410,653**	414,028
	1,750,833	1,638,653

3. PROPERTY, PLANT AND EQUIPMENT

	Freehold land, leasehold land and buildings US$'000	Machinery and equipment US$'000	Assets under construction US$'000	Moulds and tools US$'000	Other assets * US$'000	Total US$'000
As of 31 March 2017						
Cost	289,148	931,827	171,779	307,835	153,899	1,854,488
Accumulated depreciation and impairment	(131,786)	(578,483)	-	(239,704)	(105,109)	(1,055,082)
Net book amount	157,362	353,344	171,779	68,131	48,790	799,406
FY17/18						
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	212,523	393,585	180,282	2,405,203
Accumulated depreciation and impairment	(142,706)	(730,119)	-	(291,448)	(125,576)	(1,289,849)
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.

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
FY18/19						
As of 31 March 2018	208,422	537,566	212,523	102,137	54,706	1,115,354
Currency translations	(13,192)	(33,843)	(13,280)	(7,239)	(2,439)	(69,993)
Business combination (Note 28)	-	355	-	-	-	355
Additions	4,752	56,217	275,016	24,396	6,467	366,848
Transfer	26,469	133,562	(198,826)	35,642	3,153	-
Disposals	-	(1,083)	-	(92)	(265)	(1,440)
Provision for impairment (Note 23 & 27)	-	(6,295)	-	(720)	(192)	(7,207)
Depreciation (Note 23)	(13,907)	(94,917)	-	(43,002)	(12,156)	(163,982)
As of 31 March 2019	**212,544**	**591,562**	**275,433**	**111,122**	**49,274**	**1,239,935**
As of 31 March 2019						
Cost	359,494	1,356,276	275,433	416,188	178,809	2,586,200
Accumulated depreciation and impairment	(146,950)	(764,714)	-	(305,066)	(129,535)	(1,346,265)
Net book amount	**212,544**	**591,562**	**275,433**	**111,122**	**49,274**	**1,239,935**

* 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.

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

Accounting policy

Property, plant and equipment other than investment property (Note 4) and leasehold land classified as finance lease are stated at cost less accumulated depreciation and accumulated impairment losses. Freehold land is not amortised. No depreciation is provided for assets under construction.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

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

Accounting policy *(Cont'd)*

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its estimated recoverable amount if this is lower.

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

Interest expense directly attributable to the acquisition and construction of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use, is capitalised until the assets are ready for their intended use.

4. INVESTMENT PROPERTY

	2019 US$'000	2018 US$'000
At beginning of the year	**99,199**	93,385
Currency translations	**(541)**	714
Fair value gains (Note 20 & 27)	**11,724**	1,625
Capitalised expenditure	**1,049**	3,475
At end of the year	**111,431**	99,199

The Group's investment property portfolio in HK/PRC was valued on an open market basis as of 31 March 2019. The appraisals were performed by independent, professionally qualified valuers, Chung, Chan & Associates, Chartered Surveyors.

As of 31 March 2019, the Group's investment property portfolio has tenancies expiring in the period from October 2020 to June 2027 (31 March 2018: from October 2018 to June 2027).

Accounting policy

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the companies in the Group, is classified as investment property.

Investment property is measured initially at its cost, including related transaction costs. After initial recognition, investment property is carried at fair value. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. These valuations are reviewed annually determined by external appraisers. Changes in fair values are recognised in the income statement within "Other income and (expenses)".

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

If an item of property, plant and equipment becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is recognised in equity. If a fair value gain reverses a previous impairment loss, the gain is recognised in the income statement. Any balance of the decrease is recognised as an expense in the income statement.

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 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
FY17/18							
As of 31 March 2017	721,580	64,651	19,218	73,566	204,672	2,385	1,086,072
Currency translations	34,638	2,506	2,167	2,763	9,950	915	52,939
Business combination	33,728	-	-	-	25,374	-	59,102
Additions	-	-	-	-	-	12,476	12,476
Capitalisation of engineering development costs (Note 23)	-	-	8,726	-	-	-	8,726
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
FY18/19							
As of 31 March 2018	789,946	53,574	24,699	73,880	220,977	15,560	1,178,636
Currency translations	(31,873)	(1,791)	(1,687)	(2,794)	(9,666)	(1,054)	(48,865)
Business combination (Note 28)	-	1,567	240	-	-	-	1,807
Additions	-	-	1,042	-	-	8,059	9,101
Capitalisation of engineering development costs (Note 23)	-	-	11,181	-	-	-	11,181
Amortisation (Note 23 & 27)	-	(13,652)	(6,361)	(2,400)	(19,525)	(214)	(42,152)
As of 31 March 2019	**758,073**	**39,698**	**29,114**	**68,686** *	**191,786**	**22,351**	**1,109,708** **
As of 31 March 2019							
Cost	758,073	172,227	58,199	100,691	317,146	24,749	1,431,085
Accumulated amortisation and impairment	-	(132,529)	(29,085)	(32,005)	(125,360)	(2,398)	(321,377)
Net book amount	**758,073**	**39,698**	**29,114**	**68,686**	**191,786**	**22,351**	**1,109,708**

* Brands included the "Stackpole" brand name which has an indefinite life are discussed on the next page.

** Total intangible assets by underlying currencies as of 31 March 2019 and 31 March 2018 are disclosed on the next page.

5. INTANGIBLE ASSETS *(Cont'd)*

Total intangible assets as of 31 March 2019 and 31 March 2018 were denominated in the following underlying currencies.

	2019 US$'000	2018 US$'000
In CAD	**451,813**	481,746
In CHF	**404,489**	439,906
In USD	**100,352**	83,964
In EUR	**67,711**	87,467
In KRW	**56,678**	61,868
In RMB	**22,351**	15,560
In GBP	**6,314**	8,125
Total intangible assets	**1,109,708**	1,178,636

Impairment tests for brand with an indefinite useful life

Brands includes the "Stackpole" brand, which had a carrying value of US$39.4 million as of 31 Mar 2019 (31 Mar 2018: US$41.0 million). The brand is considered to have an indefinite life, as there is no foreseeable limit to the period over which the Group expects to exploit it to generate sales. Stackpole is one of only a few suppliers of automotive pumps and powder metal components and enjoys product and process leadership as well as a global manufacturing footprint. The brand's longevity is supported by the fact that both its oil pumps and its powder metal components are well placed to support the transition from conventional internal-combustion-engined vehicles to hybrid/electric vehicles.

The brand is reviewed annually to confirm whether it is still appropriate to consider it as having an indefinite life. Factors considered in this review include the competitive environment, market share and emerging trends, brand history, product life-cycles, operating plans, and the global macroeconomic environment.

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 2019.

Impairment testing for the brand is based on its value-in-use (level 3 of the HKFRS 13 fair value hierarchy). Key assumptions include a royalty rate of 0.75% (31 March 2018: 0.75%) and a perpetual growth rate of 2% (31 March 2018: 2%) for extrapolating cash flows over 5 years.

5. INTANGIBLE ASSETS *(Cont'd)*

Impairment test for goodwill

For the years ended 31 March 2019 and 2018, 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 2024 and a perpetual growth rate of 2% thereafter (FY17/18: 6% and 2% respectively) and operating margin of 10% (FY17/18: 10%). Future cash flows are discounted at a pre-tax rate of 9% (equivalent to post-tax weighted average cost of capital of 8%) (FY17/18: 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.

Accounting policy

(a) Goodwill

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

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.

(b) Research and development costs

Research and development costs are expensed as incurred and are only recognised as an intangible asset where the technical feasibility and intention of completing the product under development has been demonstrated and the resources are available to do so, costs are identifiable, can be reliably measured and there is an ability to sell or use the asset that will generate probable future economic benefits. Research and development costs that do not meet the above criteria are expensed as incurred.

(c) Brands with an indefinite useful life

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

5. INTANGIBLE ASSETS *(Cont'd)*

Accounting policy *(Cont'd)*

(d) Land use rights

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

(e) Other Intangible assets

Patents, technology, brands and client relationships that are acquired by the Group are stated in the balance sheet at fair value at the date of acquisition less accumulated amortisation and impairment losses.

Amortisation is calculated using the straight-line method to allocate the cost over the estimated useful life. The amortisation charge was included in the "Selling and administrative expenses" in the consolidated income statement. The estimated useful life for amortisation purposes is:

Technology, patents and engineering development	8 to 20 years
Brands	25 years / indefinite
Client relationships	15 to 20 years
Land use rights	Shorter of remaining lease term or useful life

6. INVESTMENT IN ASSOCIATES

	2019 US$'000	2018 US$'000
At beginning of the year	**3,448**	39,799
Currency translations	**(190)**	158
Share of associates' profit for the year	**124**	1,147
Dividends received	**(640)**	(1,014)
Acquisition of an associate	**-**	(36,642)
At end of the year	**2,742**	3,448

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.

Accounting policy

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

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

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

Unrealised gains on transactions between the Group and its associate are eliminated to the extent of the Group’s interest in the associate. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associate have been changed where necessary to ensure consistency with the policies adopted by the Group.

7. OTHER FINANCIAL ASSETS AND LIABILITIES

	2019			2018		
	Assets US$'000	**(Liabilities) US$'000**	**Net US$'000**	Assets US$'000	(Liabilities) US$'000	Net US$'000
Cash flow hedge						
– raw material commodity contracts (Note a (i))	**22,202**	**(1,178)**	**21,024**	29,316	(917)	28,399
– forward foreign currency exchange contracts (Note a (ii))	**157,788**	**(41,934)**	**115,854**	108,089	(28,731)	79,358
Net investment hedge (Note b)						
– forward foreign currency exchange contracts and cross currency interest rate swaps	**20,908**	**(3,955)**	**16,953**	10,743	(24,420)	(13,677)
Fair value hedge (Note c)						
– forward foreign currency exchange contracts and cross currency interest rate swaps	**20,251**	**(487)**	**19,764**	1,404	(73)	1,331
Held for trading (Note d)	**1,242**	**(89)**	**1,153**	2,246	(5)	2,241
Total (Note e)	**222,391**	**(47,643)**	**174,748**	151,798	(54,146)	97,652
Current portion	**72,272**	**(20,384)**	**51,888**	40,361	(12,200)	28,161
Non-current portion	**150,119**	**(27,259)**	**122,860**	111,437	(41,946)	69,491
Total	**222,391**	**(47,643)**	**174,748**	151,798	(54,146)	97,652

Note:

(a) Cash flow hedge

(i) Raw material commodity contracts

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

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 2019, 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	24,925 metric ton	145.5	5,839	6,485	6,457	1 – 60	15,405
Silver commodity	320,000 oz	5.0	15.47	15.10	15.43	1 – 18	(15)
Aluminium commodity	1,025 metric ton	2.0	1,956	1,900	1,937	1 – 12	(20)
Iron ore commodity	147,000 metric ton	7.2	49	83	77	1 – 25	4,163
Coking coal commodity	43,500 metric ton	6.6	152	197	186	1 – 24	1,491
Total							21,024

(ii) Forward foreign currency exchange contracts

The EUR, CAD, PLN, HUF, CHF, RSD, ILS, TRY, MXN and RMB forward foreign currency exchange contracts as per the table on the following page are designated as cash flow hedges, to match the underlying cash flows of the business included:

- Sell EUR contracts to create an economic hedge for EUR denominated export sales into USD;
- Sell CAD contracts to create an economic hedge for material purchased in USD for its operations in Canada;
- Buy RMB contracts to create an economic hedge for production conversion costs and other operating costs denominated in RMB against its source of revenue; and
- Buy HUF, CHF, MXN, PLN, TRY, ILS and RSD contracts to create an economic hedge for production conversion costs, other operating costs and capital expenditure denominated in these currencies against their sources of revenue.

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 2019, 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 614.9	1.41	1.12	1.23	1 – 84	869.9	115,958
Sell CAD forward	USD	CAD 191.6	1.25	1.34	1.33	1 – 33	153.4	9,356
Buy PLN forward	EUR	PLN 674.2	4.73	4.30	4.56	1 – 71	159.9	6,236
Buy HUF forward	EUR	HUF 55,496.4	335.61	320.69	331.20	1 – 72	185.6	2,479
Buy CHF forward	EUR	CHF 66.2	1.14	1.12	1.12	1 – 9	65.4	1,204
Buy RSD forward	EUR	RSD 4,128.0	123.37	118.15	121.04	1 – 24	37.6	726
Buy ILS forward	USD	ILS 4.0	3.62	3.63	3.63	1	1.1	(2)
Buy TRY forward	EUR	TRY 13.2	7.73	6.22	8.64	11 – 24	1.9	(202)
Buy MXN forward	USD	MXN 2,697.5	21.24	19.38	22.60	1 – 72	127.0	(7,641)
Buy RMB forward	USD	RMB 10,081.0	6.77	6.73	6.83	1 – 72	1,488.9	(12,260)
Total								115,854

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

(b) Net investment hedge

The Group hedges its net investment in its European and Canadian operations to protect itself from exposure to future changes in currency exchange rates. The EUR and CAD forward foreign currency exchange contracts and EUR cross currency interest rate swaps as per the table on the following page are designated as net investment hedges. Gains and losses recognised in the exchange reserve will be released from equity to profit and loss on the disposal or partial disposal of the foreign operations.

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

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

As of 31 March 2019, the Group had the following outstanding contracts:

	Settlement currency	Notional value (million)	Weighted average contract rate *	Spot rate	Mark-to-market rate	Remaining maturities range (months)	Settlement value in USD equivalent (US$ million)	Assets net carrying value (US$'000)
Net investment hedge contracts								
Sell EUR forward	USD	EUR 95.0	1.38	1.12	1.22	9 – 69	130.7	14,604
Sell CAD forward	USD	CAD 18.4	1.23	1.34	1.34	1 – 7	15.0	1,210
Cross currency interest rate swaps (pay EUR, receive USD)	USD	EUR 230.6	1.12	1.12	1.12	22 – 64	259.4	1,139
Total								16,953

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

(c) Fair value hedge

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

As of 31 March 2019, the Group had the following outstanding contracts:

	Settlement currency	Notional value (million)	Weighted average contract rate *	Spot rate	Mark-to-market rate	Remaining maturities range (months)	Settlement value in USD equivalent (US$ million)	Assets/ (liabilities), net carrying value (US$'000)
Fair value hedge contracts								
Sell EUR forward	USD	EUR 280.6	1.34	1.12	1.27	1 – 109	376.0	20,162
Sell USD forward	EUR	USD 13.9	1.14	1.12	1.12	1	13.9	(260)
Cross currency interest rate swaps (pay USD, receive HKD)	USD	HKD 78.5	7.85	7.85	7.78	6	10.0	89
Cross currency interest rate swaps (pay USD, receive RMB)	USD	RMB 63.0	6.35	6.73	6.50	2	9.9	(227)
Total								19,764

* 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)*

(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 2019, 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 1,520.9	79.22	68.97	74.72	1 – 44	19.2	1,153

* 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 (excluding structured contracts, see Note 8) and the cross currency interest rate swaps recognised in FY18/19 was a net gain of US$39.0 million (FY17/18: net gain of US$24.0 million).

Benefit / (expense)	**2019 US$'000**	2018 US$'000
Cost of goods sold includes:		
Effect of raw material commodity contracts (Note 19)	**5,308**	5,007
Effect of forward foreign currency exchange contracts	**(12,242)**	(5,024)
Effect on cost of goods sold	**(6,934)**	(17)
Other income and (expenses) includes:		
Effect of forward foreign currency exchange contracts (Note 20)	**18,640**	1,551
Selling and administrative expenses includes:		
Effect of forward foreign currency exchange contracts (Note 21)	**23,556**	19,619
Other includes:		
Cross currency interest rate swaps	**3,751**	2,829
Effect of other financial assets and liabilities in consolidated income statement, net gain	**39,013**	23,982

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

(g) As of 31 March 2019, the balance in the exchange reserve for continuing hedges that are accounted for as a net investment hedge was US$55.1 million (31 March 2018: US$15.5 million).

(h) Estimate of future cash flow
In terms of estimating future cash flow, the contracts' rate at maturity compared to the spot rate for the currency and commodity agreements as of 31 March 2019 would result in approximately US$363 million cash flow benefit (31 March 2018: US$230 million).

Accounting policy

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

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

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

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

Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments to ensure that an economic relationship exists between the hedged item and hedging instrument. The Group enters into hedge relationships where the critical terms of the hedging instrument match exactly with the terms of the hedged item, and so a qualitative assessment of effectiveness is performed.

(i) Cash flow hedge
A cash flow hedge of the Group hedges a particular risk associated with a highly probable forecast transaction. The effective portion of changes in the fair value of financial instruments designated and qualified as cash flow hedges are recognised in hedging reserve within equity.

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

Accounting policy *(Cont'd)*

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

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

Ineffectiveness is recognised on a cash flow hedge where the cumulative change in the value of the hedging instrument exceeds on an absolute basis the change in value of the hedged item attributable to the hedged risk.

When a hedging instrument expires, or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative deferred gain or loss and deferred costs of hedging in equity at that time remains in equity until the forecast transaction occurs, resulting the recognition of a non-financial asset such as inventory.

When the forecast transaction is no longer expected to occur, the cumulative gain or loss and deferred costs of hedging that were reported in equity are immediately reclassified to profit or loss.

(ii) Net investment hedge

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

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

(iii) Fair value hedge

A fair value hedge of the Group hedges the intercompany and external loan balances. Unrealised and realised gain or loss of the hedging instrument is recognised in the income statement to offset the loss or gain on the revaluation of loans attributable to the risk being hedged.

(b) Financial instruments held for trading that do not qualify for hedge accounting

Financial instruments designated as held for trading do not qualify for hedge accounting and are accounted for at fair value through profit and loss. Changes in the fair value of these financial instruments are recognised immediately in the income statement.

The full fair value of a hedging financial instrument is classified as a non-current asset or liability when the remaining maturity of the hedge item is more than 12 months, and is classified as a current asset or liability when the remaining maturing of the hedge item is less than 12 months.

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

	2019			2018		
	Assets	**(Liabilities)**	**Net**	Assets	(Liabilities)	Net
	US$'000	**US$'000**	**US$'000**	US$'000	US$'000	US$'000
Call option related to the acquisition of Halla Stackpole (Note a)	**2,410**	**-**	**2,410**	2,511	-	2,511
Unlisted preference shares (Note b)	**8,000**	**-**	**8,000**	-	-	-
Structured foreign currency contracts (Note c)	**19,315**	**(318)**	**18,997**	4,793	(36,738)	(31,945)
Other investment	**360**	**-**	**360**	-	-	-
Total	**30,085**	**(318)**	**29,767**	7,304	(36,738)	(29,434)
Current portion	**350**	**-**	**350**	63	(78)	(15)
Non-current portion	**29,735**	**(318)**	**29,417**	7,241	(36,660)	(29,419)
Total	**30,085**	**(318)**	**29,767**	7,304	(36,738)	(29,434)

Note:

(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.

(b) Unlisted preference shares
On 8 September 2018, the Group invested US$8.0 million in an autonomous driving start-up company focusing on the China market. The fair value of the investment is approximately equal to its carrying value as of 31 March 2019.

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

(c) Structured foreign currency contracts (economic hedge)

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

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

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

	Sell EUR (EUR million)	Buy RMB (RMB million)	Sell CAD (CAD million)
Hedge – by plain vanilla	614.9	10,081.0	191.6
Economic hedge – by structured forward			
– minimum possible hedge	174.8	208.0	11.5
– maximum possible hedge	346.6	416.0	19.2
Hedged % *			
– Plain vanilla	56%	48%	41%
– Plain vanilla and structured forward – minimum	72%	49%	43%
– Plain vanilla and structured forward – maximum	88%	50%	45%

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

In FY18/19, gains on structured foreign currency contracts increased net profit by US$44.4 million, net of tax (US$50.9 million pre-tax) (FY17/18: losses decreased net profit by US$28.1 million, pre-tax US$31.9 million). Please see Note 20 and Note 27.

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

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

As of 31 March 2019, 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 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	16 – 65	11,827
Sell EUR (for net investment)	Reduction of notional amount	USD	EUR 50.0	EUR 100.0	1.36 – 1.40	1.38	45 – 69	2,893
Sell CAD	Reduction of notional amount	USD	CAD 11.5	CAD 19.2	1.26 – 1.29	1.28	1 – 9	349
Buy RMB	Reduction of notional amount	USD	RMB 208.0	RMB 416.0	8.00 – 8.01	8.00	34 – 50	3,928
Total								18,997

* 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 2019, a 1% change in the exchange rate for EUR, RMB and CAD respectively against the USD will have the following impact to the Group's income statement:

	Profit before income tax increase / (decrease)		
	EUR contracts	RMB contracts	CAD contracts
Increase by 1%	US$(3.2) million	US$(0.3) million	US$0.1 million
Decrease by 1%	US$3.0 million	US$0.3 million	US$(0.1) 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 2019 would give rise to a cash flow benefit of approximately US$58 million (assuming minimum delivery for EUR, CAD and RMB contracts depending on the contract delivery rate) (31 March 2018: US$36 million).

9. INVENTORIES

	2019 US$'000	2018 US$'000
Raw materials	**231,573**	206,832
Finished goods	**166,317**	193,933
	397,890	400,765

Accounting policy

Inventories are stated at the lower of actual cost on first-in-first-out basis (FIFO) or net realisable value. Cost comprises materials, direct labour and an appropriate proportion of all production overhead expenditure. The value calculated approximates the weighted- average actual cost. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

10. TRADE AND OTHER RECEIVABLES

	2019 US$'000	2018 US$'000
Trade receivables – gross *	**610,220**	643,153
Less: impairment of trade receivables	**(1,870)**	(1,816)
Trade receivables – net	**608,350**	641,337
Prepayments and other receivables	**99,130**	130,075
	707,480	771,412

* The balance included bank acceptance drafts from customers amounting to US$29.6 million (31 March 2018: US$47.3 million). The maturity dates of the drafts all fall within 6 months of the balance sheet date.

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.

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

Ageing of gross trade receivables

(a) The ageing of gross trade receivables based on overdue date

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

The impairment of trade receivables as of 31 March 2019 was determined using the forward looking expected credit loss method, resulting in the expected loss rates below:

	Gross carrying amount US$'000	Expected loss rate %	Impairment of trade receivables US$'000	Trade receivable – net US$'000
As of 31 March 2019				
Current	561,487	0.01%	(63)	**561,424**
1 – 30 days overdue	30,482	0.05%	(15)	**30,467**
31 – 90 days overdue	10,984	0.83%	(91)	**10,893**
Over 90 days overdue	7,267	23.42%	(1,701)	**5,566**
Total	610,220	0.31%	(1,870)	**608,350**
As of 31 March 2018				
Current	593,672	n/a	-	593,672
1 – 30 days overdue	36,251	n/a	-	36,251
31 – 90 days overdue	7,800	n/a	-	7,800
Over 90 days overdue	5,430	n/a	(1,816)	3,614
Total	643,153	n/a	(1,816)	641,337

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

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

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

	2019 US$'000	2018 US$'000
0 – 30 days	**314,778**	315,339
31 – 90 days	**267,002**	289,748
Over 90 days	**28,440**	38,066
Total	**610,220**	643,153

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

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

	2019 US$'000	2018 US$'000
USD	**224,561**	190,386
EUR	**153,589**	183,107
RMB	**159,621**	195,128
CAD	**47,723**	44,276
Others	**24,726**	30,256
Total	**610,220**	643,153

Movements on the impairment of trade receivables were as follows:

	2019 US$'000	2018 US$'000
At beginning of the year	**1,816**	4,736
Currency translations	**(136)**	315
Reversal of receivables previously written off	-	1,316
Receivables written off during the year as uncollectible	**(539)**	(57)
Impairment / (write back of impairment) of trade receivables / bad debt expense (Note 23)	**729**	(4,494)
At end of the year	**1,870**	1,816

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

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

Accounting policy

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. The Group applies the simplified approach permitted by HKFRS 9, which requires the recognition of lifetime expected losses for trade receivables and contract assets from initial recognition of such assets. At every reporting date, the Group reviews and adjusts its historically observed default rates based on current conditions and changes in the future forecasts. A provision for impairment of trade and other receivables is determined using the forward looking expected credit loss method; that is, the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the original effective interest rate. The impairment charge is recognised within "selling and administrative expenses" in the income statement. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries are credited in the income statement.

11. CASH AND CASH EQUIVALENTS

	2019 US$'000	2018 US$'000
Cash at bank and in hand	**262,127**	154,736
Short term bank deposits	**77,859**	14,206
Total cash and cash equivalents	**339,986**	168,942

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

	2019 US$'000	2018 US$'000
USD	**134,063**	33,102
RMB	**93,951**	50,895
EUR	**68,453**	48,814
KRW	**24,172**	12,604
CAD	**471**	395
Others	**18,876**	23,132
Total	**339,986**	168,942

Accounting policy

Cash and cash equivalents comprise cash on hand and demand deposits with banks that are readily convertible into known amounts of cash and which are subject to an insignificant risk of change in value, and with original maturities of three months or less.

12. TRADE PAYABLES

	2019 US$'000	2018 US$'000
Trade payables	**351,716**	357,315

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

	2019 US$'000	2018 US$'000
0 – 60 days	**233,561**	274,047
61 – 90 days	**66,459**	58,405
Over 90 days	**51,696**	24,863
Total	**351,716**	357,315

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

	2019 US$'000	2018 US$'000
RMB	**130,523**	132,232
USD	**103,434**	101,093
EUR	**74,973**	88,719
HKD	**21,704**	20,812
CAD	**8,972**	3,144
Others	**12,110**	11,315
Total	**351,716**	357,315

Accounting policy

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

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

13. CONTRACT BALANCES

Contract assets primarily relate to the deferred contract costs incurred to obtain the customer contract. These costs are subsequently amortised in the consolidated income statement on a systematic basis over the expected contract period.

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

The total contract assets and liabilities are included in various non-current and current balance sheet accounts as shown below:

	2019 US$'000	2018 US$'000
Deferred contract costs included in:		
Trade and other receivables	**1,280**	468
Other non-current assets	**4,003**	4,735
Total deferred contract costs	**5,283**	5,203
Contract liabilities balances included in:		
Other payables and deferred income - current	**(14,621)**	(15,695)
Other payables and deferred income - non-current	**(16,892)**	(9,032)
Total contract liabilities	**(31,513)**	(24,727)

During the year, US$15.7 million included in the contract liability balance was recognised in profit and loss.

14. BORROWINGS

	2019			2018		
	Current US$'000	Non-current US$'000	Total US$'000	Current US$'000	Non-current US$'000	Total US$'000
Bonds (Note a)	-	298,772	298,772	-	-	-
Convertible Bonds (Liability component) (Note b)	151,941	6,727	158,668	-	213,018	213,018
Loan from Export Development Canada ("EDC") (Note c)	-	99,607	99,607	-	-	-
Loan from International Finance Corporation ("IFC") (Note d)	15,000	59,491	74,491	-	74,385	74,385
Loans based on trade receivables (Note e)	6,020	-	6,020	38,000	38,000	76,000
Other borrowings	38,123	10,000	48,123	88,110	40,671	128,781
Total borrowings	211,084	474,597	685,681	126,110	366,074	492,184

Note:

(a) **Bonds (US$300 million, 4.125% due July 2024)**

On 30 January 2019, JEHL issued bonds in an aggregate principal amount of US$300 million. The bonds are listed on the Stock Exchange of Hong Kong by way of debt issues to professional investors under Chapter 37 of the Listing Rules. The bonds bear a fixed interest rate of 4.125% per annum, payable semi-annually. The issue price of the bonds was 99.402% of the principal amount of the bonds and they mature on 30 July 2024. The effective interest rate of the bonds is 4.36% including all transaction costs.

JEHL used the net proceeds from the issue for general corporate purposes, refinancing and to extend its debt maturity profile.

(b) **Convertible bonds**

JEHL issued convertible bonds in 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, and additionally accrete at 1.75% per annum (combined yield of 2.75% (1.0% coupon plus 1.75% accretion)). 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 their accreted value (109.31% of the issuance value). Otherwise, unless previously redeemed, converted or purchased and cancelled, JEHL will redeem each convertible bond at their accreted value (113.41% of the issuance value) on the maturity date. The effective interest rate of the liability component is 3.57%, given the amount of proceeds allocated to equity at issuance.

14. BORROWINGS *(Cont'd)*

(b) **Convertible bonds** *(Cont'd)*

In FY18/19, JEHL purchased US$59.3 million accreted value (US$54.8 million at issuance value) of Convertible Bonds (the "Repurchased Bonds") from the open market in cash. Following this buy-back, JEHL cancelled the Repurchased Bonds. The remaining Convertible Bonds outstanding as of 31 March 2019 was US$158.7 million accreted value (US$145.2 million at issuance value).

On 2 April 2019, the majority of bondholders exercised their option and redeemed outstanding Convertible Bonds of US$152.0 million accreted value (US$139.0 million at issuance value). After the redemption, the accreted value of the Convertible Bonds remaining outstanding was US$6.7 million (US$6.2 million at issuance value).

(c) **Loan from EDC**

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

(d) **Loan from IFC**

US$74.5 million (principal US$75.0 million less US$0.5 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 of US$3.75 million beginning from April 2019 and with final maturity date of 15 January 2024. The loan interest rate is based on U.S. LIBOR and the average cost for FY18/19 was 3.82%.

(e) **Loans based on trade receivables**

Subsidiary companies have borrowed US$6.0 million based on trade receivables in Hong Kong, Europe and the USA as of 31 March 2019 (31 March 2018: US$76.0 million). These loans are placed such that the interest expense will match the geography of the operating income as follows:

- Unsecured borrowings in Hong Kong of US$2.0 million with a covenant that trade receivables shall not be pledged to any parties (31 March 2018: US$30.0 million).
- Borrowings in Europe of US$2.0 million (EUR1.8 million) (31 March 2018: nil), which are secured by trade receivables and require an over-collateralisation level of 20% of the amount loaned (US$2.4 million as of 31 March 2019).
- Unsecured borrowings in the USA of US$2.0 million, with a covenant that trade receivables shall not be pledged to any parties (31 March 2018: US$46.0 million).

14. BORROWINGS *(Cont'd)*

The maturity of borrowings was as follows:

	Bank borrowings		Bonds, convertible bonds and other borrowings	
	2019 US$'000	2018 US$'000	**2019 US$'000**	2018 US$'000
Less than 1 year	**15,387**	124,776	**195,697**	1,334
1 – 2 years	**-**	58,332	**14,893**	244,314
2 – 5 years	**10,000**	2,488	**150,932**	45,371
Over 5 years	**-**	-	**298,772**	15,569
	25,387	185,596	**660,294**	306,588

As of 31 March 2019, the interest rate charged on outstanding balances ranged from 0.5% to 4.1% per annum (31 March 2018: 0.6% to 6.0% per annum) and the weighted average effective interest rate of the borrowings including the impact of interest rate swaps (see Note 7(b) and (c)) was approximately 3.0% (31 March 2018: 2.4%). 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 2019, the Group maintained investment grade ratings from both agencies. Moody's was Baa1 and S&P was BBB. These ratings reflect the Group's solid market position, stable profitability and prudent financial leverage.

The fair value of borrowings approximately equals their carrying amount. The market value of the Bonds was 101.1% as of 31 March 2019.

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

	2019 US$'000	2018 US$'000
USD	**635,580**	413,470
CAD	**28,716**	58,587
HKD	**10,000**	19,944
RMB	**9,365**	-
EUR	**2,020**	183
Total borrowings	**685,681**	492,184

14. BORROWINGS *(Cont'd)*

Accounting policy

(a) Borrowings / bonds

Borrowings / bonds are initially recognised at fair value, net of transaction costs incurred and are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings / bonds using the effective interest method.

Borrowings / bonds are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the end of reporting period.

(b) Convertible bonds

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

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

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

15. RETIREMENT BENEFIT OBLIGATIONS

	Defined benefit pension plans US$'000	Defined contribution pension plans and long service payment US$'000	Total US$'000
FY17/18			
As of 31 March 2017	27,573	3,205	30,778
Currency translations	4,369	67	4,436
Business combination	8,533	-	8,533
Charges	7,066	8,479	15,545
Utilisations	(4,961)	(7,900)	(12,861)
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
FY18/19			
As of 31 March 2018	29,649	3,266	32,915
Currency translations	(3,057)	(278)	(3,335)
Charges	7,106	8,709	15,815
Utilisations	(4,720)	(8,016)	(12,736)
Remeasurements (Note 19) *	6,875	131	7,006
As of 31 March 2019	**35,853** **	**3,812**	**39,665**
Retirement benefit obligations:			
Current portion	-	568	568
Non-current portion	55,661	3,244	58,905
Defined benefit pension plan assets:			
Non-current portion	(19,808)	-	(19,808)
As of 31 March 2019	**35,853**	**3,812**	**39,665**

* Remeasurements represent actuarial (gains) and losses.

** The retirement benefit obligations were mainly denominated in CHF, GBP, EUR, CAD and KRW as of 31 March 2019. These retirement benefit obligations of US$35.9 million (31 March 2018: US$29.6 million) comprised gross present value of obligations of US$183.4 million (31 March 2018: US$182.2 million) less fair value of plan assets of US$147.5 million (31 March 2018: US$152.6 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 main actuaries are listed below and the latest actuarial valuation was completed as of 31 March 2019.

Country of pension plan	Firm	Qualifications of valuers
Switzerland	Mercer Schweiz AG	Member of the Swiss Association of Actuaries
United Kingdom	Quantum Actuarial LLP	Fellow of the Institute and Faculty of Actuaries
Canada	Towers Watson Canada Inc	Fellow, Canadian Institute of Actuaries

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:

	2019 US$'000	2018 US$'000
Present value of obligations that are funded	**157,100**	155,227
Present value of obligations that are unfunded	**26,251**	27,042
Gross present value of obligations	**183,351**	182,269
Less : Fair value of plan (assets)	**(147,498)**	(152,620)
Total retirement benefit obligations - net liability	**35,853**	29,649
Represented by:		
Defined benefit pension plan (assets)	**(19,808)**	(21,783)
Retirement benefit obligations	**55,661**	51,432

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 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
As of 31 March 2018	182,269	(152,620)	29,649
Current service cost	6,771	-	6,771
Interest cost / (income)	3,258	(2,923) *	335
Net cost / (income) to the income statement (Note 23)	10,029	(2,923)	7,106
Remeasurements:			
– Losses from change in demographic assumptions	748	-	748
– Losses from change in financial assumptions	9,364	-	9,364
– Experience (gains)/losses	(1,717)	12	(1,705)
– Return on plan assets, excluding amounts included in interest income	-	(1,532)	(1,532)
Losses / (gains) recognised in equity (Note 19)	8,395	(1,520)	6,875
Currency translations	(10,899)	7,842	(3,057)
Contributions by plan participants	2,638	(2,638)	-
Contributions by employer	-	(3,209)	(3,209)
Benefits paid	(9,081)	7,570	(1,511)
As of 31 March 2019	**183,351**	**(147,498)**	**35,853**

* 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:

	2019 Percentage	2018 Percentage
Discount rate	**0.6% – 4.0%**	1.0% – 4.2%
Future pension obligation growth rate	**0.0% – 2.6%**	0.0% – 2.6%

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 7.2%	Increase by 7.9%
Future pension growth rate – change by 0.25%	Increase by 1.4%	Decrease by 1.4%

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.

The discount rates of major pension plans were as follow:

	2019 Percentage	2018 Percentage
Switzerland	**0.6%**	1.0%
United Kingdom	**2.4%**	2.6%
Canada	**3.2%**	3.4%

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

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

The weighted average duration of the defined benefit obligations is 17.8 years (31 March 2018: 17.4 years).

The expected maturity of undiscounted pension benefits as of 31 March 2019 and 31 March 2018 was:

	2019 US$'000	2018 US$'000
Less than 1 year	**4,974**	4,615
1 – 2 years	**6,127**	5,254
2 – 5 years	**15,123**	15,121
Over 5 years	**275,988**	281,290
	302,212	306,280

Plan assets

Plan assets comprised the following:

	2019		2018	
	US$'000	**Percentage**	US$'000	Percentage
Quoted				
Equities				
Asia	**970**	**1%**	1,190	1%
Europe	**12,720**	**9%**	13,354	9%
Americas	**1,767**	**1%**	1,855	1%
Global	**20,713**	**14%**	26,084	17%
Bonds				
Asia	**2,295**	**2%**	2,560	2%
Europe	**45,519**	**31%**	48,192	32%
Americas	**21,308**	**14%**	18,380	12%
Global	**12,229**	**8%**	11,296	7%
Others				
Europe	**7,184**	**5%**	7,453	5%
Global	**13,216**	**9%**	13,104	9%
	137,921	**94%**	143,468	95%
Unquoted				
Property investment – Europe	**9,273**	**6%**	8,863	5%
Others – Europe	**304**	**0%**	289	0%
	9,577	**6%**	9,152	5%
	147,498	**100%**	152,620	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 FY19/20 (FY18/19: US$3.3 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 2019 (31 March 2018: 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 FY18/19 was US$8.5 million (FY17/18: US$8.1 million) as shown in Note 23.

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

Accounting policy

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

(a) Defined benefit plan

Defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. The Group's long service payment is a kind of defined benefit plan.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension liability.

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

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

(b) Defined contribution plan

For defined contribution plans, the Group and the employees pay fixed contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. Contributions are recognised as employee compensation when they are due and are reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions.

16. PROVISIONS AND OTHER LIABILITIES

	Legal and warranty US$'000	Severance US$'000	Finance Lease liability US$'000	Others US$'000	Total US$'000
FY17/18					
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	435	-	-	-	435
Charges / (recoveries)	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
FY18/19					
As of 31 March 2018	40,359	4,287	-	761	45,407
Currency translations	(2,328)	(254)	-	(46)	(2,628)
Charges / (recoveries)	12,638	(1,054)	-	(542)	11,042
Utilisations	(15,087)	(2,004)	-	(173)	(17,264)
As of 31 March 2019	**35,582**	**975**	**-**	**-**	**36,557**
Current portion	22,664	975	-	-	23,639
Non-current portion	12,918	-	-	-	12,918
As of 31 March 2019	**35,582**	**975**	**-**	**-**	**36,557**

17. TAXATION

17.1 Income tax expense

The amount of taxation in the consolidated income statement represents:

	2019 US$'000	2018 US$'000
Current income tax		
Charges for the year	**51,099**	56,742
(Reduction) for tax of prior years	**(3,078)**	(1,373)
	48,021	55,369
Deferred income tax (Note 17.2)	**(9,765)**	(6,821)
Total income tax expense	**38,256**	48,548
Effective tax rate	**11.7%**	15.0%

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 FY18/19 was 11.7% (FY17/18: 15.0%). The Group's effective tax rate differed from the statutory tax rate of Hong Kong of 16.5% (FY17/18: 16.5%) as follows:

	2019		2018	
		US$'000		US$'000
Profit before income tax		**327,915**		322,814
Tax charged at Hong Kong profits tax rate	**16.5%**	**54,106**	16.5%	53,264
Effect of different tax rates in other countries				
– Countries with taxable profit	**1.6%**	**5,248**	2.4%	7,700
– Countries with taxable loss	**(1.8)%**	**(6,035)**	(1.7)%	(5,521)
Effect of income, net of expenses, not subject to tax	**(5.4)%**	**(17,655)**	(5.3)%	(17,117)
(Reductions) of tax for prior years – current and deferred	**(1.1)%**	**(3,729)**	(0.9)%	(2,823)
Withholding tax	**1.9%**	**6,419**	2.3%	7,529
Other taxes and timing differences, net of (tax loss recognition) and other (tax benefits)	**0.0%**	**(98)**	1.7%	5,516
	11.7%	**38,256**	15.0%	48,548

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:

	2019 **US$'000**	2018 US$'000
Deferred income tax assets	**44,135**	44,272
Deferred income tax liabilities	**(107,865)**	(116,410)
Deferred income tax liabilities, net	**(63,730)**	(72,138)

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

	2019 **US$'000**	2018 US$'000
Gross deferred income tax assets	**86,276**	96,838
Gross deferred income tax liabilities	**(150,006)**	(168,976)
Deferred income tax liabilities, net	**(63,730)**	(72,138)

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	
	2019 US$'000	2018 US$'000	**2019 US$'000**	2018 US$'000	**2019 US$'000**	2018 US$'000	**2019 US$'000**	2018 US$'000	**2019 US$'000**	2018 US$'000	**2019 US$'000**	2018 US$'000
Deferred income tax assets												
At beginning 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
Currency translations	**(1,194)**	1,561	**(618)**	794	**(990)**	341	**(57)**	28	**(804)**	1,069	**(3,663)**	3,793
Business combination	**-**	2,712	**-**	179	**-**	-	**-**	-	**-**	-	**-**	2,891
Credited / (charged) to income statement	**(1,975)**	(3,983)	**949**	89	**(6,843)**	5,850	**(3)**	397	**(2,362)**	(1,256)	**(10,234)**	1,097
Credited / (charged) to equity	**-**	-	**-**	-	**-**	-	**3,066**	(22,884)	**269**	1	**3,335**	(22,883)
Assets at end of the year	**24,277**	27,446	**9,499**	9,168	**23,046**	30,879	**7,344**	4,338	**22,110**	25,007	**86,276**	96,838
Deferred income tax (liabilities)												
At beginning of the year	**(3,295)**	(2,719)	**(26,915)**	(21,390)	**-**	-	**(108,067)**	(111,419)	**(30,699)**	(27,185)	**(168,976)**	(162,713)
Currency translations	**252**	(355)	**885**	(944)	**-**	-	**3,804**	(4,074)	**901**	(880)	**5,842**	(6,253)
Business combination	**-**	-	**-**	(531)	**-**	-	**-**	(5,854)	**-**	(3,073)	**-**	(9,458)
Credited / (charged) to income statement	**454**	(221)	**12,104**	(4,050)	**-**	-	**9,208**	7,465	**(1,767)**	2,530	**19,999**	5,724
Credited / (charged) to equity	**-**	-	**-**	-	**-**	-	**(7,159)**	5,815	**288**	(2,091)	**(6,871)**	3,724
(Liabilities) at end of the year	**(2,589)**	(3,295)	**(13,926)**	(26,915)	**-**	-	**(102,214)**	(108,067)	**(31,277)**	(30,699)	**(150,006)**	(168,976)
Deferred income tax assets / (liabilities), net	**21,688**	24,151	**(4,427)**	(17,747)	**23,046**	30,879	**(94,870)**	(103,729)	**(9,167)**	(5,692)	**(63,730)**	(72,138)

Deferred income tax liabilities of US$5.9 million (FY17/18: US$4.3 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 2019, the Group's subsidiaries in USA, Canada and Japan had accumulated net operating losses carried forward of US$27.7 million, US$58.6 million and US$3.0 million respectively (31 March 2018: US$39.7 million, US$72.0 million and US$6.5 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:

	2019 US$'000	2018 US$'000
Deferred income tax assets:		
Deferred income tax assets to be recovered after more than twelve months	**66,407**	69,135
Deferred income tax assets to be recovered within twelve months	**19,869**	27,703
Deferred income tax assets	**86,276**	96,838
Deferred income tax liabilities:		
Deferred income tax liabilities to be settled after more than twelve months	**(130,744)**	(153,805)
Deferred income tax liabilities to be settled within twelve months	**(19,262)**	(15,171)
Deferred income tax liabilities	**(150,006)**	(168,976)
Deferred income tax liabilities, net	**(63,730)**	(72,138)

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

	2019 US$'000	2018 US$'000
At beginning of the year, net (liability)	**(72,138)**	(50,773)
Currency translations	**2,179**	(2,460)
Business combination	**-**	(6,567)
Transfer to income statement (Note 17.1)	**9,765**	6,821
Charged to equity	**(3,536)**	(19,159)
At end of the year, net (liability)	**(63,730)**	(72,138)

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:

	2019 **US$'000**	2018 US$'000
Net fair value (gains) of hedging instruments (Note 19)	**(4,092)**	(17,069)
Remeasurements of defined benefit plans (Note 19)	**575**	(1,992)
Remeasurements of long service payment (Note 19)	**(19)**	(98)
	(3,536)	(19,159)

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 FY18/19 and FY17/18 is presented below:

	2019 **US$'000**	2018 US$'000
At beginning of the year	**65,540**	83,497
Currency translations	**(2,326)**	198
(Utilised / recognised) during the year	**(4,696)**	(20,756)
(Reduction) / addition for tax positions of prior years	**(1,597)**	2,601
At end of the year	**56,921**	65,540

Deferred income tax assets in respect of tax losses amounting to US$56.9 million (FY17/18: US$65.5 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:

	2019 US$'000	2018 US$'000
Less than 1 year	**1,340**	-
1 – 2 years	**5,173**	6,800
2 – 5 years	**4,379**	4,617
5 – 20 years	**22,971**	23,509
Unlimited	**23,058**	30,614
	56,921	65,540

Deferred income tax assets have not been recognised with respect to other deductible temporary differences amounting to US$1.0 million (FY17/18: US$1.0 million) for which no taxable profit or temporary differences will be available to offset the deductible temporary difference.

Accounting policy

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

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

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit and loss at the time of such a transaction. Deferred income tax is determined using tax rates enacted or substantively enacted by the balance sheet date or expected to be applied in future.

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

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

18. SHARE CAPITAL

	Share capital – ordinary shares (thousands)	Shares held for the incentive share schemes (thousands)	Total
As of 31 March 2017	878,845	(19,642)	859,203
Shares vested to Directors and employees for the incentive share schemes	-	3,098	3,098
As of 31 March 2018	878,845	(16,544)	862,301
Shares purchased by trustee for the incentive share schemes	-	(529)	(529)
Shares vested to Directors and employees for the incentive share schemes	-	4,059	4,059
Shares issued in lieu of cash dividend	6,159	-	6,159
Scrip dividend for shares held for the incentive shares schemes	-	(131)	(131)
As of 31 March 2019	**885,004**	**(13,145)**	**871,859**

As of 31 March 2019, the total authorised number of ordinary shares was 1,760.0 million (31 March 2018: 1,760.0 million) with a par value of HK$0.05 per share (31 March 2018: HK$0.05 per share). All issued shares were fully paid.

	Share capital – ordinary shares US$'000	Shares held for the incentive share schemes US$'000	Share premium US$'000	Total US$'000
As of 31 March 2017	5,670	(64,813)	-	(59,143)
Shares vested to Directors and employees for the incentive share schemes (Note 19)	-	9,594	-	9,594
As of 31 March 2018	5,670	(55,219)	-	(49,549)
Shares purchased by trustee for the incentive share schemes	-	(1,497)	-	(1,497)
Shares vested to Directors and employees for the incentive share schemes (Note 19)	-	12,572	-	12,572
Shares issued in lieu of cash dividend (Note 19)	39	-	13,265	13,304
Scrip dividend for shares held for the incentive shares schemes (Note 19)	-	(283)	-	(283)
As of 31 March 2019	**5,709**	**(44,427)**	**13,265**	**(25,453)**

18. SHARE CAPITAL *(Cont'd)*

Scrip dividend

During the year, 6.2 million shares were issued to shareholders who elected to receive shares in lieu of cash dividends pursuant to the scrip dividend scheme in relation to the interim dividend of FY18/19. The Group's scrip price was the average closing price in the period during 5 to 11 December 2018 discounted by 4% on the average price – the actual scrip price was HK$16.89 (US$2.16). The date of allotment of the scrip shares was 7 January 2019.

Cancellation of issued capital

A general mandate was approved and given to the Board by shareholders at JEHL's AGM held on 12 July 2018 empowering the Board to repurchase shares up to 10% (87.9 million shares) of the aggregate nominal amount of the issued share capital of JEHL. This mandate which had also existed in the previous year was extended to the next 12 month period. No shares were purchased in FY18/19 for cancellation (FY17/18: nil).

Incentive share schemes

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

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

Senior management of the Group receive annual grants of time-vested units (Restricted Stock Units or RSUs) and performance-vested units (Performance Stock Units or PSUs). According to current granting policy, time-vested units typically vest after three years. Performance-vested units vest after three years, subject to achievement of performance conditions over a three-year performance period including a three-year cumulative earnings per share target and revenue goal for individual divisions (starting with the FY17/18 grants).

If the primary condition is met in full, then the entire grant of PSUs will vest at the end of the vesting period. If the primary performance condition is not met, then the secondary performance conditions are considered. The secondary performance conditions consist of a series of one-year earnings per share targets and one-year revenue targets for individual divisions set at the beginning of each year of the three-year performance period. The earnings per share and revenue targets are of equal weight in the grants. Partial vesting occurs if one or more of the one-year earnings per share targets and one-year revenue targets for individual divisions are met.

18. SHARE CAPITAL *(Cont'd)*

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

	Three-year cumulative goal for diluted earnings per share *
Fiscal years of 16/17 through 18/19	65.40 US cents
Fiscal years of 17/18 through 19/20	89.08 US cents
Fiscal years of 18/19 through 20/21	104.46 US cents
Fiscal years of 19/20 through 21/22	87.49 US cents

* Diluted earnings per share for this goal exclude the impact of unrealised net fair value gains or losses on structured forward currency exchange contracts and the gain on deemed disposal of previously 30% equity interests in HSC (see Note 20).

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

	Number of unvested units granted (thousands)		
	Restricted Stock Units	Performance Stock Units	Total
Unvested units granted, as of 31 March 2017	6,949	7,140	14,089
Units granted to Directors and employees during the year	1,671	1,616	3,287
Units vested to 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
Units granted to Directors and employees during the year	2,224	1,823	4,047
Units vested to Directors and employees during the year	(2,181)	(1,878)	(4,059)
Forfeited during the year	(389)	(420)	(809)
Unvested units granted, as of 31 March 2019	**6,678**	**6,085**	**12,763**

The weighted average fair value of the unvested units granted during the year was HK$24.45 (US$3.13) (FY17/18: HK$28.21 (US$3.62)).

As of 31 March 2019, the number of unvested units outstanding under both the Share Scheme and the Stock Unit Plan on a combined basis was as follows:

	Number of unvested units granted (thousands)		
Vesting year *	Restricted Stock Units	Performance Stock Units	Total
FY19/20	3,048	2,914	5,962
FY20/21	1,513	1,465	2,978
FY21/22	1,757	1,706	3,463
FY23/24	360	-	360
Total unvested units granted	**6,678**	**6,085**	**12,763**

* Shares are typically vested on 1 June of the year

18. SHARE CAPITAL *(Cont'd)*

Accounting policy

(a) Share capital

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

Where any Group company purchases JEHL's equity share capital, the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity until the shares are vested, cancelled or reissued. Where such shares are subsequently sold or reissued, any consideration received (net of any directly attributable incremental transaction costs and the related income tax effects) is included in equity attributable to JEHL's shareholders.

(b) Share-based compensation

The Group operates a number of share-based compensation plans, settled by equity, under which the entity receives services from employees as consideration for equity instruments of the Group. The fair value of such employee services is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the shares granted.

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

Non-market vesting conditions are included in assumptions about the number of shares expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting period, the entity revises its estimates of the number of shares that are expected to vest. Any impact of the revision to original estimates are recognised in the income statement, with a corresponding adjustment to equity.

The grant by the Company of shares over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period, with a credit to equity in the parent entity accounts.

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 2018		16,224	(233,885)	190,000	22,873	92,946	(16,660)	2,276,497	2,347,995
Hedging instruments									
– raw material commodity contracts									
– fair value (losses), net		-	-	-	-	(5,677)	-	-	(5,677)
– transferred to inventory and subsequently recognised in income statement	7(f)	-	-	-	-	(5,308)	-	-	(5,308)
– deferred income tax effect	17	-	-	-	-	1,813	-	-	1,813
– forward foreign currency exchange contracts									
– fair value gains, net		-	-	-	-	45,740	-	-	45,740
– transferred to income statement		-	-	-	-	(8,257)	-	-	(8,257)
– deferred income tax effect	17	-	-	-	-	(5,905)	-	-	(5,905)
– net investment hedge									
– fair value gains, net		-	-	39,572	-	-	-	-	39,572
Defined benefit plans									
– remeasurements	15	-	-	-	-	-	-	(6,875)	(6,875)
– deferred income tax effect	17	-	-	-	-	-	-	575	575
Long service payment									
– remeasurements	15	-	-	-	-	-	-	(131)	(131)
– deferred income tax effect	17	-	-	-	-	-	-	(19)	(19)
Currency translations of subsidiaries		-	-	(112,486)	-	(790)	-	-	(113,276)
Currency translations of associates		-	-	(190)	-	-	-	-	(190)
Net comprehensive income / (expenses) recognised directly in equity		-	-	(73,104)	-	21,616	-	(6,450)	(57,938)
Profit for the year		-	-	-	-	-	-	281,329	281,329
Total comprehensive income / (expenses) for the year		-	-	(73,104)	-	21,616	-	274,879	223,391
Appropriation of retained earnings to statutory reserve		-	-	-	-	-	6,937	(6,937)	-
Incentive share schemes									
– shares vested	18	1,114	-	-	(13,686)	-	-	-	(12,572)
– value of employee services	27	-	-	-	10,400	-	-	-	10,400
Repurchase of convertible bonds		-	-	-	-	-	(261)	54	(207)
FY17/18 final dividend paid		-	-	-	-	-	-	(37,530)	(37,530)
FY18/19 interim dividend paid									
– Cash paid		-	-	-	-	-	-	(5,804)	(5,804)
– Shares issued in respect of scrip dividend	18	-	-	-	-	-	-	(13,304)	(13,304)
– Scrip dividend for shares held for the incentive shares schemes	18	-	-	-	-	-	-	283	283
		1,114	-	(73,104)	(3,286)	21,616	6,676	211,641	164,657
As of 31 March 2019		**17,338**	**(233,885)**	**116,896**	**19,587**	**114,562**	**(9,984)**	**2,488,138**	**2,512,652**
Final dividend proposed	25	-	-	-	-	-	-	37,762	37,762
Other		17,338	(233,885)	116,896	19,587	114,562	(9,984)	2,450,376	2,474,890
As of 31 March 2019		**17,338**	**(233,885)**	**116,896**	**19,587**	**114,562**	**(9,984)**	**2,488,138**	**2,512,652**

* 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 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	7(f)	-	-	-	-	(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		-	-	(469)	-	-	-	-	(469)
Currency translations of subsidiaries		-	-	132,493	-	1,262	-	-	133,755
Currency translations of associates		-	-	159	-	-	-	-	159
Net comprehensive 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		-	-	-	-	-	(72,191)	-	(72,191)
FY16/17 final dividend paid		-	-	-	-	-	-	(37,735)	(37,735)
FY17/18 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.

20. OTHER INCOME AND (EXPENSES)

	2019 US$'000	2018 US$'000
Gross rental income from investment property	**4,123**	4,095
Gains on investments, net (Note 27)	**881**	145
(Losses) on disposal of property, plant and equipment (Note 27)	**(827)**	(541)
Fair value gains on investment property (Note 4 & 27)	**11,724**	1,625
Unrealised net fair value gains on other financial assets and liabilities (Note 7(f))	**18,640**	1,551
Unrealised net (losses) / gains from revaluation of monetary assets and liabilities	**(27,653)**	7,109
Unrealised net fair value gains / (losses) on structured forward currency exchange contracts (Note 8 & 27)	**50,947**	(31,945)
Gain on deemed disposal of previously 30% equity interests in HSC (Note 27)	**-**	14,012
Subsidies and other recoveries	**21,105**	17,897
Other income and (expenses)	**78,940**	13,948

Note: The unrealised net fair value gains on other financial assets and liabilities and unrealised net gains from revaluation of monetary assets and liabilities for FY17/18 had been reclassified from “Selling and administrative expenses” to “Other income and (expenses)” to conform with current year’s presentation.

Accounting policy

(a) Rental income

Rental income is recognised on a straight-line basis over the period of the lease.

(b) Government grants

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

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

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

21. SELLING AND ADMINISTRATIVE EXPENSES

	2019 US$'000	2018 US$'000
Selling expenses	**111,055**	105,309
Administrative expenses	**386,361**	387,228
Legal and warranty	**12,638**	6,001
Net (gains) on realisation of other financial assets and liabilities (Note 7(f))	**(23,556)**	(19,619)
Net losses / (gains) on realisation of monetary assets and liabilities	**307**	(9,176)
Net (gains) / losses on realisation of structured forward foreign currency exchange contracts	**(665)**	239
Selling and administrative expenses	**486,140**	469,982

Note: The unrealised net fair value gains on other financial assets and liabilities and unrealised net gains from revaluation of monetary assets and liabilities for FY17/18 had been reclassified from "Selling and administrative expenses" to "Other income and (expenses)" to conform with current year's presentation.

Selling and administrative expenses included operating lease payments for FY18/19 of US$8.2 million (FY17/18: US$7.4 million).

22. FINANCE INCOME / (COSTS), NET

	2019 US$'000	2018 US$'000
Interest income	**1,907**	1,161
Interest expense	**(10,249)**	(6,158)
Interest expense on bonds	**(2,165)**	-
Interest expense on convertible bonds (Note 24)	**(6,403)**	(7,408)
	(16,910)	(12,405)
Accrued interest on put option written to a non-controlling interest *	**(1,293)**	(1,126)
Interest expense capitalised **	**1,748**	-
Net finance costs (Note 27)	**(16,455)**	(13,531)

* 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.

** Interest expense has been capitalised at average interest rate of 2.9% per annum.

Borrowings are discussed in Note 14.

Accounting policy

Interest income is recognised when it is earned on a time-proportion basis using the effective interest method.

23. EXPENSES BY NATURE

Operating profit was stated after crediting and charging the following:

	2019 US$'000	2018 US$'000
Depreciation		
Depreciation of property, plant and equipment (Note 3)	**163,982**	144,666
Less: amounts capitalised in assets under construction	**(1,762)**	(1,700)
Net depreciation (Note 27)	**162,220**	142,966
Engineering expenditure *		
Engineering expenditure	**183,584**	177,047
Capitalisation of engineering development costs (Note 5)	**(11,181)**	(8,726)
Net engineering expenditure	**172,403**	168,321
Employee compensation		
Wages and salaries	**834,365**	812,628
Share-based payments (Note 27)	**10,400**	12,685
Social security costs	**91,776**	86,552
Pension costs - defined benefit plans (Note 15.1)	**7,106**	7,066
Pension costs - defined contribution plans (Note 15.2)	**8,453**	8,062
	952,100	926,993
Less: amounts capitalised in assets under construction	**(6,333)**	(6,841)
	945,767	920,152
Other items:		
Cost of goods sold **	**2,528,935**	2,445,328
Auditors' remuneration	**2,783**	2,729
Amortisation of intangible assets (Note 5 & 27)	**42,152**	40,679
Impairment of property, plant and equipment (Note 3 & 27)	**7,207**	6,080
Impairment / (write back of impairment) of trade receivables / bad debt expense (Note 10)	**729**	(4,494)

* Engineering expenditure as a percentage of sales was 5.6% in FY18/19 (FY17/18: 5.5%).

** Cost of goods sold comprised materials, direct labour costs (including their social costs) and production overheads including operating lease payments of US$16.0 million (FY17/18: US$15.4 million).

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

Accounting policy

(a) Profit sharing and bonus plans

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

(b) Judgemental accruals and provisions

Judgemental accruals and provisions are recognised when the company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made.

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.

	2019	2018
Profit attributable to shareholders (thousands US Dollar)	**281,329**	264,047
Weighted average number of ordinary shares in issue (thousands)	**866,660**	861,775
Basic earnings per share (US cents per share)	**32.46**	30.64
Basic earnings per share (HK cents per share)	**254.56**	239.26

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.

	2019	2018
Profit attributable to shareholders (thousands US Dollar)	**281,329**	264,047
Adjustments for convertible bonds		
– Interest (thousands US Dollar) (Note 22)	**6,403**	7,408
– Deferred income tax effect (thousands US Dollar)	**(835)**	(803)
Adjusted profit attributable to shareholders (thousands US Dollar)	**286,897**	270,652
Weighted average number of ordinary shares issued and outstanding (thousands)	**866,660**	861,775
Adjustments for incentive shares granted		
– Incentive share schemes - Restricted Stock Units	**3,694**	6,752
– Incentive share schemes - Performance Stock Units	**3,280**	3,680
Adjustments for convertible bonds		
– Assumed conversion of convertible bonds	**34,160**	40,725
Weighted average number of ordinary shares (diluted) (thousands)	**907,794**	912,932
Diluted earnings per share (US cents per share)	**31.60**	29.65
Diluted earnings per share (HK cents per share)	**247.83**	231.50

25. DIVIDEND

	2019 US$'000	2018 US$'000
Interim, of 17 HK cents (2.18 US cents) per share, paid in January 2019 (FY17/18: 17 HK cents or 2.18 US cents)	**18,832**	18,763
Final, proposed, of 34 HK cents (4.36 US cents) per share, to be paid in September 2019 (FY17/18: 34 HK cents or 4.36 US cents) (Note 19)	**37,762** *	37,360
	56,594	56,123

* Proposed dividend, with a scrip dividend option offered to shareholders, is calculated based on the total number of shares as of 31 March 2019. The final dividend will be payable on 4 September 2019 to shareholders registered on 22 July 2019. The Board has been informed that, subject to the granting of listing of, and permission to deal in, the new shares issued pursuant to the scrip dividend alternative on the Hong Kong Stock Exchange, the controlling shareholder of the Company intends to subscribe for its entire eligible allocation of shares under the scrip dividend alternative.

For FY18/19 interim dividends, scrip dividend elections were offered to all shareholders, and shareholders accounting for approximately 70% of total issued shares elected for scrip dividends. Total share costs of the scrip shares were HK$104 million (US$13.3 million). Dividends for shares held by incentive share schemes of US$0.3 million were deducted from the total dividends.

At a meeting held on 16 May 2019 the Directors recommended a final dividend of 34 HK cents (4.36 US cents) per share to be paid out in September 2019. The recommended final dividend will be reflected as an appropriation of retained earnings for FY19/20.

Dividends for the periods FY09/10 through FY18/19 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
FY09/10 *	-	20.0	20.0	23,659
FY10/11 *	12.0	24.0	36.0	42,488
FY11/12 *	12.0	28.0	40.0	46,118
FY12/13 *	12.0	32.0	44.0	50,396
FY13/14 *	12.0	34.0	46.0	52,648
FY14/15	14.0	34.0	48.0	53,290
FY15/16	15.0	34.0	49.0	54,117
FY16/17	16.0	34.0	50.0	55,323
FY17/18	17.0	34.0	51.0	56,123
FY18/19	17.0	34.0 **	51.0	56,594

* 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 FY14/15.

** Final dividend for FY18/19 has been recommended by the Board of Directors and is subject to shareholder approval.

25. DIVIDEND *(Cont'd)*

Accounting policy

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

26. COMMITMENTS

26.1 Capital commitments

	2019 US$'000	2018 US$'000
Capital commitments, contracted but not provided for:		
Property, plant and equipment	**128,535**	98,097

26.2 Operating lease commitments

(i) The Group's future aggregate minimum lease payments under non-cancellable operating leases as of 31 March 2019 and 31 March 2018 were as follows:

	2019		2018	
	Land and buildings US$'000	**Others US$'000**	Land and buildings US$'000	Others US$'000
Less than 1 year	**21,956**	**2,688**	22,415	2,161
1 – 5 years	**42,184**	**4,878**	57,945	4,361
Over 5 years	**16,828**	**4**	21,404	-
	80,968	**7,570**	101,764	6,522

(ii) The Group's future aggregate minimum lease rental receivables under non-cancellable operating leases on land and buildings as of 31 March 2019 and 31 March 2018 were as follows:

	2019 US$'000	2018 US$'000
Less than 1 year	**1,316**	1,276
1 – 5 years	**4,905**	5,074
Over 5 years	**3,929**	5,772
	10,150	12,122

26. COMMITMENTS *(Cont'd)*

Accounting policy

HKAS 17 defines a lease as being an agreement whereby the lessor conveys to the lessee in return for a payment, or series of payments, the right to use an asset for an agreed period of time.

(a) Finance leases as the lessee

The Group leases certain property, plant and equipment. Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

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

(b) Operating leases as the lessee

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

27. CASH GENERATED FROM OPERATIONS

	2019 US$'000	2018 US$'000
Profit before income tax	**327,915**	322,814
Add: Depreciation of property, plant and equipment (Note 23)	**162,220**	142,966
Amortisation of intangible assets (Note 5 & 23)	**42,152**	40,679
Finance expense, net (Note 22)	**16,455**	13,531
Associates dividend receipts less share of profits	**516**	(133)
EBITDA*	**549,258**	519,857
Other non-cash items		
Losses on disposal of property, plant and equipment (Note 20)	**827**	541
Impairment of property, plant and equipment (Note 3 & 23)	**7,207**	6,080
Net realised and unrealised (gains) on financial assets / liabilities at fair value through profit and loss (Note 20)	**(881)**	(145)
Share-based compensation expense (Note 19 & 23)	**10,400**	12,685
Fair value (gains) on investment property (Note 4 & 20)	**(11,724)**	(1,625)
Fair value (gains) / losses on structured foreign currency contracts (Note 8 & 20)	**(50,947)**	31,945
(Gain) on deemed disposal of previously 30% equity interests in HSC (Note 20 & 28)	**-**	(14,012)
Others	**73**	-
	(45,045)	35,469
EBITDA* net of other non-cash items	**504,213**	555,326
Change in working capital		
(Increase) in inventories	**(5,557)**	(55,732)
Decrease / (increase) in trade and other receivables	**41,352**	(64,801)
(Increase) in other non-current assets	**(1,753)**	(2,112)
(Decrease) / increase in trade payables, other payables and deferred income	**(264)**	48,908
Increase in retirement benefit obligations **	**3,079**	2,684
(Decrease) in provision and other liabilities	**(6,222)**	(17,176)
Change in other financial assets / liabilities	**(12,665)**	9,494
	17,970	(78,735)
Cash generated from operations	**522,183**	476,591

* 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 comprise:

	2019 **US$'000**	2018 US$'000
Net book amount	**1,440**	1,280
(Losses) on disposal of property, plant and equipment (Note 20)	**(827)**	(541)
Proceeds from disposal of property, plant and equipment	**613**	739

28. BUSINESS COMBINATION

28.1 Business combination in FY18/19

On 12 December 2018, the Group acquired the business of Apex, a privately owned company providing specialty compacting lubricant formulations. The acquired business includes patents that allow Stackpole's powder metal business to achieve high density in a single press.

The aggregate revenue and net profit contributed by this acquisition are insignificant to the Group's results for the year. The acquisition would not have had any significant impact to the Group's revenue and profit for the year if it had occurred on 1 April 2018.

	2019 US$'000
Purchase consideration settled in cash	2,299

Represented by:

	Fair Value US$'000
Property, plant and equipment (Note 3)	355
Intangible assets (Note 5)	1,807
Inventories	38
Trade receivables and other receivables	114
Trade payables and other payables	(15)
Net assets acquired	2,299

The purchase price allocations for this acquisition are preliminary. Adjustments to the allocations may occur as a result of obtaining more information on the asset valuations.

28. BUSINESS COMBINATION *(Cont'd)*

28.2 Business combination in FY17/18

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

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 (expenses)" (Note 20).

Details of net assets acquired and goodwill are as follows:

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

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

28. BUSINESS COMBINATION *(Cont'd)*

28.2 Business combination in FY17/18 *(Cont'd)*

Pursuant to the Share Purchase Agreement in relation to the acquisition of a 50% equity interest in HSC, the Seller was granted a put option under which the Seller has the right to require the Group to acquire all of its rights in HSC, and the put option is exercisable at any time from May 2022 to May 2026 following the expiration of a 5-year period from the closing date of the acquisition ("Put Exercise Period").

The Group is also granted a call option under which the Group has the right to require the Seller to sell all of its rights to the Group, exercisable at any time from May 2026 to May 2030 following the expiry of the Put Exercise Period.

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

The carrying amount of the written put option decreased from US$79.5 million as of 31 March 2018 to US$74.2 million as of 31 March 2019, mainly due to the combined net effect of accrued interest (refer to Note 22 of the consolidated income statement) and currency translation as the put option is denominated in KRW.

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

JOHNSON ELECTRIC GROUP TEN-YEAR SUMMARY

US$ million	**2019**	2018	2017
Consolidated income statement			
Sales	**3,280.4**	3,236.6	2,776.1
Earnings before interest and tax (EBIT) [1]	**344.4**	336.3	300.3
Profit before income tax	**327.9**	322.8	290.3
Income tax expense	**(38.3)**	(48.6)	(43.8)
Profit for the year	**289.6**	274.2	246.5
Non-controlling interests	**(8.3)**	(10.2)	(8.6)
Profit attributable to shareholders	**281.3**	264.0	237.9
Consolidated balance sheet			
Fixed assets	**1,351.4**	1,214.6	892.8
Goodwill and intangible assets	**1,109.7**	1,178.6	1,076.7
Cash and cash equivalents	**340.0**	168.9	127.7
Other current and non-current assets	**1,476.9**	1,440.1	1,257.5
Total assets	**4,278.0**	4,002.2	3,354.7
Equity attributable to shareholders	**2,487.2**	2,298.4	1,992.2
Non-controlling interests	**71.3**	67.4	32.8
Total equity	**2,558.5**	2,365.8	2,025.0
Total debt [2]	**685.7**	492.2	384.0
Other current and non-current liabilities	**1,033.8**	1,144.2	945.7
Total equity and liabilities	**4,278.0**	4,002.2	3,354.7
Per share data [3]			
Basic earnings per share (US cents)	**32.5**	30.6	27.7
Dividend per share (US cents)	**6.5**	6.5	6.4
Closing stock price (HKD)	**18.2**	29.5	23.2
Other information			
Free cash flow from operations [4]	**55.7**	88.2	160.1
Earnings before interest, tax and amortisation (EBITA)	**386.5**	377.0	337.3
EBITA to sales %	**11.8%**	11.6%	12.2%
Earnings before interest, tax, depreciation and amortisation (EBITDA)	**549.3**	519.8	448.4
EBITDA to sales%	**16.7%**	16.1%	16.2%
Capital expenditure (CAPEX)	**391.4**	305.8	240.2
CAPEX to sales %	**11.9%**	9.4%	8.7%
Market Capitalisation	**2,019.2**	3,236.1	2,565.6
Enterprise Value (EV)	**2,436.2**	3,626.7	2,854.7
EV / EBITDA [5]	**4.4**	7.0	6.3
Ratios			
Return on average total equity % [6]	**11.8%**	12.5%	12.6%
Free cash flow from operations to debt %	**8%**	18%	42%
Total debt to EBITDA (times) [5]	**1.2**	0.9	0.9
Total debt to capital %	**21%**	17%	16%
Interest coverage (times) [7]	**18.3**	24.8	27.1

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 FY11/12 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

2016	2015	2014	2013	2012	2011	2010 *
2,235.9	2,136.1	2,097.6	2,059.7	2,140.8	2,104.0	1,741.0
209.8	243.5	233.9	213.2	221.6	235.8	110.5
206.6	249.0	243.0	218.0	220.5	226.4	103.8
(23.9)	(29.2)	(28.1)	(21.1)	(31.6)	(36.1)	(16.4)
182.7	219.8	214.9	196.9	188.9	190.3	87.4
(10.0)	(8.9)	(7.0)	(5.6)	(2.2)	(8.6)	(10.4)
172.7	210.9	207.9	191.3	186.7	181.7	77.0
759.0	492.6	460.6	425.6	433.1	457.5	440.6
1,083.4	595.6	650.7	621.5	757.8	774.7	699.9
193.3	773.2	644.0	480.9	385.1	354.7	367.1
1,113.7	986.6	745.4	715.9	704.0	755.5	623.2
3,149.4	2,848.0	2,500.7	2,243.9	2,280.0	2,342.4	2,130.8
1,842.6	1,862.3	1,732.3	1,568.5	1,461.6	1,362.2	1,121.7
42.2	38.6	34.0	30.3	25.9	60.1	51.5
1,884.8	1,900.9	1,766.3	1,598.8	1,487.5	1,422.3	1,173.2
422.5	291.3	116.9	125.0	205.4	313.7	408.7
842.1	655.8	617.5	520.1	587.1	606.4	548.9
3,149.4	2,848.0	2,500.7	2,243.9	2,280.0	2,342.4	2,130.8
20.1	24.1	23.4	21.4	20.7	19.9	8.4
6.3	6.2	5.9	5.6	5.1	4.6	2.6
24.0	27.3	28.7	23.1	19.3	18.2	20.6
70.8	155.8	231.1	111.9	166.0	169.6	215.1
237.5	264.9	254.8	235.5	246.1	255.4	129.3
10.6%	12.4%	12.1%	11.4%	11.5%	12.1%	7.4%
321.9	335.5	321.8	304.3	314.3	322.5	197.9
14.4%	15.7%	15.3%	14.8%	14.7%	15.3%	11.4%
186.2	119.9	92.2	82.6	91.3	85.6	38.0
8.3%	5.6%	4.4%	4.0%	4.3%	4.1%	2.2%
2,643.3	3,032.5	3,282.2	2,646.2	2,229.5	2,134.4	2,426.3
2,914.7	2,589.3	2,789.1	2,320.5	2,075.6	2,153.4	2,519.4
7.9	7.7	8.7	7.6	6.3	6.7	12.7
9.7%	12.0%	12.8%	12.8%	13.0%	14.7%	8.1%
17%	53%	198%	90%	81%	54%	53%
1.1	0.9	0.4	0.4	0.7	1.0	2.1
18%	13%	6%	7%	12%	18%	26%
22.3	28.8	127.8	79.0	32.1	18.2	12.4

* Historical data for FY09/10 had been restated for the adoption of HKAS 12 (amendment) - deferred tax related to investment properties.

CORPORATE AND SHAREHOLDER INFORMATION

Johnson Electric Holdings Limited

(Incorporated in Bermuda with limited liability)

CORPORATE INFORMATION

Board of Directors

Executive Directors

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

Winnie Wing-Yee Wang
Vice-Chairman

Austin Jesse Wang

Non-Executive Directors

Yik-Chun Koo Wang
Honorary Chairman

Peter Kin-Chung Wang

Peter Stuart Allenby Edwards *

Patrick Blackwell Paul *CBE, FCA* *

Michael John Enright *

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

Christopher Dale Pratt *CBE* *

* *Independent Non-Executive Director*

Company Secretary

Lai-Chu Cheng

Auditor

PricewaterhouseCoopers

Registrars and Transfer Offices

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

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

Registered Office

Canon's Court
22 Victoria Street
Hamilton HM 12
Bermuda

Hong Kong Head Office

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

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

Principal Bankers

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

Rating agencies

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

LISTING INFORMATION

Share Listing

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

Stock Code

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

SHAREHOLDERS' CALENDAR

Annual General Meeting (AGM)

11 July 2019 (Thu)

Register of Shareholders

Closure of Register (both dates inclusive)

For attending AGM : 8 - 11 July 2019 (Mon – Thu)

For final dividend : 18 – 22 July 2019 (Thu – Mon)

Dividend (per Share)

Interim Dividend	: 17 HK cents
Paid on	: 7 January 2019 (Mon)
Final Dividend	: 34 HK cents
Scrip dividend scheme circular available	: on or about 6 August 2019 (Tue)
Dividend warrants and share certificates for final dividend	: 4 September 2019 (Wed)

REVIEW OF ANNUAL RESULTS

The Company's annual results for the year ended 31 March 2019 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 Group (www.johnsonelectric.com) and HKEXnews (www.hkexnews.hk). The Company's Annual Report 2019 will be despatched to the shareholders and available on the same websites on or about 6 June 2019.

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 2019

Johnson Electric is one of the constituent stocks on the Hang Seng Composite MidCap Index under the Hang Seng Composite Index, the Hang Seng Corporate Sustainability Benchmark 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.