Johnson Electric Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code : 179)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2020

HIGHLIGHTS

- For the financial year ended 31 March 2020, total sales were US$3,070 million – a decrease of 6% compared to the prior financial year. Excluding the effects of foreign currency movements, underlying sales decreased by 4%
- Gross profit was US$672 million – a decrease of 11%
- Operating profits decreased by 1% to US$341 million or 11.1% of sales (compared to 10.5% of sales in FY2018/19)
- Goodwill and other intangible assets were impaired by US$796 million (as detailed on page 4)
- Net loss attributable to shareholders was US$494 million – compared to a net profit of US$281 million in the prior financial year
- Underlying net profit, excluding the impairment of intangible assets and other significant non-cash items, was US$191 million – a decrease of 17%
- Free cash flow from operations increased by US$185 million to US$241 million
- As of 31 March 2020, cash reserves were US$384 million and the Group's net debt (total debt less cash) was US$31 million

LETTER TO SHAREHOLDERS

This report to shareholders requires a focus on the COVID-19 global pandemic during the last quarter of our financial year that has had a disproportionately large impact on Johnson Electric's business and financial statements for the year ending 31 March 2020.

For the first nine months of the financial year, the Group was performing quite creditably in the context of what were already recessionary conditions in many manufacturing sectors, particularly automotive. Sales revenue was trending well ahead of the market in most business units, gross profit margins were stable, cash flows were improving, and we continued to make solid progress in executing our key strategic initiatives.

The COVID-19 outbreak, which was first reported in China in late 2019, changed the operating environment completely. This was felt initially in the Group's manufacturing operations in mainland China, which were effectively shut down from the beginning of the Chinese Lunar New Year holiday in January through to mid-February 2020 when nationwide containment measures began to be gradually lifted. In March, the virus outbreak reached Europe and North America. Automotive OEM assembly plants and many industrial manufacturing operations in those regions, including a majority of the Group's production facilities, temporarily ceased production and a number of countries instituted unprecedented government-mandated social and economic "lockdowns" that have yet to be fully lifted.

Protecting the Health and Safety of Our People

I would first like to comment on the health and safety aspects of the COVID-19 outbreak and the measures that Johnson Electric has taken to help protect its people.

As a company with its roots in Hong Kong and southern China, we have not forgotten the effects of the SARS coronavirus outbreak seventeen years ago. While tiny in scale compared to today's pandemic, SARS profoundly changed local perspectives on the measures needed to reduce the risk of infection and transmission. Consequently, our management responded early in the crisis to implement a number of essential safety protocols that were positively received by our staff and, in several instances, have been acknowledged as models of good corporate citizenship by local governmental authorities. These early actions included the sourcing and distribution of facemasks to all of our more than 35,000 employees worldwide, the installation of temperature monitoring equipment in a majority of our locations, and the provision of necessary IT infrastructure support to enable many staff to work from home.

Along with the conscious efforts taken by all of us to be considerate of our colleagues and maintain high standards of hygiene, I believe that these measures have been important in helping us to avoid, so far, any cluster of COVID-19 cases in any Johnson Electric workplace. This in turn contributes to protecting our families, our local healthcare professionals and the local communities where we operate.

Divisional Sales Performance

The Automotive Products Group ("APG"), Johnson Electric's largest operating division, achieved sales of US$2,439 million. Excluding currency effects, APG's sales decreased by 1%. This represents a substantial outperformance relative to the total production volume of the global light vehicle industry, which declined by approximately 10% over the same period. The primary drivers underpinning demand for many of APG's subsystems and components are the industry's long-term imperatives to accelerate the adoption of innovative technology that enables electrification, reduces emissions, and heats, cools or lubricates critical vehicle systems.

In addition, key enduring strengths of the Group in the automotive components industry are its highly diverse base of customers and an almost equal balance of sales across the world's three main geographic regions.

On a regional basis, the strongest performance was in the Americas where APG increased sales by 8% in constant currency terms against a market where light vehicle production volumes fell by 6%. In Europe, APG sales decreased by 2% in constant currency compared to a decline of 8% in the region's car production. Asian automotive markets experienced the weakest demand during the period under review. Even prior to the COVID-19 outbreak, China – the industry's greatest source of demand growth for the past two decades – saw an economic slowdown partly due to the effect of escalating trade tensions with the United States that has increased uncertainty and weakened consumer confidence. COVID-19 related factory shutdowns in late January and February pushed the industry further into recession, with China auto production volumes falling by nearly 17% in the period under review. Across Asia as a whole, automotive industry production decreased by 12%. Against these exceptionally difficult operating conditions, APG's Asia sales decreased by 9% in constant currency terms.

The Industry Products Group ("IPG") achieved sales of US$632 million, which represented 21% of total Group sales. Excluding currency effects, IPG's sales declined by 15%. A combination of factors contributed to this disappointing performance. These included depressed demand across a number of end markets due to the US-China trade dispute, market share losses in some more commoditized application segments, and customer-specific programme delays or cancellations. COVID-19 had a mixed impact on the division in the fourth quarter of the financial year. On the one hand, the closure and then gradual ramp-up of IPG's production capacity in China significantly constrained the division's ability to fulfil some customer orders. On the other hand, even as the consumer lockdowns became more widespread during March, there has been sustained and, in some instances, growing demand from selected consumer sectors such as medical devices and home improvement products.

Gross Margins and Operating Profitability

The Group's gross profit decreased by US$79 million to US$672 million – which as a percentage of sales represented a reduction from 22.9% to 21.9%. This decrease was primarily due to the combination of lower sales volumes, increased depreciation and pricing pressure. In particular, the loss of sales in the fourth quarter due to COVID-19 related factory closures more than offset the progress achieved during the year to reduce raw material and direct labour expenses, which as a percentage of sales both demonstrated year on year improvements.

Group operating profits amounted to US$341 million compared to US$344 million in the prior financial year. This figure benefitted from a US$42 million increase in the net contribution from Other Income and Expenses, which included unrealized gains on structured forward foreign exchange contracts, unrealized gains on other financial assets and liabilities, and a fair value gain related to an investment property in Hong Kong that was divested in October 2019.

Impairment of Goodwill and Other Intangible Assets

As required by the Hong Kong Accounting Standards, management has undertaken its annual assessment of goodwill and other intangible assets on the Group's balance sheet as of 31 March 2020.

Management believes that in the near term, high unemployment caused by the COVID-19 health crisis will adversely affect disposable income and consumer confidence. This is expected to lead to weak consumption that will outlast the social and economic lockdowns related to the coronavirus outbreak itself. Although growth in demand can be expected to return in the medium to long term, the immediate impact of the global pandemic on certain segments of the Group's business, especially automotive, is to reset the base for growth and cause future cash flow to decline before gradually improving.

Considering these conditions, as well as an increase in the Group's weighted average cost of capital, the estimated recoverable amount of goodwill and some other intangible assets is less than their carrying value. As a result, the Company has recorded an impairment charge of US$796 million.

After including the impairment of intangible assets, the Group reported a net loss attributable to shareholders of US$494 million (compared to a net profit of US$281 million in the prior financial year).

The impairment charge is a non-cash item and does not have an impact on the Group's cash flows, operations, liquidity and debt covenant compliance. It is, however, a sobering acknowledgement of unprecedented market conditions that will have a significant negative impact on sales, especially in the first half of the financial year ending 31 March 2021.

Underlying Profit and Financial Condition

As noted above, the Group's reported operating profit and net loss attributable to shareholders were both impacted by a number of significant positive and negative non-cash items. Excluding these items, Johnson Electric's underlying net profit for the year ended 31 March 2020 was US$191 million, a decrease of 17% compared to the prior year.

Free cash flow from operations totalled US$241 million – up from US$56 million in the prior year. While part of this significant improvement in cash flow reflected a reduced level of capital expenditures, it was also the result of the unplanned reduction in working capital in the fourth quarter as sales reduced in the wake of the COVID-19 outbreak.

The overall financial condition and liquidity position of the Group remains sound. Total cash at year end amounted to US$384 million and net debt (total debt less cash) stood at US$31 million. Notwithstanding the reduction in total equity following the impairment of intangible assets, the ratio of total debt to capital at year end was 18% (a decrease from 21% a year earlier).

Dividends

In view of the ongoing deep contraction of the global economy and the high level of uncertainty concerning the timing and pace of recovery, the Board has determined that the business and its shareholders are best served by retaining cash within the Company at the present time and therefore no final dividend will be distributed for the 2019/20 financial year. The Board will continue to monitor the situation carefully.

Near Term and Longer Term Outlook

When COVID-19 containment measures sent the global economy and stock markets into reverse in March 2020, the initial reaction of many economists and politicians was to make comparisons to the 2008-09 Global Financial Crisis. A couple of months on and it is becoming clear that the current crisis is deeper and potentially much more profound in its social and economic impact.

Two statistics from the western world's two largest economies illustrate the depth and severity of today's downturn. In the United States, household spending fell 7.5% in March from the previous month. This represents the most severe decline since records began more than sixty years ago – and yet lockdowns did not actually commence in any US state until the latter part of the month. Meanwhile, in Germany, almost one quarter of all workers have registered to have part of their wages subsidised by the government as a result of being sent home or put on partial hours during the pandemic. This is almost seven times the number who joined Germany's comparable short-term unemployment scheme after the global financial crisis in 2008-09 – and it is taking place in a country that is perceived to be handling the COVID-19 crisis comparatively effectively.

In such extraordinary times – and perhaps until game-changing progress is achieved in developing treatments and a vaccination for the virus – it is not possible to offer meaningful guidance on the near-term financial prospects for the business. What we do know is that sales levels in the first quarter of the current financial year will be substantially weaker than in the same period a year ago. We also know that while it is encouraging that there are indications of an automotive sales recovery in China and that most of our largest automotive and industrial customers are now in the process of re-opening plants in Europe and North America, there is presently no way to accurately project actual end-market consumer demand in the coming months.

To address these near-term uncertainties, management is continuing to focus on ensuring the health and safety of our people and on taking a range of steps to preserve cash – including lowering operating costs (including reducing executive salaries) and reducing capital expenditure. With these actions, and given a very sound liquidity position, I remain highly confident that our company will work through the current crisis successfully and emerge in healthy shape.

Johnson Electric is evolving to a business model that emphasizes speed, customer responsiveness and "in-region" fulfilment capabilities. At the same time, we are making increasing use of data, digital tools and artificial intelligence to drive continuous improvements in quality and efficiency. Looking past the COVID-19 pandemic, it will be our ability to execute on those core elements in our strategy that will ensure that our business sustains and prospers in the medium and longer term.

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, 13 May 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL PERFORMANCE

US$ million	FY19/20	FY18/19
Sales	3,070.5	3,280.4
Gross profit	672.3	751.4
Gross margin	*21.9%*	*22.9%*
EBITA [1]	(413.5)	386.5
EBITA adjusted [2]	284.5	332.9
EBITA adjusted margin	*9.3%*	*10.1%*
(Loss) / profit attributable to shareholders	(493.7)	281.3
Diluted earnings per share (US cents)	(55.55)	31.60
Free cash flow from operations [3]	241.2	55.7

US$ million	31 Mar 2020	31 Mar 2019
Cash	384.4	340.0
Total debt	415.5	685.7
Net debt (total debt less cash)	31.1	345.7
Total equity	1,901.7	2,558.5
Market capitalization [4]	1,401.2	2,019.2
Enterprise value [5]	1,505.8	2,436.2
EBITDA [6]	(209.2)	549.3
EBITDA adjusted [2 & 7]	488.8	517.6

Key Financial Ratios	31 Mar 2020	31 Mar 2019
Enterprise value to EBITDA adjusted [2 & 7]	3.1	4.7
Total debt and leases [7] to EBITDA adjusted [2 & 7]	1.0	1.5
Total debt to capital (total equity + total debt)	18%	21%

1 Earnings before interest, tax and amortization

2 Adjusted to exclude impairment of goodwill and other intangible assets and net gains of significant non-cash and divested items (for further information see page 13)

3 Net interest received, net capital expenditure, capitalization of engineering development costs and principal portion of lease payments are included in free cash flow from operations

4 Outstanding number of shares multiplied by the closing price (HK$12.20 per share as of 31 March 2020 and HK$18.18 per share as of 31 March 2019) converted to USD at the closing exchange rate

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

6 Earnings before interest, tax, depreciation and amortization

7 Leases at 31 March 2019, adjusted to include lease liabilities recognized for the first time on 1 April 2019, on the adoption of HKFRS 16. EBITDA for FY18/19 included a corresponding adjustment to annual lease expense

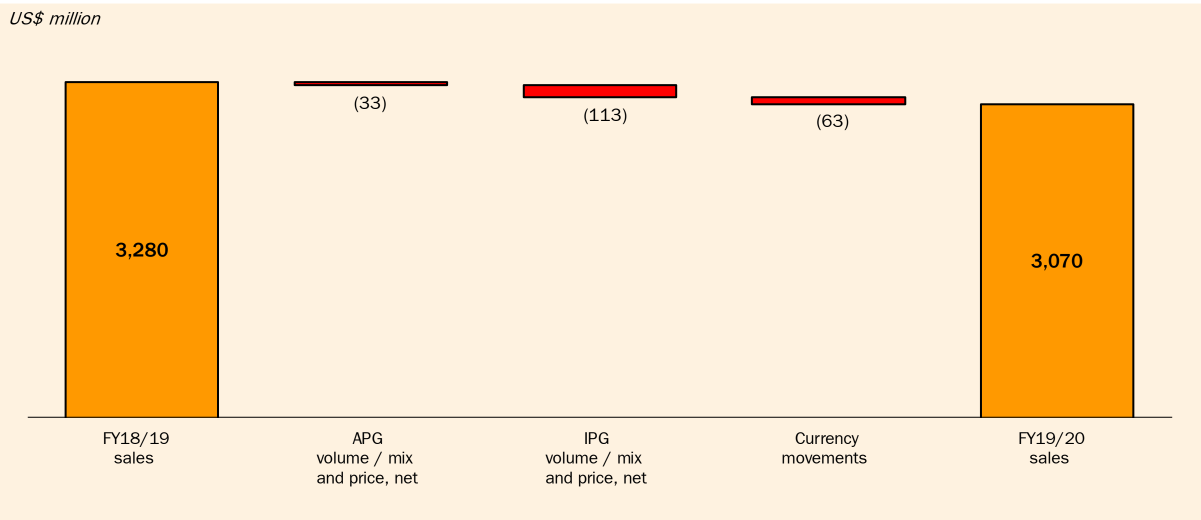
BUSINESS REVIEW

Sales

Sales decreased by US$209.9 million or 6% to US$3,070.5 million in FY19/20 (FY18/19: US$3,280.4 million). Excluding currency movements, sales decreased by US$146.4 million or 4% compared to the prior year, as shown below:

US$ million	FY19/20		FY18/19		Change	
Automotive Products Group ("APG") sales						
– Excluding currency movements	2,496.6		2,530.0		(33.4)	(1%)
– Currency movements	(57.8)		n/a		(57.8)	
APG sales	2,438.8	79%	2,530.0	77%	(91.2)	(4%)
Industry Products Group ("IPG") sales						
– Excluding currency movements	637.4		750.4		(113.0)	(15%)
– Currency movements	(5.7)		n/a		(5.7)	
IPG sales	631.7	21%	750.4	23%	(118.7)	(16%)
Group sales						
– Excluding currency movements	3,134.0		3,280.4		(146.4)	(4%)
– Currency movements	(63.5)		n/a		(63.5)	
Group sales	**3,070.5**	**100%**	**3,280.4**	**100%**	**(209.9)**	**(6%)**

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



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

Volume / mix and price decreased sales by US$146.4 million. Over and above the normal changes in Johnson Electric's business, sales in the fourth quarter of FY19/20 were impacted by the COVID-19 pandemic. The underlying changes in APG and IPG's sales, including the impact of the COVID-19 pandemic are discussed on pages 9 to 11.

Currency movements had a negative impact, reducing sales by US$63.5 million largely due to the decline of the Euro and the Chinese Renminbi versus the US Dollar, comparing average exchange rates for FY19/20 to FY18/19. 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 on pages 22 to 24, in the Financial Management and Treasury Policy section.

Automotive Products Group

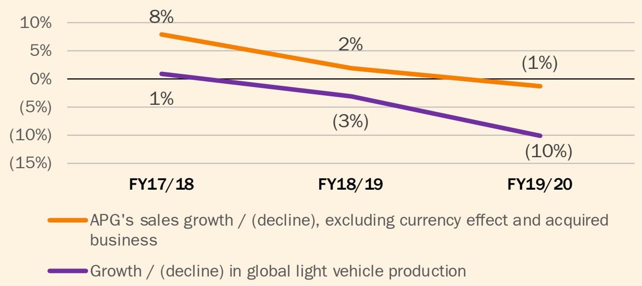
APG's sales, excluding currency movements, decreased by 1%, compared to FY18/19. In the same period, global light vehicle production declined 10%. In Asia, sales decreased by 9%, as light vehicle production in China fell by 17%. In Europe, sales decreased by 2%, compared to a 8% fall in light vehicle production in the region. In the Americas, sales increased by 8%, despite light vehicle production in the region decreasing by 6%.

In general, the COVID-19 pandemic reduced sales in February and March 2020. Excluding the effect of the pandemic, the regions noted the following changes:

- In Asia, reduced production of light vehicles, especially in China, led to reduced demand for products for most automotive applications, partially offset by product launches and growth in braking, and coolant valve and circulation applications

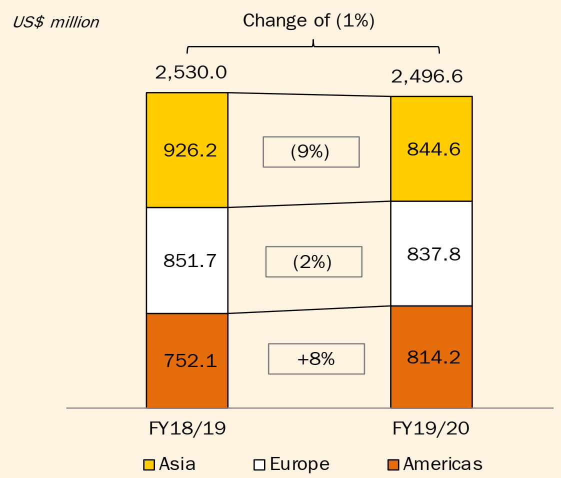
- In Europe, revenue decreased slightly. Although sales of products

APG growth vs. global light vehicle production *



* Source: IHS & Marklines data on fiscal year basis

APG sales, at constant exchange rate



Growth / (decline) in APG sales, excluding currency movements and acquired business

Year ended	Asia	Europe	Americas	Total
31 March 2020	(9%)	(2%)	8%	(1%)
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%

for power steering, braking and coolant valve applications, and engine and transmission oil pumps increased, this was more than offset by the impact of lower prices of products for heating, ventilation and air-conditioning applications and the phasing of programs for cooling fan modules and products for window-lift applications

- In the Americas, growth was led by increased sales of products for thermal management and heating, ventilation and air-conditioning applications due to increased demand for light trucks. Sales also benefited from new product launches and production ramp-ups including powder metal components

APG's principal product lines are:

- The Stackpole business, primarily engaged in the manufacture and sale of engine and transmission oil pumps and powder metal components, accounted for 23% of the Group's sales for FY19/20 (FY18/19: 22%)

- The Cooling Fan 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 FY19/20 (FY18/19: 19%)

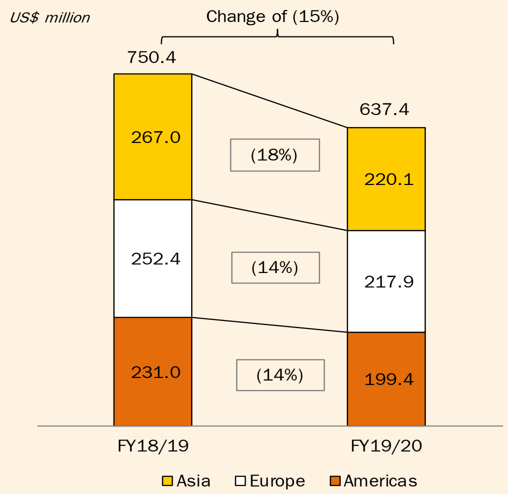
Industry Products Group

IPG's sales, excluding currency movements, decreased by 15% (Asia 18% decrease, Europe 14% decrease, Americas 14% decrease) for FY19/20 compared to FY18/19, including the impact of the COVID-19 pandemic, which reduced sales in February and March 2020.

Excluding the impact of the pandemic, the regions noted the following changes:

- In Asia, revenue decreased mainly due to softening of demand in IPG's traditional businesses including floor care and printers
- In Europe, revenue decreased as the lawn care business did not yield expected growth and IPG's traditional home appliance business for European customers softened due to weak market demand and inventory overstocking by some customers in the prior year
- In the Americas, some customers were negatively impacted by the tariffs, in particular in the white goods and lawn care industries. IPG is in the process of diversifying its manufacturing footprint to better serve those customers. The medical business saw an increase due to program launches and a rise in market demand

IPG sales, at constant exchange rate



Growth / (decline) in IPG sales, excluding currency movements

Year ended	Asia	Europe	Americas	Total
31 March 2020	(18%)	(14%)	(14%)	(15%)
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%)

The IPG business is grouped into two business models. One targeting strategic application segments where we expect healthy consumer demand, and the other focused on standard products where cost is the main concern. IPG's management continues to believe that focusing the business in these strategic segments will yield positive results.

The effort required to launch custom-developed products in these segments is significant, but necessary. Developments include:

- IPG has developed a complete range of brushless DC motors, complete with electronics and control software, and integrated it with the switch and flexible printed circuits businesses. This way, IPG can provide complete motion solutions to customers in the power tools and lawn businesses
- The products business has benefited from the Group's efforts in automation and is now in a strong competitive position to take additional share based on scale. IPG is also designing products to be compatible with the manufacturing capabilities of the automotive division, in order to achieve better economies of scale

Profitability Review

Loss attributable to shareholders was US$493.7 million in FY19/20, a change of US$775.0 million from a profit attributable to shareholders of US$281.3 million in FY18/19.

US$ million	FY19/20	FY18/19	Increase / (decrease)
Sales	3,070.5	3,280.4	(209.9)
Gross profit	672.3	751.4	(79.1)
Gross margin %	*21.9%*	*22.9%*	
Other income and (expenses)	121.0	78.9	42.1
As a % of sales	*3.9%*	*2.4%*	
Intangible assets amortization expense	(41.4)	(42.2)	0.8
As a % of sales	*1.3%*	*1.3%*	
Other selling and administrative expenses (“S&A”)	(411.3)	(443.9)	32.6
As a % of sales	*13.4%*	*13.5%*	
Operating profit	340.6	344.2	(3.6)
Operating profit margin %	*11.1%*	*10.5%*	
Impairment of goodwill and other intangible assets	(795.5)	-	(795.5)
Share of profit of associate	-	0.1	(0.1)
Net finance costs	(16.8)	(16.4)	(0.4)
(Loss) / profit before income tax	(471.7)	327.9	(799.6)
Income tax expense	(15.2)	(38.3)	23.1
(Loss) / profit for the year	(486.9)	289.6	(776.5)
Non-controlling interests	(6.8)	(8.3)	1.5
(Loss) / profit attributable to shareholders	(493.7)	281.3	(775.0)
Basic earnings per share (US cents)	(55.84)	32.46	(88.30)
Diluted earnings per share (US cents)	(55.55)	31.60	(87.15)

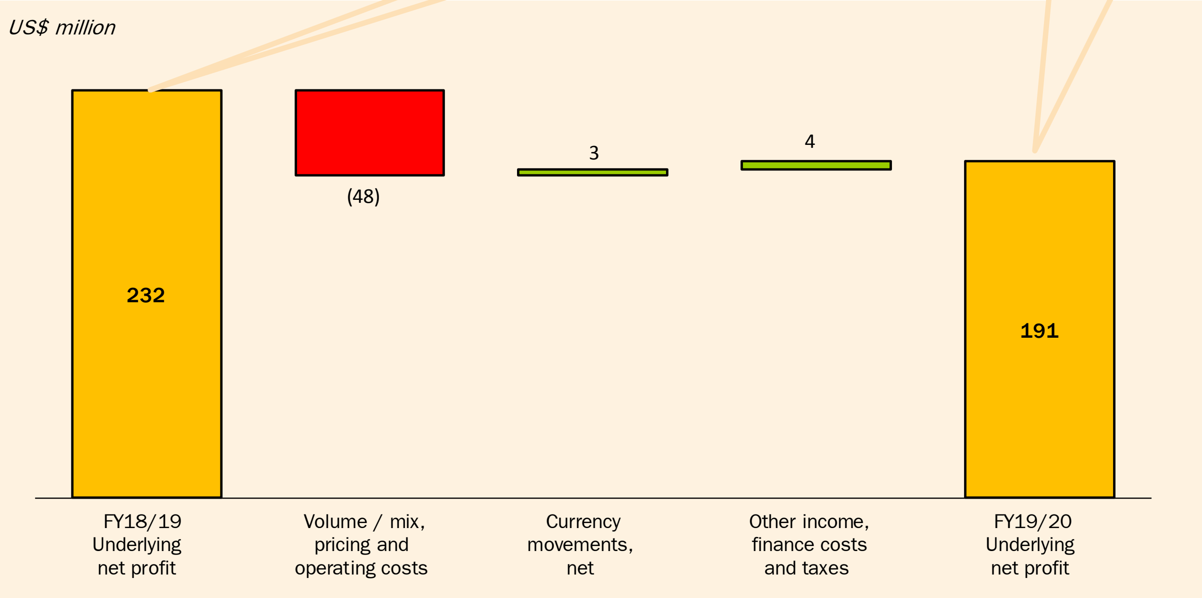
A significant portion of this (loss) / profit was due to non-cash and divested items reported in Other Income and Expenses, including:

- Unrealized net gains of US$52.5 million, net of tax
- A fair value gain on the divestment of an investment property of US$41.1 million
- An impairment charge of US$795.5 million (US$778.3 million net of tax) as the recoverable amount of goodwill and other intangible assets was less than their carrying amount. This charge reflects the expected impact of the COVID-19 pandemic on business conditions in the coming year, a lower baseline and rate of growth in future years and an increased cost of capital, from 8% to 10%, as investors priced in general risk in the worldwide automotive industry and its supply base

Excluding these items, underlying profit for FY19/20 reduced by US$40.5 million, as shown below:

US$ million	FY18/19 Before tax	FY18/19 Tax effect	FY18/19 Net of tax effect	FY19/20 Before tax	FY19/20 Tax effect	FY19/20 Net of tax effect
Net profit / (loss) , as reported			**281.3**			**(493.7)**
Unrealized net (gains) on other financial assets and liabilities	(18.6)	2.1	(16.5)	(29.5)	-	(29.5)
Unrealized net losses from revaluation of monetary assets and liabilities	27.7	(4.9)	22.8	1.1	0.5	1.6
Unrealized net (gains) on structured forward currency exchange contracts	(51.0)	6.6	(44.4)	(28.0)	3.4	(24.6)
Fair value (gains) and divested item	(11.7)	-	(11.7)	(41.1)	-	(41.1)
Impairment of goodwill and other intangible assets	-	-	-	795.5	(17.2)	778.3
Net (gains) / losses of significant non-cash and divested items	(53.6)	3.8	**(49.8)**	698.0	(13.3)	**684.7**
Underlying profit			**231.5**			**191.0**

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



Volume / mix, pricing and operating costs: Profits in FY19/20 were adversely affected by disruption caused by the COVID-19 pandemic, as well as price reductions, reduced volumes, wage inflation and increased depreciation charges, partly offset by cost saving activities, including a reduction in headcount, and lower prices for materials and consumables. The net effect of these changes decreased net profit by US$48.1 million.

As the COVID-19 pandemic spread globally, this had a marked impact on a number of the jurisdictions where the Group has operations and on many of the Group's suppliers and customers. In response to this sudden change in circumstances, Johnson Electric implemented a basket of actions to protect its employees' health whilst maintaining the Group's liquidity, competitive strengths and profit generating abilities in this black swan event.

The gross margin decreased to 21.9% for FY19/20, from 22.9% in FY18/19, due to the reasons identified above. The sequential change in gross margin by half-year is shown in the adjacent table, including the impact of the COVID-19 pandemic in the second half of FY19/20. Selling and administrative expenses (excluding amortization of intangible assets) were 13.4% as a percentage of sales (FY18/19: 13.5%).

	Gross margin %
First half of FY18/19	23.8%
Second half of FY18/19	22.0%
First half of FY19/20	22.8%
Second half of FY19/20	20.9%

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 unrealized gains on currency hedges, monetary assets and liabilities and structured forward contracts, currency movements increased net profit by US$3.5 million in FY19/20.

Further information on the Group's foreign exchange risk and forward foreign currency contracts can be found on pages 22 to 24, in the Financial Management and Treasury Policy section

Other income, finance costs and taxes increased profits for FY19/20 by US$4.1 million, mainly due to reduced tax charges in FY19/20 compared to FY18/19.

Finance income and costs are further analyzed in Note 23 to the consolidated financial statements ("the accounts")

The income tax expense decreased to US$15.2 million for FY19/20, from US$38.3 million in FY18/19, mainly due to the release of deferred tax benefit relating to the impairment of goodwill and other intangibles. Excluding the non-taxable net gain on divestment of an investment property of US$41.1 million and the impairment of goodwill and other intangible assets of US$795.5 million, the underlying effective tax rate would have been 11.5% (FY18/19: excluding fair value gains of US$11.7 million, 12.1%).

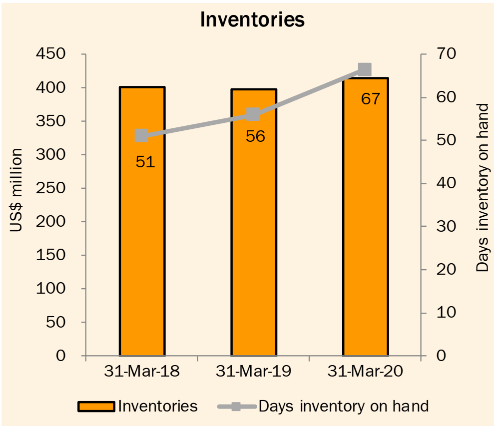
Taxes are further analyzed in Note 17 to the accounts

WORKING CAPITAL

US$ million	Balance sheet as of 31 Mar 2019	Currency translation	Working capital changes per cash flow	Other	Balance sheet as of 31 Mar 2020
Inventories	397.9	(7.0)	23.0	-	413.9
Trade and other receivables	707.5	(11.9)	(102.4)	-	593.2
Other non-current assets	45.1	(1.3)	(0.8)	(13.3)	29.7
Trade payables, other payables and deferred income [1]	(671.2)	16.0	(20.9)	4.4	(671.7)
Retirement benefit obligations [1, 2]	(39.7)	1.0	2.7	(7.7)	(43.7)
Provisions and other liabilities [1]	(36.6)	0.6	(0.7)	(1.1)	(37.8)
Other financial assets / (liabilities), net [1]	174.7	(1.1)	17.2	(71.4)	119.4
Total working capital per balance sheet	577.7	(3.7)	(81.9)	(89.1)	403.0

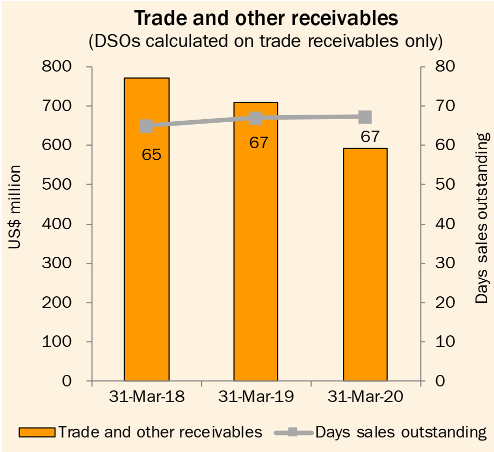
1 Current and non-current
2 Net of defined benefit pension plan assets

Inventories increased by US$16.0 million to US$413.9 million as of 31 March 2020 (31 March 2019: US$397.9 million). This reflects a build-up of raw materials in certain plants as social distancing measures to contain the COVID-19 pandemic slowed or stopped production. Furthermore, before the pandemic impacted production, some plants had increased orders for raw materials in anticipation of increased production and new projects. This increase in inventory was partly offset by currency effects.



Days inventory on hand increased to 67 days as of 31 March 2020, from 56 days as of 31 March 2019 due to the reasons explained above.

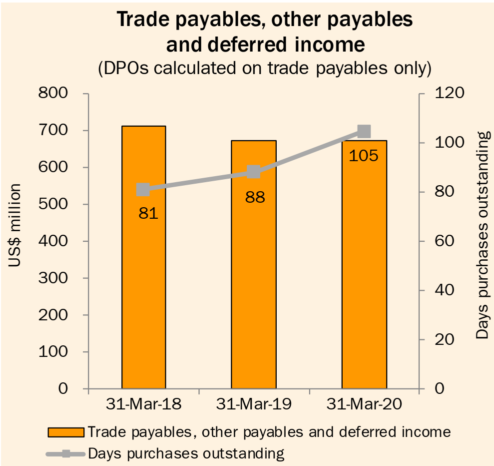
Trade and other receivables decreased by US$114.3 million to US$593.2 million as of 31 March 2020 (31 March 2019: US$707.5 million) largely due to reduced sales at the end of the financial year due to the impact of the COVID-19 pandemic, as well as lower tooling receivables, reduced prepayments for materials and currency effects.



Days sales outstanding (“DSOs”) were flat at 67 days as of 31 March 2020 and 31 March 2019.

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

Trade payables, other payables and deferred income increased by US$0.5 million to US$671.7 million as of 31 March 2020 (31 March 2019: US$671.2 million). Currency effects, lower prices for materials and reduced incentive accruals were offset by the effects of longer payment terms from suppliers.



Days purchases outstanding (“DPOs”) increased to 105 days as of 31 March 2020, from 88 days as of 31 March 2019. This change was driven by the reduction in production at the end of the financial year, due to the COVID-19 pandemic, as well as longer payment terms from some suppliers.

Other financial assets / (liabilities), net decreased by US$55.3 million to US$119.4 million as of 31 March 2020 (31 March 2019: net financial asset of US$174.7 million), due to changes in the fair values of the Group’s hedge contracts including consumption.

Further details of the Group’s hedging activities can be found on pages 22 to 25, in the Financial Management and Treasury Policy section and in Note 7 to the accounts

CASH FLOW

US$ million	FY19/20	FY18/19	Change
Operating profit [1]	341.2	344.9	(3.7)
Depreciation and amortization (including leases)	245.1	204.4	40.7
Other non-cash items	(61.9)	(45.1)	(16.8)
Working capital changes	81.9	18.0	63.9
Interest paid (including leases) [2]	(19.3)	(10.5)	(8.8)
Interest received	2.8	1.9	0.9
Income taxes paid	(41.2)	(55.9)	14.7
Capital expenditure, net of subsidies	(282.1)	(391.4)	109.3
Proceeds from disposal of fixed assets	1.0	0.6	0.4
Capitalization of engineering development costs	(9.1)	(11.2)	2.1
Payment of lease - principal portion [2]	(17.2)	-	(17.2)
Free cash flow from operations [2]	**241.2**	**55.7**	**185.5**
Divestment of an investment property	119.6	-	119.6
Purchase of intangible assets	-	(1.0)	1.0
Acquisitions and related costs	-	(2.4)	2.4
Dividends paid	(25.6)	(43.3)	17.7
Purchase of shares held for incentive share schemes	(6.3)	(1.5)	(4.8)
Other investing activities	(0.9)	(8.2)	7.3
Dividends paid to non-controlling interests	(0.5)	(5.5)	5.0
Proceeds from long-term debt issuance, net of transaction costs	-	396.1	(396.1)
Borrowing repayments, net	(112.3)	(146.3)	34.0
Redemption / repurchase of convertible bonds	(158.9)	(59.3)	(99.6)
Increase in cash and cash equivalents (excluding currency movements)	56.3	184.3	(128.0)
Currency translation losses on cash and cash equivalents	(11.9)	(13.2)	1.3
Net movement in cash and cash equivalents	44.4	171.1	(126.7)

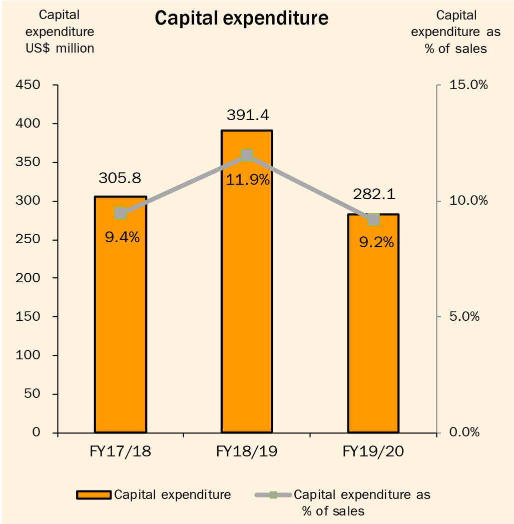
1 Operating profit plus US$0.5 million dividend received from associate in FY19/20 (FY18/19: US$0.7 million)

2 The change in accounting for leases in FY19/20 has no impact on the free cash flow from operations of US$241.2 million. The change in accounting does affect EBITDA (US$19.6 million favourable), interest paid (US$2.4 million unfavourable) and payment of the principal portion of leases (US$17.2 million unfavourable) with a combined effect of US$nil

The Group generated US$241.2 million free cash flow from operations in FY19/20, a US$185.5 million increase from US$55.7 million in FY18/19. This movement in free cash flow includes the following:

- **Working capital changes** of US$81.9 million, as explained in the previous section
- **Income taxes paid** of US$41.2 million, a decrease of US$14.7 million due to lower taxable profits

- **Capital expenditure** of US$282.1 million in FY19/20, a decrease of US$109.3 million from US$391.4 million in FY18/19. Expenditure slowed due to the completion of certain capital-intensive projects in the prior year. The COVID-19 pandemic at the end of the financial year slowed expenditure further as projects were deferred. The Group is continuing to expand its operating footprint in China and completed the expansion of its plant in Switzerland in September 2019. We continue to invest in:
  - New product launches and long-term technology / testing development
  - Enhanced automation to standardize operating processes, further improve product quality and reliability, and mitigate rising labour costs in China
  - On-going replacement of assets



The net movement in cash includes the following:

- **Dividends and shares:** The Company utilized US$25.6 million cash for dividend payments in FY19/20, with a further US$31.7 million settled in scrip (US$43.3 million cash in FY18/19 with US$13.0 million settled in scrip). Additionally, in FY19/20, the Company purchased 3.5 million shares for US$6.3 million including brokerage fees for the long-term incentive share scheme (FY18/19: 0.5 million shares purchased for US$1.5 million)

Further details of dividends and shares, including the proposed final dividend for FY19/20, can be found on page 22, in the Financial Management and Treasury Policy section

- **Other investing activities:** In FY19/20, the Group paid US$1.0 million for seed capital investments, and received US$0.1 million from the sales of financial assets at fair value through profit and loss. In FY18/19, the Group paid US$8.0 million to invest in an autonomous car start-up company focusing on the China market, US$0.4 million in other seed capital investment and received US$0.2 million from the sale of financial assets at fair value through profit and loss

- **Redemption / repurchase of convertible bonds:** The Company utilized US$158.9 million to redeem / repurchase and cancel convertible bonds in FY19/20 (FY18/19: repurchased and cancelled US$59.3 million)

- **Proceeds from long-term debt issuance:** There was no debt issuance in FY19/20. In FY18/19, 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.

Further details of the Group's debt including bonds, convertible bonds, loans and other borrowings can be found on page 20, 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. The Group has always maintained investment grade ratings. As of 31 March 2020, the rating from Moody's Investor Services was Baa1 and the rating from S&P was BBB. These ratings reflect the Group's solid market position, stable profitability and prudent financial leverage.

The COVID-19 pandemic has led to deterioration in the global economic outlook, and resulted in weak light vehicle demand and production suspensions across the world. In line with the majority of the automotive industry and its component suppliers, on 20 March 2020, Moody's Investors Services placed Johnson Electric's rating on credit watch. On 8 April 2020, S&P also placed Johnson Electric's rating under review.

Liquidity

Management believes that the combination of cash on hand, available unutilized 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$44.4 million to US$384.4 million as of 31 March 2020 (31 March 2019: US$340.0 million), as explained on pages 17 to 18.

Cash and credit lines

US$ million	31 Mar 2020	31 Mar 2019	Change
Cash	384.4	340.0	44.4
Unutilized committed credit lines	155.0	195.0	(40.0)
Unutilized uncommitted credit lines	764.9	738.5	26.4
Available unutilized credit lines	919.9	933.5	(13.6)
Combined available funds	1,304.3	1,273.5	30.8

Cash by currency

US$ million	31 Mar 2020	31 Mar 2019
USD	137.5	134.1
RMB	125.8	94.0
EUR	57.5	68.5
KRW	31.7	24.2
CAD	9.0	0.5
Others	22.9	18.7
Total	384.4	340.0

Available credit lines: The Group had US$920 million available unutilized credit lines as of 31 March 2020, as follows:

- US$155 million committed revolving credit facilities provided by eight of its principal bankers on a bilateral basis with staggered maturities. The entire amount remained unutilized. The credit facilities have a 36 months duration, except for one that is 18 months
- US$765 million uncommitted credit facilities

Borrowings (including bonds and convertible bonds) decreased by US$270.2 million to US$415.5 million as of 31 March 2020 (31 March 2019: US$685.7 million). The most significant changes in borrowings during FY19/20 were:

- **Redemption / repurchase of convertible bonds:** On 2 April 2019, bondholders exercised a put option to redeem US$151.9 million (US$139.0 million issuance plus accretion) of the Company's convertible bonds. The remaining convertible bonds were subsequently repurchased and cancelled, with none remaining outstanding as of 31 March 2020
- **Loan from International Finance Corporation:** The Group chose to repay this loan in full during FY19/20 (balance as of 31 March 2019: US$74.5 million)
- **Loans based on trade receivables** decreased by US$1.8 million
- **Other borrowings** decreased by US$35.8 million

The loan from Export Development Canada matures in June 2023 and the Bonds mature in July 2024.

Additionally, subsequent to the year-end, The Export-Import Bank of China approved a RMB500 million five-year credit facility for Johnson Electric, with the first repayment of any draw-downs to start in eighteen months, with further repayments every six months thereafter.

Changes in borrowings (including bonds and convertible bonds)

US$ million	31 Mar 2020	31 Mar 2019	Change
Bonds	299.3	298.8	0.5
Loan from Export Development Canada	99.7	99.6	0.1
Loans based on trade receivables	4.2	6.0	(1.8)
Convertible bonds	-	158.7	(158.7)
Loan from International Finance Corporation	-	74.5	(74.5)
Other borrowings	12.3	48.1	(35.8)
Total borrowings	415.5	685.7	(270.2)

Borrowings by currency, as of 31 March 2020

US$ million	Total debt	Swap contracts	Total after effect of swaps	%
USD	401.0	(302.7)	98.3	25%
CAD	12.3	-	12.3	3%
EUR	2.2	278.9	281.1	72%
Total	415.5	(23.8)	391.7	100%

Repayment schedule

Repayable within one year [1]	12.3
Repayable after more than one year [2]	403.2
Gross debt	415.5
Swap contracts (Other financial assets)	(23.8)
Total debt including swap contracts	391.7

1 Facility agreement rolled-over for an additional year subsequent to year-end

2 Includes loans based on trade receivables that are backed by unutilized committed credit lines

Lease liabilities: On 1 April 2019, the Group adopted a new accounting standard for leases (HKFRS 16), resulting in the recognition of a lease liability of US$72.5 million. As of 31 March 2020, lease liabilities decreased by US$12.3 million to US$60.2 million. The corresponding assets are shown as right-of-use assets under property, plant and equipment.

Changes in lease liabilities

US$ million	31 Mar 2020	31 Mar 2019 [1]	Change
Current	22.0	18.1	3.9
Non-current	38.2	54.4	(16.2)
Total lease liabilities	60.2	72.5	(12.3)

1 Leases at 31 March 2019, adjusted to include lease liabilities recognized for the first time on 1 April 2019

Financial ratios: The Group maintains a prudent level of debt 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 2020, reflected the following changes:

- The total debt to capital ratio was 18% as of 31 March 2020, down from 21% as of 31 March 2019, as the Group reduced its borrowings, partly offset by the effect of reduced equity due to the impairment of goodwill and other intangible assets
- The total debt and leases [1] to adjusted EBITDA [2] ratio decreased to 1.0 as of 31 March 2020, down from 1.5 as of 31 March 2019, as the Group reduced its borrowings
- Interest coverage (defined as adjusted EBITDA [2] divided by gross interest expense [3]) was 24 times as of 31 March 2020, compared to 26 times as of 31 March 2019
- Free cash flow from operations as a percentage of gross debt increased to 58%, compared to 8% for FY18/19, as the Group's investment in working capital decreased due to the reduction in sales and production levels from the COVID-19 pandemic in our fourth quarter and as the Group's capital expenditure reduced

1 Leases at 31 March 2019, adjusted to include lease liabilities recognized for the first time on 1 April 2019, on the adoption of HKFRS 16. EBITDA for FY18/19 included a corresponding adjustment to annual lease expense

2 EBITDA adjusted to exclude impairment of goodwill and other intangible assets and net gains of significant non-cash and divested items (for further information see page 13)

3 Gross interest expense adjusted to exclude notional interest on the Halla Stackpole put option and to include capitalized interest

Dividends

Final dividend: In view of the ongoing deep contraction of the global economy and the high level of uncertainty concerning the timing and pace of recovery, the Board has determined that the business and its shareholders are best served by retaining cash within the Company at the present time and therefore no final dividend will be distributed for the 2019/20 financial year. The Board will continue to monitor the situation carefully.

Interim dividend: The Company paid an interim dividend of 17 HK cents per share for FY19/20 (FY18/19: 17 HK cents per share) equivalent to US$19.3 million. US$7.3 million of this interim dividend was settled by the issue of 3.4 million new shares under a scrip dividend option, and US$12.0 million was paid in cash.

Dividend payment

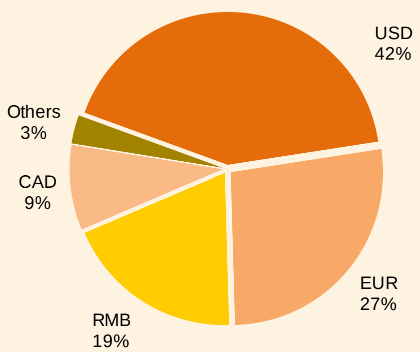
	HK cents per share	US$ million Cash	New shares	Total
FY19/20				
Final - proposed	-	-	-	-
Interim - paid Jan 2020	17	12.0	7.3	19.3
FY18/19				
Final - paid Sep 2019	34	13.6	24.4	38.0
Interim - paid Jan 2019	17	5.8	13.0	18.8
FY17/18				
Final - paid Aug 2018	34	37.5	-	37.5
Interim - paid Jan 2018	17	18.8	-	18.8

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 72 months after 31 March 2020, 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 to sell the Canadian Dollar ("CAD") to create an economic hedge for materials purchased in USD for its operations in Canada
- Plain vanilla to buy the Chinese Renminbi ("RMB"), the Hungarian

Sales by currency



Spot rates of significant currencies

	Spot rates as of 31 Mar 2020	Spot rates as of 31 Mar 2019	Strengthen / (weaken)
USD per EUR	1.10	1.12	2%
HUF per EUR	358.57	320.69	(11%)
CAD per USD	1.42	1.34	(5%)
RMB per USD	7.04	6.73	(4%)
MXN per USD	24.28	19.38	(20%)

Forint ("HUF"), the Mexican Peso ("MXN"), the Polish Zloty ("PLN"), the Turkish Lira ("TRY") 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.

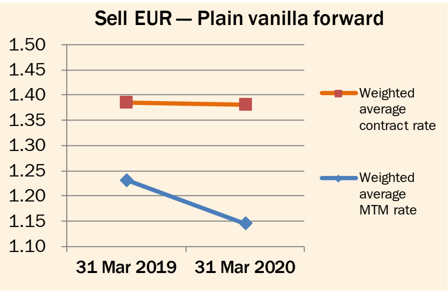
The Mark-to-market ("MTM") rate is the current fair value for the settlement of a forward contract, as provided by the counterparties (the Group's Principal Bankers). The Mark-to-market rates are influenced by the changes in spot rates shown in the table at the bottom of page 22.

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$9.5 million. This was largely due to favourable changes in the mark-to-market value of Euro contracts, offset by unfavourable changes in the mark-to-market value of Chinese Renminbi contracts.

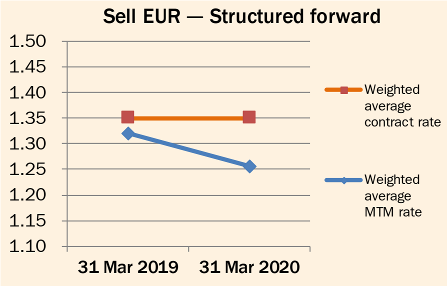
Financial assets / (liabilities) at fair value – currency contracts

US$ million		31 Mar 2020	31 Mar 2019	Change
Euro	Plain vanilla forward contracts	194.9	150.5	44.4
	Structured contracts	44.2	14.7	29.5
	Total	239.1	165.2	73.9
Chinese Renminbi	Plain vanilla forward contracts	(59.7)	(12.3)	(47.4)
	Structured contracts	-	3.9	(3.9)
	Total	(59.7)	(8.4)	(51.3)
Others	Plain vanilla forward contracts and swaps	2.7	15.5	(12.8)
	Structured contracts	-	0.3	(0.3)
	Total	2.7	15.8	(13.1)
Net fair value gains / (losses)	Plain vanilla forward contracts and swaps	137.9	153.7	(15.8)
	Structured contracts	44.2	18.9	25.3
	Total	182.1	172.6	9.5

As the Euro weakened against the US Dollar, Mark-to-market rates for plain vanilla forward contracts to sell the Euro declined further below the Group's Weighted average contract rates. Consequently, unrealized fair value gains on these contracts increased the related financial asset to US$194.9 million as of 31 March 2020 (31 March 2019: US$150.5 million financial asset).

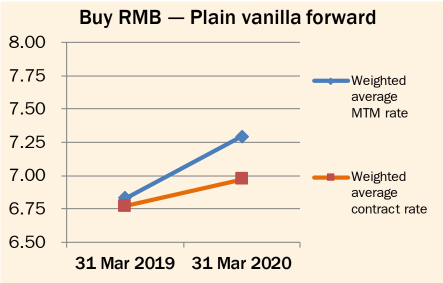


Similarly, Mark-to-market rates for structured forward contracts to sell the Euro declined further below the Group's Weighted average contract rates. Consequently, unrealized fair value gains on these contracts increased the related financial asset to US$44.2 million as of 31 March 2020 (31 March 2019: US$14.7 million financial asset).



The overall effect of these changes was to increase the fair value of the Group's forward Euro contracts to a net financial asset of US$239.1 million as of 31 March 2020 (31 March 2019: US$165.2 million financial asset).

As the Chinese Renminbi weakened against the US Dollar, Mark-to-market rates for plain vanilla contracts to buy the Chinese Renminbi increased further above the Group's Weighted average contract rates. Consequently, the unrealized fair value losses on these contracts increased the related financial liability to US$59.7 million as of 31 March 2020 (31 March 2019: US$12.3 million financial liability).



On 5 March 2020, the counterparty bank cancelled its put option in relation to the Group's Chinese Renminbi structured forward contracts, reducing the notional value to be delivered by 50%. As the option features no longer exist, the Group re-designated the US$2.8 million remaining fair value of the structured forward contracts as plain vanilla forward contracts. (31 March 2019: unrealized fair value gains on the contracts were US$3.9 million).

The overall effect of these changes was to increase the net financial liability for forward Chinese Renminbi contracts to US$59.7 million as of 31 March 2020 (31 March 2019: US$8.4 million financial liability).

The final realized gain or loss for each contract will crystallize based on the prevailing spot rate at the date of maturity versus the contract rate and will impact 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 2020 would result in approximately:

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

- US$233 million cash flow benefit from plain vanilla forward foreign currency contracts and cross-currency interest rate swaps (31 March 2019: US$342 million)
- US$56 million cash flow benefit from structured foreign currency contracts (31 March 2019: US$58 million)

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 maturity dates ranging from 1 to 60 months after 31 March 2020.

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

US$ per metric ton	Spot prices as of 31 Mar 2020	Spot prices as of 31 Mar 2019	(Weaken)
Copper	4,797	6,485	(26)%
Iron ore	80.77	83.48	(3)%
Coking coal	145	197	(26)%
Silver - US$ per ounce	13.93	15.10	(8)%

Price risk due to steel is reduced through a combination of fixed price contracts for steel up to 3 months forward with the Group's suppliers and cash flow hedge contracts for iron ore and coking coal with maturity dates ranging from 1 to 24 months after 31 March 2020.

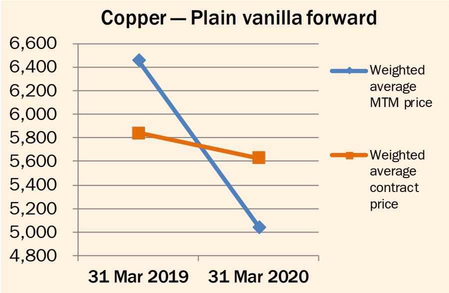
The Group also manages these commodity prices by way of incorporating appropriate clauses in certain customer contracts to pass increases / decreases in raw material costs onto these customers.

The net fair value of commodity contracts, decreased in value by US$39.5 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 2020	31 Mar 2019	Change
Copper	(16.6)	15.4	(32.0)
Other commodities	(1.9)	5.6	(7.5)
Total	(18.5)	21.0	(39.5)

As the market price of copper weakened, **Mark-to-market prices** for plain vanilla contracts for copper declined below the Group's **Weighted average contract prices**. Consequently, unrealized fair value gains on these contracts became unrealized fair value losses. This created a fair value financial liability of US$16.6 million as of 31 March 2020 (31 March 2019: US$15.4 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 analyzed 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
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, for example, due to COVID-19 pandemic; • Market changes arising from changes in consumer behaviour, for example, potential changes in behaviour after the COVID-19 pandemic like social distancing and mobility choices; • 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; • 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; and • To continuously evaluate consumer behaviour and practices.
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 regulatory) 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 are also arising from disruptive digitalization 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; • Reskilling employees; • 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 or weaknesses in political, regulatory, social and economic situations in these countries.	Risks from the Group's exposure to developing countries are mitigated by: • The Group's continued commitment to development and strengthening of 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; and • Core values [1] that include a commitment to "Lead by example". The Group's code of conduct applies wherever it does business and requires uncompromising standards of integrity, openness and fairness. Group-wide policies and practices protect internationally recognized human and labour rights [2], including the prevention of child labour and elimination of forced labour, and set out a rigorous management framework for environmental, and health and safety matters [3].

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, with the Stackpole business accounting for 23% of total sales and sales of products for Cooling Fan business applications accounting for 19% of the Group's total sales for FY19/20. 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.

1 The Group's MARBLE values and imperatives are set out on page 35
2 Additional information on the protection of internationally recognized human and labour rights can be found on pages 38 to 39 and in the Sustainability Report
3 Additional information on the Group's environmental and health and safety performance can be found in the Sustainability Report

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 organization. High integrity, sound ethics, and good business practices are expected from all employees, with zero-tolerance for non-compliance; • Continuously improving engineering, manufacturing processes and quality standards to maintain the Group's position as the safe choice for customers; and • Maintaining and improving the Group's environmental, social and governance performance [1]. Johnson Electric has an "A" rating for sustainability from the Hong Kong Quality Assurance Agency and is a constituent of the Hang Seng Corporate Sustainability Benchmark Index.

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.

1 The Group's environmental, social and governance performance is discussed in detail in the Sustainability Report

Operational risks	How we respond
Warranty and product liability	
The Group manufactures complex products through its Automotive and Industry Product Groups and is exposed to potential warranty and product liability claims arising from alleged or actual defects in products. Risks arising from this include customer dissatisfaction and potential liabilities for the cost of replacing faulty products, product recalls and lawsuits.	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 [1]	
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; • Seeking synergies between making an effective contribution to the resolution of social issues and recruiting a motivated and committed workforce. Successful examples include actions to break the cycle of poverty and provide quality education through the Johnson Electric Technical College, creating access to decent work for single mothers in Mexico, and targeting youth unemployment in Serbia; and • Minimizing the impact of unexpected staff turnover through succession planning and standardization of work procedures.
Taxation	
The Group may be subject to direct and indirect tax audits by government authorities in all 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.

1 The Group's policies on investing in people are further discussed on pages 34 to 40 and are in the Sustainability Report

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. The Group's operations require complex production facilities, skilled labour and specialized manufacturing equipment. Industrial accidents, equipment failures, fires, floods or other natural disasters, epidemics, strikes or other labour difficulties, disruption of transportation networks and disruption of markets 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 its footprint in each region, strengthening production facilities and the supply chain to increase the resilience of its operations and reduce reliance on any single site; • Maintaining good labour relationships; • Meeting or exceeding requirements for employee health and safety [1]. This year we introduced additional safety protocols, in response to the COVID-19 pandemic. These were positively received by staff and acknowledged as models of good corporate citizenship by several local governmental authorities; and • Meeting or exceeding requirements for product safety and environmental responsibility [2].

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.

1 The Group's health and safety management is discussed briefly on page 40 and in greater detail in the Sustainability report

2 The Group's environmental management is discussed briefly on pages 42 to 44 and in greater detail in the Sustainability report

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 and labour rights, non-discrimination, responsible consumption and production as well as environmental management.

Relationships with Customers

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

See page 35 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 ingrained in the Group's supplier selection and supplier performance monitoring process. 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 give due consideration to cost, quality, safety, environmental awareness, ethical behaviour and social responsibility. The Group's suppliers are:

- Contractually required to be certified under relevant international quality and environmental management standards such as ISO9001, ISO14001, ISO/TS16949 and ISO13485. Additionally, the Group supports suppliers to strive for continuous improvement and better performance, and encourages compliance with various environmental and conflict minerals requirements.

- Required to be committed to ethical practices in dealings with the Group. Every supplier must comply with and sign up to Johnson Electric's Code of Ethics and Business Conduct, which prohibits 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.

- Required by the Group's purchase terms and conditions to adhere to directives set by the International Labour Organization'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". These set out 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.

The Group continuously gauges and calibrates suppliers' ability to meet the above requirements through its Supplier Performance Rating System. This includes annual risk assessments, supplier self-declarations and on-site audits.

Investing in people

Talent Management and Culture

Johnson Electric's global team is bound together by its shared **MARBLE** values. These values are the foundation of the "One Johnson" culture that provides a common identity for employees to operate as a global team both at times of growth and in times of adversity.

The Group recognizes that the talent and diversity of its people drives business results. In its Global Headquarters, in Hong Kong, over 20 nationalities are represented and more than 14 languages are spoken. Global collaboration is the norm for how work is done in the Group's functions and business units.

Attracting and developing the Right People, putting them in the Right Jobs and providing them with the Right Environment to excel at what they do are the pillars that underlie Johnson Electric's people strategy and talent management processes. Our ultimate vision is to become "One Johnson around the world, a great company and a great place to work!"

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 recognize 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 maximizes the success of our people and the business.

The *MARBLE* 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 recognize 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" mind-set. 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 recognizes employees who exemplify the MARBLE values

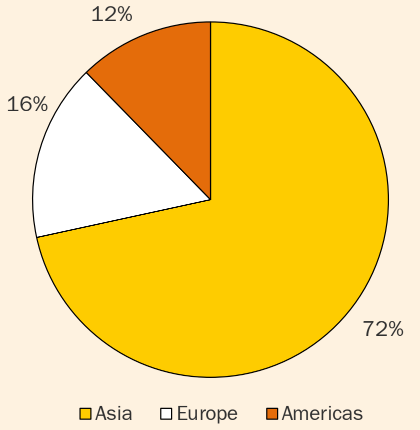
Attracting, Retaining and Developing Talent

Our Executive Committee are committed to fulfilling the Group's vision to be "One Johnson around the world, a great company and a great place to work!". To this purpose, they have established a Corporate Human Capital Committee ("HCC") with the mission of driving a sustainable talent pipeline and the continuous improvement of organizational effectiveness. The Group's senior most executives hold a monthly HCC meeting to agree on:

- Talent management strategies and initiatives
- Appointments to senior roles
- Succession planning for key positions
- Development of senior high potential individuals through job rotation, job expansion, promotion, transfer and executive coaching
- Other key people initiatives

Global Workforce

As of 31 March 2020, the Group's total global headcount stood at over 35,000 across Asia, Europe and the Americas.



A people evaluation process provides a framework to evaluate, define and assess employees' capability. Initially, the scope of assessors was limited to HCC members only, and the most senior leaders were evaluated. Last year, the Group widened the scope of the assessment process, leveraging the use of technology, to identify talent located much deeper in our organization. In FY19/20, this assessment included over 1000 employees from around the globe. This widening in scope enables Johnson Electric to build its internal pipeline at a much earlier stage through targeted development interventions of identified talent. The Group aims to expand the scope of assessors even further this year, empowering more managers to identify, develop and engage the next generation of leaders.

Identifying the Right People

The Group thrives on innovation and never stops investing in the next generation of engineers to bring in new ideas and insights. It is also Johnson Electric's ambition to become the employer of choice for engineers.

The Group partners with technical colleges and renowned universities, worldwide, to recruit some of the top engineering students every year. Through these partnerships, the Group offers scholarships, co-operative education programs including capstone projects and doctoral research assignments, host design competitions, trainee programs and internships. Furthermore, the Group is expanding its efforts to target top technology-related universities to bring in the growing expertise needed to meet the requirements of Industry 4.0.

Developing and Retaining our Talent

To enhance and broaden career opportunities for Johnson Electric people, we foster a culture of "promoting from within".

Johnson Electric empowers managers to drive talent development and expects all managers to create individual development plans for their identified talent. Corporate Talent Management supports this by offering the use of psychometric assessments for development, 360 feedback, executive coaching and formal executive education programs.

Additionally, a "My Career in Motion" programme enables employees to take greater accountability for their career growth and development, working in partnership with their managers and human resources. At the heart of this program is a formal self-nomination process that encourages employees to apply for open positions for which they are qualified.

Besides self-nomination, all new senior role openings are discussed by the HCC before appointing an internal candidate or starting an external search should an internal resource not be identified. In FY19/20 Financial Year, all senior roles (above Director-grade) were filled by internal candidates.

The Group is also conscious of the need to ensure its pipeline of technical experts. As a historically Engineering-focused company, engineering talent has always been a key priority but as Johnson Electric transforms, digital know-how is also crucial to the organization's future.

Providing the Right Environment

Johnson Electric is committed to respecting the labour and human rights of all its employees. In pursuit of this, the Group adheres to the directives set by the International Labour Organization's "ILO Declaration on Fundamental Principles and Rights at Work" and the United Nations' "UN Guiding Principles on Business and Human Rights". These set out principles of freedom of association, right of collective bargaining, abolition of child labour and elimination of all forms of forced or compulsory labour or discrimination in the workplace.

Johnson Electric also has global policies on the following topics:

Equal employment opportunity	Johnson Electric is committed to treating all applicants and employees in a fair and non-discriminatory manner without regard to age, disability, marital status, race or colour, national origin, veteran status, religion, sex, sexual orientation, or any other legal protected status.
Open communication	Johnson Electric is committed to maintaining open two-way communication throughout the Group, keeping employees informed of current happenings and fostering an environment where employees are comfortable voicing their opinions, ideas, suggestions and concerns.
Harassment free workplace	Johnson Electric is committed to providing a workplace in which the dignity of every individual is respected.
Workplace violence and weapons	Johnson Electric's objective is to provide a safe work environment that is free from acts and threats of violence.

As part of its corporate governance, Johnson Electric monitors its compliance with these Human Resources policies and relevant labour laws and regulations. The Group's subsidiaries around the world set their labour standards in line with Group policy and with local governmental requirements, so that employment conditions fully comply with the applicable labour laws and regulations. Additionally:

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.

- All managers and above, and other key staff must certify that they have read and comply with the Johnson Electric Code of Ethics and Business Conduct. The Code guides every employee in the use of good judgment and ethical decision-making, ensuring employees uphold Johnson Electric's belief in conducting our business lawfully and ethically.

  In relation to labour and human rights, the Code includes specific requirements on preventing child labour and forced labour, ensuring equal employment opportunity, keeping open communication, ensuring a harassment free workplace and preventing workplace violence and weapons.

Every two years

- All managers and above, and other employees in sensitive positions, must undergo refresher training on the Code and its application in the workplace, including the protection of labour and human rights. On completing this training, they must pass a test on the Code. Only then are they allowed to certify that they have read and comply with the Johnson Electric Code of Ethics and Business Conduct.

At any time

- Employees may report any ethical or business conduct concerns, including (but not limited to) all topics covered by the Code. Such reports may be submitted anonymously via the Group's whistle-blower hotline, which is accessible globally, at any hour, by phone or email. Any such reports are investigated promptly and confidentially. If it is determined that there has been a violation of the Code, prompt action is taken to prevent reoccurrence, if necessary including appropriate disciplinary action.

Compensation and Rewards

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

Training and Development

The Johnson Electric Learning Institute ("JELI") provides global direction for all learning, development and reskilling 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 the organization's 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 organizes a Learning Month every April. This emphasizes continuous learning as a key attribute required in every Johnson Electric employee.

Key business and soft-skill categories available on the "Learning in Motion" hub

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.

In Serbia, Johnson Electric providing 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.

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:

- **Safety Month:** Every June is Safety Month across the entire Group. Activities are organized 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 organize activities to promote safety awareness, employee health and wellbeing. Activities included sports and competitions, a blood donation drive, occupational health and hygiene programmes, talks on health issues and work life balance, amongst others.

Protecting Employees' Health during the COVID-19 Pandemic

Having experienced the effects of the SARS coronavirus outbreak 17 years ago, the Group's management responded early in the COVID-19 crisis to implement a number of measures to help protect its people. These safety protocols were positively received by the Group's employees and acknowledge as models of good corporate citizenship by several local governments. These early actions included:

- Sourcing and distributing facemasks to all of the Group's employees worldwide
- Installing automated temperature monitoring equipment in most of the Group's locations
- Providing the IT infrastructure to enable many staff to work from home

The Group also strongly encouraged conscious efforts to be considerate of colleagues and maintain high standards of hygiene. Consequently, the Group has, so far, avoided any cluster of COVID-19 cases in any Johnson Electric workplace. This in turn has contributed to protecting employees' families, local healthcare professionals and the local communities where the Group operates.

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 utilizes 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
- **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
- **Surveys** of the organization'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

All staff meetings engage employees, and provide regular updates on the business

- **Local initiatives,** including a variety of recreational and team building activities throughout the year to boost engagement and promote recognition. Local teams organized festive celebrations, outings, cultural excursions, "Take Your Kid to Work" days, 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

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

- **Junior Engineer:** Over 30 Johnson Electric locations hosted Junior Engineer events in 2019. 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

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 organize open house events for students.

Additionally, around the world, local sites partner with local non-governmental organizations (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: Johnson Electric takes a proactive approach to addressing environmental issues. The Group has established a progressive structure to monitor, manage and control environmental risks and track environmental performance, worldwide. All Johnson Electric manufacturing locations are required to apply this system and to track their performance in reaching specific environmental objectives and targets. Compliance with the Group's environmental management system and standards, and local environmental regulations, is subject to verification through internal audit programmes and by accredited external auditors. The Group's leadership receives regular reports on key environmental performance indicators.

Energy consumption and greenhouse gases: The Group seeks to reduce its energy and consumption and greenhouse gas emissions in all of its plants around the world. In its factories, it implements energy-saving and technological transformation projects. Its automated production lines give a significant reduction in the energy efficiency per unit of production compared to the manual lines they are replacing.

In Nanjing, China, a solar water heater on the roof of the recently completed factory provides hot water for the whole dormitory, reducing energy consumption

Discharged air generated by rotary kilns in magnet production is acidic

Johnson Electric's new Jiangmen factory will use impulse ceramic tube dust collection to purify air before it is discharged to the environment

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.

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 continuously explores 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 minimize general and hazardous waste produced by its operations.

In Hirson, France, the use of reusable plastic packaging for the delivery of components reduced waste packaging by 4.7 tonnes per year

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 responsible approach to water stewardship, seeking to maximize efficiency, minimize waste and prevent poor quality wastewater.

In Ancaster, Canada, the site reviewed its onsite coolant recycling programme and determined that it could reclaim more coolant, saving of 38,000 litres of coolant concentrate and 450,000 litres of water a year

Supporting biodiversity in Arujá, Brazil

Environmental improvements: The Group encourages employees to care for the environment and to seek to preserve it. For example, in Arujá, Brazil, employees take part in an annual tree planting project to support the conservation of biodiversity. Today, a variety of species are found around the plantation area, demonstrating the projects success in maintaining the health of the local ecosystem.

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 eight non-executive directors (of whom six 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 13.51B(1) of the Listing Rules, the Company is required to disclose changes in information of Directors subsequent to the date of the Interim Report 2019. Mrs. Catherine Annick Caroline Bradley was appointed as an independent non-executive director and a member of the Finance Committee of easyJet plc on 1 January 2020. Mrs. Bradley was also appointed as a member of the Remuneration Committee of the Company with effect from 1 March 2020.

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 recognizes 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 FY19/20 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 Mak 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		
Catherine Annick Caroline Bradley		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 FY19/20 to discuss and review relevant matters together with senior management and the independent auditor, including the following:

1. The FY18/19 annual results and interim results for FY19/20, 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. Global trade, tariff and supply chain issues and their implications for the Group; and

12. Sustainability reporting.

Remuneration Committee

The Remuneration Committee consists of four 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, Mrs. Catherine Annick Caroline Bradley and Ms. Winnie Wing-Yee Mak 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 maximize 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 FY19/20. 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; and
4. 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 formalized its existing practices into a Nomination Policy and adopted it in 2018. 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.

Two committee meetings were held in FY19/20. 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; and
7. Consideration of suitable independent non-executive director candidates for joining the Company.

Board Committee

The Board Committee comprises two executive directors, Dr. Patrick Shui-Chung Wang and Ms. Winnie Wing-Yee Mak 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 FY19/20 and the average attendance rate was 92.9%. Details of the attendance of individual directors at board meetings, committee meetings and the annual general meeting during FY19/20 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	-	-	2/2	1/1	√
Winnie Wing-Yee Mak Wang *(Vice-Chairman)*	4/4	-	3/3	-	1/1	√
Austin Jesse Wang	4/4	-	-	-	1/1	√
Non-Executive Directors						
Yik-Chun Wang Koo *(Honorary Chairman)*	1/4	-	-	-	0/1	√
Peter Kin-Chung Wang	4/4	3/4	-	-	0/1	√
Independent Non-Executive Directors						
Peter Stuart Allenby Edwards	4/4	-	-	2/2	0/1	√
Patrick Blackwell Paul	4/4	4/4	-	2/2	1/1	√
Michael John Enright	4/4	4/4	3/3	-	1/1	√
Joseph Chi-Kwong Yam	4/4	-	3/3	-	1/1	√
Christopher Dale Pratt	4/4	4/4	3/3	-	1/1	√
Catherine Annick Caroline Bradley #	2/2	-	1/1	-	-	√
Average attendance rate	92.9%	93.8%	100%	100%	70%	
Date of meetings	16/05/2019 19/09/2019 06/11/2019 11/03/2020	14/05/2019 29/07/2019 04/11/2019 13/01/2020	15/05/2019 05/11/2019 10/03/2020	16/05/2019 13/03/2020	11/07/2019	

* 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 organizations, (ii) visiting the Group's facilities and (iii) reading regulatory / corporate governance or industry related updates.

Mrs. Catherine Annick Caroline Bradley was appointed as an independent non-executive director of the Company on 1 October 2019 and a member of the Remuneration Committee of the Company on 1 March 2020.

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 FY19/20, 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 FY19/20, 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 FY19/20 and FY18/19, the services and associated remuneration provided to the Group by PricewaterhouseCoopers were as follows:

US$ million	FY19/20	FY18/19
Audit	2.68	2.78
Tax compliance	1.86	2.07
Other advisory services	0.14	0.37

Included above are US$0.5 million of contracted fees for work to be performed subsequent to 31 March 2020.

CORPORATE GOVERNANCE CODE

During the year ended 31 March 2020, 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 Provisions 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 FY19/20.

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 2020.

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 2020.

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 2020 are provided in the Letter to Shareholders and Management's Discussion and Analysis sections respectively from pages 2 to 6 and pages 7 to 44 of this announcement.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 March 2020 are set out in the consolidated income statement on page 72 of this announcement.

In view of the ongoing deep contraction of the global economy and the high level of uncertainty concerning the timing and pace of recovery, the Board has determined that the business and its shareholders are best served by retaining cash within the Company at the present time and therefore no final dividend will be distributed for the 2019/20 financial year. The Board will continue to monitor the situation carefully. An interim dividend of 17 HK cents (2.18 US cents) per share was paid on 3 January 2020.

DISTRIBUTABLE RESERVES

As of 31 March 2020, the distributable reserves of the Company available for distribution as dividends amounted to US$1,694.7 million, comprising retained earnings of US$1,636.5 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 Mak Wang
Austin Jesse Wang

<u>Non-Executive Directors</u>
Yik-Chun Wang Koo
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* *
Catherine Annick Caroline Bradley *CBE* * (appointed on 1 October 2019)

** Independent Non-Executive Director*

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

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

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

DONATIONS

During the year, the Group made donations of US$0.5 million (FY18/19: US$0.3 million).

SHARE CAPITAL

Details of the movements in share capital of the Company during FY19/20 are set out in Note 19 to the accounts. Shares of the Company were issued during the year on election of scrip in lieu of cash dividends for the 2019 final and interim dividends pursuant to the Company's scrip dividend scheme. Details are set out in the Note 26 to the accounts.

CONVERTIBLE BONDS AND NOTES

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

Details of the Company's US$300 million 4.125% p.a. Notes due 2024 are set out in Note 14 to the accounts.

DISCLOSURE OF INTERESTS

Directors

As of 31 March 2020, 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 Wang Koo	-	517,426,525	(Notes 1 & 2)	57.323
Patrick Shui-Chung Wang	2,503,232	-	(Note 3)	0.277
Winnie Wing-Yee Mak Wang	816,827	-	(Note 4)	0.090
Austin Jesse Wang	503,127	-	(Note 5)	0.055
Peter Kin-Chung Wang	-	27,218,144	(Notes 6 & 7)	3.015
Peter Stuart Allenby Edwards	-	41,949	(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
Catherine Annick Caroline Bradley	6,500	-		0.000

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 1,347,632 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 449,877 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 355,377 underlying shares in respect of the awarded shares granted, which remained unvested, under the Johnson Electric Restricted and Performance Stock Unit Plan.
6. 27,097,894 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 2020, 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 Wang Koo	Beneficiary of family trusts	517,426,525 (Notes 1 & 2)	57.32
Ansbacher (Bahamas) Limited	Trustee	221,760,000 (Note 1)	24.56
HSBC International Trustee Limited	Trustee	207,907,888 (Note 1)	23.03
Great Sound Global Limited	Interest of controlled corporation	206,898,647 (Note 3)	22.92
Winibest Company Limited	Beneficial owner	206,898,647 (Note 4)	22.92
Federal Trust Company Limited	Trustee	115,865,772 (Note 1)	12.83
Schroders Plc	Investment manager	62,579,172	6.93
Merriland Overseas Limited	Interest of controlled corporation	57,278,278 (Note 5)	6.34

Notes:

1. The shares in which Ansbacher (Bahamas) Limited was interested, 206,898,647 of the shares in which HSBC International Trustee Limited was interested and 88,767,878 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 Wang Koo was interested as referred to above under Directors' Disclosure of Interests.

2. The shares in which Yik-Chun Wang Koo 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 2020, 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, incentivize 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 2020, the Company purchased 3,476,500 shares of the Company at a cost of HK$49.04 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$17.00 and HK$10.38, 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 2019	6,678	6,085	12,763
Units granted to Directors and employees during the year	4,568	2,895	7,463
Shares vested to Directors and employees during the year	(3,083)	(2,919)	(6,002)
Forfeited during the year	(288)	(270)	(558)
Unvested units granted, as of 31 March 2020	7,875	5,791	13,666
Vested in FY20/21	(4)	-	(4)
Unvested units granted, as of the date of this report	7,871	5,791	13,662

As of the date of this report, the number of unvested units granted under the Stock Unit Plan are as follows:

	Number of unvested units granted (thousands)		
Vesting period	Restricted Stock Units	Performance Stock Units	Total
FY20/21	1,454	1,396	2,850
FY21/22	1,769	1,613	3,382
FY22/23	4,288	2,782	7,070
FY23/24	360	-	360
Unvested units granted, as of the date of this report	7,871	5,791	13,662

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

On 2 April 2019, the Company redeemed and cancelled part of US$200 million 1.00% p.a. convertible bonds due 2021 ("Convertible Bonds") upon the exercise of the put option by the holders of the bonds at 109.31%. The redemption involved the principal amount of US$139.0 million together with interest of US$12.9 million. On 13 November 2019, the Company repurchased and cancelled an aggregate principal amount of US$3.5 million Convertible Bonds at 110.30% together with interest of US$4,667. The remaining outstanding aggregate principal amount of the Convertible Bonds thereafter reduced to US$2.8 million ("Remaining Bonds"), representing 1.38% of the initial aggregate principal amount of the Convertible Bonds. On 21 January 2020, the Company then exercised its early redemption option to redeem the entire Remaining Bonds at 110.92% together with interest of US$8,326. As a result, the Company redeemed and cancelled an aggregate principal amount of US$145.3 million Convertible Bonds during the year, details of the redemption are set out in Note 14 to the accounts.

Save as disclosed above and other than for satisfying the shares granted under the Company's employee incentive schemes, 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 2020.

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 144 to 145.

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 45 to 56.

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 not recommend at the Annual General Meeting to be held on 15 July 2020 (Wednesday) a final dividend for the year ended 31 March 2020 (2019: 34 HK cents or 4.36 US cents).

CLOSING REGISTER OF SHAREHOLDERS

ATTENDING ANNUAL GENERAL MEETING

The Register of Shareholders of the Company will be closed from 10 July 2020 (Friday) to 15 July 2020 (Wednesday) inclusive, during which no transfer of shares will be registered.

In order to qualify for attending and voting at the Annual General Meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company's registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong (not the registrar in Bermuda) for registration, not later than 4:30 p.m. on 9 July 2020 (Thursday).

CONSOLIDATED BALANCE SHEET
As of 31 March 2020

	Note	2020 US$'000	2019 US$'000
Non-current assets			
Property, plant and equipment	3	**1,372,002**	1,239,935
Investment property	4	**32,985**	111,431
Intangible assets	5	**246,117**	1,109,708
Investment in associate	6	**2,129**	2,742
Other financial assets	7	**186,400**	150,119
Financial assets at fair value through profit and loss	8	**53,678**	29,735
Defined benefit pension plan assets	15	**23,130**	19,808
Deferred income tax assets	17	**53,647**	44,135
Other non-current assets	3	**29,700**	45,090
		1,999,788	2,752,703
Current assets			
Inventories	9	**413,885**	397,890
Trade and other receivables	10	**593,208**	707,480
Other financial assets	7	**56,238**	72,272
Financial assets at fair value through profit and loss	8	**2,103**	350
Income tax recoverable		**10,764**	7,321
Cash and cash equivalents	11	**384,369**	339,986
		1,460,567	1,525,299
Current liabilities			
Trade payables	12	**350,178**	351,716
Other payables and deferred income		**284,318**	286,263
Current income tax liabilities		**29,444**	36,511
Other financial liabilities	7	**45,027**	20,384
Borrowings	14	**12,236**	211,084
Retirement benefit obligations	15	**552**	568
Lease liabilities		**21,985**	-
Provisions and other liabilities	16	**23,924**	23,639
		767,664	930,165
Net current assets		**692,903**	595,134
Total assets less current liabilities		**2,692,691**	3,347,837

	Note	2020 US$'000	2019 US$'000
Non-current liabilities			
Other payables and deferred income		**37,251**	33,253
Other financial liabilities	7	**78,211**	27,259
Financial liabilities at fair value through profit and loss	8	**-**	318
Borrowings	14	**403,229**	474,597
Deferred income tax liabilities	17	**84,203**	107,865
Put option written to a non-controlling interest	18	**69,680**	74,245
Retirement benefit obligations	15	**66,325**	58,905
Lease liabilities		**38,204**	-
Provisions and other liabilities	16	**13,872**	12,918
		790,975	789,360
NET ASSETS		**1,901,716**	2,558,477
Equity			
Share capital – Ordinary shares (at par value)	19	**5,822**	5,709
Shares held for incentive share schemes (at purchase cost)	19	**(36,114)**	(44,427)
Share premium	19	**41,796**	13,265
Reserves	20	**1,816,705**	2,512,652
		1,828,209	2,487,199
Non-controlling interests		**73,507**	71,278
TOTAL EQUITY		**1,901,716**	2,558,477

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2020

	Note	2020 US$'000	2019 US$'000
Sales	2	3,070,485	3,280,381
Cost of goods sold		(2,398,222)	(2,528,935)
Gross profit		672,263	751,446
Other income and (expenses)	21	120,967	78,940
Selling and administrative expenses	22	(452,634)	(486,140)
Operating profit		340,596	344,246
Impairment of goodwill and other intangible assets	5	(795,505)	-
Share of profit of associate	6	41	124
Finance income	23	2,779	1,907
Finance costs	23	(19,614)	(18,362)
(Loss) / profit before income tax		(471,703)	327,915
Income tax expense	17	(15,168)	(38,256)
(Loss) / profit for the year		(486,871)	289,659
Profit attributable to non-controlling interests		(6,786)	(8,330)
(Loss) / profit attributable to shareholders		(493,657)	281,329
Basic earnings per share for (loss) / profit attributable to the shareholders for the year (expressed in US cents per share)	25	(55.84)	32.46
Diluted earnings per share for (loss) / profit attributable to the shareholders for the year (expressed in US cents per share)	25	(55.55)	31.60

Please see Note 26 for details of dividend.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2020

	Note	2020 US$'000	2019 US$'000
(Loss) / profit for the year		**(486,871)**	289,659
Other comprehensive income / (expenses)			
Items that will not be recycled to profit and loss:			
Defined benefit plans			
– remeasurements	15 & 20	**(7,483)**	(6,875)
– deferred income tax effect	17 & 20	**(175)**	575
Long service payment			
– remeasurements	15 & 20	**(122)**	(131)
– deferred income tax effect	17 & 20	**8**	(19)
Hedging instruments for transactions resulting in the recognition of inventories and subsequently recognized in the income statement upon consumption			
– raw material commodity contracts			
– fair value (losses), net	20	**(35,654)**	(5,677)
– transferred to inventory and subsequently recognized in the income statement	7(f) & 20	**(4,751)**	(5,308)
– deferred income tax effect		**6,667**	1,813
Total items that will not be recycled to profit and loss directly		**(41,510)**	(15,622)
Items that will be recycled to profit and loss:			
Hedging instruments			
– forward foreign currency exchange contracts			
– fair value (losses) / gains, net	20	**(43,380)**	45,740
– transferred to the income statement	20	**(21,482)**	(8,257)
– deferred income tax effect	20	**8,891**	(5,905)
– net investment hedge			
– fair value gains, net	20	**31,011**	39,572
Currency translations of subsidiaries		**(73,998)**	(117,687)
Currency translations of associate	20	**(122)**	(190)
Total items that will be recycled to profit and loss directly		**(99,080)**	(46,727)
Other comprehensive (expenses) for the year, net of tax		**(140,590)**	(62,349)
Total comprehensive (expenses) / income for the year, net of tax		**(627,461)**	227,310
Total comprehensive (expenses) / income attributable to:			
Shareholders		**(630,212)**	223,391
Non-controlling interests			
Share of profits for the year		**6,786**	8,330
Currency translations		**(4,035)**	(4,411)
		(627,461)	227,310

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2020

	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 2019		(25,453)	24,514	2,488,138	2,487,199	71,278	2,558,477
(Loss) / profit for the year		-	-	(493,657)	(493,657)	6,786	(486,871)
Other comprehensive income / (expenses):							
Hedging instruments							
– raw material commodity contracts							
– fair value (losses), net	20	-	(35,654)	-	(35,654)	-	(35,654)
– transferred to inventory and subsequently recognized in the income statement	7(f) & 20	-	(4,751)	-	(4,751)	-	(4,751)
– deferred income tax effect	20	-	6,667	-	6,667	-	6,667
– forward foreign currency exchange contracts							
– fair value (losses), net	20	-	(43,380)	-	(43,380)	-	(43,380)
– transferred to the income statement	20	-	(21,482)	-	(21,482)	-	(21,482)
– deferred income tax effect	20	-	8,891	-	8,891	-	8,891
– net investment hedge							
– fair value gains, net	20	-	31,011	-	31,011	-	31,011
Defined benefit plans							
– remeasurements	15 & 20	-	-	(7,483)	(7,483)	-	(7,483)
– deferred income tax effect	17 & 20	-	-	(175)	(175)	-	(175)
Long service payment							
– remeasurements	15 & 20	-	-	(122)	(122)	-	(122)
– deferred income tax effect	17 & 20	-	-	8	8	-	8
Currency translations of subsidiaries	20	-	(69,963)	-	(69,963)	(4,035)	(73,998)
Currency translations of associate	20	-	(122)	-	(122)	-	(122)
Total comprehensive income / (expenses) for FY19/20		-	(128,783)	(501,429)	(630,212)	2,751	(627,461)
Transactions with shareholders:							
Appropriation of retained earnings to statutory reserve	20	-	(582)	582	-	-	-
Convertible bonds							
– release of equity component upon redemption / repurchase	20	-	(694)	500	(194)	-	(194)
Incentive share schemes							
– shares vested	20	11,222	(11,222)	-	-	-	-
– vested by cash settlement	20	340	(2,427)	-	(2,087)	-	(2,087)
– value of employee services	20	-	5,473	-	5,473	-	5,473
– purchase of shares	19	(6,321)	-	-	(6,321)	-	(6,321)
Dividend paid to non-controlling shareholders of a subsidiary		-	-	-	-	(522)	(522)
FY18/19 final dividend paid							
– cash paid	20	-	-	(13,565)	(13,565)	-	(13,565)
– shares issued in respect of scrip dividend	20	24,797	-	(24,797)	-	-	-
– scrip dividend for shares held for the incentive shares schemes	20	(374)	-	374	-	-	-
FY19/20 interim dividend paid							
– cash paid	20	-	-	(12,084)	(12,084)	-	(12,084)
– shares issued in respect of scrip dividend	20	7,495	-	(7,495)	-	-	-
– scrip dividend for shares held for the incentive shares schemes	20	(202)	-	202	-	-	-
Total transactions with shareholders		36,957	(9,452)	(56,283)	(28,778)	(522)	(29,300)
As of 31 March 2020		**11,504** **	**(113,721)**	**1,930,426**	**1,828,209**	**73,507**	**1,901,716**

* 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$11.5 million is comprised of share capital of US$5.8 million, share premium of US$41.8 million and shares held for incentive share schemes of US$(36.1) million

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	20	-	(5,677)	-	(5,677)	-	(5,677)
– transferred to inventory and subsequently recognized in the income statement	7(f) & 20	-	(5,308)	-	(5,308)	-	(5,308)
– deferred income tax effect	20	-	1,813	-	1,813	-	1,813
– forward foreign currency exchange contracts							
– fair value gains, net	20	-	45,740	-	45,740	-	45,740
– transferred to the income statement	20	-	(8,257)	-	(8,257)	-	(8,257)
– deferred income tax effect	20	-	(5,905)	-	(5,905)	-	(5,905)
– net investment hedge							
– fair value gains, net	20	-	39,572	-	39,572	-	39,572
Defined benefit plans							
– remeasurements	15 & 20	-	-	(6,875)	(6,875)	-	(6,875)
– deferred income tax effect	17 & 20	-	-	575	575	-	575
Long service payment							
– remeasurements	15 & 20	-	-	(131)	(131)	-	(131)
– deferred income tax effect	17 & 20	-	-	(19)	(19)	-	(19)
Currency translations of subsidiaries	20	-	(113,276)	-	(113,276)	(4,411)	(117,687)
Currency translations of associate	20	-	(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	20	-	6,937	(6,937)	-	-	-
Convertible bonds							
– release of equity component upon repurchase	20	-	(261)	54	(207)	-	(207)
Incentive share schemes							
– shares vested	20	12,572	(12,572)	-	-	-	-
– value of employee services	20	-	10,400	-	10,400	-	10,400
– purchase of shares	19	(1,497)	-	-	(1,497)	-	(1,497)
FY17/18 final dividend paid	20	-	-	(37,530)	(37,530)	-	(37,530)
FY18/19 interim dividend paid							
– cash paid	20	-	-	(5,804)	(5,804)	-	(5,804)
– shares issued in respect of scrip dividend	20	13,304	-	(13,304)	-	-	-
– scrip dividend for shares held for the incentive shares schemes	20	(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

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 March 2020

	Note	2020 US$'000	2019 US$'000
Cash flows from operating activities			
Earnings before interest, taxes, depreciation and amortization	28	(209,236)	549,258
Other non-cash items	28	733,599	(45,045)
Change in working capital	28	81,917	17,970
Cash generated from operations	28	606,280	522,183
Interest paid		(19,293)	(10,409)
Income taxes paid		(41,195)	(55,934)
Net cash generated from operating activities		545,792	455,840
Investing activities			
Purchase of property, plant and equipment and capitalized expenditure of investment property, net of subsidies		(282,082)	(391,444)
Proceeds from disposal of property, plant and equipment	28	1,016	613
Capitalized expenditure of engineering development	5 & 24	(9,119)	(11,181)
Finance income received		2,779	1,907
		(287,406)	(400,105)
Divestment of an investment property		119,618	-
Business combination		-	(2,372)
Purchase of intangible assets		-	(1,042)
Purchase of financial assets at fair value through profit and loss		(1,080)	(8,360)
Proceeds from sale of financial assets at fair value through profit and loss		135	146
Net cash used in investing activities		(168,733)	(411,733)

	Note	2020 US$'000	2019 US$'000
Financing activities			
Principal elements of lease payments		**(17,193)**	-
Proceeds from borrowings		**26,421**	15,114
Repayments of borrowings		**(138,700)**	(161,446)
Proceeds from issuance of long-term debt, net of transaction costs		**-**	396,127
Redemption / repurchase of convertible bonds		**(158,865)**	(59,326)
Dividends paid to shareholders		**(25,649)**	(43,334)
Purchase of shares held for the incentive share schemes		**(6,321)**	(1,497)
Dividends paid to non-controlling interests		**(522)**	(5,458)
Net cash (used in) / generated from financing activities		**(320,829)**	140,180
Net increase in cash and cash equivalents		**56,230**	184,287
Cash and cash equivalents at beginning of the year		**339,986**	168,942
Currency translations on cash and cash equivalents		**(11,847)**	(13,243)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		**384,369**	339,986

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

	Borrowings (current) US$'000	Borrowings (non-current) US$'000	Lease liabilities US$'000	Total US$'000
As of 31 March 2019	211,084	474,597	-	685,681
Adoption of HKFRS 16	-	-	72,481	72,481
As of 1 April 2019	211,084	474,597	72,481	758,162
Currency translations	(426)	7	(2,517)	(2,936)
Cash flows				
– inflow from financing activities	26,421	-	-	26,421
– outflow from financing activities	(280,634)	(16,931)	(17,193)	(314,758)
– outflow from operating activities	-	(12,406)	(2,414)	(14,820)
Non-cash changes				
– new leases	-	-	6,623	6,623
– finance costs	403	13,156	3,209	16,768
– reclassification	55,388	(55,388)	-	-
– release of equity component from redemption / repurchase of convertible bonds	-	194	-	194
As of 31 March 2020	12,236	403,229	60,189	475,654

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 Victoria Place, 5th Floor, 31 Victoria Street, Hamilton HM 10, 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 13 May 2020. They have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRS”) using the historical cost convention, as modified by the revaluation of financial assets and financial liabilities (including derivative instruments) at fair value through profit and loss, and investment property, which are carried at fair value.

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

The principal accounting policies applied in the preparation of these consolidated financial statements are set out in corresponding notes.

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's operating segments share similar economic characteristics such as similar products and similar production processes, the management applied the aggregation criteria and the Group's operating segments were aggregated into a single 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 (expenses), rental income, fair value gains / (losses) on investment property, gains / (losses) on disposals of fixed assets and investments and unrealized gains / (losses) on currency hedges, monetary assets and liabilities and structured foreign currency contracts.

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

	2020 US$'000	2019 US$'000
Operating profit presented to management	219,629	265,306
Other income and (expenses) (Note 21)	120,967	78,940
Operating profit per consolidated income statement	340,596	344,246

2. SEGMENT INFORMATION *(Cont'd)*

Sales

The Group recognizes sales when control of product is transferred 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:

	2020 US$'000	2019 US$'000
Automotive Products Group ("APG")	**2,438,800**	2,529,976
Industry Products Group ("IPG")	**631,685**	750,405
	3,070,485	3,280,381

The Stackpole business, under APG, primarily engaged in the manufacture and sale of engine and transmission oil pumps and powder metal components, accounted for 23% of the Group's sales for FY19/20 (FY18/19: 22%).

The Cooling Fan business, under APG, 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 FY19/20 (FY18/19: 19%).

Sales by geography

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

	2020 US$'000	2019 US$'000
Europe *	**1,001,162**	1,085,683
North America **	**971,860**	942,945
People's Republic of China ("PRC")	**719,623**	860,868
Asia (excluding PRC)	**318,919**	331,714
South America	**37,555**	40,155
Others	**21,366**	19,016
	3,070,485	3,280,381

* Included in Europe were sales to external customers in Germany of US$188.0 million and France of US$136.5 million for FY19/20 (FY18/19: US$202.1 million and US$137.5 million respectively)

** Included in North America were sales to external customers in the USA of US$766.5 million for FY19/20 (FY18/19: US$725.8 million)

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

2. SEGMENT INFORMATION *(Cont'd)*

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 recognized 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 according 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 recognized, 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 recognized as a provision.

Segment assets

For FY19/20, 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$294.3 million (FY18/19: US$401.3 million).

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 2020 and 31 March 2019 were as follows:

	2020 US$'000	2019 US$'000
Hong Kong ("HK") / PRC	767,338	736,223
Canada	384,013	457,276
Switzerland	105,078	146,681
Others	426,504	410,653
	1,682,933	1,750,833

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$'000	Right-of-use assets US$'000	Total US$'000
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
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	-	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)
Impairment charges (Note 24 & 28)	-	(6,295)	-	(720)	(192)	-	(7,207)
Depreciation (Note 24)	(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

* As of 31 March 2019, freehold land, leasehold land and buildings included US$5.2 million for the land portion of leasehold buildings located in Hong Kong

** 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$'000	Right-of-use assets US$'000	Total US$'000
FY19/20							
As of 31 March 2019	212,544	591,562	275,433	111,122	49,274	-	1,239,935
Adoption of HKFRS 16							
– Recognition of right-of-use assets	-	-	-	-	-	74,483	74,483
– Transfer from intangible assets (Note 5)	-	-	-	-	-	22,351	22,351
As of 1 April 2019	212,544	591,562	275,433	111,122	49,274	96,834	1,336,769
Currency translations	(9,480)	(26,219)	(8,157)	(4,327)	(1,260)	(3,743)	(53,186)
Additions – owned assets	18,929	40,142	194,394	19,163	8,651	-	281,279
Additions – right-of-use assets	-	-	-	-	-	19,284	19,284
Transfer	28,838	133,281	(199,525)	34,862	2,544	-	-
Disposals / termination of leases	(122)	(1,505)	-	(200)	(174)	(77)	(2,078)
Impairment charges (Note 24 & 28)	-	(4,546)	-	(386)	(8)	-	(4,940)
Depreciation (Note 24)	(14,348)	(107,818)	-	(49,489)	(12,775)	(20,696)	(205,126)
As of 31 March 2020	**236,361** *	**624,897**	**262,145**	**110,745**	**46,252**	**91,602**	**1,372,002**
As of 31 March 2020							
Cost	390,734	1,445,797	262,145	446,790	179,558	114,155	2,839,179
Accumulated depreciation and impairment	(154,373)	(820,900)	-	(336,045)	(133,306)	(22,553)	(1,467,177)
Net book amount	**236,361**	**624,897**	**262,145**	**110,745**	**46,252**	**91,602**	**1,372,002**

* As of 31 March 2020, freehold land, leasehold land and buildings included US$4.9 million for the land portion of leasehold buildings located in Hong Kong

** 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.

Purchase deposits for machinery and construction of factory included in **non-current assets** in the balance sheet amounted to US$21.6 million (31 March 2019: US$32.9 million). The amount will be transferred to property, plant and equipment on receipt of the assets.

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

Right-of-use assets

Property, plant and equipment includes the following amounts relating to right-of-use assets:

	Land use rights US$'000	Leasehold buildings US$'000	Machinery and equipment US$'000	Other assets * US$'000	Total US$'000
FY19/20					
As of 31 March 2019	-	-	-	-	-
Adoption of HKFRS 16					
– recognition of right-of-use assets	-	67,625	3,277	3,581	74,483
– transfer from intangible assets (Note 5)	22,351	-	-	-	22,351
As of 1 April 2019	22,351	67,625	3,277	3,581	96,834
Currency translations	(1,186)	(2,453)	(111)	7	(3,743)
Additions – right-of-use assets	13,088	3,837	273	2,086	19,284
Termination of leases	-	-	(21)	(56)	(77)
Depreciation	(483)	(17,688)	(910)	(1,615)	(20,696)
As of 31 March 2020	**33,770**	**51,321**	**2,508**	**4,003**	**91,602**

* Other assets comprise office equipment and motor vehicles

Accounting policy

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Freehold land is not amortized. No depreciation is provided for assets under construction.

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

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

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	18 years

* 50 years for buildings in Hungary, Germany and Switzerland

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

Accounting policy *(Cont'd)*

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 capitalized until the assets are ready for their intended use.

Right-of-use assets

Leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option, and
- leases payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received, and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

Right-of-use assets are initially measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Leases of low-value assets are leases with total lease payments lower than US$5,000.

4. INVESTMENT PROPERTY

	2020 US$'000	2019 US$'000
At beginning of the year	111,431	99,199
Currency translations	(351)	(541)
Fair value gains	42,801	11,724
Capitalized expenditure	12	1,049
Divestment	(120,908)	-
At end of the year	32,985	111,431

The Group's investment property portfolio in HK/PRC was valued on an open market basis as of 31 March 2020. The appraisals were performed by independent, professionally qualified valuers, Chung, Chan & Associates, Chartered Surveyors.

As of 31 March 2020, the Group's investment property portfolio has tenancies expiring in the period from October 2020 to June 2027 (31 March 2019: from October 2020 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 recognized 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 recognized in equity. If a fair value gain reverses a previous impairment loss, the gain is recognized in the income statement. Any balance of the decrease is recognized 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 2018								
Cost	789,946	177,058	49,422	104,710	331,588	17,900	1,470,624	
Accumulated amortization 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	-	1,567	240	-	-	-	1,807	
Additions	-	-	1,042	-	-	8,059	9,101	
Capitalization of engineering development costs (Note 24)	-	-	11,181	-	-	-	11,181	
Amortization (Note 24 & 28)	-	(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 amortization 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	
FY19/20								
As of 31 March 2019	758,073	39,698	29,114	68,686	191,786	22,351	1,109,708	
Adoption of HKFRS 16 **	-	-	-	-	-	(22,351)	(22,351)	
As of 1 April 2019	758,073	39,698	29,114	68,686	191,786	-	1,087,357	
Currency translations	(2,280)	(539)	(481)	(1,739)	(8,439)	-	(13,478)	
Capitalization of engineering development costs (Note 24)	-	-	9,119	-	-	-	9,119	
Amortization (Note 24 & 28)	-	(13,614)	(5,863)	(2,590)	(19,309)	-	(41,376)	
Impairment charges (Note 24 & 28)	(755,793)	(8,657)	-	(26,928)	(4,127)	-	(795,505)	
As of 31 March 2020	**-**	**16,888**	**31,889**	**37,429** *	**159,911**	**-**	**246,117**	***
As of 31 March 2020								
Cost	755,793	175,176	63,937	100,991	309,827	-	1,405,724	
Accumulated amortization and impairment	(755,793)	(158,288)	(32,048)	(63,562)	(149,916)	-	(1,159,607)	
Net book amount	**-**	**16,888**	**31,889**	**37,429**	**159,911**	**-**	**246,117**	

* Brands included the "Stackpole" brand name which had a carrying value of US$37.4 million as of 31 March 2020 (31 March 2019: US$39.4 million)

** Land use rights was transferred to right-of-use assets under property, plant and equipment (see Note 3) to conform to the presentation according to HKFRS 16 "Leases"

*** Total intangible assets by underlying currencies as of 31 March 2020 and 31 March 2019 are disclosed on the next page

5. INTANGIBLE ASSETS *(Cont'd)*

Total intangible assets as of 31 March 2020 and 31 March 2019 were denominated in the following underlying currencies.

	2020 US$'000	2019 US$'000
In CAD	**178,806**	451,813
In EUR	**30,784**	81,768
In KRW	**19,747**	56,678
In USD	**11,923**	84,606
In GBP	**4,857**	6,314
In CHF	**-**	406,178
In RMB	**-**	22,351
Total intangible assets	**246,117**	1,109,708

Impairment tests for goodwill and other intangible assets

Goodwill is assessed for impairment annually.

Management considers all the goodwill to be managed and monitored at an overall group basis rather than at individual cash generating unit ("CGU") basis as there is a single segment. For the years ended 31 March 2020 and 2019, the recoverable amount of the Group is determined based on value-in-use calculations. The recoverable value is based on discounted future cash flow projections derived from financial forecasts covering a five year period with cash flows beyond this period extrapolated using rates of growth not exceeding historic levels. Forecast profitability has regard to past performance and expected future changes in costs and sales.

Sales are expected to decline in FY20/21 before returning to growth range of 4% to 7% in the following four years, with a perpetual growth rate of 2% thereafter (FY18/19: estimated annual growth rate of 6% until 2024 and 2% thereafter). Operating profit margins are also expected to fall for FY20/21, rising incrementally to reach 10% by 2025 (FY18/19: 10% in perpetuity). Future cash flows are discounted at pre-tax rate of 11.7% (equivalent to an after tax weighted average cost of capital ("WACC") of 10.0%) (FY18/19: pre-tax rate of 9%, after tax of 8%).

The combined effect of the COVID-19 pandemic and an expected slow recovery from current market conditions, as well as the changes in the Group's WACC have resulted in a reduction in the present value of forecasted cash flows. As a result, the recoverable amount of goodwill is less than its carrying value, therefore the Group has recorded an impairment charge of US$755.8 million in FY19/20 (FY18/19: nil).

5. INTANGIBLE ASSETS *(Cont'd)*

Impairment test for goodwill and other intangible assets *(cont'd)*

In accordance with the Group's accounting policy on asset impairment, intangible assets with a definite life are tested if there are indicators of potential impairment. The Group considers the social and economic impact of the COVID-19 pandemic to be an indicator of potential impairment and therefore tested all technology, brands and client relationships for impairment. The results of the review and testing by using the higher of value-in-use and fair value less cost to sales indicated that it was necessary to impair technology by US$8.7 million, brands by US$26.9 million and client relationships by US$4.1 million as of 31 March 2020.

As of 31 March 2019, the Stackpole brand was considered to have an indefinite life. The Group has performed a value-in-use analysis at the Stackpole level to support no impairment for Stackpole related brand. These calculations use financial budgets and plans covering five-year periods and cash flows beyond these periods are extrapolated using rates of growth and profitability not exceeding historic results. Key assumptions used in the financial budgets and plans are revenue growth, margins and the discount rate. The results of the review and test indicated that no impairment charge was necessary as of 31 March 2020. However, the headroom would be eliminated should the revenue growth for the forecast period decrease by 4% or operating margin for the forecast period decrease by 0.4% or the discount rate increase by 0.3%. Considering how previous brands acquired have merged into the Johnson Electric brand over time, management re-assessed the useful life of this brand and estimates it has a remaining useful life of 10 years from 1 April 2020.

<u>Accounting policy</u>

(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 operating 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.

5. INTANGIBLE ASSETS *(Cont'd)*

<u>Accounting policy</u> *(Cont'd)*

(b) Research and development costs

Research and development costs are expensed as incurred and are only recognized 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 o 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 amortization and are tested annually for impairment. With effect from 1 April 2020, all brands have an estimated useful life of 10 years.

(d) 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 amortization and impairment losses.

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

Technology, patents and engineering development	8 to 20 years
Brands	25 years / indefinite
Client relationships	15 to 20 years

6. INVESTMENT IN ASSOCIATE

	2020 US$'000	2019 US$'000
At beginning of the year	2,742	3,448
Currency translations	(122)	(190)
Share of associate's profit for the year	41	124
Dividends received	(532)	(640)
At end of the year	2,129	2,742

The 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 recognized at cost, and the carrying amount is increased or decreased to recognize 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 recognized in other comprehensive income is reclassified to profit and loss where appropriate.

The Group's share of post-acquisition profits or losses is recognized in the income statement, and its share of post-acquisition movements in other comprehensive income is recognized 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 recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

Unrealized gains on transactions between the Group and its associate are eliminated to the extent of the Group's interest in the associate. Unrealized 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

	2020			2019		
	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))	2,632	(21,149)	(18,517)	22,202	(1,178)	21,024
– forward foreign currency exchange contracts (Note a (ii))	153,832	(100,592)	53,240	157,788	(41,934)	115,854
Net investment hedge (Note b)						
– forward foreign currency exchange contracts and cross currency interest rate swaps	34,795	-	34,795	20,908	(3,955)	16,953
Fair value hedge (Note c)						
– forward foreign currency exchange contracts and cross currency interest rate swaps	50,548	(1,071)	49,477	20,251	(487)	19,764
Held for trading (Note d)	831	(426)	405	1,242	(89)	1,153
Total (Note e)	242,638	(123,238)	119,400	222,391	(47,643)	174,748
Current portion	56,238	(45,027)	11,211	72,272	(20,384)	51,888
Non-current portion	186,400	(78,211)	108,189	150,119	(27,259)	122,860
Total	242,638	(123,238)	119,400	222,391	(47,643)	174,748

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 recognized in the hedging reserve will be transferred to the balance sheet within inventories and subsequently recognized 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 2020, the Group had the following outstanding contracts:

	Notional amount	Settlement value (US$ million)	Weighted average contract price (US$)	Spot price (US$)	Mark-to-market rate (US$)	Remaining maturities range (months)	Assets/ (liabilities), net carrying value (US$'000)
Cash flow hedge contracts							
Copper commodity	28,525 metric ton	160.6	5,630	4,797	5,048	1 – 60	(16,611)
Silver commodity	510,000 oz	7.7	15.06	13.93	14.27	1 – 36	(405)
Aluminium commodity	2,075 metric ton	3.7	1,765	1,489	1,561	1 – 24	(423)
Iron ore commodity	106,500 metric ton	7.0	65.27	80.77	74.21	1 – 24	953
Coking coal commodity	81,500 metric ton	13.5	166	145	141	1 – 24	(2,031)
Total							(18,517)

The Weighted average contract price is a ratio defined as Notional amount / Settlement value.

The Mark-to-market rate is the current fair value for the settlement of a forward contract, as provided by the counterparties (the Group's Principal Bankers).

(ii) Forward foreign currency exchange contracts

The EUR, CAD, PLN, RSD, TRY, HUF, 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 and comprised:

- 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 PLN, RSD, TRY, HUF, MXN and RMB 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 recognized in the hedging reserve will be recognized in the income statement in the period or periods in which the underlying hedged transactions occur (cash realization).

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 2020, 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)
Cash flow hedge contracts								
Sell EUR forward *	USD	EUR 481.1	1.41	1.10	1.14	1 – 72	680.3	133,432
Sell CAD forward	USD	CAD 100.0	1.24	1.42	1.42	1 – 21	80.4	9,780
Buy PLN forward	EUR	PLN 654.0	4.79	4.54	4.69	1 – 72	150.9	3,013
Buy RSD forward	EUR	RSD 6,295.3	121.56	117.49	118.94	1 – 24	57.2	1,259
Buy TRY forward	EUR	TRY 107.5	7.85	7.26	7.95	1 – 24	15.1	(185)
Buy HUF forward	EUR	HUF 54,593.7	339.55	358.57	371.43	1 – 72	177.6	(15,239)
Buy MXN forward	USD	MXN 2,602.7	22.78	24.28	27.34	1 – 72	114.3	(19,084)
Buy RMB forward	USD	RMB 9,401.0	6.97	7.04	7.29	1 – 72	1,348.6	(59,736)
Total								53,240

* The EUR to USD is stated in the inverse order

(b) Net investment hedge

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

As of 31 March 2020, 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 60.0	1.33	1.10	1.14	21 – 57	79.7	10,993
Cross currency interest rate swaps * (pay EUR, receive USD)	USD	EUR 269.2	1.12	1.10	1.04	13 – 52	302.7	23,802
Total								34,795

* The EUR to USD is stated in the inverse order

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

(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 CAD forward foreign currency exchange contract is designated as fair value hedges to hedge the currency risk from USD trade receivable balances in Canada. Gains and losses are recognized in the income statement.

As of 31 March 2020, 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 255.2	1.35	1.10	1.16	1 – 97	345.5	50,372
Buy EUR forward *	USD	EUR 13.0	1.09	1.10	1.10	1	14.2	148
Buy CAD forward	USD	CAD 17.4	1.31	1.42	1.42	1	13.3	(1,043)
Total								49,477

* The EUR and USD is stated in the inverse order

(d) Held for trading

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

As of 31 March 2020, 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 1,147.2	81.36	75.53	80.96	1 – 32	14.1	70
Buy HKD structured forward	USD	HKD 927.3	7.93	7.75	7.90	1 – 18	117.0	335
Total								405

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

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

(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 recognized in FY19/20 was a net gain of US$64.2 million (FY18/19: net gain of US$39.0 million).

Benefit / (expense)	2020 US$'000	2019 US$'000
Cost of goods sold includes:		
Effect of raw material commodity contracts (Note 20)	**4,751**	5,308
Effect of forward foreign currency exchange contracts	**(20,253)**	(12,242)
Effect on cost of goods sold	**(15,502)**	(6,934)
Other income and (expenses) includes:		
Effect of unrealized forward foreign currency exchange contracts (Note 21)	**29,476**	18,640
Selling and administrative expenses includes:		
Effect of forward foreign currency exchange contracts (Note 22)	**43,735**	23,556
Finance costs includes:		
Cross currency interest rate swaps	**6,497**	3,751
Effect of other financial assets and liabilities in consolidated income statement, net gain	**64,206**	39,013

(g) Net cash generated from operating activities due to the realized hedge contracts was US$47.0 million (FY18/19: US$25.5 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 2020 would result in approximately US$214 million cash flow benefit (31 March 2019: US$363 million).

(i) As of 31 March 2020, the balance in the exchange reserve for continuing hedges that are accounted for as a net investment hedge was US$86.1 million (31 March 2019: US$55.1 million).

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

<u>Accounting policy</u>

(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 recognized 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 recognized 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 recognized 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 recognized in hedging reserve within equity.

Ineffectiveness is recognized 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.

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

<u>Accounting policy</u> *(Cont'd)*

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

(ii) Net investment hedge

A net investment hedge of the Group hedges net investments in foreign operations. Any unrealised and realised gain or loss of the hedging instrument is recognized 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 recognized 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 recognized 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 AND LIABILITIES AT FAIR VALUE THROUGH PROFIT AND LOSS

	2020			2019		
	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)	2,190	-	2,190	2,410	-	2,410
Unlisted preference shares (Note b)	8,000	-	8,000	8,000	-	8,000
Structured foreign currency contracts (Note c)	44,151	-	44,151	19,315	(318)	18,997
Other investment	1,440	-	1,440	360	-	360
Total	55,781	-	55,781	30,085	(318)	29,767
Current portion	2,103	-	2,103	350	-	350
Non-current portion	53,678	-	53,678	29,735	(318)	29,417
Total	55,781	-	55,781	30,085	(318)	29,767

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 from May 2026 to May 2030 (following the expiry of the Put Exercise Period from May 2022 to May 2026).

(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 Group used the discounted cash flow to determine the fair value of the investment. As of 31 March 2020, the fair value of the unlisted preference shares is approximately US$8.0 million (31 March 2019: US$8.0 million).

8. FINANCIAL ASSETS AND 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 minimize 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 unrealized 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 realized gain or loss for each contract will crystallize 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 are not expected to exceed the Group's future needs.

On 5 March 2020, the counterparty bank cancelled its put option in relation to the Group's Chinese Renminbi structured forward contracts, reducing the notional value to be delivered by 50%. As the option features no longer exist, the Group re-designated the US$2.8 million remaining fair value of the structured forward contracts as plain vanilla forward contracts. As of 31 March 2020, all the CAD contracts matured.

The Group's exposure to EUR cash flows over the remaining maturity periods is summarized below:

	Sell EUR (EUR million)
Hedged amount – by plain vanilla contracts	481.1
Economic hedge – by structured forward contracts	
– minimum possible hedge	174.8
– maximum possible hedge	346.6
Percentage of currency exposure hedged *	
– by plain vanilla contracts	51%
– by plain vanilla and structured forward – minimum	70%
– by plain vanilla and structured forward – maximum	88%

* The percentage of currency exposure hedged is calculated as the hedged amount over the currency exposure in the respective periods

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

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

In FY19/20, gains on structured foreign currency contracts increased net profit by US$24.6 million, net of tax (US$28.0 million pre-tax) (FY18/19: gains increased net profit by US$44.4 million, pre-tax US$50.9 million). Please see Note 21 and Note 28.

As of 31 March 2020, the Group had the following structured foreign currency contracts:

	Settlement currency	Notional value – minimum (million)	Notional value – maximum (million)	Range of contract rates	Weighted average contract rate	Mark-to-market rate	Remaining maturities range (months)	Assets net carrying value (US$'000)
Structured foreign currency contracts (With option features: Reduction of notional amount)								
Sell EUR (for sales) *	USD	EUR 174.8	EUR 346.6	1.30 – 1.39	1.35	1.25	4 – 53	33,792
Sell EUR (for net investment) *	USD	EUR 50.0	EUR 100.0	1.36 – 1.40	1.38	1.28	33 – 57	10,359
Total								44,151

* 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 2020, a 1% change in the exchange rate for EUR against the USD will have the following impact to the Group's income statement:

EUR contracts	Profit before income tax increase / (decrease)
Increase by 1%	US$(2.8) million
Decrease by 1%	US$2.8 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 2020 would give rise to a cash flow benefit of approximately US$56 million (assuming minimum delivery for EUR contracts depending on the contract delivery rate) (31 March 2019: US$58 million).

9. INVENTORIES

	2020 US$'000	2019 US$'000
Raw materials	255,513	231,573
Finished goods	158,372	166,317
	413,885	397,890

Accounting policy

Inventories are stated at the lower of actual cost on first-in-first-out basis (FIFO) or net realizable 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

	2020 US$'000	2019 US$'000
Trade receivables – gross *	506,319	610,220
Less: impairment of trade receivables	(2,025)	(1,870)
Trade receivables – net	504,294	608,350
Prepayments and other receivables	88,914	99,130
	593,208	707,480

* The balance included bank acceptance drafts from customers amounting to US$22.1 million (31 March 2019: US$29.6 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. Therefore, 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)*

Customer credit risk, aging and impairment of gross trade receivables

(a) The Group normally grants credit terms ranging from 30 to 105 days to its trade customers. It has a policy in place to evaluate customer credit risk by considering their current financial position, past payment history, common credit-risk characteristics, and the macroeconomic factor and economic environment in which the customers operate. Management monitors overdue amounts 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 the failure of a debtor to commit to a repayment plan and a failure to make contractual payments for a period of over 90 days.

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 more than 10% or more of trade receivables.

(b) The impairment of trade receivables is estimated using the forward-looking expected credit loss method and considering the aging of gross trade receivables based on due date.

The aging of gross trade receivables and estimated impairment by due date was as follows:

	Gross carrying amount US$'000	Impairment of trade receivables US$'000	Trade receivable – net US$'000
As of 31 March 2020			
Current	456,887	(134)	**456,753**
1 – 30 days overdue	33,465	(25)	**33,440**
31 – 90 days overdue	9,159	(58)	**9,101**
Over 90 days overdue	6,808	(1,808)	**5,000**
Total	506,319	(2,025)	**504,294**
As of 31 March 2019			
Current	561,487	(63)	561,424
1 – 30 days overdue	30,482	(15)	30,467
31 – 90 days overdue	10,984	(91)	10,893
Over 90 days overdue	7,267	(1,701)	5,566
Total	610,220	(1,870)	608,350

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

(c) The aging of gross trade receivables based on invoice date was as follows:

	2020 US$'000	2019 US$'000
0 – 30 days	213,522	314,778
31 – 90 days	256,883	267,002
Over 90 days	35,914	28,440
Total	506,319	610,220

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

	2020 US$'000	2019 US$'000
USD	204,134	224,561
EUR	138,509	153,589
RMB	106,049	159,621
CAD	36,001	47,723
Others	21,626	24,726
Total	506,319	610,220

Movements on the impairment of trade receivables were as follows:

	2020 US$'000	2019 US$'000
At beginning of the year	1,870	1,816
Currency translations	8	(136)
Receivables written off during the year as uncollectible	(58)	(539)
Impairment of trade receivables / bad debt expense (Note 24)	205	729
At end of the year	2,025	1,870

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 recognized initially at fair value and subsequently measured at amortized 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 recognized 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

	2020 US$'000	2019 US$'000
Cash at bank and in hand	**244,272**	262,127
Short term bank deposits	**140,097**	77,859
Total cash and cash equivalents	**384,369**	339,986

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

	2020 US$'000	2019 US$'000
USD	**137,515**	134,063
RMB	**125,771**	93,951
EUR	**57,512**	68,453
KRW	**31,735**	24,172
CAD	**9,019**	471
Others	**22,817**	18,876
Total	**384,369**	339,986

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

	2020 US$'000	2019 US$'000
Trade payables	**350,178**	351,716

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:

	2020 US$'000	2019 US$'000
0 – 60 days	**207,486**	233,561
61 – 90 days	**69,936**	66,459
Over 90 days	**72,756**	51,696
Total	**350,178**	351,716

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

	2020 US$'000	2019 US$'000
RMB	**119,803**	130,523
USD	**106,549**	103,434
EUR	**80,176**	74,973
HKD	**21,896**	21,704
CAD	**9,025**	8,972
Others	**12,729**	12,110
Total	**350,178**	351,716

Accounting policy

Trade and other payables are recognized initially at fair value and subsequently measured at amortized 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 recognized 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 amortized 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:

	2020 US$'000	2019 US$'000
Deferred contract costs included in:		
Trade and other receivables	2,476	1,280
Other non-current assets	3,458	4,003
Total deferred contract costs	5,934	5,283
Contract liabilities balances included in:		
Other payables and deferred income – current	(22,799)	(14,621)
Other payables and deferred income – non-current	(17,696)	(16,892)
Total contract liabilities	(40,495)	(31,513)

In FY19/20, US$16.5 million (FY18/19: US$15.7 million) included in the contract liability balance at the previous year end date was recognized in profit and loss.

14. BORROWINGS

	2020			2019		
	Current US$'000	Non-current US$'000	Total US$'000	Current US$'000	Non-current US$'000	Total US$'000
Bonds (Note a)	-	299,324	299,324	-	298,772	298,772
Loan from Export Development Canada ("EDC") (Note b)	-	99,696	99,696	-	99,607	99,607
Loans based on trade receivables (Note c)	-	4,209	4,209	6,020	-	6,020
Convertible Bonds (Liability component) (Note d)	-	-	-	151,941	6,727	158,668
Loan from International Finance Corporation ("IFC") (Note e)	-	-	-	15,000	59,491	74,491
Other borrowings	12,236	-	12,236	38,123	10,000	48,123
Total borrowings	12,236	403,229	415,465	211,084	474,597	685,681

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.

The market value of the Bonds was 107.2% as of 31 March 2020 (31 March 2019: 101.1%).

(b) **Loan from EDC**

US$99.7 million (principal US$100.0 million less US$0.3 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%.

14. BORROWINGS *(Cont'd)*

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

Subsidiary companies have borrowed US$4.2 million based on trade receivables in Hong Kong, Europe and the USA as of 31 March 2020 (31 March 2019: US$6.0 million). The loans based on trade receivables are backed by committed credit lines. The loans are placed such that the interest expense will match the geography of the operating income as follows:

- Borrowings in Hong Kong were repaid during the year (31 March 2019: US$2.0 million).
- Borrowings in Europe of US$2.2 million (EUR2.0 million) (31 March 2019: US$2.0 million (EUR1.8 million)), which are secured by trade receivables and require an over-collateralization level of 20% of the amount loaned (US$2.7 million as of 31 March 2020 and US$2.4 million as of 31 March 2019).
- Borrowings in the USA of US$2.0 million, with a covenant that trade receivables shall not be pledged to any parties (31 March 2019: US$2.0 million).

(d) **Convertible bonds**

On 2 April 2014, JEHL issued convertible bonds in an aggregate principal amount of US$200 million. These convertible bonds bore interest as a cash coupon at the rate of 1% per annum, payable semi-annually, and additionally accreted at 1.75% per annum (combined yield of 2.75% (1.0% coupon plus 1.75% accretion)). They had a maturity of 7 years to 2 April 2021 and a 5 year put option gave bondholders 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). The effective interest rate of the liability component was 3.57%, given the amount of proceeds allocated to equity at issuance.

On 2 April 2019, bondholders exercised a put option to redeem US$151.9 million (US$139.0 million issuance plus accretion) of the Company's convertible bonds. The remaining convertible bonds were subsequently repurchased and cancelled, with none remaining outstanding as of 31 March 2020.

(e) **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. During the year, the Group repaid this loan in full.

14. BORROWINGS *(Cont'd)*

The maturity of borrowings was as follows:

	Bank borrowings		Bonds, convertible bonds and other borrowings	
	2020 US$'000	2019 US$'000	**2020 US$'000**	2019 US$'000
Less than 1 year	**-**	15,387	**12,236**	195,697
1 – 2 years	**4,209**	-	**-**	14,893
2 – 5 years	**-**	10,000	**399,020**	150,932
Over 5 years	**-**	-	**-**	298,772
	4,209	25,387	**411,256**	660,294

As of 31 March 2020, the interest rate charged on outstanding balances ranged from 0.5% to 4.7% per annum (31 March 2019: 0.5% to 4.1% per annum) and the weighted average effective interest rate of the borrowings including the impact of interest rate swaps (see Note 7(b)) was approximately 2.7% (31 March 2019: 3.0%). Interest expense is disclosed in Note 23.

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. The Group has always maintained investment grade ratings. As of 31 March 2020, the rating from Moody's Investor Services was Baa1 and the rating from S&P was BBB. These ratings reflect the Group's solid market position, stable profitability and prudent financial leverage.

The COVID-19 pandemic has led to deterioration in the global economic outlook, and resulted in weak light vehicle demand and production suspensions across the world. In line with the majority of the automotive industry and its component suppliers, on 20 March 2020, Moody's Investors Services placed Johnson Electric's rating on credit watch. On 8 April 2020, S&P also placed Johnson Electric's rating under review.

The fair value of borrowings, other than the Bonds due July 2024, approximately equals their carrying amount.

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

	2020 US$'000	2019 US$'000
USD	**401,020**	635,580
CAD	**12,236**	28,716
EUR	**2,209**	2,020
HKD	**-**	10,000
RMB	**-**	9,365
Total borrowings	**415,465**	685,681

14. BORROWINGS *(Cont'd)*

<u>Accounting policy</u>

(a) Borrowings / bonds

Borrowings / bonds are initially recognized at fair value, net of transaction costs incurred and are subsequently stated at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognized 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, recognized in shareholder's equity in other reserve.

The liability component is subsequently carried at amortized 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
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
Utilizations	(4,720)	(8,016)	(12,736)
Remeasurements (Note 20) *	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
FY19/20			
As of 31 March 2019	35,853	3,812	39,665
Currency translations	(624)	(236)	(860)
Charges	2,205	9,497	11,702
Utilizations	(5,004)	(9,361)	(14,365)
Remeasurements (Note 20) *	7,483	122	7,605
As of 31 March 2020	**39,913** **	**3,834**	**43,747**
Retirement benefit obligations:			
Current portion	-	552	552
Non-current portion	63,043	3,282	66,325
Defined benefit pension plan assets:			
Non-current portion	(23,130)	-	(23,130)
As of 31 March 2020	**39,913**	**3,834**	**43,747**

* Remeasurements represent actuarial (gains) and losses

** The retirement benefit plans were mainly located in Switzerland, the United Kingdom, South Korea, Italy and Germany as of 31 March 2020. Net obligations of US$39.9 million (31 March 2019: US$35.9 million) were comprised of the gross present value of obligations of US$231.9 million (31 March 2019: US$183.4 million) less the fair value of plan assets of US$(192.0) million (31 March 2019: US$(147.5) 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 2020.

Country of pension plan	Firm	Qualifications of valuers
Switzerland	Mercer Schweiz AG	Members of the Swiss Association of Actuaries
United Kingdom	Quantum Actuarial LLP	Fellow of the Institute and Faculty of Actuaries
South Korea	Hyundai Motor Securities	Fellow, the Institute of Actuaries of Korea
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 recognized in the balance sheet were determined as follows:

	2020 US$'000	2019 US$'000
Present value of obligations that are funded	**207,917**	157,100
Present value of obligations that are unfunded	**24,012**	26,251
Gross present value of obligations	**231,929**	183,351
Less : Fair value of plan (assets)	**(192,016)**	(147,498)
Total retirement benefit obligations - net liability	**39,913**	35,853
Represented by:		
Defined benefit pension plan (assets)	**(23,130)**	(19,808)
Retirement benefit obligations	**63,043**	55,661

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 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 24)	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) recognized in equity (Note 20)	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
As of 31 March 2019	183,351	(147,498)	35,853
Current service cost	7,140	-	7,140
Interest cost / (income)	3,051	(2,670) *	381
Past service cost	(5,316)	-	(5,316)
Net cost / (income) to the income statement (Note 24)	4,875	(2,670)	2,205
Remeasurements:			
– (gains) from change in demographic assumptions	(804)	-	(804)
– (gains) from change in financial assumptions	(5,467)	-	(5,467)
– experience losses / (gains)	60,988	(88)	60,900
– return on plan assets, excluding amounts included in interest income	-	(47,146)	(47,146)
Losses / (gains) recognized in equity (Note 20)	54,717	(47,234)	7,483
Currency translations	(1,030)	406	(624)
Contributions by plan participants	2,738	(2,738)	-
Contributions by employer	-	(2,959)	(2,959)
Benefits paid	(12,722)	10,677	(2,045)
As of 31 March 2020	**231,929**	**(192,016)**	**39,913**

* 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:

	2020 Percentage	2019 Percentage
Discount rate	0.7% – 3.5%	0.6% – 4.0%
Future pension obligation growth rate	0.0% – 2.4%	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 6.4%	Increase by 7.0%
Future pension growth rate – change by 0.25%	Increase by 3.0%	Decrease by 0.1%

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 recognized 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:

	2020 Percentage	2019 Percentage
Switzerland	0.8%	0.6%
United Kingdom	2.2%	2.4%
South Korea	3.2%	3.3%
Canada	3.5%	3.2%

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

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

The weighted average duration of the defined benefit obligations is 18.5 years (31 March 2019: 17.8 years).

The expected maturity of undiscounted pension benefits as of 31 March 2020 and 31 March 2019 was:

	2020 US$'000	2019 US$'000
Less than 1 year	11,425	4,974
1 – 2 years	11,093	6,127
2 – 5 years	28,045	15,123
Over 5 years	241,639	275,988
	292,202	302,212

Plan assets

Plan assets comprised the following:

	2020		2019	
	US$'000	Percentage	US$'000	Percentage
Quoted				
Equities				
Asia	906	0%	970	1%
Europe	17,382	9%	12,720	9%
Americas	1,578	1%	1,767	1%
Global	30,028	16%	20,713	14%
Bonds				
Asia	2,173	1%	2,295	2%
Europe	47,351	25%	45,519	31%
Americas	20,671	11%	21,308	14%
Global	33,004	17%	12,229	8%
Others				
Europe	6,083	3%	7,184	5%
Global	11,226	6%	13,216	9%
	170,402	89%	137,921	94%
Unquoted				
Property investment – Europe	20,252	10%	9,273	6%
Others – Europe	1,362	1%	304	0%
	21,614	11%	9,577	6%
	192,016	100%	147,498	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$3.9 million to post-employment benefit plans for fiscal year FY20/21 (FY19/20: 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 2020 (31 March 2019: 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 FY19/20 was US$8.9 million (FY18/19: US$8.5 million) as shown in Note 24.

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 recognized 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 recognized 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 recognized 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	Reinstatement cost of right-of-use assets US$'000	Others US$'000	Total US$'000
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
Utilizations	(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
FY19/20					
As of 31 March 2019	35,582	975	-	-	36,557
Currency translations	(505)	(14)	(26)	-	(545)
Charges	13,037	-	-	-	13,037
Addition	-	-	1,080	-	1,080
Utilizations	(12,157)	(176)	-	-	(12,333)
As of 31 March 2020	**35,957**	**785**	**1,054**	**-**	**37,796**
Current portion	23,139	785	-	-	23,924
Non-current portion	12,818	-	1,054	-	13,872
As of 31 March 2020	**35,957**	**785**	**1,054**	**-**	**37,796**

17. TAXATION

17.1 Income tax expense

The amount of taxation in the consolidated income statement represents:

	2020 US$'000	2019 US$'000
Current income tax		
Charges for the year	35,803	51,099
(Reduction) for tax of prior years *	(4,239)	(3,078)
	31,564	48,021
Deferred income tax (Note 17.2)	(16,396)	(9,765)
Total income tax expense	15,168	38,256
Effective tax rate	(3.2)%	11.7%

* This mainly represents recovery of research and development tax credits

Tax has been provided at the applicable rates on the estimated assessable profit in the respective countries of operations for the period. Excluding the non-taxable net gain on divestment of an investment property of US$41.1 million, and the impairment of goodwill and other intangible assets of US$795.5 million, the underlying effective tax rate would have been 11.5% (FY18/19: excluding fair value gains of US$11.7 million, 12.1%). The Group's effective tax rate differed from the statutory tax rate of Hong Kong of 16.5% (FY18/19: 16.5%) as follows:

	2020		2019	
		US$'000		US$'000
(Loss) / profit before income tax		(471,703)		327,915
Add: Impairment of goodwill and other intangibles		795,505		-
Less: Fair value (gains) and divested item		(41,096)		(11,660)
Profit before income tax, as adjusted		282,706		316,255
Tax charged at Hong Kong profits tax rate	16.5%	46,646	16.5%	52,182
Effect of different tax rates in other countries				
– countries with taxable profit	0.8%	2,277	1.7%	5,248
– countries with taxable loss	(1.7)%	(4,914)	(1.9)%	(6,035)
Effect of income, net of expenses, not subject to tax	(4.5)%	(12,547)	(5.0)%	(15,731)
(Reductions) of tax for prior years – current and deferred	(2.0)%	(5,734)	(1.2)%	(3,729)
Withholding tax	3.9%	10,934	2.0%	6,419
Other taxes and temporary differences, net of (tax loss recognition) and other (tax benefits)	(1.5)%	(4,279)	0.0%	(98)
Underlying effective tax rate	11.5%	32,383	12.1%	38,256
Deferred tax benefit released due to impairment of goodwill and other intangibles		(17,215)		-
Total income tax expense, as reported	(3.2)%	15,168	11.7%	38,256

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:

	2020 US$'000	2019 US$'000
Deferred income tax assets	53,647	44,135
Deferred income tax liabilities	(84,203)	(107,865)
Deferred income tax liabilities, net	(30,556)	(63,730)

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

	2020 US$'000	2019 US$'000
Gross deferred income tax assets	93,505	86,276
Gross deferred income tax liabilities	(124,061)	(150,006)
Deferred income tax liabilities, net	(30,556)	(63,730)

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:

	Provisions US$'000	Accelerated tax depreciation US$'000	Tax losses US$'000	Fair value (gains) / losses US$'000	Others US$'000	Total US$'000
FY18/19						
Deferred income tax assets						
As of 31 March 2018	27,446	9,168	30,879	4,338	25,007	96,838
Currency translations	(1,194)	(618)	(990)	(57)	(804)	(3,663)
Credited / (charged) to income statement	(1,975)	949	(6,843)	(3)	(2,362)	(10,234)
Credited to equity	-	-	-	3,066	269	3,335
Assets as of 31 March 2019	24,277	9,499	23,046	7,344	22,110	86,276
Deferred income tax (liabilities)						
As of 31 March 2018	(3,295)	(26,915)	-	(108,067)	(30,699)	(168,976)
Currency translations	252	885	-	3,804	901	5,842
Credited / (charged) to income statement	454	12,104	-	9,208	(1,767)	19,999
Credited / (charged) to equity	-	-	-	(7,159)	288	(6,871)
(Liabilities) as of 31 March 2019	(2,589)	(13,926)	-	(102,214)	(31,277)	(150,006)
Deferred income tax assets / (liabilities), net as of 31 March 2019	21,688	(4,427)	23,046	(94,870)	(9,167)	(63,730)
FY19/20						
Deferred income tax assets						
As of 31 March 2019	24,277	9,499	23,046	7,344	22,110	86,276
Currency translations	(193)	(743)	(626)	(7)	(496)	(2,065)
Credited / (charged) to income statement	(373)	8,375	(11,694)	228	353	(3,111)
Credited to equity	-	-	-	11,622	783	12,405
Assets as of 31 March 2020	23,711	17,131	10,726	19,187	22,750	93,505
Deferred income tax (liabilities)						
As of 31 March 2019	(2,589)	(13,926)	-	(102,214)	(31,277)	(150,006)
Currency translations	52	70	-	2,700	630	3,452
Credited to income statement	90	4,971	-	11,997	2,449	19,507
Credited / (charged) to equity	-	-	-	3,888	(902)	2,986
(Liabilities) as of 31 March 2020	(2,447)	(8,885)	-	(83,629)	(29,100)	(124,061)
Deferred income tax assets / (liabilities), net as of 31 March 2020	**21,264**	**8,246**	**10,726**	**(64,442)**	**(6,350)**	**(30,556)**

Deferred income tax liabilities of US$1.8 million (FY18/19: US$5.9 million) have not been recognized 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.

Provisions:
Certain tax authorities do not allow provisions as deductions against current taxable profit until utilized, 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 2020, the Group's subsidiaries in USA, Canada and Japan had accumulated net operating losses carried forward of US$5.7 million, US$30.5 million and US$1.1 million respectively (31 March 2019: US$27.7 million, US$58.6 million and US$3.0 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 until realized.

Others:
This mainly represents other temporary differences arising from taxation on profit distribution from foreign subsidiaries, goodwill from past acquisitions, temporary differences arising from deduction of expenses and adjustments from past reorganizations.

17. TAXATION *(Cont'd)*

17.2 Deferred income tax *(Cont'd)*

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

	2020 US$'000	2019 US$'000
Deferred income tax assets:		
Deferred income tax assets to be recovered after more than twelve months	72,027	66,407
Deferred income tax assets to be recovered within twelve months	21,478	19,869
Deferred income tax assets	93,505	86,276
Deferred income tax liabilities:		
Deferred income tax liabilities to be settled after more than twelve months	(109,466)	(130,744)
Deferred income tax liabilities to be settled within twelve months	(14,595)	(19,262)
Deferred income tax liabilities	(124,061)	(150,006)
Deferred income tax liabilities, net	(30,556)	(63,730)

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

	2020 US$'000	2019 US$'000
At beginning of the year, net (liability)	(63,730)	(72,138)
Currency translations	1,387	2,179
Credited to income statement (Note 17.1)	16,396	9,765
Credited / (charged) to equity	15,391	(3,536)
At end of the year, net (liability)	(30,556)	(63,730)

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:

	2020 US$'000	2019 US$'000
Net fair value losses / (gains) of hedging instruments	**15,558**	(4,092)
Remeasurements of defined benefit plans (Note 20)	**(175)**	575
Remeasurements of long service payment (Note 20)	**8**	(19)
	15,391	(3,536)

Deferred income tax assets are recognized 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 utilized.

The movement in the Group's unrecognized tax losses for FY19/20 and FY18/19 is presented below:

	2020 US$'000	2019 US$'000
At beginning of the year	**56,921**	65,540
Currency translations	**(1,764)**	(2,326)
(Utilized / recognized) during the year	**(3,008)**	(4,696)
(Reduction) for tax positions of prior years	**(948)**	(1,597)
At end of the year	**51,201**	56,921

Deferred income tax assets in respect of tax losses amounting to US$51.2 million (FY18/19: US$56.9 million) have not been recognized 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 unrecognized tax losses by expiry date is as follows:

	2020 US$'000	2019 US$'000
Less than 1 year	**4,702**	1,340
1 – 2 years	**2,324**	5,173
2 – 5 years	**1,451**	4,379
5 – 20 years	**24,731**	22,971
Unlimited	**17,993**	23,058
	51,201	56,921

Deferred income tax assets have not been recognized with respect to other deductible temporary differences amounting to US$1.5 million (FY18/19: 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 recognized in the income statement, except to the extent that it relates to items recognized in comprehensive income or directly in equity. In this case, the tax is also recognized 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 recognized, 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 recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

The deferred tax liability in relation to investment property that is measured at fair value is determined assuming the property will be recovered entirely through use.

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

18. PUT OPTION WRITTEN TO A NON-CONTROLLING INTEREST

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%.

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 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 movement on the carrying amount of the written put option was as follows:

	2020 US$'000	2019 US$'000
At beginning of the year	74,245	79,451
Currency translations	(3,523)	(5,849)
Accrued interest (Note 23)	1,470	1,293
Fair value gains (Note 21 & 28)	(2,512)	(650)
At end of the year	69,680	74,245

19. SHARE CAPITAL

	Share capital – ordinary shares (thousands)	Shares held for incentive share schemes (thousands)	Total shares (thousands)
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
Shares purchased by trustee for the incentive share schemes	-	(3,477)	(3,477)
Shares vested to Directors and employees for the incentive share schemes	-	4,917	4,917
Shares issued in lieu of cash dividend	17,644	-	17,644
Scrip dividend for shares held for the incentive shares schemes	-	(308)	(308)
As of 31 March 2020	**902,648**	**(12,013)**	**890,635**

As of 31 March 2020, the total authorized number of ordinary shares was 1,760.0 million (31 March 2019: 1,760.0 million) with a par value of HK$0.05 per share (31 March 2019: HK$0.05 per share). All issued shares were fully paid.

19. SHARE CAPITAL *(Cont'd)*

	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 2018	5,670	(55,219)	-	(49,549)
Shares purchased by trustee for the incentive share schemes	-	(1,497)	-	(1,497)
Shares vested to Directors and employees for the incentive share schemes	-	12,572	-	12,572
Shares issued in lieu of cash dividend	39	-	13,265	13,304
Scrip dividend for shares held for the incentive shares schemes	-	(283)	-	(283)
As of 31 March 2019	5,709	(44,427)	13,265	(25,453)
Shares purchased by trustee for the incentive share schemes	-	(6,321)	-	(6,321)
Shares vested to Directors and employees for the incentive share schemes	-	15,210	(3,648)	11,562
Shares issued in lieu of cash dividend	113	-	32,179	32,292
Scrip dividend for shares held for the incentive shares schemes	-	(576)	-	(576)
As of 31 March 2020	**5,822**	**(36,114)**	**41,796**	**11,504**

Scrip dividend

During the year, 17.6 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 final dividend of FY18/19 and interim dividend of FY19/20. For the final dividend of FY18/19, the Group's scrip price was the average closing price in the period during 16 to 22 July 2019 discounted by 4% on the average price – the actual scrip price was HK$13.68 (US$1.75). The date of allotment of the scrip shares was 4 September 2019. For the interim dividend of FY19/20, the Group's scrip price was the average closing price in the period during 21 to 27 November 2019 discounted by 4% on the average price – the actual scrip price was HK$17.08 (US$2.19). The date of allotment of the scrip shares was 3 January 2020.

Cancellation of issued capital

A general mandate was approved and given to the Board by shareholders at JEHL's AGM held on 11 July 2019 empowering the Board to repurchase shares up to 10% (88.5 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 FY19/20 for cancellation (FY18/19: nil).

19. SHARE CAPITAL *(Cont'd)*

Incentive share schemes

Share awards under the Long-Term Incentive Share Scheme ("Share Scheme") are granted to Directors, senior management and other employees as recommended by the Chairman and Chief Executive and approved by the Remuneration Committee of the Group. The Share Scheme was approved by the shareholders on 24 August 2009 and was further amended and approved by the shareholders on 20 July 2011. As of 31 March 2020, all of the units under this plan had been vested.

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. 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. The measure for grants since FY19/20 is the three-year cumulative earnings per share.

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 for the Group set at the beginning of each year of the three-year performance period. Partial vesting occurs if one or more of the one-year target for individual divisions are met.

19. SHARE CAPITAL *(Cont'd)*

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

	Number of unvested units granted (thousands)		
	Restricted Stock Units	Performance Stock Units	Total
Unvested units 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
Units granted to Directors and employees during the year	4,568	2,895	7,463
Units vested to Directors and employees during the year	(3,083)	(2,919)	(6,002)
Forfeited during the year	(288)	(270)	(558)
Unvested units granted, as of 31 March 2020	**7,875**	**5,791**	**13,666**

The weighted average fair value of the unvested units granted during the year was HK$14.95 (US$1.92) (FY18/19: HK$24.45 (US$3.13)).

As of 31 March 2020, the number of unvested units outstanding under the Stock Unit Plan was as follows:

	Number of unvested units granted (thousands)		
Vesting year *	Restricted Stock Units	Performance Stock Units	Total
FY20/21	1,456	1,396	2,852
FY21/22	1,771	1,613	3,384
FY22/23	4,288	2,782	7,070
FY23/24	360	-	360
Total unvested units granted	**7,875**	**5,791**	**13,666**

* Shares are typically vested on 1 June of the year

19. SHARE CAPITAL *(Cont'd)*

<u>Accounting policy</u>

(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 recognized 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 recognized 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 recognized 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 recognized over the vesting period, with a credit to equity in the parent entity accounts.

20. 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 2019		17,338	(233,885)	116,896	19,587	114,562	(9,984)	2,488,138	2,512,652
Hedging instruments									
– raw material commodity contracts									
– fair value (losses), net		-	-	-	-	(35,654)	-	-	(35,654)
– transferred to inventory and subsequently recognized in the income statement	7(f)	-	-	-	-	(4,751)	-	-	(4,751)
– deferred income tax effect		-	-	-	-	6,667	-	-	6,667
– forward foreign currency exchange contracts									
– fair value (losses), net		-	-	-	-	(43,380)	-	-	(43,380)
– transferred to income statement		-	-	-	-	(21,482)	-	-	(21,482)
– deferred income tax effect		-	-	-	-	8,891	-	-	8,891
– net investment hedge									
– fair value gains, net		-	-	31,011	-	-	-	-	31,011
Defined benefit plans									
– remeasurements	15	-	-	-	-	-	-	(7,483)	(7,483)
– deferred income tax effect	17	-	-	-	-	-	-	(175)	(175)
Long service payment									
– remeasurements	15	-	-	-	-	-	-	(122)	(122)
– deferred income tax effect	17	-	-	-	-	-	-	8	8
Currency translations of subsidiaries		-	-	(69,544)	-	(419)	-	-	(69,963)
Currency translations of associate		-	-	(122)	-	-	-	-	(122)
Net comprehensive (expenses) recognized directly in equity		-	-	(38,655)	-	(90,128)	-	(7,772)	(136,555)
(Loss) for the year		-	-	-	-	-	-	(493,657)	(493,657)
Total comprehensive (expenses) for the year		-	-	(38,655)	-	(90,128)	-	(501,429)	(630,212)
Appropriation of retained earnings to statutory reserve		-	-	-	-	-	(582)	582	-
Convertible bonds									
– release of equity component upon redemption / repurchase		-	-	-	-	-	(694)	500	(194)
Incentive share schemes									
– shares vested		-	-	-	(11,222)	-	-	-	(11,222)
– vested by cash settlement		-	-	-	(2,427)	-	-	-	(2,427)
– value of employee services		-	-	-	5,473	-	-	-	5,473
FY18/19 final dividend paid									
– cash paid		-	-	-	-	-	-	(13,565)	(13,565)
– shares issued in respect of scrip dividend		-	-	-	-	-	-	(24,797)	(24,797)
– scrip dividend for shares held for the incentive shares schemes		-	-	-	-	-	-	374	374
FY19/20 interim dividend paid									
– cash paid		-	-	-	-	-	-	(12,084)	(12,084)
– shares issued in respect of scrip dividend		-	-	-	-	-	-	(7,495)	(7,495)
– scrip dividend for shares held for the incentive shares schemes		-	-	-	-	-	-	202	202
		-	-	(38,655)	(8,176)	(90,128)	(1,276)	(557,712)	(695,947)
As of 31 March 2020		**17,338**	**(233,885)**	**78,241**	**11,411**	**24,434**	**(11,260)**	**1,930,426**	**1,816,705**
Final dividend proposed	26	-	-	-	-	-	-	-	-
Others		17,338	(233,885)	78,241	11,411	24,434	(11,260)	1,930,426	1,816,705
As of 31 March 2020		**17,338**	**(233,885)**	**78,241**	**11,411**	**24,434**	**(11,260)**	**1,930,426**	**1,816,705**

* 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. 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 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 recognized in the income statement	7(f)	-	-	-	-	(5,308)	-	-	(5,308)
– deferred income tax effect		-	-	-	-	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		-	-	-	-	(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 associate		-	-	(190)	-	-	-	-	(190)
Net comprehensive income / (expenses) recognized 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)	-
Convertible bonds									
– release of equity component upon repurchase		-	-	-	-	-	(261)	54	(207)
Incentive share schemes									
– shares vested		1,114	-	-	(13,686)	-	-	-	(12,572)
– value of employee services		-	-	-	10,400	-	-	-	10,400
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		-	-	-	-	-	-	(13,304)	(13,304)
– scrip dividend for shares held for the incentive shares schemes		-	-	-	-	-	-	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	26	-	-	-	-	-	-	37,762	37,762
Others		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

21. OTHER INCOME AND (EXPENSES)

	2020 US$'000	2019 US$'000
Gross rental income from investment property	3,018	4,123
Net gains on financial assets and liabilities at fair value through profit and loss	29	231
Fair value gains on put option written to a non-controlling interest (Note 18)	2,512	650
(Losses) on disposal of property, plant and equipment	(985)	(827)
Fair value (losses) / gains on investment property	(387)	64
Fair value gains, net of transaction costs and other adjustments, on divestment of an investment property	41,096	11,660
Unrealized net gains on other financial assets and liabilities (Note 7(f))	29,476	18,640
Unrealized net (losses) from revaluation of monetary assets and liabilities	(1,129)	(27,653)
Unrealized net gains on structured foreign currency contracts	27,967	50,947
Subsidies and other income	19,370	21,105
Other income and (expenses)	120,967	78,940

Accounting policy

(a) Rental income

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

(b) Government grants

Grants from the government are recognized 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 recognized 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 recognized 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.

22. SELLING AND ADMINISTRATIVE EXPENSES

	2020 US$'000	2019 US$'000
Selling expenses	108,470	111,055
Administrative expenses	365,821	386,361
Legal and warranty	13,037	12,638
Net (gains) on realization of other financial assets and liabilities (Note 7(f))	(43,735)	(23,556)
Net losses on realization of monetary assets and liabilities	9,390	307
Net (gains) on realization of structured foreign currency exchange contracts	(349)	(665)
Selling and administrative expenses	452,634	486,140

23. FINANCE INCOME / (COSTS), NET

	2020 US$'000	2019 US$'000
Interest income	2,779	1,907
Interest (expenses):		
Interest (expenses) on borrowings	(4,357)	(10,249)
Interest (expenses) on lease liabilities	(3,209)	-
Interest (expenses) on bonds	(12,927)	(2,165)
Interest (expenses) on convertible bonds (Note 25)	(35)	(6,403)
	(20,528)	(18,817)
Accrued interest on put option written to a non-controlling interest * (Note 18)	(1,470)	(1,293)
Interest expense capitalized **	2,384	1,748
Total interest (expenses)	(19,614)	(18,362)
Net finance (costs) (Note 28)	(16,835)	(16,455)

* 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

** Interest expense has been capitalized in property, plant and equipment at major new or expanded production sites at an average interest rate of 2.9% per annum (FY18/19: 2.9% per annum)

Borrowings are discussed in Note 14.

<u>Accounting policy</u>

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

24. EXPENSES BY NATURE

Operating profit was stated after crediting and charging the following:

	2020 US$'000	2019 US$'000
Depreciation		
Depreciation of property, plant and equipment (Note 3)	**205,126**	163,982
Less: amounts capitalized in assets under construction	**(1,361)**	(1,762)
Net depreciation (Note 28)	**203,765**	162,220
Engineering expenditure *		
Engineering expenditure	**167,482**	183,584
Less: capitalization of engineering development costs (Note 5)	**(9,119)**	(11,181)
Net engineering expenditure	**158,363**	172,403
Employee compensation		
Wages and salaries	**804,273**	834,365
Share-based payments	**5,473**	10,400
Social security costs	**84,548**	91,776
Pension costs – defined benefit plans (Note 15.1)	**2,205**	7,106
Pension costs – defined contribution plans (Note 15.2)	**8,890**	8,453
	905,389	952,100
Less: amounts capitalized in assets under construction	**(4,640)**	(6,333)
	900,749	945,767
Other items:		
Cost of goods sold **	**2,398,222**	2,528,935
Auditors' remuneration	**2,683**	2,783
Amortization of intangible assets (Note 5 & 28)	**41,376**	42,152
Impairment of property, plant and equipment (Note 3 & 28)	**4,940**	7,207
Impairment of goodwill and other intangible assets (Note 5 & 28)	**795,505**	-
Impairment of trade receivables / bad debt expense (Note 10)	**205**	729

* Engineering expenditure as a percentage of sales was 5.5% in FY19/20 (FY18/19: 5.6%)

** Cost of goods sold comprised materials, direct labour costs (including their social costs) and production overheads

Accounting policy

(a) Profit sharing and bonus plans
The Group recognize 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 recognized 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.

25. 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.

	2020	2019
(Loss) / profit attributable to shareholders (thousands US Dollar)	(493,657)	281,329
Weighted average number of ordinary shares in issue (thousands)	884,018	866,660
Basic earnings per share (US cents per share)	(55.84)	32.46
Basic earnings per share (HK cents per share)	(436.51)	254.56

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.

	2020	2019
(Loss) / profit attributable to shareholders (thousands US Dollar)	(493,657)	281,329
Adjustments for convertible bonds		
– interest (thousands US Dollar) (Note 23)	35	6,403
– deferred income tax effect (thousands US Dollar)	-	(835)
Adjusted (loss) / profit attributable to shareholders (thousands US Dollar)	(493,622)	286,897
Weighted average number of ordinary shares issued and outstanding (thousands)	884,018	866,660
Adjustments for incentive shares granted		
– incentive share schemes - Restricted Stock Units	3,005	3,694
– incentive share schemes - Performance Stock Units	698	3,280
Adjustments for convertible bonds		
– assumed conversion of convertible bonds	951	34,160
Weighted average number of ordinary shares (diluted) (thousands)	888,672	907,794
Diluted earnings per share (US cents per share)	(55.55)	31.60
Diluted earnings per share (HK cents per share)	(434.19)	247.83

26. DIVIDEND

	2020 US$'000	2019 US$'000
Interim, of 17 HK cents (2.18 US cents) per share, paid in January 2020 (FY18/19: 17 HK cents or 2.18 US cents)	**19,297**	18,832
Final, nil (FY18/19: 34 HK cents or 4.36 US cents) (Note 20)	-	37,762
	19,297	56,594

For FY18/19 final dividends, scrip dividend elections were offered to all shareholders, and shareholders accounting for approximately 65% of total issued shares elected for scrip dividends. Total share costs of the scrip shares were HK$195 million (US$24.8 million). Dividends for shares held by incentive share schemes of US$0.4 million were deducted from the total dividends.

For FY19/20 interim dividends, scrip dividend elections were offered to all shareholders, and shareholders accounting for approximately 38% of total issued shares elected for scrip dividends. Total share costs of the scrip shares were HK$59 million (US$7.5 million). Dividends for shares held by incentive share schemes of US$0.2 million were deducted from the total dividends.

In view of the ongoing deep contraction of the global economy and the high level of uncertainty concerning the timing and pace of recovery, the Board has determined that the business and its shareholders are best served by retaining cash within the Company at the present time and therefore no final dividend will be distributed for the 2019/20 financial year. The Board will continue to monitor the situation carefully.

26. DIVIDEND *(Cont'd)*

Dividends for the periods FY09/10 through FY19/20 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
FY19/20	17.0	-	17.0	19,297

* 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

Accounting policy

Dividend distribution to JEHL's shareholders is recognized 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.

27. COMMITMENTS

27.1 Capital commitments

	2020 US$'000	2019 US$'000
Capital commitments, contracted but not provided for:		
Property, plant and equipment	65,658	128,535

27.2 Non-cancellable operating leases

The Group's future aggregate minimum lease rental receivables under non-cancellable operating leases on land and buildings as of 31 March 2020 and 31 March 2019 were as follows:

	2020 US$'000	2019 US$'000
Less than 1 year	1,276	1,316
1 – 2 year	1,233	1,270
2 – 3 year	1,135	1,217
3 – 4 year	1,176	1,209
4 – 5 year	1,195	1,209
Over 5 years	2,773	3,929
	8,788	10,150

Accounting policy

Lease income from operating leases where the Group is a lessor is recognized in income on a straight-line basis over lease term (Note 3 and 4). The respective leased assets are included in the consolidated balance sheet based on their natures. The Group did not need to make any adjustments to the accounting for assets held as lessor as a result of adopting the new leasing standard.

28. CASH GENERATED FROM OPERATIONS

	2020 US$'000	2019 US$'000
(Loss) / profit before income tax	(471,703)	327,915
Add: Depreciation of property, plant and equipment (Note 24)	203,765	162,220
Amortization of intangible assets (Note 5 & 24)	41,376	42,152
Net finance costs (Note 23)	16,835	16,455
Associate dividend receipts less share of profits	491	516
EBITDA*	(209,236)	549,258
Other non-cash items		
Losses on disposal of property, plant and equipment	985	827
Impairment of property, plant and equipment (Note 3 & 24)	4,940	7,207
Impairment of goodwill and other intangible assets (Note 5 & 24)	795,505	-
Net (gains) on financial assets and liabilities at fair value through profit and loss	(29)	(231)
Fair value (gains) on put option written to a non-controlling interest (Note 18)	(2,512)	(650)
Share-based payments	3,386	10,400
Fair value losses / (gains) on investment property	387	(64)
Fair value (gains), net of transaction costs and other adjustments, on divestment of an investment property	(41,096)	(11,660)
Unrealized net (gains) on structured foreign currency contracts	(27,967)	(50,947)
Others	-	73
	733,599	(45,045)
EBITDA* net of other non-cash items	524,363	504,213
Change in working capital		
(Increase) in inventories	(23,030)	(5,557)
Decrease in trade and other receivables	102,380	41,352
Decrease / (increase) in other non-current assets	763	(1,753)
Increase / (decrease) in trade payables, other payables and deferred income	20,933	(264)
(Decrease) / increase in retirement benefit obligations **	(2,663)	3,079
Increase / (decrease) in provision and other liabilities	704	(6,222)
Change in other financial assets and liabilities	(17,170)	(12,665)
	81,917	17,970
Cash generated from operations	606,280	522,183

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

** Net of defined benefit pension plan assets

In FY19/20, short-term lease payments, payments for leases of low-value assets and variable lease payments not included in the measurement of the lease liability within operating activities was US$5.0 million of which US$1.4 million was recognized in "cost of goods sold" and US$3.6 million was recognized in "selling and administrative expenses".

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

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

	2020 US$'000	2019 US$'000
Net book amount	**2,001**	1,440
(Losses) on disposal of property, plant and equipment (Note 21)	**(985)**	(827)
Proceeds from disposal of property, plant and equipment	**1,016**	613

29. BUSINESS COMBINATION

29.1 Business combination in FY19/20

There's no business combination in FY19/20.

29.2 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 and technology that allow Stackpole's powder metal business to achieve high density in a single press.

Details of net assets acquired were as follows:

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

Represented by:

	Fair Value US$'000
Net assets acquired	2,299

JOHNSON ELECTRIC GROUP TEN-YEAR SUMMARY

US$ million	2020	2019	2018
Consolidated income statement			
Sales	**3,070.5**	3,280.4	3,236.6
Earnings before interest and tax (EBIT) [1]	**(454.9)**	344.4	336.3
(Loss) / profit before income tax	**(471.7)**	327.9	322.8
Income tax expense	**(15.2)**	(38.3)	(48.6)
(Loss) / profit for the year	**(486.9)**	289.6	274.2
Non-controlling interests	**(6.8)**	(8.3)	(10.2)
(Loss) / profit attributable to shareholders	**(493.7)**	281.3	264.0
Consolidated balance sheet			
Fixed assets	**1,405.0**	1,351.4	1,214.6
Goodwill and intangible assets	**246.1**	1,109.7	1,178.6
Cash and cash equivalents	**384.4**	340.0	168.9
Other current and non-current assets	**1,424.9**	1,476.9	1,440.1
Total assets	**3,460.4**	4,278.0	4,002.2
Equity attributable to shareholders	**1,828.2**	2,487.2	2,298.4
Non-controlling interests	**73.5**	71.3	67.4
Total equity	**1,901.7**	2,558.5	2,365.8
Total debt [2]	**415.5**	685.7	492.2
Other current and non-current liabilities	**1,143.2**	1,033.8	1,144.2
Total equity and liabilities	**3,460.4**	4,278.0	4,002.2
Per share data [3]			
Basic earnings per share (US cents)	**(55.8)**	32.5	30.6
Dividend per share (US cents)	**2.2**	6.5	6.5
Closing stock price (HKD)	**12.2**	18.2	29.5
Other information			
Free cash flow from operations [4]	**241.2**	55.7	88.2
Earnings before interest, tax and amortization (EBITA) [5]	**284.5**	332.9	377.0
EBITA to sales %	**9.3%**	10.1%	11.6%
Earnings before interest, tax, depreciation and amortization (EBITDA) [5]	**488.8**	517.6	519.8
EBITDA to sales%	**15.9%**	15.8%	16.1%
Capital expenditure (CAPEX)	**282.1**	391.4	305.8
CAPEX to sales %	**9.2%**	11.9%	9.4%
Market capitalization	**1,401.2**	2,019.2	3,236.1
Enterprise value (EV)	**1,505.8**	2,436.2	3,626.7
EV / EBITDA [5 & 6]	**3.1**	4.7	7.0
Ratios			
Return on average total equity % [7]	**(21.8)%**	11.8%	12.5%
Free cash flow from operations to debt %	**58%**	8%	18%
Total debt and leases to EBITDA (times) [6]	**1.0**	1.5	0.9
Total debt to capital %	**18%**	21%	17%
Interest coverage (times) [8]	**24**	26	35

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 interest received, net capital expenditure, capitalization of engineering development costs and principal portion of lease payments are included in free cash flow from operations
5 Adjusted to exclude impairment of goodwill and other intangible assets and net gains of significant non-cash and divested items for FY19/20 and FY18/19. EBITDA for FY18/19 included adjustment to annual lease expense
6 When calculating EV / EBITDA and Total debt and leases 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 FY19/20 and FY18/19 excluded significant non-cash and divested items and FY11/12 excluded non-recurring items
7 Return on average total equity is calculated as profit for the year over average total equity during the year
8 Interest coverage (times) is calculated by EBITDA (adjusted to exclude significant non-cash and divested items) / interest expense

2017	2016	2015	2014	2013	2012	2011
2,776.1	2,235.9	2,136.1	2,097.6	2,059.7	2,140.8	2,104.0
300.3	209.8	243.5	233.9	213.2	221.6	235.8
290.3	206.6	249.0	243.0	218.0	220.5	226.4
(43.8)	(23.9)	(29.2)	(28.1)	(21.1)	(31.6)	(36.1)
246.5	182.7	219.8	214.9	196.9	188.9	190.3
(8.6)	(10.0)	(8.9)	(7.0)	(5.6)	(2.2)	(8.6)
237.9	172.7	210.9	207.9	191.3	186.7	181.7
892.8	759.0	492.6	460.6	425.6	433.1	457.5
1,076.7	1,083.4	595.6	650.7	621.5	757.8	774.7
127.7	193.3	773.2	644.0	480.9	385.1	354.7
1,257.5	1,113.7	986.6	745.4	715.9	704.0	755.5
3,354.7	3,149.4	2,848.0	2,500.7	2,243.9	2,280.0	2,342.4
1,992.2	1,842.6	1,862.3	1,732.3	1,568.5	1,461.6	1,362.2
32.8	42.2	38.6	34.0	30.3	25.9	60.1
2,025.0	1,884.8	1,900.9	1,766.3	1,598.8	1,487.5	1,422.3
384.0	422.5	291.3	116.9	125.0	205.4	313.7
945.7	842.1	655.8	617.5	520.1	587.1	606.4
3,354.7	3,149.4	2,848.0	2,500.7	2,243.9	2,280.0	2,342.4
27.7	20.1	24.1	23.4	21.4	20.7	19.9
6.4	6.3	6.2	5.9	5.6	5.1	4.6
23.2	24.0	27.3	28.7	23.1	19.3	18.2
160.1	70.8	155.8	231.1	111.9	166.0	169.6
337.3	237.5	264.9	254.8	235.5	246.1	255.4
12.2%	10.6%	12.4%	12.1%	11.4%	11.5%	12.1%
448.4	321.9	335.5	321.8	304.3	314.3	322.5
16.2%	14.4%	15.7%	15.3%	14.8%	14.7%	15.3%
240.2	186.2	119.9	92.2	82.6	91.3	85.6
8.7%	8.3%	5.6%	4.4%	4.0%	4.3%	4.1%
2,565.6	2,643.3	3,032.5	3,282.2	2,646.2	2,229.5	2,134.4
2,854.7	2,914.7	2,589.3	2,789.1	2,320.5	2,075.6	2,153.4
6.3	7.9	7.7	8.7	7.6	6.3	6.7
12.6%	9.7%	12.0%	12.8%	12.8%	13.0%	14.7%
42%	17%	53%	198%	90%	81%	54%
0.9	1.1	0.9	0.4	0.4	0.7	1.0
16%	18%	13%	6%	7%	12%	18%
40	36	39	179	113	46	25

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 MAK WANG
Vice-Chairman

Austin Jesse WANG

Non-Executive Directors

Yik-Chun WANG KOO
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* *

Catherine Annick Caroline BRADLEY
CBE *

* *Independent Non-Executive Director*

Company Secretary

Lai-Chu CHENG

Auditor

PricewaterhouseCoopers

Registrars and Transfer Offices

Principal Registrar:
MUFG Fund Services (Bermuda) Limited
4th Floor North, Cedar House
41 Cedar Avenue
Hamilton HM 12
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

Victoria Place, 5th Floor
31 Victoria Street
Hamilton HM 10
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)

15 July 2020 (Wed)

Register of Shareholders

Closure of Register (both dates inclusive)
For attending AGM : 10 - 15 July 2020 (Fri – Wed)

Dividend (per Share)

Interim Dividend	: 17 HK cents
Paid on	: 3 January 2020 (Fri)
Final Dividend	: Nil

REVIEW OF ANNUAL RESULTS

The Company's annual results for the year ended 31 March 2020 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 2020 will be despatched to the shareholders and available on the same websites on or about 28 May 2020.

BOARD OF DIRECTORS

As of the date of this announcement, the Board comprises Patrick Shui-Chung WANG, Winnie Wing-Yee MAK WANG, Austin Jesse WANG, being the Executive Directors, and Yik-Chun WANG KOO, Peter Kin-Chung WANG, being the Non-Executive Directors, and Peter Stuart Allenby EDWARDS, Patrick Blackwell PAUL, Michael John ENRIGHT, Joseph Chi-Kwong YAM, Christopher Dale PRATT and Catherine Annick Caroline BRADLEY being the Independent Non-Executive Directors.

On behalf of the Board

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

Hong Kong, 13 May 2020

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.