Johnson Electric Holdings Limited

Annual Report 2003

JOHNSON ELECTRIC Vision

*We are **the** growth company in motors*

and related businesses.

Come grow with us.

Being the motor industry's *growth* leader, Johnson Electric creates significant benefits for all of its stakeholders.

- Customers will have improved value and assurance of supply globally.

- Employees will have the opportunity to learn and *grow* professionally. Hiring of talented new employees will be enhanced because growth is a sought after attribute of preferred employers.

- Suppliers of materials and services will also directly benefit from Johnson Electric's *growth*. Increased component volumes and new products will improve the efficiency, profits and stability of the best companies in Johnson Electric's supply chain.

- In combination, the broad range of *growth* related benefits, ultimately provides superior returns to Johnson Electric's shareholders.

CORPORATE PROFILE

Johnson Electric is a **global leader** in the design and manufacture of micromotors and integrated motor systems. It is a major supplier to the following industry segments: Automotive, Power Tools, Home Appliances, Business Equipment, Personal Products and Audio-visual. Johnson Electric motors are shipped to customers in over 30 countries.

Johnson Electric's **goal** is the **creation of shareholder and customer value**. The Group's business strategy focuses on **building bonds with customers**, knowing the people we sell to and the products and services they need. Johnson Electric's value proposition is to be the customers' most reliable partner, delivering the best total cost solution. Johnson Electric's principal financial objective is to maximize long-term cash flow by investing in markets and product segments that offer **superior growth prospects** and in areas where the Group can leverage its substantial resources and competencies.

Founded in 1959, Johnson Electric is headquartered in Hong Kong with regional offices in Michigan, USA and Asti, Italy. The Group's production facilities are QS-9000 and ISO-9000 accredited. The principal manufacturing sites are located in China with other production plants in Thailand, Italy and Mexico. Johnson Electric has established research and development, sales and marketing, and technical support centres in Hong Kong, Germany, Italy, Japan, China and the United States. It employs about 30,000 people worldwide, including contract manufacturing labour.

Listed on the Hong Kong Stock Exchange since 1984, Johnson Electric is a constituent stock of the Hang Seng Index. It is also a constituent stock of Morgan Stanley Capital International Index and has a sponsored American Depository Receipt Programme in the United States through JPMorgan Chase Bank.

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CORPORATE AND SHAREHOLDER INFORMATION

Johnson Electric Holdings Limited

(Incorporated in Bermuda with limited liability)

CORPORATE INFORMATION

Board of Directors

\# Wang Koo Yik Chun
Honorary Chairman
Patrick Wang Shui Chung JP
Chairman & Chief Executive
Winnie Wang Wing Yee
Vice-Chairman
Richard Wang Li-Chung
Executive Director
* Peter Stuart Allenby Edwards
* Peter John Wrangham
* Patrick Blackwell Paul
* Arkadi Kuhlmann
* Oscar De Paula Bernardes Neto
\# Peter Wang Kin Chung
* Ian Lorne Thompson Conn

\# *Non-executive Director*
* *Independent Non-executive Director*

Company Secretary

Susan Yip Chee Lan

Registered Office

Cedar House
41 Cedar Avenue
Hamilton HM12
Bermuda

Principal Place of Business in Hong Kong

Johnson Building
6-22 Dai Shun Street
Tai Po Industrial Estate, Tai Po
New Territories, Hong Kong
Tel: (852) 2663 6688
Fax: (852) 2897 2054
Website:
http://www.johnsonelectric.com

Auditors

PricewaterhouseCoopers

Registrar and Transfer Offices

Principal:
The Bank of Bermuda Limited
Bank of Bermuda Building
6 Front Street, Hamilton HM11
Bermuda

Hong Kong Branch:
Computershare Hong Kong
Investor Services Limited
17th Floor, Hopewell Centre
183 Queen's Road East
Hong Kong

American Depositary Receipt (ADR)

Ratio : 1 ADR : 10 Ordinary Shares
Exchange : OTC
Symbol : JELCY
CUSIP : 479087207

Depositary

JPMorgan Chase Bank
JPMorgan Service Center
P.O. Box 43013
Providence, RI 02940-3013
U.S.A.
Tel : Domestic Toll Free:
(800) 990-1135
International:
(781) 575-4328
Fax : (781) 575-4088
Email : adr@jpmorgan.com

Principal Bankers

The Hongkong and Shanghai
Banking Corporation Limited

Standard Chartered Bank

LISTING INFORMATION

Share Listing

The Company's shares are listed on The Stock Exchange of Hong Kong Limited and are traded over the counter in the United States in the form of American Depositary Receipt.

Stock Code

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

SHAREHOLDERS' CALENDAR

Register of Shareholders

Close of Register (both days inclusive)
17th July 2003 - 21st July 2003

Annual General Meeting

21st July 2003

Dividends (per share)

Interim Dividend	: 4 HK cents
Paid on	: 3rd January 2003
Final Dividend	: 9 HK cents
Payable on	: 24th July 2003

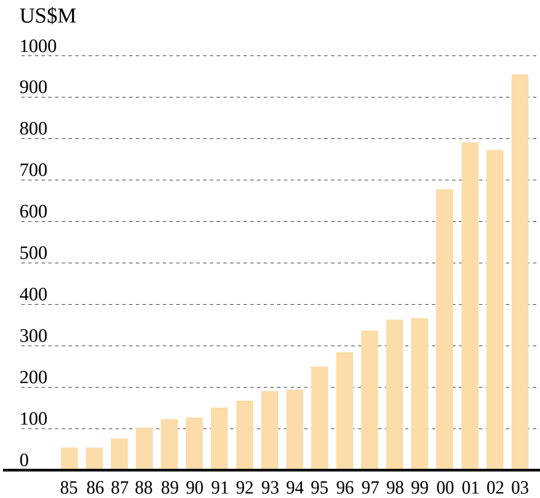
FINANCIAL HIGHLIGHTS

For the year ended 31st March 2003

	2003 US$ M	2002 US$ M	Percent increase
Turnover	**955**	774	23%
Profit before taxation	**174**	126	38%
Profit attributable to shareholders	**150**	111	35%
Capital expenditures	**53**	44	21%
Shareholders' funds	**669**	556	20%
Earnings per share (US cents)	**4.08**	3.02	35%
Dividend per share (US cents)	**1.66**	1.32	26%

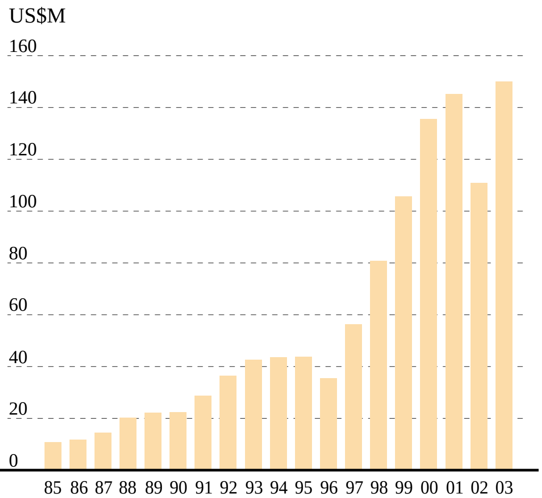
TURNOVER

- *A compound annual growth rate of 19 percent.*



PROFIT ATTRIBUTABLE TO SHAREHOLDERS

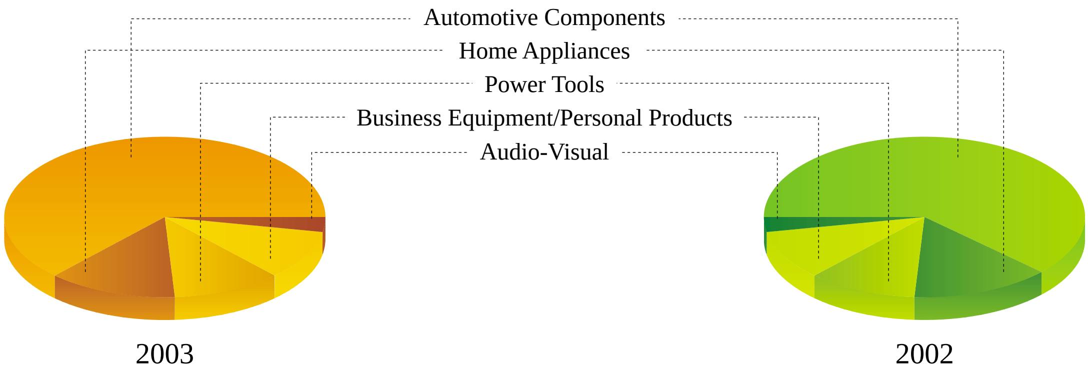
- *A compound annual growth rate of 16 percent.*



SALES BY PRODUCT APPLICATION

For the year ended 31st March 2003

	2003 US$'000	**%**	2002 US$'000	%
Automotive Components	**606,246**	**63**	481,042	62
Home Appliances	**124,589**	**13**	104,790	14
Power Tools	**105,263**	**11**	81,980	11
Business Equipment/Personal Products	**90,138**	**10**	79,704	10
Audio-Visual	**29,103**	**3**	26,144	3
Total	**955,339**	**100**	773,660	100



SALES BY GEOGRAPHIC DESTINATION

For the year ended 31st March 2003

	2003 US$'000	**%**	2002 US$'000	%
Europe	**371,403**	**39**	288,692	37
America	**298,850**	**31**	264,292	34
Hong Kong/China	**202,377**	**21**	161,508	21
Asia Pacific *(other than HK/China)*	**82,709**	**9**	59,168	8
Total	**955,339**	**100**	773,660	100

Note: Certain comparative figures of sales by geographic destination have been reclassified to conform with the current year's presentation.

A MESSAGE FROM PATRICK WANG

To Our Shareholders,

I am pleased to report that Johnson Electric achieved record sales and earnings for the financial year ended 31st March 2003:

- Total sales were US$955 million; up 23.5% compared to the 2002 financial year
- Pre-tax profits were US$174 million; up 38%
- Net earnings increased 35% to a record US$150 million
- Earnings per share increased 35% to US4.08 cents
- Dividends per share increased 26% to US1.66 cents
- Johnson Electric's underlying financial position remains exceptionally strong and, taking into account cash reserves of US$193 million, the Group is essentially debt free

Current trading conditions are generally positive, despite the lack of a clear, sustained upturn in the global economy. Severe Acute Respiratory Syndrome ("SARS"), while clearly a disturbing factor to everyone living in areas that it has affected, has not had a material impact on the business of Johnson Electric up to the present time. The management has effectively implemented a number of stringent preventative and contingency measures to minimize the potential SARS risk to the health of our people and to the operations of our company.

Dividends

The Board has recommended a final dividend of 1.15 US cents per share, which together with the interim dividend of 0.51 US cents per share, represents a total dividend of 1.66 US cents - an increase of 26% over the 2002 financial year.

Operating Environment in 2002/03

Johnson Electric performed strongly in a global economy that experienced high levels of political and economic uncertainty throughout much of 2002 and the first months of 2003. In both North America and Europe, industrial output and business confidence levels were particularly weak in the period preceding the most recent Middle East conflict and have yet to demonstrate obvious signs of recovery.

It is therefore pleasing to report that each of Johnson Electric's main business segments were able to deliver double digit sales growth compared to the prior year.

The Automotive Motors Group, which contributes approximately 63% of the Group's sales, recorded a 26% increase in total revenue to US$606 million. A combination of newly acquired product lines, new product introductions, market share gains, and a pick-up in customer inventory levels all combined to increase demand for automotive motors and motor systems in each of our major markets.

In order to align the Automotive Motor Group's activities more closely with its customers, a new organization structure was implemented at the end of the financial year. This organization consists of five business units configured according to customer product applications: body instruments; powertrain management (engine management); chassis braking; body climate; and powertrain cooling (engine cooling).

The Commercial Motors Group, which supplies micromotors to non-automotive customers in a number of application segments, achieved year-on-year revenue growth of 19%. All of this Group's business units achieved double digit sales improvements, with particularly strong performances coming from home appliances and power tools which each benefited from new customer wins and new product introductions. Business equipment and personal care products also achieved satisfactory growth in markets experiencing relatively soft end-user demand.

The second-half sales performance of the Commercial Motors Group was weaker when compared to the exceptionally strong first half. This was partly due to normal seasonal patterns of demand for many of the product applications within this business group, but also reflected a disappointing second-half performance from the audio visual motor joint venture with Nidec Corporation of Japan.

In April 2003, after the financial year end, Johnson Electric announced the acquisition of a 49% interest in Nihon Mini Motor, a leading designer of micromotors for multiple audio visual applications, including digital cameras, video cameras and projectors. The acquisition will enable Johnson Electric to participate in a new, fast growing segment of the motor market and will provide the Group with an additional platform of expertise and relationships to strengthen its position in Japan. Johnson Electric also aims to leverage its own worldwide sales channels to expand the customer base and grow sales beyond Nihon Mini Motor's current annual revenue of approximately US$45 million.

Improved Profitability

Record earnings and improved profitability accompanied the Group's strong sales performance.

Gross margins rose by one percentage point despite the inclusion of a full year's contribution of acquired businesses with lower average margins than the existing business. Higher raw materials prices, particularly cold-rolled steel, acted to constrain gross margins somewhat in the second half of the year.

Operating profits before interest, tax and share of losses from joint venture and associated companies also improved and reflected the Group's enhanced operating leverage on a higher sales base. However, unanticipated airfreight expenses amounting to approximately US$7 million during the second half of the financial year offset much of the operating profitability gains achieved in the first period.

The additional airfreight costs were primarily the result of a combination of production and sourcing difficulties on two new lines of motors in China replacing production in North America. These problems, when combined with the effects of the dock strike on the west coast of the United States in the autumn of 2002, resulted in the need to airfreight the finished motors to customers in order to meet tight assembly schedules. Temporary capacity constraints on one of the motor lines subsequently prevented the company from building inventories sufficiently quickly to resume normal shipping methods. The issues have now been resolved and we are resuming shipping by sea-freight.

The Group's overall net earnings amounted to US$150 million with a net margin of 16%. This compared to net earnings of US$111 million and a net margin of 14% for the prior 2001/02 financial year.

Strategic Development and Growth

To sustain our market position we are also investing heavily in areas that ***make our customers successful***. These areas include faster development-to-delivery cycle times, higher product quality and reliability, and more innovative technology solutions. The result is a business model that combines a low cost position with other important benefits that customers value - and hence enables Johnson Electric to differentiate itself as a major force in our industry.

None of these developments happen without the leadership, drive and commitment of the team of people we have assembled within the Johnson Electric Group. Over the last few years, considerable effort has been devoted to establishing professionally managed human resources processes to help attract, retain and develop the highest quality individuals at all levels in the organization. The goal is to build a high performance culture that sustains profitable growth over the long term.

Among the primary sources of competitive advantage for Johnson Electric are our large-scale manufacturing platform in China and certain distinctive capabilities associated with running a highly vertically-integrated operation over many years. This has provided the basis for a low cost position that is essential for market leadership and commercial success in the global component manufacturing sector.

The global market for motor applications is growing and we are committed to maintaining and gaining share through proven organic development strategies, including new product introductions, higher penetration of existing accounts, and the outsourcing of motor production from OEMs seeking to focus on their core business and brands.

Strategies for Acquisitions

The Group will supplement its primary organic growth strategies with selective acquisitions and investments in businesses that complement Johnson Electric's overall corporate strategy. Among the various criteria that the management uses to assess potential acquisitions are:

- *The strategic fit of the business* in terms of its products, market presence, technology, manufacturing processes, and management. In most cases, this means precision motor manufacturing businesses serving markets where Johnson Electric is present or seeks to expand into. Given the vertically-integrated nature of our operations which involve extensive component manufacturing and tooling activities in China, the Group will also consider selective investments in adjacent areas as long as these represent a logical extension of our manufacturing core competencies.

- *The size and nature of the integration challenge*. In our experience, most of the hard work associated with making acquisitions successful occurs after the transaction is concluded. During the normal course of our business, we review many potential investment opportunities but will only proceed in situations where we have a high degree of confidence that we have the resources and skills necessary to manage the new business effectively in the months and years following financial closure.

Prudence and financial discipline remain the core characteristics underlying the Group's approach to growth through acquisition. Any major new investment of this nature must satisfy the overall objective of maximizing the long-term value of our shareholders' equity.

Current Performance and Outlook

As noted earlier, the current trading performance of Johnson Electric is satisfactory. The global economy, however, has yet to demonstrate any definitive indications of a sustained recovery. For the time being therefore, management will continue to adopt a relatively cautious approach to capital investment and operating expenditure until the timing and strength of an upturn in global demand becomes more apparent.

At the individual business unit level we naturally see greater variation in demand and operating performance - and this variation does not always mirror industry trends. For example, while acknowledging the uncertain outlook for end-user demand in the global automotive sector at the present time, we would also note that the demand cycle for specific motors for specific vehicle models rarely corresponds directly to global production volumes in the industry.

The Group is well positioned across the range of market segments that it serves and our various business units are off to a good start in executing business plans that in aggregate anticipate double-digit annual sales growth. Overall, we are optimistic that Johnson Electric will again achieve excellent progress towards its strategic goals in the year ahead.

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

On behalf of the Board

Patrick Wang Shui Chung
Chairman & Chief Executive

Hong Kong, 5th June 2003

BUSINESS REVIEW

OVERVIEW

Trading conditions improved significantly in contrast to the exceptionally difficult sales environment in the preceding year. For the year ended 31st March 2003, Group sales increased 23.5% to a record of US$955 million.

Overall demand for Johnson Electric's products was broad based. Robust growth was experienced in virtually all of our major product applications and geographic regions. In part, this reflects a pick-up in customer orders from the depressed levels of a year earlier. However, a larger growth factor was the continuation of the primary underlying drivers of demand for Johnson Electric's products: namely growth through new motor applications and new product introductions; and the sustained trend towards outsourcing of component manufacturing by multinational branded goods producers seeking to reduce costs and increase competitiveness.

Geographically, the demand for the Group's products remains well balanced. Each region reported healthy growth in what remains a comparatively challenging and uncertain global macroeconomic environment. Sales to Europe increased 29% to US$371 million (representing 39% of total Group sales). Sales to North America increased 13% to US$299 million (31% of total sales). Sales to the Hong Kong/China region (21% of total sales) and Asia Pacific region (9% of total sales) grew by 25% and 40%, respectively.

DIVISIONAL SALES PERFORMANCE

We manage our business according to customer-focused business units which are grouped under two main operating divisions: Automotive Motors Group ("AMG") and Commercial Motors Group ("CMG").

AUTOMOTIVE MOTORS GROUP

AMG sales to the automotive components sector increased 26% to a record level of US$606 million, accounting for 63% of total sales.

Automotive Motors Hong Kong

Seat adjusters
Door locks
Fuel pumps
Water pumps
Flap actuators
Head lamp adjusters
Electronic throttle controls
Mirror adjusters
Head lamp washers
Air pumps
Sensor fans

Sales of Automotive Motors Hong Kong increased over 25% to US$235 million, on unit volume growth of 23%. This mainly reflected market share gains through new product introductions and additional outsourcing business.

Robust performances by individual product applications were seen in door locks, seat adjusters, head lamp adjusters, mirror adjusters, electronic throttle controls. Export sales to Europe and North America grew 32% and 16%, respectively.

Johnson Electric Air Flow ("JEAF")

Cooling fan modules

Sales of JEAF in Europe, which supplies engine cooling fan motors and modules to customers worldwide, increased 18% to US$200 million, with unit volume up 26%, due mainly to the favorable impact of the continued strength of the Euro currency and the increasing electronics content of new products.

The production of cooling fan motors in China was successfully started during the year under review. An initiative has also been undertaken to source components in China for motors made in Europe. Both actions are expected to enhance JEAF's competitiveness and profitability in the coming years.

Johnson Electric Geared Automotive ("JEGA")

Window lifts *Pump systems* *HVAC fans*

Windshield wipers

Sales of JEGA in Europe increased 154% to US$49 million, on unit volume growth of 60%. This includes the sales contribution of US$24 million from Brushless Technology Motors S.r.l. ("BTM"), which became a wholly-owned subsidiary of Johnson Electric upon the acquisition of the remaining 49% of shares in BTM for a consideration of US$0.9 million in July 2002. Excluding the sales contribution from BTM, JEGA's sales increased 33%, as a result of significant gains in the penetration of the window-lift market. With the production of new window-lift motors in China, JEGA is well positioned for future growth.

Johnson Electric Automotive Motors ("JEAM")

Anti-lock braking systems (ABS) *Starters* *Wipers*

Sales of JEAM in North America increased 17% to US$122 million, due to strong demand for ABS motor products and a recovery in the demand for starter motors in the marine, and lawn and garden markets in the U.S.A. Unit volumes increased 60% reflecting, as part of its plan to improve profitability, the shift in product mix away from certain larger, less profitable products.

JEAM's growth in the coming years is expected to be driven by new product introductions for specific market needs in the U.S.A., including new starter motors and new motors for wiper and transfer case applications. The completion of the transition of its production of ABS motor products to China will shortly be followed by the transition of the starter and wiper motor products. This is expected to continue to improve JEAM's profitability and competitive position for further growth in the North America region.

Reorganization of AMG

AMG's business unit structure was re-organized towards the end of the financial year in order to align it more closely to the main automotive systems categories of major automotive customers. Effective April 1, 2003, the five business units of AMG will comprise of: *Body Instruments* (motors for washer pump, door lock, flap actuator, mirror adjuster applications); *Powertrain Management* (motors for fuel pump, electronic throttle control, exhaust gas re-circulation); *Body Climate* (motors for seat adjuster, window lift, HVAC applications); *Powertrain Cooling* (cooling fan motors and modules); and *Chassis Braking* (motors for ABS pumps, wipers, starters).

COMMERCIAL MOTORS GROUP

CMG's sales increased over 19% to a record level of US$349 million, accounting for 37% of total sales.

Home Appliances

Floor care products	*Can openers*	*Electric knives*
Blenders	*Juice extractors*	*Slicers*
Mixers	*Grinders*	*Coffee makers*
Fans	*Vacuum sealers*	*Dish washer actuators*

Sales increased 19% to a record level of US$124 million, on unit volume growth of 10%. This reflected the high growth in product applications with larger size motors with typically higher average selling prices. Growth in sales for floor care products, for example, continued to be robust – up 20% to nearly US$50 million. Demand is expected to be sustained by the increasing trends of outsourcing by multinational branded floor care products manufacturers and our new motor product introductions.

Our new motors for such small kitchen appliances as blenders, juicers and coffee grinders also contributed to the overall double-digit growth. Sales of motors for blenders, for example, grew more than 50% to over US$21 million.

Power Tools

Drills	*Screw drivers*	*Heat guns*
Gardening tools	*Rotary sanders*	*Machine actuators*
Hand vacuums	*Bilge pumps*	*Ratchet Wrench*
Saws systems	*Angle grinders*	*Auto polishers*

Sales increased over 28% to US$105 million, with unit volume up 27%. This was driven by the combination of increasing outsourcing on the part of our major customers, market share gains, and new product introductions.

Sales to two major applications namely drills and gardening tools, accounting for nearly 50% of the segment sales, increased 19% and 77%, respectively.

Business Equipment and Personal Products

Business Equipment

Printer products	*Joysticks*	*Shredders*
Gear box products	*Paper cutters*	*Projectors*
Copiers	*Scanners*	*Bill validators*

Personal Products

Hair dryers	*Massagers*	*Liquid dispensers*
Toys	*Tooth brushes*	*Blood pressure pumps*
Hair trimmers/Hair curlers	*Shavers*	*Aquarium products*

Sales to the business equipment and personal products sectors combined, increased 13% to US$90 million. In business equipment, sales grew over 15%, on unit volume growth of 34%. This was largely due to an increase of 27% in dollar sales of printer products. In personal products, sales increased 10%, with unit volume up 12%. Demand conditions improved, as most of the major product applications such as hair dryers, hair clippers, and massagers returned to double-digit growth rates.

Audio-Visual

CD-ROM applications	*DVD product applications*	*Game controllers*

Sales increased by 11% to US$29 million, with unit volume growth of 40%, reflecting the challenges in penetrating the Japanese market that continue to be experienced by the Nidec Johnson Electric joint venture business.

In May 2003, the Group acquired a 49% stake in Nihon Mini Motor ("NMM") from Mitsubishi Materials Corporation for approximately US$12.3 million. The business, which has annual sales of approximately US$45 million, is expected to provide for excellent growth opportunities in view of NMM's existing product line and strong customer relationships in the Japanese camera motor market. Johnson Electric will also be seeking to grow sales beyond the Japanese market by leveraging its own global sales channels.

QUALITY AND RELIABILITY

Johnson Electric's various Quality and Reliability initiatives continued to deliver excellent results during the year under review.

The complementary efforts of TCM (Total Control Methodology) and Gemba Kaizen activities continued to drive significant improvements in process control effectiveness, sustaining world-class levels of In-process defect rates in most Business Units. These accomplishments fueled a 41% reduction in customer and field complaints. TCM will be extended to the Group's component manufacturing operations in the coming year and this is expected to improve the quality performance and cost effectiveness of these operations to similar world-class levels.

The second major Quality initiative is our Cost of Quality program. Johnson Electric has been using a comprehensive Quality Cost tracking system to capture internal, external, appraisal and prevention costs for all operations company-wide. This system enables our Business Units to identify and focus on situations where unnecessary costs arise due to scrap or defective products, as well as processes not fully optimized. Quality Cost savings of approximately US$3 million were achieved compared with the previous financial year's performance – representing a 13% improvement in the overall Cost of Quality.

The third major Quality initiative underway in Johnson Electric is the global integration of our Quality Systems, which will be completed by the end of calendar 2003. As a result of this program, the Quality Systems of Johnson Electric's facilities worldwide will be upgraded and certified to ISO 9000:2000, as well as to the TS-16949 standard for our automotive business. This upgrading will facilitate a comprehensive re-assessment and updating of all our Quality processes and procedures to ensure their effectiveness, and guarantee Johnson Electric's continued commitment to high quality products and customer success.

INVESTING IN PEOPLE

At the financial year-end, the Group employed approximately 30,000 people in more than a dozen countries worldwide. As *the* growth leader in our industry, we continue to search for talent on a global basis and have made significant progress in building a truly international team of people at all levels in our organization.

Attracting, retaining and developing this diverse pool of talent through professionally managed Human Resources processes is pivotal to the long-term success of Johnson Electric.

Organizational Learning and Performance

Performance management goes hand in hand with organizational learning. As part of the Group's *Simplify, Standardize and Globalize* (SS&G) initiative, our performance management system was revised and rolled-out globally. One significant new feature of the system is a focus on behavioral (leadership) competencies and personal development.

In response to the strategic needs of our business, we launched the JENESIS program during the year. It is a leadership development program that periodically brings together emerging young managers from across the

Company for a week of experiential learning, team assignments, and interaction with senior Johnson Electric management. An informal "no-holds barred" question and answer session with the Group CEO completes the learning experience.

Johnson University (JU), the Company's internal training organization established in 1998, continues to conduct vocational and technical training programs under its seven colleges. During the last fiscal year, JU made significant contributions towards our advances in Gemba Kaizen and production processes for our components operations.

People Calibration

Management continuity and effective succession planning is a top corporate priority. Over the course of the year, the Company's Executive Committee has dedicated a considerable amount of time to "calibrating" the performance profiles of Johnson Electric managers at senior levels across the organization. In supplementing individual performance scorecards and assessments by immediate supervisors, this calibration process seeks to pinpoint the career development needs of our people and also specify potential gaps that need to be filled as the Group continues to grow.

Responsible Corporate Citizen

Through the initiatives of the Human Resources and Environmental Health and Safety functions, Johnson Electric is committed to investing in and supporting the communities in which it conducts business. We work hard to support our people and their interests and, at the same time, reduce the impact of our business activities on the global environment. Procedurally, ISO 14001 and OHSAS 18001 are some of the relevant registrations that we have secured, and continue to maintain, in various sites around the world.

During the first half of 2003, Hong Kong and some communities in Mainland China were significantly impacted by the outbreak of SARS (severe acute respiratory syndrome).

Johnson Electric took early and comprehensive preventative measures in order to safeguard the well being of our employees, customers, and other stakeholders. An Executive Committee-level *Health Committee* has been established for the purpose of directing these interventions. These measures include, but are not limited to, extensive company-wide communications, training on hygiene, cleaning and disinfection, professional food preparation, controls on travel, and the health monitoring of some 25,000 employees in the region. Our success to date has been a SARS-free company – with a heightened awareness of hygiene and health.

Johnson Electric also made a significant donation to help the families of SARS victims in Hong Kong and China.

FINANCIAL REVIEW

OVERVIEW

The Group reported profit attributable to shareholders of US$150.0 million, or 4.08 US cents per share for the year ended 31st March 2003, compared to profit attributable to shareholders of US$110.8 million or 3.02 US cents per share in 2001/02.

In July 2002, the Group acquired the remaining 49% of shares in Brushless Technology Motors S.r.l. ("BTM") for a consideration of US$0.9 million, in order to facilitate growth in brushless motors for various applications.

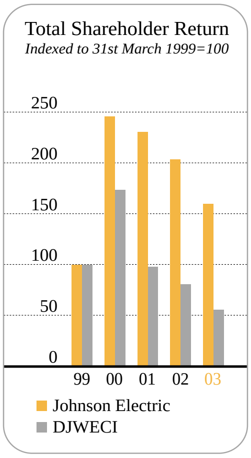
In May 2003, the Group acquired 49% of shares in Nihon Mini Motor ("NMM") from Mitsubishi Materials Corporation for approximately US$12.3 million. NMM is a leading designer of micromotors for multiple audio visual applications, including inter alia, digital cameras, video cameras and projectors. In view of the excellent growth opportunities provided by this acquisition, it is expected to be a positive addition to Johnson Electric's presence in the audio visual sector. With NMM's strong product line-up and customer relationships in the Japanese camera motor market, Johnson Electric will leverage its worldwide sales channels to expand the customer base and grow sales beyond NMM's current annual sales levels of approximately US$45 million.

TOTAL SHAREHOLDER RETURN (TSR)

For the financial year ended 31st March 2003, the Group achieved a TSR of –22%, compared to –31% for the Dow Jones World Electric Component and Equipment Index ("DJWECI"), which is representative benchmark index of global industry peers.

For the prior years 2002, 2001, 2000 and 1999, Johnson Electric's TSR was –12%, –6%, 146%, and 34% respectively, compared to –17%, –44%, 74%, and 0% achieved by DJWECI in US dollar terms.

Over the past five years, the compound annual average TSR of Johnson Electric was 17%, compared to –11% achieved by DJWECI.



FINANCIAL MANAGEMENT AND TREASURY POLICY

The financial risk management of the Group is the responsibility of the Group's treasury function at the corporate center based in Hong Kong, which is controlled by policies approved by senior management.

Foreign Currency

The Group operates globally and is thus exposed to foreign exchange risk.

In relation to the business units based in Hong Kong/China, the major revenue generating currencies continue to be the US dollar, Euro, and Japanese Yen; whereas the major currencies in purchase commitments are the US dollar, Hong Kong dollar, and Japanese Yen. Aside from the US dollar and Hong Kong dollar which is pegged to the US dollar, material open foreign exchange exposures are hedged with currency contracts, including forward and options contracts, with a view to reducing the net exposure to currency fluctuations. Such contracts normally have a duration of less than 3 months. For the year to 31st March 2003, of the micromotor sales from Hong Kong/China, 83% were in US dollar; 11% in Euro for certain sales to Europe; and 6% in Japanese Yen for certain sales to Japan.

Johnson Electric Air Flow ("JEAF") and Johnson Electric Geared Automotive ("JEGA"), having sales of over US$249.0 million representing 26% of the Group's total sales in the year under review, are European-based businesses with revenue and costs essentially in Euro. Hence, their exposure to US dollar is limited to the net position. In the case of Johnson Electric Automotive Motors ("JEAM") based in North America, the revenue and costs are in US dollar.

Surplus Cash and Debt

The Group follows a policy of prudence in managing its cash balance, and maintains a high level of liquidity to ensure that the Group is well placed to take advantage of growth opportunities for the business. The surplus cash is held in US dollars, except certain temporary balances which may be held in such non-US currencies as required from time to time pending specific payments.

As at 31st March 2003, the surplus cash (comprising cash and other investments) increased to US$192.9 million, up 50% from US$128.3 million at the previous year-end. The Group is essentially debt-free, except certain loans amounting to US$9.8 million (compared to US$11.5 million a year ago).

As at 31st March 2003, 70% of the surplus cash was held in US dollar (compared to 73% a year ago); and the average duration of the Group's interest-bearing securities and time deposits was reduced to 0.1 month, compared to 0.6 month previously. Hence, the price sensitivity to interest rate movements and the foreign exchange risk of such investments continued to be immaterial.

Capital Structure

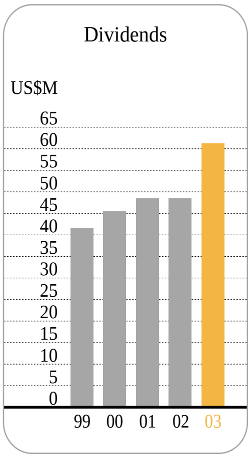
It is the intention of the Group to maintain an appropriate mix of equity and debt to ensure an efficient capital structure. At this stage, however, with continuing strong cash flows, there are no immediate requirements for significant debt finance.

Total debt remained at a low level of US$9.8 million, compared to US$11.5 million at the last year-end, comprising short-term bank loans and overdrafts of US$2.3 million, and long-term loans and obligations of US$7.5 million. Details of long-term loans remaining outstanding are included in Note 23 to the accounts. Borrowings at fixed interest rates amounted to approximately US$2.5 million.

The Group's borrowings are primarily denominated in US and Hong Kong dollars. Except for the foreign exchange exposure in relation to the loans originally in Italian Lira obtained by Gate S.p.A., a subsidiary based in Europe, equivalent to approximately US$2.5 million, the Group has no significant exposure to foreign exchange fluctuations in relation to borrowings.

Dividend Policy

It is the intention of the Group that dividends paid should, over the long term, provide shareholders with dividend income broadly consistent with underlying trend of earnings growth.



In view of the Group's growth potential, it is also intended to accumulate substantial cash reserves to take advantage of any expansion or acquisition opportunities that may arise from time to time.

At its June 2003 meeting, the Board of Directors recommended a final dividend of 9 HK cents per share (equivalent to 1.15 US cents), which together with the interim dividend of 4 HK cents per share (equivalent to 0.51 US cents), representing a total dividend of 13 HK cents per share (equivalent to 1.66 US cents), or 26% increase over the previous year.

In 2002/03, the dividend payout ratio (including the proposed dividend for the year) was approximately 41% of the profit attributable to shareholders, compared to 44% in 2001/2002.

RESULTS OF OPERATIONS

ANALYSIS OF CONSOLIDATED PROFIT AND LOSS STATEMENT

	Existing business US$M	Acquired business US$M	2003 Total US$M	2002 Total US$M	Increase /(Decrease) US$M	%
Turnover	931.7	23.6	955.3	773.6	181.7	23.5
Cost of sales	(620.4)	(24.2)	(644.6)	(530.1)	114.5	21.6
Gross margin	311.3	(0.6)	310.7	243.5	67.2	27.6
SG&A	(144.7)	(1.2)	(145.9)	(119.9)	26.0	21.7
Other revenues	11.0	0.0	11.0	9.4	1.6	17.0
EBIT	177.6	(1.8)	175.8	133.0	42.8	32.2
Interest	(0.6)	(0.3)	(0.9)	(0.4)	0.5	125.0
Share of profits less losses of JV/ Associates	(0.7)	0.0	(0.7)	(6.7)	(6.0)	(89.6)
Profit before taxation	176.3	(2.1)	174.2	125.9	48.3	38.4
(Taxation)/Tax credit	(24.9)	0.7	(24.2)	(15.1)	9.1	60.3
Outside interests	0.0	0.0	0.0	0.0	0.0	0.0
Profit after taxation	151.4	(1.4)	150.0	110.8	39.2	35.4
Depreciation & amortisation	37.4	2.0	39.4	34.2	5.2	15.2

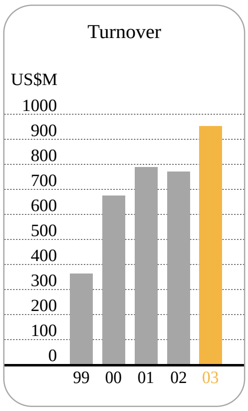
TURNOVER

	2003		2002		Increase	
	US$M	%	US$M	%	US$M	%
AUTOMOTIVE MOTORS GROUP						
Automotive Motors Hong Kong	235	24	188	24	47	25
Johnson Electric Air Flow	200	21	170	22	30	18
Johnson Electric Geared Automotive	49	5	19	3	30	154
Johnson Electric Automotive Motors	122	13	104	13	18	17
Sub-total	606	63	481	62	125	26
COMMERCIAL MOTORS GROUP						
Home appliances	125	13	105	14	20	19
Power Tools	105	11	82	11	23	28
Business equipment/Personal products	90	10	80	10	10	13
Audio-visual products	29	3	26	3	3	11
Sub-total	349	37	293	38	56	19
TOTAL TURNOVER	955	100	774	100	181	23

Note: Certain comparative figures have been reclassified to conform with the current year's presentation.

Total turnover was US$955 million, an increase of 23% over the level in the prior year. Unit volume also grew approximately 25%. Excluding the sales of US$23.6 million from the BTM acquisition during the year, the turnover increased over 20%.

On a divisional basis, Automotive Motors Group ("AMG") increased 26% to US$606 million, representing 63% of total turnover. In addition to the improved demand in the automotive markets generally, AMG achieved gains in market shares, as a result of new product introductions and increasing outsourcing by customers.



Sales of Automotive Motors Hong Kong increased 25% to US$235 million. Excluding prior year's acquisitions from Textron Automotive Company and ArvinMeritor Inc., sales increased 23% to US$168.0 million. This reflected market share gains through new product introductions and additional outsourcing business. Geographically, good double-digit growth was seen in all regions. Sales to Asia Pacific and Hong Kong/China as new markets for Johnson Electric, increased 42% (39% in unit volumes) and 194% (112% in unit volumes) respectively.

Sales of Johnson Electric Air Flow in Europe increased 18% to US$200 million, due partly to the favorable impact of the strength of the Euro during the period; and partly to the new product introductions.

Sales of Johnson Electric Geared Automotive in Europe increased 154% to US$49 million. This includes the sales contribution of US$23.6 million from the BTM acquisition in July 2002. Excluding the acquisition, sales increased 33%.

Sales of Johnson Electric Automotive Motors in North America increased 17% to US$122 million, due to the recovery in the demand for its starter motors for the marine, and lawn and garden markets in the U.S.A. and the increased demand for its anti-lock braking system products. Production for anti-lock braking system products was transferred into China from about the second half of the previous year.

Overall sales of the Commercial Motors Group increased over 19% to a record level of US$349 million, driven by the increasing trends of outsourcing by customers and new product introductions.

Sales to the home appliances sector increased 19% to US$124 million. The top two applications, namely floor care products and blenders, increased 20% (to US$49 million) and 50% (to US$21 million) respectively. Geographically, sales to Hong Kong/China, Asia Pacific and Europe, increased 25%, 23%, and 15% respectively, whereas sales to North America increased only slightly.

Sales to the power tools sector increased 28% to US$105 million, due mostly to market share gains through outsourcing on the part of the major customers. The top two applications, namely drills and gardening tools, accounting for nearly half of the segment sales, increased 19% (to US$33 million) and 77% (to US$18 million) respectively. Geographically, consistent with the trends of outsourcing, nearly the whole of the growth derived from Hong Kong/China, where sales increased 57%. Sales to North America and Europe increased only slightly.

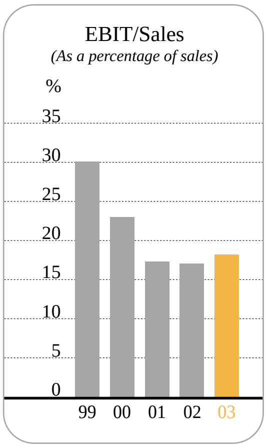
Sales to business equipment and personal products sectors combined, increased 13% to US$90 million.

In business equipment, sales increased over 15%, due mainly to a 27% growth in sales to printer product applications which accounted for 72% of the segment sales. Geographically, sales to Asia Pacific accounting for 61% of the segment sales, increased 47%, partly offset by the sluggish demand in other markets.

In personal products, sales increased 10%, as sales to such major applications as hair dryers, hair clippers, and massagers returned to some double-digit growth rates. Geographically, sales to Hong Kong/China and Europe increased 22% and 16% respectively, partly offset by a decrease of 7% in North America.

Sales to the audio-visual industry increased 11% to US$29 million, as growth for this was substantially constrained by pricing as well as the limited range of product offerings available at the beginning of this new business. However, intensive efforts have been made in new product introductions, and improved performance is expected from the coming year. Further, as part of the action plans to achieve critical mass to improve its marketing position and operating performance in this sector, the Group acquired a 49% stake in Nihon Mini Motor ("NMM") from Mitsubishi Materials Corporation for approximately US$12.3 million in May 2003. With current annual sales of about US$45 million, NMM is expected to provide excellent growth opportunities for the Group, by virtue of its existing product line and strong customer relationships in the Japanese camera motor market. As a result of the acquisition, NMM's sales are also expected to grow beyond the Japanese market through Johnson Electric's own global sales channels.

Earnings Before Interest and Tax ("EBIT")



EBIT was US$175.8 million, an increase of US$42.8 million, or 32.2%. The improvement was due to an increase of US$67.2 million or 27.6% in gross profit and an increase of US$1.6 million in other revenues, partly offset by an increase of US$26.0 million in selling and administrative expenses. As a percentage of sales, EBIT increased from 17.2% to 18.4%. Excluding the BTM acquisition, EBIT margins increased to 19.1%.

Overall EBIT margin expansion was constrained by two temporary factors. Firstly, there were unanticipated airfreight expenses of approximately US$9.4 million (of which a total amount of US$7 million was incurred in the second half year) caused mainly by temporary capacity constraints in relation to production of acquired businesses transferred into China. Secondly, there was the impact of the first-year consolidation of BTM (formerly reported in the share of losses of associated companies), which continued to be a start-up business upon acquisition and only progressed towards profitability recently.

Gross margins increased by one percentage point from 31.5% to 32.5%, despite higher prices of purchased materials and parts during the year.

Other revenues increased US$1.6 million, due mainly to higher scrap sales, partly offset by lower interest income from the surplus cash.

The Group's selling and administrative expenses, as a percentage of sales, improved to 15.3%, compared to 15.5% in the previous year.

Cost of Sales

Overall cost of sales, as a percentage of sales, was reduced from 68.5% to 67.5%, reflecting the results of the transfer of production of acquired businesses to the Group's manufacturing complex in Southern China and generally higher operating leverage, partly offset by an increase in the cost of materials.

After hitting the low a year ago, steel prices rebounded – the Group's weighted average cost of steel increased 19.8%. Copper prices, on the other hand, were relatively stable. The average spot price of London copper in 2002/03 was US$1,579 per tonne, up 4% from approximately US$1,526 in the previous year.

Selling and Administrative Expenses ("SG&A")

Overall SG&A expenses increased 21.7% to US$145.9 million. This reflected partly the Group's continued investment in building a business infrastructure to facilitate and support its long-term growth plans.

SG&A, as a percentage of sales, decreased from 15.5% to less than 15.3%. It is believed that the Group's business infrastructure now in place is very scalable; and that scalability will be a key factor in the margin expansion potential of the Group.

Other Revenues

Other revenues were US$11.0 million, up 17.0%, due to an increase of US$2.2 million in scrap sales, partly offset by a decrease of US$0.8 million in interest income.

Depreciation Expense

Depreciation expense increased 7.8% to US$36.1 million. As a percentage to sales, depreciation expense decreased to 3.8%, compared to over 4.3% one year ago.

Interest Expense

Interest expense remained at a low level of less than US$1.0 million. As the Group continued to be essentially debt-free, interest payments were made only in relation to some short-term trade financing and small balances of temporary overdrafts or bank loans, and certain long-term loans obtained by a subsidiary company to take advantage of preferential interest rates available in Italy for specified purposes such as research and innovation.

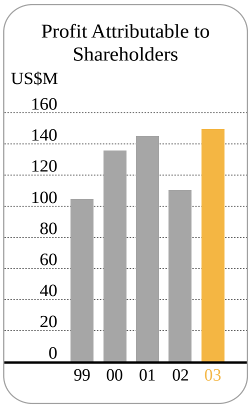
Share of Losses of JV/Associates

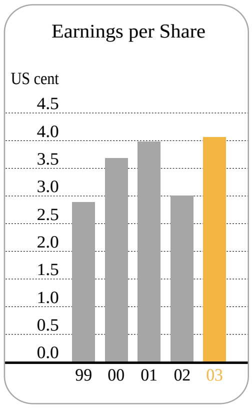
Share of losses of jointly controlled entities/associated companies in the previous year - US$6.7 million - was largely eliminated, down 89.3% to US$0.7 million. The Group is set to achieve a turnaround in both the Nidec Johnson Electric joint venture and the former Brushless Technology Motors joint venture. The share of their losses which was much reduced in the year under review, was nearly wholly offset by the share of profits of the Ri Yong – JEA joint venture in Shanghai, China.

Taxation

Taxes on profits increased 60.3% to US$24.2 million, compared to US$15.1 million, due mainly to an increase in deferred taxation, partly offset by a decrease in overseas taxation.

The Group continued to benefit from certain tax incentives applicable to its operations in China and Thailand.





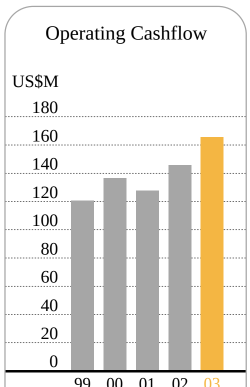
Profit Attributable to Shareholders

Profit attributable to shareholders and earnings per share increased over 35.4% to US$150.0 million and 4.08 US cents respectively.

FINANCIAL CONDITION

Liquidity and Financial Resources

The Group's financial resources and liquidity remained strong, as cash generated from operations reached a record level of US$181.5 million. Net operating cashflow after interest and tax increased to US$165.9 million, compared to US$146.6 million in the previous year. As at 31st March 2003, the Group's total cash and other investments increased 50.3% to US$192.9 million, compared to US$128.3 million one year ago. Total debt was further reduced to US$9.8 million. Hence, the Group had no net debt.



(Previous years' figures have been adjusted to conform with the current year's presentation)

The Group's interest coverage ratio (operating profit and interest expense divided by interest expense) was 200 times, compared to 364 times in 2001/2002.

The Group's principal committed facilities were: (a) a three-year revolving loan in US dollars of 5 million obtained by a marketing subsidiary in the U.S.A. for short-term trade financing; and (b) long-term loans originally in Italian Lira totalling US$2.5 million (of which US$0.3 million being repayable within one year) obtained by Gate S.p.A. to take advantage of preferential interest rates (fixed at between 1.5% and 3.7%) for specified purposes such as research and innovation.

For day-to-day liquidity management and maintaining flexibility in funding, the Group also has access to significant uncommitted short-term borrowing facilities provided by its relationship banks. There are, however, no present needs for borrowings of any material amount.

Funding requirements for capital expenditures are expected to be met by internal cash flows. There are no present plans for material investments or capital assets in the coming years, other than the Group's regular annual capital expenditures required to maintain its growth in sales.

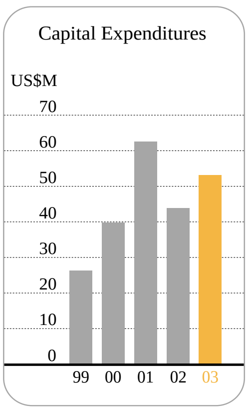
The working capital position of the Group remained healthy. As at 31st March 2003, the current ratio (current assets divided by current liabilities) improved to 3.1 times, from 2.5 times at previous year-end.

The Group's total assets were US$880.7 million and shareholders' funds were US$668.6 million, compared to US$749.2 million and US$556.2 million respectively at the previous year-end.

Assets

Total assets were US$880.7 million, up US$131.5 million or 17.6%, essentially due to increases in current assets.

Non-current assets remained at about previous year's level. An increase of US$13.5 million in properties, plant and equipment, was offset by a decrease of US$5.3 million in investments in finance leases caused by withdrawals from the Group's Staff Home Ownership Scheme; a decrease of US$3.7 million in the share of net assets in associated companies; a decrease of US$2.1 million in investment securities; and a decrease of US$2.9 million in deferred tax assets.

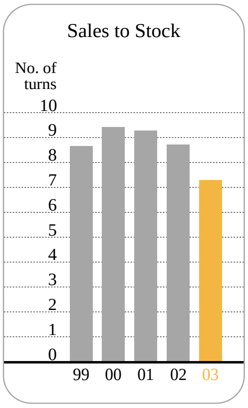


Capital expenditures were US$53.3 million, up 20.9% from US$44.1 million previously, due mainly to a substantially increased production activity during the year. There were re-purchases of housing units from employees under the terms of the Staff Home Ownership Scheme, amounting to US$7.8 million, compared to US$9.6 million in the previous year. Hence, excluding such re-purchases of housing properties, net capital expenditures for the operations were US$45.5 million.

Current assets increased US$131.9 million or 32.1%. All current assets categories posted increases, reflecting the continuing expansion and increased activities of the Group.

Deposits and bank balances, and other investments, representing the Group's surplus cash reserves, amounted to US$192.9 million, up 50.3%, from US$128.3 million one year ago.

Trade and other receivables increased US$19.2 million to US$213.5 million, up 9.9%. Trade debtors increased to US$178.2 million, up 13.5%. The average collection period was improved to 63 days, compared to 72 days previously.



Stocks and work in progress increased to US$130.5 million, up 47.5%. The sales-to-stocks ratio decreased to 7.3 turns, from 8.7 turns in the previous year, due to several special factors. Such factors included certain tight supply situations caused by the substantial reversal of the previous year's demand conditions, increasing transfer of production of acquired businesses into China from North America and Europe; and contingency plans in relation to the Group's first year of implementation of the new enterprise resource planning ("ERP") system. With the supply chain management modules of the ERP in place, intensive efforts are now being made to improve inventory turns in the coming years.

Liabilities

Total liabilities were US$212.1 million, up US$19.1 million or 9.9%, due to an increase of US$9.2 million in trade and other payables; a total increase of US$7.5 million in various provisions; and an increase of US$4.7 million in deferred tax liabilities.

Current liabilities increased US$11.8 million or 7.1%. Trade and other payables increased US$9.2 million or 5.8% to US$167.0 million. Trade creditors increased US$15.0 million or 13.7% over the previous year-end.

Non-current liabilities increased US$7.4 million or 26.0%, due mainly to an increase of US$4.7 million in deferred tax liabilities, and an increase of US$2.5 million in other provisions.

Shareholders' Funds

Shareholders' funds at 31st March 2003 were US$668.6 million, up 20.2%.

Reserves increased US$104.5 million or 20.3%. The retained profit for the year of US$96.8 million (after deduction of a total dividend of US$53.2 million), and an adjustment of US$18.2 million arising on translation of foreign subsidiaries, associated companies and jointly controlled entities, were partly offset by revaluation adjustments totalling US$2.5 million in relation to the Group's investment properties in Hong Kong.

Proposed dividends increased US$8.0 million or 23.3% to US$42.4 million.

There was no change in the share capital.

CASH FLOWS

Our ability to generate cash from operations to grow and expand our business to create shareholder value is one of our fundamental financial strengths.

Net Cash Inflow from Operating Activities

The Group's main source of liquidity continued to be the net cash from operating activities.

Cash generated from operations increased to a record of US$181.5 million, compared to US$165.0 million in 2001/02. After deductions of interest and tax paid, net cash from operating activities increased US$19.3 million to US$165.9 million, up 13.2% from US$146.6 million previously. An increase of US$48.3 million in pre-tax profit, an increase of US$11.7 million in exchange translation differences, and a decrease of US$2.2 million in trade and other receivables, were partially offset by an increase of US$34.6 million in stocks and work in progress, and a decrease of US$14.4 million in trade and other payables .

Investing Activities

Net cash used in investing activities decreased US$14.7 million or 24.8% to US$44.5 million, due mainly to decreases amounting US$21.5 million in cash used in investment in joint ventures and acquisitions, partly offset by an increase of US$10.7 million in purchases of properties, plant and equipment.

Financing Activities

Net cash used in financing increased US$5.8 million to US$53.5 million, due primarily to an increase of US$4.7 million in dividends paid.

Cash And Cash Equivalents

Total cash and cash equivalents as at 31st March 2003 increased US$67.9 million or 55.9% to US$189.4 million, compared to US$121.5 million a year ago. Bank balances and deposits, and other investments totalled US$191.7 million, with short-term bank loans and overdrafts maintained at a low level of US$2.3 million.

REPORT OF THE DIRECTORS

The Directors have pleasure in submitting their report together with the audited accounts for the year ended 31st March 2003.

Principal Activities

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are shown in note 33 to the accounts.

Results and Appropriations

The results of the Group for the year ended 31st March 2003 are set out in the consolidated profit and loss account on page 37 of the accounts.

The Directors declared an interim dividend of 0.51 US cents (4 HK cents) per share, totalling US$18,840,000, which was paid on 3rd January 2003.

The Directors recommend the payment of a final dividend of 1.15 US cents (9 HK cents) per share, totalling US$42,390,000, payable on 24th July 2003.

Reserves

Movements in the reserves of the Group and the Company during the year are set out in note 27 to the accounts.

Donations

During the year, the Group made charitable and other donations of US$224,000 (2002: US$223,000).

Fixed Assets

Details of the movements in properties, plant and equipment are shown in note 13 to the accounts.

Share Capital

Details of the movements in share capital are shown in note 26 to the accounts.

Directors

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

Wang Koo Yik Chun	
Patrick Wang Shui Chung JP	
Winnie Wang Wing Yee	
Li Fook-Wo CBE, LLD, DSSc, FCIB, FHKIB, JP	(retired and resigned on 31st March 2003)
Peter Stuart Allenby Edwards	
Peter John Wrangham	
Patrick Blackwell Paul	(appointed on 29th July 2002 for a period of two years)
Richard Wang Li-Chung	
Arkadi Kuhlmann	(appointed on 5th June 2003 for a period of two years)
Oscar De Paula Bernardes Neto	(appointed on 5th June 2003 for a period of two years)
Peter Wang Kin Chung	
David Wylie Gairns JP	(resigned on 31st August 2002)
Ian Lorne Thompson Conn	

In accordance with Bye-law 109(A) of the Company's Bye-Laws, Ms. Winnie Wang Wing Yee, Mr. Peter John Wrangham and Mr. Richard Wang Li-Chung retire from office by rotation and, being eligible, offer themselves for re-election.

In accordance with Bye-law 100 of the Company's Bye-Laws, Mr. Arkadi Kuhlmann and Mr. Oscar De Paula Bernardes Neto retire from office and being eligible, offer themselves for re-election.

Directors' Service Contracts

None of the Directors of the Company had a service contract with the Company or any of its subsidiaries during the year.

Directors' Interests

At 31st March 2003, the interests of the Directors in the share capital of the Company and its associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance of Hong Kong) notified to the Company pursuant to Section 28 of that Ordinance (including interests which they are deemed or taken to have under Section 31 or Part I of the Schedule to that Ordinance) or which are required, pursuant to Section 29 of that Ordinance, to be entered in the register referred to therein were as follows:

	Shares in the Company of HK$0.0125 each	
Name	Personal Interests	Other Interests
Wang Koo Yik Chun	-	2,190,210,880 *#
Peter Stuart Allenby Edwards	-	100,000 **
Peter John Wrangham	160,000	-
Ian Lorne Thompson Conn	70,000	-

* *These shares are held, directly or indirectly, by the trustees of various trusts associated with the Wang family.*
\# *Duplications of shareholdings occur among and between the parties shown below under the Substantial Shareholders.*
** *These shares are held under a trust of which Peter Stuart Allenby Edwards is one of the beneficiaries.*

Save as disclosed herein, at 31st March 2003, none of the Directors had any interest in the share capital or debt securities of the Company or any associated corporation (as so defined) notified to the Company pursuant to Section 28 of the Securities (Disclosure of Interests) Ordinance (including interests which they are deemed or taken to have under Section 31 or Part I of the Schedule to that Ordinance) or which will be required, pursuant to Section 29 of that Ordinance, to be entered in the register referred to therein.

No contracts of significance in relation to the Company's business to which the Company or its subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Share Option Scheme

The Company has on 29th July 2002 adopted a new share option scheme (herein referred to as "the Scheme").

The major terms of the Scheme, in conjunction with to the requirements of chapter 17 of the Rules Governing the Listing of Securities ("the Listing Rules") on The Stock Exchange of Hong Kong Limited ("the Stock Exchange"), are as follows:

(a) Purpose

The purpose of the Scheme is to provide incentive or rewards to Participants.

(b) Participants

The participants of the Scheme are

(i) any director (including a non-executive director and an independent non-executive director), employee or consultant of the Group or a company in which the Group holds an equity interest or a subsidiary of such company ("Affiliate"); or

(ii) any discretionary trust whose discretionary objects include any director, employee or consultant of the Group or an Affiliate; or

(iii) a company beneficially owned by any director, employee or consultant of the Group or an Affiliate.

(c) Maximum number of shares

The maximum number of shares which may be issued upon exercise of all options to be granted under the Scheme and any other share option scheme(s) of the Company shall not exceed 2 per cent. of the share capital of the Company in issue from time to time.

The maximum number of shares (issued and to be issued) in respect of which options may be granted under the Scheme to any one grantee in any 12-month period shall not exceed 0.1 per cent. of the share capital of the Company in issue on the last date of such 12-month period unless approval of the shareholders of the Company has been obtained with such grantee and his associates abstaining from voting in accordance with the Listing Rules and a circular is issued.

(d) Time of acceptance and exercise of an Option

There is no specific requirement under the Scheme that an Option must be held for any minimum period before it can be exercised, but the terms of the Scheme provides that the Board has the discretion to impose a minimum period at the time of grant of any particular option. The date of grant of any particular Option is the date when the duplicate offer document constituting acceptance of the Option duly signed by the grantee, together with a remittance in favour of the Company of HK$1.00 by way of consideration is received by the Company, such date must be on or before the 28th day after the Option is offered to the relevant grantee. The period during which an Option may be exercised will be determined by the Board at its absolute discretion, save that no Option may be exercised more than 10 years after it has been granted.

(e) Subscription price for shares

The subscription price for shares shall be a price determined by the Directors, but shall not be less than the higher of

(i) the closing price of shares as stated in the Stock Exchange's daily quotations sheet on the date of the offer of grant, which must be a trading day; and

(ii) the average closing price of shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of the offer of grant.

(f) Period of the Scheme

The Scheme will remain in force for a period of 10 years from the date of adoption of such Scheme.

Details of the new share options granted under the Scheme as at 31st March 2003 are as follows:-

Type of grantees	Time of grant	Exercise period	Subscription price per share (HK$)	Number of options granted
Employees	September 2002*	1st August 2004 –	7.90	100,000
		16th September 2012	8.02	750,000
		1st August 2005 –	7.90	100,000
		16th September 2012	8.02	750,000
				1,700,000

* At the date before the options were granted, 16th September 2002, the market value per share was HK$8.10.

Due to the current volatility of the share markets, the Directors consider it inappropriate to value the options which were granted under the Scheme.

Long-Term Incentive Share Scheme

Under the terms of the Long-Term Incentive Share Scheme ("Incentive Share Scheme") which was approved by the shareholders on 26th July 1999, the Directors may at their discretion invite full time employees of the Company and its subsidiaries, including Directors, to participate in the Incentive Share Scheme, and grant shares to such eligible employees in relation to the Company's performance in terms of total shareholder return, cash value added, and other appropriate performance indicators over a defined three-year period. The first three-year performance cycle under the Incentive Share Scheme began on 1st April 1999 and ended on 31st March 2002. Thereafter, three-year performance cycles are initiated on an annual basis. After the end of the first performance cycle, the eligible employees were awarded notional cash long term bonuses which were used to acquire shares in the open market subject to the terms of the Incentive Share Scheme. One-third of the shares awarded under the Incentive Share Scheme vested in the eligible employees immediately. The remaining two-third of the shares were held in a custodian account, of which 50% will vest 12 months and 50% will vest 24 months.

Details of the shares vested in the eligible employees under the Incentive Share Scheme as at 31st March 2003 are as follows:-

Year of grant of shares	Number of shares purchased	Purchase price (HK$)	Shares awarded		Shares will be awarded	
			2002	2003	2004	2005
2002	288,900	9.00	96,300	96,300	96,300	-
2003	154,917	9.50	-	51,639	51,639	51,639
	443,817		96,300	147,939	147,939	51,639

Apart from the Scheme and the Incentive Share Scheme 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.

Pre-emptive Rights

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

Substantial Shareholders

As at 31st March 2003, the interests of every person, in the share capital of the Company as recorded in the register required to be kept under Section 16(1) of the Securities (Disclosure of Interests) Ordinance were as follows:

Name	Shares of HK$0.0125 each
Bermuda Trust (Guernsey) Limited	358,972,480
Ansbacher (Bahamas) Limited	887,040,000
HSBC International Trustee Limited	965,863,000
HSBC Private Banking Holdings (Suisse) SA	965,863,000
HSBC Europe (Netherlands) BV	965,863,000
HSBC Europe BV	965,863,000
Griffin International Limited	965,863,000
Midcorp Limited	965,863,000
HSBC Bank plc	965,863,000
HSBC Holdings plc	983,697,117

The shares in which Bermuda Trust (Guernsey) Limited and Ansbacher (Bahamas) Limited are interested and 944,198,400 of the shares in which HSBC International Trustee Limited is interested are held, directly or indirectly, by them as the trustees of various trusts associated with the Wang family and are included in the shares in which Ms. Wang Koo Yik Chun is interested as referred to above under Directors' Interests.

The shares in which HSBC International Trustee Limited is interested are all the shares in which HSBC Private Banking Holdings (Suisse) SA is interested, which are all the shares in which HSBC Europe (Netherlands) BV is interested, which are all the shares in which HSBC Europe BV is interested, which are all the shares in which Griffin International Limited is interested, which are all the shares in which Midcorp Limited is interested, which are all the shares in which HSBC Bank plc is interested, which form part of the shares in which HSBC Holdings plc is interested, all of which are the same shares.

Save as disclosed herein, as at 31st March 2003, according to the register of interests of shares and, so far as the Directors are aware, there were no persons who, directly or indirectly, held or were beneficially interested in shares representing 10 per cent. or more of the issued share capital of the Company or (save for the Company) its subsidiaries and there was no other interest or right recorded in the register required to be kept under Section 16(1) of the Securities (Disclosure of Interests) Ordinance.

Major Suppliers and Customers

During the year, the Group purchased less than 30% of its goods and services from its 5 largest suppliers and sold less than 30% of its goods and services to its 5 largest customers.

Purchase, Sale or Redemption of Shares

The Company has not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year.

Management Contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

Audit Committee

The Audit Committee was established in 1999. Its members are appointed from the Independent Non-executive Directors, with the Chairman having appropriate professional qualifications and experience in financial matters. The members of the Audit Committee are Mr. Patrick Paul, who was appointed as the Chairman of the Committee on 31st August 2002 in place of Mr. David Wylie Gairns who resigned on the same date, and Mr. Ian Conn.

During the year, the Audit Committee met three times with the Group’s senior management and the external auditors to consider and review the Group’s financial statements, the nature and scope of audit reviews, and the effectiveness of the system of internal control and compliance. The Committee reviewed the unaudited interim accounts and the audited accounts for 2003 before recommending them to the Board for approval.

Code of Best Practice

Throughout the accounting period, the Company was in compliance with the Code of Best Practice as set out in the Appendix 14 of the Listing Rules of the Stock Exchange except that some of the Independent Non-executive Directors of the Company were not appointed for a specific term but they are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Company's Bye-Laws.

Auditors

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

On behalf of the Board

Patrick Wang Shui Chung
Chairman & Chief Executive

Hong Kong, 5th June 2003

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Wang Koo Yik Chun

Age 86, is Honorary Chairman of the Company and co-founder of the Johnson Electric Group. She was Vice-chairman of the Group in 1984 and was actively involved in the development of the Group in its early stages.

Patrick Wang Shui Chung JP

Age 52, obtained his BSc and MSc degrees in Electrical Engineering from Purdue University in Indiana, U.S.A. He joined the Johnson Electric Group in 1972 and became a Director in 1976 and Managing Director in 1984. In 1996 he was elected Chairman and Chief Executive of the Company. He is a member of the Exchange Fund Advisory Committee of the Hong Kong Monetary Authority, a Board Member of Kowloon-Canton Railway Corporation, a member of Hong Kong/ European Union Business Co-operation Committee, a member of Hong Kong/United States Business Council, a Council member of the University of Hong Kong and the Chinese University of Hong Kong. He is also a non-executive director of The Hongkong and Shanghai Banking Corporation Limited and Vtech Holdings Limited. He is a son of the Honorary Chairman, Ms. Wang Koo Yik Chun.

Winnie Wang Wing Yee

Age 56, obtained her BSc degree from Ohio University in U.S.A. She joined the Johnson Electric Group in 1969. She became a Director in 1971 and an Executive Director in 1984 and was elected Vice-Chairman in 1996. She is a sister of the Chairman and Chief Executive, Mr. Patrick Wang.

Peter Stuart Allenby Edwards

Age 55, was appointed as an independent non-executive director of the Johnson Electric Group on 1st October 1995. He is a solicitor and was Senior Partner of Johnson, Stokes & Master, the Solicitors to the Group, until he retired on 30th September 1996. Mr. Edwards was Chairman of the Hong Kong Branch of the International Fiscal Association, Chairman of the Revenue Law Committee of the Hong Kong Law Society and a member of the Joint Liaison Committee on Taxation which advises the Government of the Hong Kong Special Administrative Region. He is also a member of the International Academy of Estate and Trust Law, an honorary lecturer in law at the University of Hong Kong and a director of a number of investment and holding companies.

Peter John Wrangham

Age 69, has been an independent non-executive director of the Johnson Electric Group since 1991 after he retired from his directorships with The Hongkong and Shanghai Banking Corporation Limited, HSBC Holding plc, Midland Bank plc and James Capel & Co. Limited.

Patrick Wang Shui Chung

Wang Koo Yik Chun

Winnie Wang Wing Yee

Peter John Wrangham

Peter Stuart Allenby Edwards

Patrick Blackwell Paul

Age 55, was appointed as an independent non-executive director of the Johnson Electric Group on 29th July 2002. He graduated from St. John's College of Oxford University in the United Kingdom. He is a Chartered Accountant and was previously chairman and senior partner of PricewaterhouseCoopers in Hong Kong until July 2001 and retired in May 2002. He has served in a number of industry organizations, including chairman of the Hong Kong Society of Accountant Taxation Committee and chairman of the Hong Kong General Chamber of Commerce Taxation Committee. Mr Paul was chairman of the British Chamber of Commerce and is currently chairman of the chamber's supervisory board. He also serves on two committees of The Community Chest of Hong Kong.

Richard Wang Li-Chung

Age 59, obtained his BSc and MSc degrees in Electrical Engineering from the University of California, Berkeley. He joined the Johnson Electric Group in 1970 and has been Director since 1992. He is responsible for global marketing. He is a brother of the Chairman and Chief Executive, Mr. Patrick Wang.

Arkadi Kuhlmann

Age 55, was appointed as an independent non-executive director of the Johnson Electric Group on 5th June 2003. He has 25 years of banking executive experience and is currently the Chairman and CEO of ING Bank FSB, U.S.A. (a regulated deposit taking institution) and a member of Management Council of ING Group in Amsterdam, Netherland. Mr. Kuhlmann served as a director of more than 10 public and private companies in Canada, U.S.A., U.K., Australia and Hong Kong.

Oscar De Paula Bernardes Neto

Age 56, was appointed as an independent non-executive director of the Johnson Electric Group on 5th June 2003. He obtained a degree in Chemical Engineering from the Federal University of Rio de Janeiro-Brazil. He was a Senior Partner of Booz-Allen & Hamilton and Chief Executive Officer of Bunge International. Mr. Bernardes is currently the Chairman of Lid Group and a Director of Delphi Corp., Bunge Brasil, Gerdau S.A. and Cia. Suzano.

Peter Wang Kin Chung

Age 49, has been a non-executive director of the Johnson Electric Group since 1982. He obtained a BSc degree in Industrial Engineering from Purdue University and a MBA degree from Boston University. He is the Chairman & CEO of Tristate Holdings Limited and the Managing Director of Hua Thai Manufacturing Public Company Limited. He is a brother of the Chairman and Chief Executive, Mr. Patrick Wang.

Arkadi Kuhlmann

Patrick Blackwell Paul

Oscar De Paula Bernardes Neto

Peter Wang Kin Chung

Ian Lorne Thompson Conn

Richard Wang Li-Chung

Ian Lorne Thompson Conn

Age 66, was appointed as an independent non-executive director of the Johnson Electric Group on 1st May 1999. He obtained his Engineering degree from Queen's University, Ontario, Canada and Business degree from Carleton University, Ottawa, Canada. He currently serves as a member of the Board of Cynophar, a French pharmaceutical firm, and is active with C.O.I.M. Co. (Canadian Owned Investment Management Company), a venture capital firm in Canada and the United States.

SENIOR MANAGEMENT

Ed Bedell

Age 60. Senior Vice President, Quality & Reliability. Joined Johnson Electric in 1998.

TS Choi

Age 53. Senior Vice President, Strategic Manufacturing. Joined Johnson Electric in 1968.

Eric Davis

Age 48. Senior Vice President and Chief Financial Officer. Joined Johnson Electric in 2003.

Michael Degen

Age 45. Senior Vice President, Automotive Motors Group. Joined Johnson Electric in 2002.

Jim Dick

Age 49. Senior Vice President, Strategic Marketing. Joined Johnson Electric in 1999.

James P. Freed

Age 56. Senior Vice President, Supply Chain Services. Joined Johnson Electric in 1999.

Chris Hasson

Age 40. Chief Executive Officer, Johnson Electric Capital. Joined Johnson Electric in 2002.

Horace Ho

Age 54. Senior Vice President, Human Resources. Joined Johnson Electric in 2001.

KC Ko

Age 37. Vice President, Corporate Engineering. Joined Johnson Electric in 1988.

Bob Preston

Age 52. Senior Vice President, Commercial Motors Group. Joined Johnson Electric in 2002.

Paul Tong

Age 57. Executive Vice President and General Counsel. Joined Johnson Electric in 1995.

Contents of

STATEMENT OF ACCOUNTS

AUDITORS' REPORT

TO THE SHAREHOLDERS OF JOHNSON ELECTRIC HOLDINGS LIMITED
(incorporated in Bermuda with limited liability)

We have audited the accounts on pages 37 to 71 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Company's directors are responsible for the preparation of accounts which give a true and fair view. In preparing accounts which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

BASIS OF OPINION

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the circumstances of the Company and the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the accounts are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts. We believe that our audit provides a reasonable basis for our opinion.

OPINION

In our opinion the accounts give a true and fair view of the state of affairs of the Company and the Group as at 31st March 2003 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 5th June 2003

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the year ended 31st March 2003

	Note	**2003 US$'000**	2002 US$'000
Turnover	2	**955,339**	773,660
Cost of sales		**(644,641)**	(530,125)
Gross profit		**310,698**	243,535
Other revenues	2	**11,006**	9,370
Selling and administrative expenses	3	**(145,899)**	(119,886)
Operating profit	4	**175,805**	133,019
Finance costs	5	**(883)**	(365)
Share of profits less losses of jointly controlled entities / associated companies		**(720)**	(6,718)
Profit before taxation		**174,202**	125,936
Taxation	6	**(24,184)**	(15,102)
Profit after taxation		**150,018**	110,834
Minority interests		**(2)**	(2)
Profit attributable to shareholders	7	**150,016**	110,832
Dividends	8	**61,230**	48,513
Basic earnings per share (US cents)	9	**4.08**	3.02
Fully diluted earnings per share (US cents)	9	**4.08**	N/A

CONSOLIDATED BALANCE SHEET

As at 31st March 2003

	Note	**2003**	2002
		US$'000	US$'000
ASSETS			
Non-current assets			
Intangibles	12	**22,421**	22,583
Properties, plant and equipment	13	**248,501**	235,031
Jointly controlled entities	15	**18,882**	18,439
Associated companies	16	**40**	3,709
Investment securities	17	**7,336**	9,480
Investments in finance leases	18	**8,538**	13,844
Deferred tax assets	25	**32,031**	34,960
		337,749	338,046
Current assets			
Stocks and work in progress	19	**130,541**	88,481
Trade and other receivables	20	**213,536**	194,307
Other investments	21	**77,312**	25,855
Tax recoverable		**6,060**	-
Bank balances and cash		**115,578**	102,476
		543,027	411,119
Current liabilities			
Trade and other payables	22	**167,049**	157,854
Current portion of long term loans	23	**345**	215
Current portion of other provisions	24	**4,948**	-
Taxation		**1,769**	2,258
Bank loans and overdrafts		**2,325**	4,338
		176,436	164,665
Net current assets		**366,591**	246,454
Total assets less current liabilities		**704,340**	584,500
Non-current liabilities			
Long term loans	23	**7,136**	7,016
Other provisions	24	**13,353**	10,807
Deferred tax liabilities	25	**15,199**	10,504
Minority interests		**4**	5
		35,692	28,332
NET ASSETS		**668,648**	556,168
CAPITAL AND RESERVES			
Share capital	26	**5,925**	5,925
Reserves	27	**620,333**	515,860
Proposed dividends	27	**42,390**	34,383
SHAREHOLDERS' FUNDS		**668,648**	556,168

PATRICK WANG SHUI CHUNG
Director

WINNIE WANG WING YEE
Director

COMPANY BALANCE SHEET

As at 31st March 2003

	Note	**2003**	2002
		US$'000	US$'000
ASSETS			
Non-current assets			
Subsidiaries	14	**581,320**	527,189
Jointly controlled entities	15	**13,212**	13,212
Investment securities	17	**7,336**	9,480
		601,868	549,881
Current assets			
Trade and other receivables		**3,251**	3,269
Bank balances and cash		**204**	238
		3,455	3,507
Current liabilities			
Trade and other payables		**106**	475
Net current assets		**3,349**	3,032
NET ASSETS		**605,217**	552,913
CAPITAL AND RESERVES			
Share capital	26	**5,925**	5,925
Reserves	27	**556,902**	512,605
Proposed dividends	27	**42,390**	34,383
SHAREHOLDERS' FUNDS		**605,217**	552,913

PATRICK WANG SHUI CHUNG
Director

WINNIE WANG WING YEE
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31st March 2003

	Note	2003 US$'000	2002 US$'000
Shareholders' funds at beginning of year		**556,168**	501,548
Exchange adjustments	27	**18,162**	(5,910)
Revaluation deficit	27	**(487)**	(806)
Net gains / (losses) not recognised in the profit and loss account		**17,675**	(6,716)
Profit attributable to shareholders	27	**150,016**	110,832
Revaluation surplus realised upon disposal	27	**(1,988)**	(983)
01/02 Final dividend paid	27	**(34,383)**	(34,383)
02/03 Interim dividend paid	27	**(18,840)**	(14,130)
Shareholders' funds at end of year		**668,648**	556,168

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31st March 2003

	Note	2003 US$'000	2002 US$'000
Net cash inflow from operating activities	30(a)	**165,914**	146,572
INVESTING ACTIVITIES			
Purchase of properties, plant and equipment		**(47,157)**	(36,431)
Purchase of investment securities		**(428)**	(1,631)
Investment in jointly controlled entity / associated companies		**-**	(5,202)
Purchase of other investments		**-**	(824)
Acquisition through business combinations	30(c)	**(14,211)**	(30,506)
Advance to an associated company		**-**	(1,235)
Development costs incurred		**(608)**	(3,322)
Capital element from investments in finance leases		**496**	771
Sale of properties, plant and equipment		**12,793**	12,857
Sale of investment securities		**586**	1,711
Sale of other investments		**1,254**	34
Interest received		**2,360**	3,001
Gross earnings from investments in finance leases		**414**	591
Dividends received		**-**	986
Net cash used in investing activities		**(44,501)**	(59,200)
FINANCING			
New secured loans		**-**	2,018
Repayment of bank loans		**(264)**	(1,213)
Dividends paid		**(53,223)**	(48,513)
Net cash used in financing activities		**(53,487)**	(47,708)
Increase in cash and cash equivalents		**67,926**	39,664
Cash and cash equivalents at beginning of year		**121,458**	81,794
Cash and cash equivalents at end of year		**189,384**	121,458
Analysis of the balances of cash and cash equivalents			
Other investments		**76,131**	23,320
Bank balances and cash		**115,578**	102,476
Bank loans and overdrafts		**(2,325)**	(4,338)
Cash and cash equivalents at end of year		**189,384**	121,458

NOTES TO THE ACCOUNTS

1 Principal accounting policies

The accounts have been prepared in accordance with accounting principles generally accepted in Hong Kong and with accounting standards issued by the Hong Kong Society of Accountants ("HKSA").
The accounts are prepared under the historical cost convention except that, as disclosed in the accounting policies below, certain investment properties and other investments are stated at fair value.

In the current year, the Group adopted revised Hong Kong Statements of Standard Accounting Practice ("SSAPs") issued by the HKSA which became effective for accounting periods commencing on or after 1st January 2002 and applicable to the Group:

SSAP 1 (revised) : Presentation of financial statements
SSAP 11 (revised) : Foreign currency translation
SSAP 15 (revised) : Cash flow statements
SSAP 34 (revised) : Employee benefits

The adoption of these revised SSAPs has no significant impact on these accounts except that certain presentational changes have been made upon the adoption of SSAP 1 (revised) "Presentation of financial statements" and SSAP 15 (revised) "Cash flow statements".

The principal accounting policies adopted in the preparation of these accounts are set out below:

(a) CONSOLIDATION

The consolidated accounts include the accounts of the Company and its subsidiaries made up to 31st March and the Group's share of post-acquisition profits less losses, and reserves, of its associated companies and jointly controlled entities. The results of subsidiaries acquired during the year are included in the consolidated profit and loss account from the effective date of acquisition as appropriate.

All significant intercompany transactions and balances within the Group are eliminated on consolidation.

Minority interests represent the interests of outside shareholders in the operating results and net assets of subsidiaries.

(b) REVENUE RECOGNITION

(i) Sales of goods
Revenue from the sale of goods is recognised on the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and title has passed.

(ii) Interest income
Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

(iii) Gross earnings from investments in finance leases
Gross earnings from investments in finance leases are recognised on the basis as set out in note 1(n).

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

(v) Royalty income
Royalty income is recognised on an accrual basis.

1 Principal accounting policies *(Cont'd)*

(c) SUBSIDIARIES

Investments in subsidiaries are carried at cost less provision for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(d) JOINTLY CONTROLLED ENTITIES

A jointly controlled entity is an entity in which the Group and other parties undertake an economic activity which is subject to joint control and none of the participating parties has unilateral control over the economic activity.

The consolidated profit and loss account includes the Group's share of the results of jointly controlled entities for the year, and the consolidated balance sheet includes the Group's share of the net assets of the jointly controlled entities and goodwill / negative goodwill (net of accumulated amortisation) on acquisition.

In the Company's balance sheet, the investment in the jointly controlled entity is stated at cost less provision for impairment losses. The results of the jointly controlled entity is accounted for by the Company on the basis of dividends received and receivable.

(e) ASSOCIATED COMPANIES

An associated company is a company, not being a subsidiary, in which an equity interest is held for the long-term and significant influence is exercised in its management.

The consolidated profit and loss account includes the Group's share of the results of associated companies for the year, and the consolidated balance sheet includes the Group's share of the net assets of the associated companies and also goodwill / negative goodwill (net of accumulated amortisation) on acquisition.

(f) INTANGIBLES

(i) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's net assets of subsidiary / associated company / jointly controlled entity at the date of acquisition.

In accordance with SSAP 30 "Business Combination", goodwill on acquisitions occurring on or after 1st January 2001 is included in intangible assets and is amortised using the straight-line method of not more than 20 years.

Goodwill on acquisitions that occurred prior to 1st January 2001 was written off against reserves. The Group has taken advantage of the transitional provision 1(a) in SSAP 30 and goodwill previously written off against reserves has not been restated. However, any impairment arising in such goodwill is accounted for in accordance with SSAP 31 "Impairment of Assets".

(ii) Negative goodwill

Negative goodwill represents the excess of the fair value of the Group's share of the net assets acquired over the cost of acquisition.

For acquisitions after 1st January 2001, negative goodwill is presented in the same balance sheet classification as goodwill. To the extent that negative goodwill relates to expectations of future losses and expenses that are identified in the Group's plan for the acquisition and can be measured reliably, but which do not represent identifiable liabilities at the date of acquisition, that portion of negative goodwill is recognised in the profit and loss account when the future losses and expenses are recognised. Any remaining negative goodwill, not exceeding the fair values of the non-monetary assets acquired, is recognised in the profit and

1 Principal accounting policies *(Cont'd)*

(f) INTANGIBLES *(Cont'd)*

loss account over the remaining weighted average useful life of those assets; negative goodwill in excess of the fair values of those non-monetary assets is recognised in the profit and loss account immediately.

(iii) Research and development costs

Research costs are expensed as incurred. Costs incurred on development projects relating to the design and testing of new or improved products are recognised as an intangible asset where the technical feasibility and intention of completing the product under development has been demonstrated and the resources are available to do so, costs are identifiable and there is an ability to sell or use the asset that will generate probable future economic benefits. Such development costs are recognised as an asset and amortised on a straight-line basis over its estimated useful lives, but not exceeding 20 years, to reflect the pattern in which the related economic benefits are recognised. Development costs that do not meet the above criteria are expensed as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

(iv) Patents

Expenditure on acquired patents are capitalised and amortised using the straight-line method over their useful lives but not exceeding 20 years. Patents are not revalued as there is no active market for these assets.

(g) PROPERTIES, PLANT AND EQUIPMENT

Properties, plant and equipment other than investment properties (note 1(i)) are stated at cost less accumulated depreciation and accumulated impairment losses. Freehold land is not amortised. No depreciation is provided for assets under construction.

Depreciation of other properties, plant and equipment is calculated to write off the cost of assets less accumulated impairment losses on a straight-line basis over their estimated useful lives on the following bases:

Leasehold land and buildings	Over the unexpired term of lease
Buildings situated on freehold land outside Hong Kong and buildings situated on leasehold land in the New Territories, Hong Kong	Over 25 years
Motor vehicles	Over 5 years
Moulds	Over 7 years
Computers	Over 4 years
Plant and machinery, equipment, furniture and fixtures, and tools	Over 10 years

The initial costs of moulds and tools are capitalised as other assets. Subsequent replacements of moulds and tools are charged to the manufacturing account as production overheads.

Gains or losses arising from the retirement or disposal of properties, plant and equipments are determined as the difference between the net disposal proceeds and the carrying amounts of those assets are recognised as income or expense in the profit and loss account.

1 Principal accounting policies *(Cont'd)*

(h) INVESTMENTS IN SECURITIES

(i) Investment securities

Debt securities expected to be held until maturity and equity shares intended to be held for the long term are included under investment securities and are stated at cost less any provision for impairment losses.

(ii) Other investments

Other investments are carried at fair value. At each balance sheet date, the net unrealised gains or losses arising from the changes in fair value of other investments are recognised in the profit and loss account. Profits or losses on disposal of other investments representing the difference between the net sales proceeds and the carrying amounts, are recognised in the profit and loss account as they arise.

(i) INVESTMENT PROPERTIES

Investment properties are interests in land and buildings in respect of which construction work and development have been completed and which are held for their investment potential.

Investment properties held on leases with unexpired periods greater than 20 years are valued at intervals of not more than three years by independent valuers; in each of the intervening years valuations are undertaken by professionally qualified executives of the Group. The valuations are on an open market value basis related to individual properties and separate values are not attributed to land and buildings. The valuations are incorporated in the annual accounts. Increases in valuation are credited to the investment properties revaluation reserve; decreases are first set off against increases on earlier valuations on a portfolio basis and thereafter are debited to operating profit. Any subsequent increase is credited to the profit and loss account up to the amount previously debited.

Investment properties held on leases with unexpired periods of 20 years or less are depreciated over the remaining portion of the leases.

Upon the disposal of an investment property, the relevant portion of the revaluation reserve realised in respect of previous valuations is released from the investment properties revaluation reserve to the profit and loss account.

(j) IMPAIRMENT OF ASSETS

At each balance sheet date, both internal and external sources of information are considered to assess whether there is any indication that the assets, including tangible and intangible assets, are impaired. If any such indication exists, the recoverable amount of the asset is estimated and where relevant, an impairment loss is recognised to reduce the asset to its recoverable amount. Such impairment losses are recognised in the profit and loss account.

(k) STOCKS AND WORK IN PROGRESS

Stocks and work in progress are stated at the lower of cost and net realisable value. Cost, calculated on a weighted average basis, comprises materials, direct labour and an appropriate proportion of all production overhead expenditure. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

1 Principal accounting policies *(Cont'd)*

(l) FOREIGN EXCHANGE

The rates of exchange at which foreign currencies are translated for accounting purposes are as follows:

(i) In respect of foreign currency denominated assets and liabilities and the balance sheets of subsidiaries, jointly controlled entities and associated companies, the rates ruling at the balance sheet date; whilst for profit and loss accounts, average rates during the year; and

(ii) In respect of foreign currency transactions entered into during the year, the market rates ruling at the relevant transaction dates.

Exchange differences arising on the translation of foreign currencies into US Dollars are reflected in the profit and loss account except that unrealised differences on net investments in foreign subsidiaries (including intra-Group balances of an equity nature) are taken directly to reserves.

(m) DEFERRED TAXATION

Deferred taxation is accounted for at the current tax rate in respect of timing differences between profit as computed for taxation purposes and profit as stated in the accounts to the extent that a liability or an asset is expected to be payable or recoverable in the foreseeable future.

(n) INVESTMENTS IN FINANCE LEASES

Leases that transfer substantially all the risks and rewards incident to ownership of the relevant assets, other than legal title, to the lessees are accounted for as investments in finance leases. Finance lease debtors are included in the balance sheet net of gross earnings allocated to future periods.

Gross earnings under finance leases are allocated to accounting periods to give a constant periodic rate of return on the net investment in the leases in each period.

(o) ASSETS UNDER LEASES

(i) Finance leases

Leases that substantially transfer to the Group all the rewards and risks of ownership of assets, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the fair value of the asset is recorded together with the obligation, excluding the interest element, to pay future rentals.

Each lease payment is allocated between the capital and finance charges so as to achieve a constant rate on the capital balances outstanding. The corresponding rental obligations, net of finance charges, are included in long-term liabilities. Finance charges are charged to the profit and loss account over the lease periods.

Assets held under finance leases are depreciated over the shorter of their estimated useful lives or lease periods.

(ii) Operating leases

Leases where substantially all the risks and rewards of ownership of assets remain with the leasing company are accounted for as operating leases. Payments made under operating leases net of any incentives from the leasing company are charged to the profit and loss account on a straight-line basis over the lease term.

1 Principal accounting policies *(Cont'd)*

(p) EMPLOYEE BENEFITS

(i) Defined contribution schemes

Contributions are expensed as incurred. Except for the Hong Kong Mandatory Provident Fund, contributions are reduced by amounts forfeited by those employees who leave the scheme prior to vesting fully in the contributions. The assets of the schemes are held separately from those of the Group in an independently administered fund.

(ii) Other pension costs

Other pension costs represent employment service payments payable to certain employees outside Hong Kong upon termination of their services. The amount is provided in accordance with the existing legal requirements, national labour contract, individual company agreements and is determined with reference to a formula that takes into account years of service, compensation and inflation.

(iii) Profit sharing and bonus plan

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

(q) WARRANTY PROVISION

The Group recognises a provision for product repairs and replacement still under warranty at the balance sheet date, which is not covered by product liability insurance policies. The provision is calculated based on past history of the level of repair and replacements. The provision is reviewed annually and any excess or shortfall is recognised in the profit and loss account.

2 Turnover, revenues and segment information

The Group is principally engaged in the manufacture of micromotors. Revenues recognised during the year are as follows:

	2003	2002
	US$'000	US$'000
Turnover		
Sales of goods - motors	**955,339**	773,660
Other revenues		
Scrap sales	**6,483**	4,292
Interest income	**2,360**	2,982
Gross earnings from investments in finance leases	**414**	591
Gross rental income from investment properties	**1,437**	1,429
Royalty income	**312**	76
	11,006	9,370
Total revenues	**966,345**	783,030

2 Turnover, revenues and segment information *(Cont'd)*

The Group's business operates in three geographical areas:

	Asia 2003 US$'000	**America 2003 US$'000**	**Europe 2003 US$'000**	**Group 2003 US$'000**
Turnover	579,695	132,534	243,110	**955,339**
Operating profit	143,551	4,804	27,450	**175,805**
Finance costs				**(883)**
Share of profits less losses of jointly controlled entities and associated companies	636	-	(1,356)	**(720)**
Profit before taxation				**174,202**
Taxation				**(24,184)**
Profit after taxation				**150,018**
Minority interests				**(2)**
Profit attributable to shareholders				**150,016**
Segment assets	581,795	98,365	181,694	**861,854**
Investments in jointly controlled entities	18,882	-	-	**18,882**
Investments in associated companies	-	-	40	**40**
Total assets				**880,776**
Segment liabilities	99,871	12,343	99,914	**212,128**
Total liabilities				**212,128**
Capital expenditure	41,633	3,280	19,212	**64,125**
Depreciation	24,788	3,687	8,784	**37,259**
Amortisation charge	2,511	440	274	**3,225**

2 Turnover, revenues and segment information *(Cont'd)*

	Asia 2002 US$'000	**America 2002 US$'000**	**Europe 2002 US$'000**	**Group 2002 US$'000**
Turnover	428,786	140,987	203,887	**773,660**
Operating profit	93,307	7,082	32,630	**133,019**
Finance costs				**(365)**
Share of profits less losses of jointly controlled entities and associated companies	(1,152)	(679)	(4,887)	**(6,718)**
Profit before taxation				**125,936**
Taxation				**(15,102)**
Profit after taxation				**110,834**
Minority interests				**(2)**
Profit attributable to shareholders				**110,832**
Segment assets	461,575	133,623	131,819	**727,017**
Investments in jointly controlled entities	18,439	-	-	**18,439**
Investments in associated companies	-	-	3,709	**3,709**
Total assets				**749,165**
Segment liabilities	91,132	30,798	71,067	**192,997**
Total liabilities				**192,997**
Capital expenditure	40,441	12,281	5,920	**58,642**
Depreciation	23,870	4,024	5,640	**33,534**
Amortisation charge	-	570	71	**641**

3 Selling and administrative expenses

	2003 US$'000	2002 US$'000
Selling expenses	**46,989**	29,102
Administrative expenses	**98,910**	90,784
	145,899	119,886

4 Operating profit

Operating profit is stated after crediting and charging the following:

	2003 **US$'000**	2002 US$'000
Crediting		
Amortisation of negative goodwill (note 12)	**429**	-
Interest income		
- listed investments	**301**	-
- unlisted investments	**401**	260
- deposits	**1,658**	2,722
Net exchange gain	**771**	-
Charging		
Depreciation on owned properties, plant and equipment	**37,259**	35,089
Depreciation on leased properties, plant and equipment	**-**	13
Less: amounts capitalised on machinery under construction	**(1,114)**	(1,568)
	36,145	33,534
Staff costs (including directors' remuneration)	**145,454**	125,395
Less: amounts capitalised on machinery under construction	**(2,290)**	(4,217)
	143,164	121,178
Retirement benefit costs		
- defined contribution schemes (note 10)	**4,019**	765
- other pension costs, net (note 24)	**3,795**	2,037
Auditors' remuneration	**427**	427
Amortisation of goodwill (note 12)	**1,768**	641
Amortisation of development costs and patents (note 12)	**1,886**	-
Loss on disposal of properties, plant and equipment	**2,721**	3,255
Net realised and unrealised loss on other investments and investment securities	**1,513**	1,364
Net exchange loss	**-**	2,349

5 Finance costs

	2003 **US$'000**	2002 US$'000
Interest on bank loans and overdrafts	**756**	213
Interest on other loans, not wholly repayable within five years	**59**	51
Other incidental borrowing costs	**68**	101
	883	365

6 Taxation

Hong Kong profits tax has been provided at the rate of 16% (2002: 16%) on the estimated assessable profit for the year. Overseas tax has been provided at the applicable rate on the estimated assessable profit for the year.

	2003	2002
	US$'000	US$'000
Current taxation		
Hong Kong profits tax	**(6,020)**	(6,275)
Overseas taxation	**(2,740)**	(12,897)
	(8,760)	(19,172)
Deferred taxation (note 25)	**(15,232)**	4,201
	(23,992)	(14,971)
Share of taxation attributable to jointly controlled entities	**(192)**	(131)
	(24,184)	(15,102)

No provision for taxation has been made by the associated companies as they do not have any assessable profit for the year (2002: Nil).

There was no material unprovided deferred taxation for the year (2002: Nil).

7 Profit attributable to shareholders

Profit attributable to shareholders is dealt with in the accounts of the Company to the extent of US$105,527,000 (2002: US$32,293,000).

8 Dividends

	2003	2002
	US$'000	US$'000
Interim, paid, of 0.51 US cents per share (2002: 0.38 US cents)	**18,840**	14,130
Final, proposed, of 1.15 US cents per share (2002: 0.94 US cents)	**42,390**	34,383
	61,230	48,513

At a meeting held on 5th June 2003 the directors declared a final dividend of 1.15 US cents per share. This proposed dividend is not reflected as a dividend payable in these accounts, but will be reflected as an appropriation of retained earnings for the year ending 31st March 2004.

9 Earnings per share

The calculation of basic and fully diluted earnings per share is based on the Group's profit attributable to shareholders of US$150,016,000 (2002: US$110,832,000).

The basic earnings per share is based on 3,673,788,920 (2002: 3,673,788,920) shares in issue during the year.

The fully diluted earnings per share is based on 3,674,598,821 ordinary shares which is the weighted average number of ordinary shares in issue during the year plus weighted average of 809,901 (2002: Nil) ordinary shares deemed to be issued at no consideration if all outstanding options had been exercised.

10 Defined contribution schemes

The Group operates two defined contribution schemes in Hong Kong which comply with all the respective requirements under the Occupational Retirement Schemes Ordinance ("ORSO") and the Mandatory Provident Fund ("MPF") Ordinance. All the assets under the schemes are held separately from the Group under independently administered funds. Contributions to the MPF Scheme follow the MPF Ordinance while contributions to the ORSO Scheme are based on 5% of the basic salary of the employees.

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

Contributions are charged to profit and loss account as incurred and may be reduced by contributions forfeited from those employees who leave the ORSO scheme prior to vesting fully in the contributions. At 31st March 2003, the balance of the forfeited contributions was US$603,000 (2002: US$340,000). The Group did not utilise any of the forfeited contribution (2002: US$1,000,000) during the year to offset the required contributions to the retirement scheme.

11 Directors' emoluments and senior management compensation

(a) DIRECTORS' EMOLUMENTS

	2003	2002
	US$'000	US$'000
Fees	**310**	123
Salaries and allowances	**2,682**	1,762
Retirement scheme contributions	**8**	8
Bonuses	**14**	14
	3,014	1,907

The emoluments were paid to the directors as follows:

Emoluments band	**Number of directors**	
	2003	2002
US$0 – US$128,000 (HK$0 – HK$1,000,000)	**7**	7
US$128,001 – US$256,410 (HK$1,000,001 – HK$2,000,000)	**1**	-
US$450,001 – US$514,000 (HK$3,500,001 – HK$4,000,000)	**-**	1
US$578,001 – US$642,000 (HK$4,500,001 – HK$5,000,000)	**-**	1
US$642,001 – US$706,000 (HK$5,000,001 – HK$5,500,000)	**1**	1
US$898,001 – US$962,000 (HK$7,000,001 – HK$7,500,000)	**1**	-
US$1,090,001 – US$1,154,000 (HK$8,500,001 – HK$9,000,000)	**1**	-

Emoluments paid to independent non-executive directors amounted to US$268,000 during the year (2002: US$80,000).

During the year, no option (2002: Nil) was granted to the directors under the share option scheme approved by the shareholders on 29th July 2002.

11 Directors' emoluments and senior management compensation *(Cont'd)*

(b) SENIOR MANAGEMENT COMPENSATION

The emoluments of the five highest paid individuals, including three directors (2002: three), were analysed as follows:

	2003	2002
	US$'000	US$'000
Salaries, allowances and other benefits	**3,600**	2,679
Retirement scheme contributions	**48**	48
Bonuses	**78**	111
	3,726	2,838

Emoluments band	**Number of individuals**	
	2003	2002
US$385,001 – US$450,000 (HK$3,000,001 – HK$3,500,000)	**1**	1
US$450,001 – US$514,000 (HK$3,500,001 – HK$4,000,000)	**-**	1
US$578,001 – US$642,000 (HK$4,500,001 – HK$5,000,000)	**1**	1
US$642,001 – US$706,000 (HK$5,000,001 – HK$5,500,000)	**1**	2
US$898,001 – US$962,000 (HK$7,000,001 – HK$7,500,000)	**1**	-
US$1,090,001 – US$1,154,000 (HK$8,500,001 – HK$9,000,000)	**1**	-

12 Intangibles

	Negative goodwill		**Goodwill**		**Patents**		**Development costs**		**Total**	
Group	**2003**	2002	**2003**	2002	**2003**	2002	**2003**	2002	**2003**	2002
	US$'000	US$'000	**US$'000**	US$'000	**US$'000**	US$'000	**US$'000**	US$'000	**US$'000**	US$'000
At beginning of year	**-**	-	**19,261**	-	**-**	-	**3,322**	-	**22,583**	-
Exchange adjustments	**-**	-	**560**	-	**(5)**	-	**-**	-	**555**	-
Acquisition (note 30)	**(2,145)**	-	**54**	19,902	**3,991**	-	**-**	-	**1,900**	19,902
Development costs recognised as an asset	**-**	-	**-**	-	**-**	-	**608**	3,322	**608**	3,322
Amortisation (note 4)	**429**	-	**(1,768)**	(641)	**(686)**	-	**(1,200)**	-	**(3,225)**	(641)
At end of year	**(1,716)**	-	**18,107**	19,261	**3,300**	-	**2,730**	3,322	**22,421**	22,583
Cost	**(2,145)**	-	**20,516**	19,902	**3,986**	-	**3,930**	3,322	**26,287**	23,224
Accumulated amortisation	**429**	-	**(2,409)**	(641)	**(686)**	-	**(1,200)**	-	**(3,866)**	(641)
At end of year	**(1,716)**	-	**18,107**	19,261	**3,300**	-	**2,730**	3,322	**22,421**	22,583

13 Properties, plant and equipment

Group

	Investment properties US$'000	Other properties US$'000	Buildings under construction US$'000	Plant and machinery US$'000	Machinery under construction US$'000	Other assets* US$'000	Total US$'000
Cost or valuation							
At 1st April 2002	12,286	88,092	98	364,717	16,896	102,577	584,666
Exchange adjustments	-	1,797	-	16,582	22	1,838	20,239
Acquisition through business combinations	-	82	-	6,157	11	9,942	16,192
Additions	-	9,197	-	21,959	13,197	8,975	53,328
Transfers	-	106	(70)	5,279	(19,495)	14,180	-
Disposals	(4,129)	(10,088)	-	(12,931)	(471)	(19,180)	(46,799)
Revaluation deficit (note 27)	(487)	-	-	-	-	-	(487)
At 31st March 2003	7,670	89,186	28	401,763	10,160	118,332	627,139
Accumulated depreciation							
At 1st April 2002	-	23,669	-	257,203	-	68,763	349,635
Exchange adjustments	-	637	-	13,957	-	1,052	15,646
Acquisition through business combinations	-	12	-	1,246	-	4,137	5,395
Charge for the year	-	2,853	-	23,397	-	11,009	37,259
Transfers	-	(25)	-	(1,933)	-	1,958	-
Written back on disposals	-	(2,962)	-	(7,747)	-	(18,588)	(29,297)
At 31st March 2003	-	24,184	-	286,123	-	68,331	378,638
Net book value							
At 31st March 2003	**7,670**	**65,002**	**28**	**115,640**	**10,160**	**50,001**	**248,501**
At 31st March 2002	12,286	64,423	98	107,514	16,896	33,814	235,031

The analysis of cost or valuation of the above assets is as follows:

	Investment properties US$'000	Other properties US$'000	Buildings under construction US$'000	Plant and machinery US$'000	Machinery under construction US$'000	Other assets* US$'000	Total US$'000
At cost	-	89,186	28	401,763	10,160	118,332	619,469
At professional valuation - 2003	7,670	-	-	-	-	-	7,670
At 31st March 2003	**7,670**	**89,186**	**28**	**401,763**	**10,160**	**118,332**	**627,139**

** Other assets comprise equipment, furniture and fixtures, motor vehicles, moulds and tools.*

13 Properties, plant and equipment *(Cont'd)*

Investment properties and other properties are analysed as follows:

Group	**2003**		2002	
	Investment properties US$'000	**Other properties US$'000**	Investment properties US$'000	Other properties US$'000
In Hong Kong:				
On long-term lease (over 50 years)	**5,590**	**-**	5,872	-
On medium-term lease (between 10 to 50 years)	**2,080**	**25,840**	6,414	25,789
Outside Hong Kong:				
Freehold	**-**	**26,861**	-	26,801
On medium-term lease (between 10 to 50 years)	**-**	**12,302**	-	11,833
	7,670	**65,003**	12,286	64,423

The investment properties were revalued on an open market value basis as at 31st March 2003 by an independent valuer, DTZ Debenham Tie Leung Limited, Registered Professional Surveyors.

14 Subsidiaries

Company	**2003 US$'000**	2002 US$'000
Unlisted shares, at cost	**472,397**	472,558
Amounts due from subsidiaries	**250,470**	159,418
	722,867	631,976
Amounts due to subsidiaries	**(141,547)**	(104,787)
	581,320	527,189

Details of principal subsidiaries are shown in note 33.

15 Jointly controlled entities

Group	**2003**	2002
	US$'000	US$'000
Share of net assets	**11,382**	10,939
Loan	**7,500**	7,500
	18,882	18,439

Company	**2003**	2002
	US$'000	US$'000
Unlisted shares, at cost	**5,712**	5,712
Loan	**7,500**	7,500
	13,212	13,212

The Group's share of profits less losses of these jointly controlled entities during the year amounts to US$ 636,000 (2002: share of losses US$1,831,000).

The loan to a jointly controlled entity bears interest at 0.5% above 3-month LIBOR, and has no fixed terms of repayment.

Details of principal jointly controlled entities are shown in note 33.

16 Associated companies

Group	**2003**	2002
	US$'000	US$'000
Share of net assets	**40**	3,709

The Group's share of losses of these associated companies during the year amounts to US$ 1,356,000 (2002: US$4,887,000).

Details of principal associated companies are shown in note 33.

17 Investment securities

Group and company	**2003**	2002
	US$'000	US$'000
Unlisted equity securities	**7,336**	9,480

18 Investments in finance leases

Group	**2003** **US$'000**	2002 US$'000
Gross rental receivable	**9,950**	16,806
Less: gross earnings allocated to future period	**(955)**	(2,258)
	8,995	14,548
Less: amounts due within one year included in trade and other receivables	**(457)**	(704)
	8,538	13,844

The finance leases are receivable in the following years:

	Net investment		**Gross earnings**		**Gross rental**	
	2003	2002	**2003**	2002	**2003**	2002
	US$'000	US$'000	**US$'000**	US$'000	**US$'000**	US$'000
Within one year	**458**	704	**438**	710	**896**	1,414
In the second to fifth year	**8,109**	10,071	**497**	1,480	**8,606**	11,551
After the fifth year	**428**	3,773	**20**	68	**448**	3,841
	8,995	14,548	**955**	2,258	**9,950**	16,806

The Group has entered into agreements with its employees whereby certain leasehold property assets of the Group which are located in Hong Kong are leased to these employees. Under the terms of these agreements, substantially all the risks and rewards of ownership of the assets are transferred to the employees. Consequently, these transactions are accounted for as finance leases. The aggregate cost of assets acquired for the purpose of letting under finance leases as at 31st March 2003 is US$12,035,000 (2002: US$18,503,000).

19 Stocks and work in progress

Group	**2003** **US$'000**	2002 US$'000
Raw materials	**61,970**	30,237
Work in progress	**9,355**	16,933
Finished goods	**59,216**	41,311
	130,541	88,481

At 31st March 2003, an amount of US$6,176,000 was reclassified from work in progress to raw materials.

At 31st March 2003, the carrying amount of stocks and work in progress that are pledged as security for long term bank loans amounted to US$38,923,000 (2002: US$20,509,000).

At 31st March 2003, the carrying amounts of all stocks and work in progress were stated at cost.

20 Trade and other receivables

(a) The Group allows an average credit period of 30 to 90 days to its trade customers.

The trade and other receivables included trade receivables balance of US$178,170,000 (2002: US$156,951,000). The ageing analysis of trade receivables was as follows:

Group	**2003 US$'000**	2002 US$'000
0-60 days	**130,019**	114,514
61-90 days	**24,009**	31,249
Over 90 days	**24,142**	11,188
Total	**178,170**	156,951

(b) Included in trade and other receivables was an advance to the company secretary and the details are as follows:

	31st March 2003 US$'000	31st March 2002 US$'000	Maximum outstanding during year US$'000
Yip Chee Lan	**63**	80	80

The advance bears interest at 5% per annum and is repayable in fixed monthly instalments of US$1,747 (HK$13,600) commencing October 1991.

(c) At 31st March 2003, trade receivables of US$25,960,000 (2002: US$19,596,000) are pledged as security for long term bank loans.

21 Other investments

Group	**2003 US$'000**	2002 US$'000
Unlisted investments	**57,312**	15,855
Listed investments, outside Hong Kong	**20,000**	10,000
Total	**77,312**	25,855

Listed investments are stated at market value.
Other investments mainly comprise bonds and floating rate notes.

22 Trade and other payables

The trade and other payables included trade payables balance of US$124,717,000 (2002: US$109,682,000). The ageing analysis of trade payables was as follows:

Group	**2003**	2002
	US$'000	US$'000
0-60 days	**94,219**	76,172
61-90 days	**13,821**	16,871
Over 90 days	**16,677**	16,639
Total	**124,717**	109,682

23 Long term loans

Group	**2003**	2002
	US$'000	US$'000
Loans		
Secured	**6,477**	6,415
Unsecured	**1,004**	816
	7,481	7,231
Current portion of long term loans	**(345)**	(215)
	7,136	7,016

The analysis of the above is as follows:

Wholly repayable within five years		
Bank loans	**5,000**	5,000
	5,000	5,000
Not wholly repayable within five years		
Other loans	**2,481**	2,231
	7,481	7,231
Current portion of long term loans	**(345)**	(215)
	7,136	7,016

23 Long term loans *(Cont'd)*

At 31st March 2003, the Group's loans were repayable as follows:

	Bank loans		Other loans	
	2003	2002	**2003**	2002
	US$'000	US$'000	**US$'000**	US$'000
Within one year	**-**	-	**345**	215
In the second year	**5,000**	5,000	**336**	223
In the third to fifth year	**-**	-	**1,325**	1,033
After the fifth year	**-**	-	**475**	760
	5,000	5,000	**2,481**	2,231

Other loans not wholly repayable within five years are repayable by instalments starting from July 2000 to January 2011. Interest is charged on the outstanding balances at 1.5% to 3.7% per annum (2002: 1.5% to 3.75% per annum).

24 Other provisions

Group	**Other pension costs US$'000**	**Warranty provision US$'000**	**Sundries US$'000**	**Total US$'000**
At 1st April 2001	10,418	1,281	622	12,321
Exchange adjustments	(106)	(50)	(1)	(157)
Provisions	2,037	-	-	2,037
Utilised	(2,622)	(151)	(621)	(3,394)
At 1st April 2002	9,727	1,080	-	10,807
Exchange adjustments	1,975	-	9	1,984
Reclassification	(396)	-	396	-
Acquisition through business combinations	1,044	3,660	-	4,704
Provisions	3,795	1,141	601	5,537
Utilised	(3,780)	(933)	(18)	(4,731)
At 31st March 2003	**12,365**	**4,948**	**988**	**18,301**

Analysis of total provisions	**2003**	2002
	US$'000	US$'000
Non-current	**13,353**	10,807
Current	**4,948**	-
	18,301	10,807

25 Deferred taxation

Group	**2003**	2002
	US$'000	US$'000
At beginning of year	**(24,456)**	(19,828)
Exchange adjustments	**(1,051)**	173
Acquisition through business combinations	**(6,557)**	(600)
Transfer to profit and loss account (note 6)	**15,232**	(4,201)
At end of year	**(16,832)**	(24,456)
Provided in accounts		
Accelerated depreciation allowances	**10,568**	16,777
Other timing differences	**(27,400)**	(41,233)
	(16,832)	(24,456)
Represented by		
Deferred tax assets	**(32,031)**	(34,960)
Deferred tax liabilities	**15,199**	10,504
	(16,832)	(24,456)

There are no significant potential deferred tax liabilities for which provision has not been made. Deferred tax has not been provided on the revaluation surplus for investment properties in Hong Kong as this does not constitute a timing difference for deferred taxation purposes.

26 Share capital

	2003	2002
	US$'000	US$'000
Authorised:		
7,040,000,000 ordinary shares of HK$0.0125 each	**11,355**	11,355
Issued and fully paid:		
3,673,788,920 ordinary shares of HK$0.0125 each	**5,925**	5,925

At an Extraordinary General Meeting of the Group held on 29th July 2002, a new share option scheme was approved and adopted. Share options granted under the new scheme to employee as at 31st March 2003 are as follows:

Exercised period	Subscription price per share	Number of options granted
1st August 2004 to 16th September 2012	7.90	100,000
1st August 2004 to 16th September 2012	8.02	750,000
1st August 2005 to 16th September 2012	7.90	100,000
1st August 2005 to 16th September 2012	8.02	750,000
		1,700,000

No share option was exercised and lapsed during the year.

27 Reserves

Group	Share premium US$'000	Investment property revaluation reserve US$'000	Capital reserve US$'000	(Goodwill)/ Reserve on consolidation US$'000	Exchange reserve US$'000	Contributed surplus US$'000	Retained earnings US$'000	Total US$'000
At 31st March 2001	77,855	10,973	38,917	(233,885)	(25,247)	15,499	611,511	495,623
Exchange adjustments	-	-	-	-	(5,910)	-	-	(5,910)
Revaluation deficit	-	(806)	-	-	-	-	-	(806)
Revaluation surplus realised upon disposal	-	(983)	-	-	-	-	-	(983)
Profit for the year	-	-	-	-	-	-	110,832	110,832
00/01 Final dividend paid	-	-	-	-	-	-	(34,383)	(34,383)
01/02 Interim dividend paid	-	-	-	-	-	-	(14,130)	(14,130)
At 31st March 2002	77,855	9,184	38,917	(233,885)	(31,157)	15,499	673,830	550,243
Final dividend proposed	-	-	-	-	-	-	34,383	34,383
Other	77,855	9,184	38,917	(233,885)	(31,157)	15,499	639,447	515,860
At 31st March 2002	77,855	9,184	38,917	(233,885)	(31,157)	15,499	673,830	550,243
Company and subsidiaries	77,855	9,184	38,917	(233,885)	(31,157)	15,499	682,785	559,198
Jointly controlled entities	-	-	-	-	-	-	(2,186)	(2,186)
Associated companies	-	-	-	-	-	-	(6,769)	(6,769)
At 31st March 2002	77,855	9,184	38,917	(233,885)	(31,157)	15,499	673,830	550,243

27 Reserves *(Cont'd)*

Group	Share premium US$'000	Investment property revaluation reserve US$'000	Capital reserve US$'000	(Goodwill)/ Reserve on consolidation US$'000	Exchange reserve US$'000	Contributed surplus US$'000	Retained earnings US$'000	Total US$'000
At 31st March 2002	77,855	9,184	38,917	(233,885)	(31,157)	15,499	673,830	550,243
Exchange adjustments	-	-	-	-	18,162	-	-	18,162
Revaluation deficit	-	(487)	-	-	-	-	-	(487)
Revaluation surplus realised upon disposal	-	(1,988)	-	-	-	-	-	(1,988)
Profit for the year	-	-	-	-	-	-	150,016	150,016
01/02 Final dividend paid	-	-	-	-	-	-	(34,383)	(34,383)
02/03 Interim dividend paid	-	-	-	-	-	-	(18,840)	(18,840)
At 31st March 2003	**77,855**	**6,709**	**38,917**	**(233,885)**	**(12,995)**	**15,499**	**770,623**	**662,723**
Final dividend proposed	-	-	-	-	-	-	42,390	42,390
Other	77,855	6,709	38,917	(233,885)	(12,995)	15,499	728,233	620,333
At 31st March 2003	**77,855**	**6,709**	**38,917**	**(233,885)**	**(12,995)**	**15,499**	**770,623**	**662,723**
Company and subsidiaries	77,855	6,709	38,917	(233,885)	(12,995)	15,499	772,365	664,465
Jointly controlled entities	-	-	-	-	-	-	(1,742)	(1,742)
Associated companies	-	-	-	-	-	-	-	-
At 31st March 2003	**77,855**	**6,709**	**38,917**	**(233,885)**	**(12,995)**	**15,499**	**770,623**	**662,723**

27 Reserves *(Cont'd)*

Company	**Share premium US$'000**	**Contributed surplus US$'000**	**Retained earnings US$'000**	**Total US$'000**
At 31st March 2001	77,855	95,273	390,080	563,208
Profit for the year	-	-	32,293	32,293
Dividends	-	-	(48,513)	(48,513)
At 31st March 2002	77,855	95,273	373,860	546,988
Profit for the year	-	-	105,527	105,527
Dividends	-	-	(53,223)	(53,223)
At 31st March 2003	**77,855**	**95,273**	**426,164**	**599,292**
Final dividend proposed	-	-	42,390	42,390
Other	77,855	95,273	383,774	556,902
At 31st March 2003	**77,855**	**95,273**	**426,164**	**599,292**
Final dividend proposed	-	-	34,383	34,383
Other	77,855	95,273	339,477	512,605
At 31st March 2002	77,855	95,273	373,860	546,988

Distributable reserves of the company at 31st March 2003 amounted to US$521,437,000 (2002: US$469,133,000).

28 Contingent liabilities

(a)

	Group		Company	
	2003	2002	**2003**	2002
	US$'000	US$'000	**US$'000**	US$'000
Bills discounted	**1,554**	1,972	**-**	-
Guarantee for credit facilities granted to				
- subsidiaries	**-**	-	**23,103**	19,256
- an associated company	**-**	4,844	**-**	-
	1,554	6,816	**23,103**	19,256

(b) The company has given guarantees for a subsidiary in respect of future payment of operating lease rentals amounting US$2,291,000 (2002: US$2,655,000).

(c) In August 2001, a claim for damages was made against a subsidiary and more than ten other third party defendants for personal injury and property damage in a lawsuit pertaining to environmental contamination involving the Group's automotive parts manufacturing facility in Columbus, Mississippi, USA. This facility was part of the acquisition of the former Electric Motor Systems business ("EMS"), a sub-division of UT Automotive, Inc. purchased by Lear Corporation from United Technologies Corporation in May 1999. The Group purchased EMS from Lear in June 1999 and closed down the said facility in November 2001. No amount of damages was specified in the complaint.

On or about 30th December, 2002, counsel representing the plaintiffs in the above-described lawsuit filed additional complaints in the Lowndes Country Circuit Court in Mississippi, U.S.A., on behalf of approximately 1,000 plaintiffs against the same subsidiary of the Group and the same co-defendants named in the above-described case. The new complaints raise allegations similar to the above-described complaint. These complaints, however, have not yet been served on the Group.

The Group is vigorously defending these actions and has asserted claims for indemnity against prior owners. Because this litigation is in its formative stages, however, the Group is unable at this time to predict with certainty the ultimate outcome of this litigation.

29 Commitments

(a) CAPITAL COMMITMENTS

Group	**2003**	2002
	US$'000	US$'000
Capital commitments for properties, plant and equipment		
Authorised but not contracted for	**3,847**	5,617
Contracted but not provided for	**8,248**	7,945
	12,095	13,562

The Group's share of capital commitments of the jointly controlled entities themselves not included in the above are as follows:

Authorised but not contracted for	**-**	444
Contracted but not provided for	**64**	1,104
	64	1,548

(b) OPERATING LEASE COMMITMENTS

(i) At 31st March 2003, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	2003		2002	
	Land and buildings US$'000	**Others US$'000**	Land and buildings US$'000	Others US$'000
Not later than one year	**2,176**	**8**	1,281	32
Later than one year and not later than five years	**5,223**	**18**	3,540	16
Later than five years	**2,222**	**-**	2,481	-
	9,621	**26**	7,302	48

29 Commitments *(Cont'd)*

(ii) At 31st March 2003, the Group had future aggregate minimum lease rental receivable under non-cancellable operating leases on land and buildings as follows:

	2003 US$'000	2002 US$'000
Not later than one year	**914**	729
Later than one year and not later than five years	**841**	565
Later than five years	**-**	1
	1,755	1,295

30 Consolidated cash flow statement

(a) RECONCILIATION OF PROFIT BEFORE TAXATION TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2003 US$'000	2002 US$'000
Profit before taxation	**174,202**	125,936
Share of profits less losses of jointly controlled entities / associated companies	**720**	6,718
Depreciation charges	**36,145**	33,534
Amortisation of intangible assets	**3,225**	641
Loss on sale of properties, plant and equipment	**2,721**	3,255
Net interest income	**(1,477)**	(2,617)
Gross earnings from investments in finance leases	**(414)**	(591)
Net realised and unrealised loss on other investments and investment securities	**1,513**	1,364
Exchange translation differences	**11,673**	(889)
(Increase) / decrease in stocks and work in progress	**(34,596)**	3,600
Decrease / (increase) in trade and other receivables	**2,209**	(4,905)
Decrease in trade and other payables	**(14,391)**	(1,075)
Cash generated from operations	**181,530**	164,971
Interest paid	**(883)**	(365)
Tax paid	**(14,733)**	(18,034)
Net cash inflow from operating activities	**165,914**	146,572

30 Consolidated cash flow statement *(Cont'd)*

(b) ACQUISITION THROUGH BUSINESS COMBINATIONS

	2003 **US$'000**	2002 US$'000
Net assets acquired		
Intangible assets	**4,045**	-
Properties, plant and equipment	**10,797**	14,536
Deferred tax assets	**6,557**	600
Stocks and work in progress	**7,463**	7,114
Trade and other receivables	**21,684**	7,152
(Bank loans and overdraft) / bank balances and cash	**(13,349)**	174
Trade and other payables	**(31,079)**	(13,590)
	6,118	15,986
Interest in jointly controlled entities previously accounted for	**(3,111)**	(3,108)
	3,007	12,878
(Negative goodwill) / goodwill	**(2,145)**	19,902
	862	32,780
Satisfied by		
Cash	**862**	30,680
Debt assignment	**-**	2,100
	862	32,780

(c) ANALYSIS OF THE NET OUTFLOW IN RESPECT OF THE ACQUISITION THROUGH BUSINESS COMBINATIONS

	2003 **US$'000**	2002 US$'000
Cash consideration	**862**	30,680
Bank loans and overdraft / (bank balances and cash) acquired	**13,349**	(174)
Net cash outflow in respect of the acquisition through business combinations	**14,211**	30,506

31 Significant subsequent events

Johnson Electric Holdings Limited has entered into an agreement to acquire a 49 percent stake in Nihon Mini Motor from Mitsubishi Materials Corporation for approximately US$12.3 million on 24th April, 2003.

32 Approval of accounts

The accounts were approved by the directors on 5th June 2003.

33 Principal subsidiaries, jointly controlled entities and associated companies

The following list contains particulars of subsidiaries, jointly controlled entities and associated companies of the Group which in the opinion of the directors, materially affect the results and assets of the Group:

Name	Principal activities	Place of incorporation and operation	Issued and paid up capital	Effective shareholding by company	Effective shareholding by subsidiary
SUBSIDIARIES					
Bloor Company Ltd.	Property holding	British Virgin Islands	50,000 shares of US$ 1 each	-	100%
Brushless Technology Motor S.r.l.	Manufacturing	Italy	EUR 20,000,000	-	100%
Crown Trend Ltd.	Property holding	British Virgin Islands	1 share of US$ 1 each	-	100%
Delta Success Electric Company Limited	Manufacturing	Malaysia	1 share of US$ 1 each	-	100%
Deyang Lianzhou Electric Ltd.	Manufacturing	China	US$ 80,000	-	100%
Easy Fortune (H.K.) Ltd.	Property holding	British Virgin Islands	50,000 shares of US$ 1 each	-	100%
Gate do Brasil Ltda	Manufacturing	Brazil	BRL 383,166.66	-	100%
Gate Deutschland GmbH	Manufacturing	Germany	DM 100,000	-	100%
Gate Espana Automocion, S.A.	Manufacturing	Spain	PTS 25,000,000	-	100%
Gate France S.A.	Manufacturing	France	FFR 2,500,000	-	99.98%
Gate S.p.A.	Manufacturing	Italy	5,000,000 shares of ITL 1,000 each	-	100%
Gate U.K. Ltd.	Manufacturing	United Kingdom	GBP 50,000	-	100%
Gatebrook International Capital Management Hungary Limited Liability Company	Financing activities	Hungary	US$ 91,000	-	100%
Gatebrook Ltd.	Investment holding	Cyprus	CYP 10,000	-	100%
Gether Success Ltd.	Investment holding	British Virgin Islands	30,000 shares of US$ 1 each	100%	-
Guiyang Deguang Electric Co Ltd.	Manufacturing	China	US$ 200,000	-	100%
Harbour Sky (BVI) Ltd.	Property holding	British Virgin Islands	50,000 shares of US$ 1 each	-	100%
Hwa Sun Electric Company Ltd.	Subcontractor	Hong Kong	10,000 shares of HK$ 1 each	-	100%
JE Automotive Holdings, Inc.	Investment holding	United States of America	100 shares of US$ 0.01 each	-	100%
JEA Gate Holdings S.r.l.	Investment holding	Italy	ITL 63,400,000	-	100%
JEA Limited	Investment holding	British Virgin Islands	1 share of US$ 1 each	100%	-
Johnson Electric Automotive de Mexico S.A. de C.V.	Manufacturing	Mexico	39,246,590 shares of 1 Peso each	-	100%

33 Principal subsidiaries, jointly controlled entities and associated companies *(Cont'd)*

Name	Principal activities	Place of incorporation and operation	Issued and paid up capital	Effective shareholding by company	Effective shareholding by subsidiary
SUBSIDIARIES					
Johnson Electric Automotive, Inc.	Manufacturing and investment holding	United States of America	100 shares of US$ 0.01 each	-	100%
Johnson Electric Capital Ltd.	Investment holding	British Virgin Islands	1 share of US$1 each	100%	-
Johnson Electric Engineering GmbH	Research and development and technical support	Germany	500 shares of DM100 each	100%	-
Johnson Electric Engineering Ltd.	Technical support	Hong Kong	100,000 shares of HK$1 each	100%	-
Johnson Electric (France) SAS	Trading	France	1,910 shares of EUR20 each	-	100%
Johnson Electric Industrial Manufactory, Ltd.	Manufacturing	Hong Kong	308,000,000 shares of HK$ 0.5 each	100%	-
Johnson Electric Industrial (Thailand) Ltd.	Manufacturing	Thailand	5,700,050 shares of BHT100 each	100%	-
Johnson Electric Intellectual Property Ltd.	Licensing	Bermuda	1,000,000 shares of HK$ 0.1 each	100%	-
Johnson Electric (Italy) S.r.l.	Sales & marketing	Italy	EUR 10,000	-	100%
Johnson Electric (Nanjing) Co., Ltd.	Manufacturing	China	US$ 1,500,000	-	100%
Johnson Electric North America, Inc.	Sales distributor	United States of America	12 shares with no par value issued at US$ 120,000	-	100%
Johnson Electric S.A.	Research and development	Switzerland	500 shares of SFR1,000 each	-	100%
Johnson Electric (Shanghai) Ltd.	Sales & marketing	China	US$ 200,000	-	100%
Johnson Electric (Shenzhen) Co. Ltd.	Manufacturing	China	HK$ 30,000,000	100%	-
Johnson Electric (Suzhou) Ltd.	Manufacturing	China	US$ 1,666,066.33	-	100%
Johnson Electric Trading Ltd.	Trading	Hong Kong	100,000 shares of HK$ 1 each	100%	-
Johnson Electric World Trade Ltd.	Marketing, sales agent and distributor	Hong Kong	100,000 shares of HK$ 1 each	100%	-
Johnson Properties Ltd.	Investment holding	British Virgin Islands	50,000 shares of US$ 1 each	100%	-

33 Principal subsidiaries, jointly controlled entities and associated companies *(Cont'd)*

Name	Principal activities	Place of incorporation and operation	Issued and paid up capital	Effective shareholding by company	Effective shareholding by subsidiary
SUBSIDIARIES					
Main Country Ltd.	Property holding	British Virgin Islands	1 share of US$1 each	-	100%
Manufactura de Motores Argentinos S.r.l.	Manufacturing	Argentina	Peso 3,880,000	-	100%
Nanjing Hop Keung Industrial Co. Ltd.	Manufacturing	China	US$ 2,500,000	-	100%
Nison Trading Ltd.	Trading	Malaysia	1 share of US$ 1 each	-	100%
Sun View Group (Denmark) ApS	Investment holding	Denmark	DKK 2,912,000 distributed on shares of DKK1,000 or multiples	-	100%
Teknik Development Inc.	Licensing	British Virgin Islands	15,000 shares of US$1 each	100%	-
Triowell Ltd.	Property holding	British Virgin Islands	50,000 shares of US$ 1 each	-	100%
Unicorn (France) SAS	Sales and marketing	France	1,910 shares of EUR 20 each	-	100%
JOINTLY CONTROLLED ENTITIES					
Nidec Johnson Electric (Hong Kong) Ltd.	Investment holding	Hong Kong	11,200,000 shares of US$ 1 each	51%	-
Nidec Johnson Electric Corporation	Sales and marketing	Japan	2,000 shares of JPY50,000 each	-	49%
Nidec Johnson Electric (Malaysia) Ltd.	Manufacturing	Malaysia	1 share of US$ 1 each	-	51%
Shanghai Ri Yong-JEA Gate Electric Co., Ltd.	Manufacturing	China	US$ 17,000,000	-	50%
ASSOCIATED COMPANY					
FG Microdesign S.r.l.	Manufacturing	Italy	ITL 100,000,000	-	40%

JOHNSON ELECTRIC GROUP

TEN - YEAR SUMMARY

	1994 US$'000	1995 US$'000	1996 US$'000
Consolidated Profit and Loss Account			
Turnover	194,434	250,667	284,151
Profit from consolidated activities	49,297	47,433	37,666
Exceptional item	-	-	(1,799)
Profit before taxation	49,297	47,433	35,867
Taxation	(5,649)	(3,731)	(371)
Minority interests	-	-	-
Profit attributable to shareholders	43,648	43,702	35,496
Consolidated Balance Sheet			
Intangibles	-	-	-
Properties, plant and equipment	112,739	164,382	213,085
Jointly controlled entities	-	-	-
Associated companies	-	-	-
Investment securities	10,586	13,520	3,343
Investment in finance leases	17,374	17,594	28,114
Deposit for property acquisition	8,256	8,256	-
Deferred tax assets	-	-	-
Net current assets	342,769	338,575	314,704
Employment of funds	491,724	542,327	559,246
Share capital	4,919	4,919	4,919
Reserves	298,206	345,683	368,982
Proposed dividends	8,362	8,362	8,361
Shareholders' funds	311,487	358,964	382,262
Convertible bonds	149,514	149,514	149,513
Long term loans / other provisions	23,040	23,910	14,960
Deferred tax liabilities	7,683	9,932	12,012
Minority interests	-	7	499
Funds employed	491,724	542,327	559,246
Basic earnings per share (US cents) *	1.20	1.20	0.98
Fully diluted earnings per share (US cents)	N/A	N/A	N/A
Dividend per share (US cents)	3.2	3.2	3.2
Shareholders' funds per share (US cents) *	8.5	9.8	10.4

* Restated to reflect subdivision of each of the issued and unissued shares into four subdivided shares on 14th August 2000.

1997	1998	1999	2000	2001	2002	**2003**
US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	**US$'000**
335,906	362,771	367,557	677,144	790,190	773,660	**955,339**
60,006	88,159	111,207	155,268	136,171	125,936	**174,202**
-	-	-	-	-	-	-
60,006	88,159	111,207	155,268	136,171	125,936	**174,202**
(3,585)	(7,312)	(5,560)	(19,701)	9,199	(15,102)	**(24,184)**
-	-	-	(9)	(2)	(2)	**(2)**
56,421	80,847	105,647	135,558	145,368	110,832	**150,016**
-	-	-	-	-	22,583	**22,421**
197,351	185,692	180,277	246,724	234,287	235,031	**248,501**
-	-	-	11,668	19,506	18,439	**18,882**
-	-	-	9,172	7,361	3,709	**40**
3,782	4,793	5,770	7,641	11,136	9,480	**7,336**
31,970	35,038	33,188	27,901	20,522	13,844	**8,538**
-	-	-	-	-	-	-
-	-	-	5,587	30,752	34,960	**32,031**
213,786	272,967	358,787	139,141	207,156	246,454	**366,591**
446,889	498,490	578,022	447,834	530,720	584,500	**704,340**
4,938	5,925	5,925	5,925	5,925	5,925	**5,925**
412,797	461,522	525,540	379,232	461,240	515,860	**620,333**
9,382	14,814	29,627	33,620	34,383	34,383	**42,390**
427,117	482,261	561,092	418,777	501,548	556,168	**668,648**
-	-	-	-	-	-	-
8,000	3,999	3,000	16,884	18,243	17,823	**20,489**
11,772	12,230	13,930	12,168	10,924	10,504	**15,199**
-	-	-	5	5	5	**4**
446,889	498,490	578,022	447,834	530,720	584,500	**704,340**
1.55	2.20	2.88	3.70	3.96	3.02	4.08
N/A	N/A	N/A	N/A	N/A	N/A	4.08
3.5	4.5	4.5	4.9	1.3	1.3	1.7
11.6	13.1	15.3	11.4	13.7	15.1	18.2

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