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Johnson Electric Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock code: 179)

DISCLOSEABLE TRANSACTION

DISPOSAL OF SUBSIDIARY AND RELATED ASSETS

The Board announces that on 24 October 2012, the Vendor, an indirect wholly-owned subsidiary of the Company, entered into an Agreement with the Purchaser, pursuant to which the Vendor has conditionally agreed to sell the Target Business for an aggregate consideration of Euro 100 million.

The Target Business consists of the entire equity interest of Saia-Burgess Controls AG and its subsidiaries, and certain assets, liabilities and contracts related to the Controls Business and held by indirect subsidiaries of the Company. The Target Business, whose primary activity is the supply of programmable logic controllers and related components to the infrastructure and building automation sector, represented the smallest of three operating divisions that comprised the business of Saia-Burgess Electronics Holding AG, a company acquired by the Group in 2005.

The applicable percentage ratios set out in Chapter 14 of the Listing Rules in relation to the Disposal are more than 5% but less than 25%. The Disposal constitutes a discloseable transaction for the Company under Rule 14.06 of the Listing Rules and is subject to the reporting and announcement requirements under the Listing Rules.

THE AGREEMENT

The principal terms of the Agreement are set out below.

Date

24 October 2012

Parties

Vendor: Johnson Electric International AG

Purchaser: Honeywell International, Inc.

The Purchaser is incorporated in Delaware, USA and has its headquarters in Morristown, New Jersey, USA. It is a diversified technology and manufacturing company whose shares are listed on the New York Stock Exchange.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Purchaser and its ultimate beneficial owners are third parties independent of the Company and any connected persons of the Company (as defined under the Listing Rules).

Assets to be disposed of

Pursuant to the Agreement, the assets to be disposed of consist of

- (a) the entire equity interest in Saia-Burgess Controls AG and its subsidiaries; and
- (b) certain assets (including fixed assets and net working capital, but excluding cash or cash equivalents), liabilities and contracts related to the Controls Business and held by indirect subsidiaries of the Company.

Consideration

The aggregate consideration for the Disposal is Euro 100 million. This was determined after arm's length negotiation between the Vendor and the Purchaser with reference to, among other things, (i) the net tangible asset value of Saia-Burgess Controls AG and its subsidiaries of approximately US\$13 million as at 31 March 2012, (ii) the net tangible asset value of certain other assets and liabilities related to the Controls Business of approximately US\$3.6 million and held by indirect subsidiaries of the Company, and (iii) the intangibles, including goodwill, attributable to the Target Business.

The aggregate consideration of Euro 100 million will be paid on the date of Completion subject to the following adjustments:

- (a) An adjustment, as defined in the Agreement, to reflect any difference between the actual cash flows of Saia-Burgess Controls AG and its subsidiaries between 31 March 2012 and the date of Completion (being due to the Purchaser), and an amount of interest at the rate of 3.4% per annum on the aggregate consideration between 31 March 2012 and the date of Completion (being due to the Vendor);
- (b) A deduction of Euro 4 million for pension liabilities in Saia-Burgess Controls AG and its subsidiaries as mutually agreed by the parties to the Agreement;
- (c) An adjustment, as defined in the Agreement, to reflect any difference between the actual net working capital related to the Controls Business (excluding Saia-Burgess Controls AG and its subsidiaries) on Completion and an amount of target working capital mutually agreed between the parties to the Agreement;
- (d) Other adjustments, as defined in the Agreement, including the settlement of intercompany accounts, and the deduction of indebtedness (if any) and unpaid transaction expenses (if any).

Conditions precedent

Completion is subject to satisfaction of the following conditions:

- (a) The approval of governmental authorities under merger control laws being obtained;
- (b) No action shall be pending or threatened in writing and no order, injunction or decree of any court, administrative body or arbitration tribunal shall exist that has the effect of making illegal or otherwise preventing or prohibiting the consummation of the transaction;
- (c) Necessary actions, as defined in the Agreement, to effect the sale and transfer of Saia-Burgess Controls AG and its subsidiaries and certain assets, liabilities and contracts of the Controls Business held by indirect subsidiaries of the Company;
- (d) There has not occurred from the date of the Agreement through and including the date of Completion any material adverse effect (as defined in the Agreement); and
- (e) Each the Vendor and the Purchaser shall have performed and complied in all material respects with all obligations and covenants set forth in the Agreement to be performed and complied with by them on or prior to Completion.

Completion

Completion shall take place on the last business day of the accounting month of the Vendor that occurs first after the lapse of five (5) business days after all conditions precedent to Completion been satisfied or waived (where permitted) or on such other date as the Vendor and the Purchaser may agree, but in no event later than nine (9) months after the date of the Agreement. Upon completion, Saia-Burgess Controls AG and its subsidiaries will cease to be subsidiaries of the Company.

REASONS FOR THE DISPOSAL AND USE OF PROCEEDS

The Group is primarily engaged in the design, manufacture and sale of micromotors and motion sub-systems and, accordingly, the Board considers that the Disposal of the Target Business represents an opportunity to divest a non-core asset operating in a field outside its core business. The Board further considers that the terms of the Disposal (including the consideration) are fair and reasonable and the Disposal is in the interests of the Company and the Shareholders as a whole.

The Group intends to apply the proceeds from the Disposal towards continued investments in its core business and as general working capital.

FINANCIAL EFFECT OF THE DISPOSAL

The financial effect of the Disposal will be subject to various factors including the impact of adjustments to the aggregate consideration as specified in the Agreement and the actual date of Completion. However, assuming that Completion occurs before 31 March 2013 and barring unforeseen circumstances, it is currently estimated that the Group will record an unaudited gain on disposal of between US\$12 million and US\$24 million with reference to the net assets of the Target Business and the goodwill attributable to the Target Business.

The abovementioned range for gain on disposal is subject to finalisation of retained assets and liabilities, asset impairments, taxation, foreign exchange reserves and other divestiture related adjustments.

INFORMATION ON THE TARGET BUSINESS

The Target Business is active in the business of design, manufacturing, supply and sale of programmable logic controllers, energy meters, energy timers and related components to the infrastructure and building automation and production machine sector.

The Target Business is based in Murten, Switzerland and the majority of its sales are to customers in Continental Europe. The Target Business represented the smallest of three operating divisions that comprised the business of Saia-Burgess Electronics Holding AG (since renamed Johnson Electric International AG, the Vendor), a company acquired by the Group in 2005.

A summary of the financial results of the Target Business is set out below:

	For the year ended 31 March 2012	For the year ended 31 March 2011
	US\$'000	US\$'000
Turnover	93,077	78,636
Net profit before taxation	11,060	7,687
Net profit after taxation	8,848	6,149

GENERAL

The applicable percentage ratios set out in Chapter 14 of the Listing Rules in relation to the Disposal are more than 5% but less than 25%. The Disposal constitutes a discloseable transaction for the Company under Rule 14.06 of the Listing Rules and is subject to the reporting and announcement requirements under the Listing Rules.

DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context otherwise requires.

“Agreement”	the Share and Asset Purchase Agreement dated 24 October 2012 entered into between the Vendor and the Purchaser in relation to the Disposal
“Board”	the Board of Directors of the Company
“Company”	Johnson Electric Holdings Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on The Stock Exchange of Hong Kong Limited
“Completion”	completion of the Disposal in accordance with the terms of the Agreement

“Controls Business”	the business activities related to Saia-Burgess Controls AG that are held and conducted through indirect subsidiaries of the Company other than Saia-Burgess Controls AG and its subsidiaries
“Directors”	the directors of the Company
“Disposal”	the disposal of the Target Business
“Group”	the Company and its subsidiaries
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Purchaser”	Honeywell International, Inc., a company incorporated in Delaware, USA
“Saia-Burgess Controls AG”	a Swiss corporation that is a direct wholly-owned subsidiary of the Vendor
“Target Business”	the entire equity interest in Saia-Burgess Controls AG and its subsidiaries and, pursuant to the terms of the Agreement, certain assets (including fixed assets and net working capital, but excluding cash or cash equivalents), liabilities and contracts related to the Controls Business and held by indirect subsidiaries of the Company
“Vendor”	Johnson Electric International AG (formerly known as Saia-Burgess Electronics Holding AG), a Swiss corporation and an indirect wholly-owned subsidiary of the Company

Board of Directors

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

By Order of the Board
Johnson Electric Holdings Limited
Susan Chee-Lan Yip
Company Secretary

Hong Kong, 24 October 2012

Website: www.johnsonelectric.com