



# JOHNSON ELECTRIC HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

## Excellence in Micromotors Since 1959

### ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31ST MARCH 2001

#### FINANCIAL HIGHLIGHTS

- Total sales increased 17% to US\$790 million
- Net earnings before provision for restructuring costs increased 20% to US\$162 million
- Profit attributable to shareholders after provision for restructuring costs increased 7% to US\$145 million
- Earnings per share increased 7% to 4.0 US cents
- Dividend increased 7% to US\$49 million
- The Group continued to be essentially debt-free as at 31st March 2001

The Directors are pleased to announce that the audited consolidated profit attributable to shareholders for the year ended 31st March 2001 was US\$145,368,000, an increase of 7% over the corresponding period in 2000.

#### FINANCIAL RESULTS

The audited consolidated profit and loss account for the year ended 31st March 2001 together with comparative figures for the corresponding period in 2000 is set out below:

#### CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Note	2001 US\$'000	2000 US\$'000
Turnover	2	790,190	677,144
Cost of sales		(530,070)	(441,793)
Gross profit		260,120	235,351

Other revenues		12,199	13,242
Selling and administrative expenses		(106,743)	(91,306)
Provision for costs of restructuring	3	(26,661)	-
Operating profit	4	138,915	157,287
Finance costs		(464)	(2,062)
Share of profits less losses of jointly controlled entities/associated companies		(2,280)	43
Profit before taxation		136,171	155,268
Taxation credit/(charge)	5	9,199	(19,701)
Profit after taxation		145,370	135,567
Minority interests		(2)	(9)
Profit attributable to shareholders		145,368	135,558
Dividend		(48,513)	(45,443)
Retained profit for the year		96,855	90,115
Earnings per share (US cents)	6	4.0	3.7
Dividend per share (US cents)		1.32	4.94*

\* Before four-for-one share split

## CONDENSED CONSOLIDATED BALANCE SHEET

	Note	2001 US\$'000	2000 US\$'000
Properties, plant and equipment		234,287	246,724
Other non-current assets		89,277	61,969
Current assets			
Stocks and work in progress		84,967	71,634
Trade and other receivables	7	182,469	160,792
Other investments		11,413	2,495
Deposits and bank balances		77,048	42,707
		355,897	277,628
Current liabilities			
Trade and other payables	8	141,725	122,017
Current portion of long term loans and obligations under finance leases		547	3,365
Taxation payable		1,333	10,237
Proposed dividend		34,383	33,620
Bank loans and overdrafts		5,136	2,868

		183,124	172,107
Net current assets		172,773	105,521
Total assets less current liabilities		496,337	414,214
Non-current liabilities			
Long term loans and obligations under finance leases		5,922	1,760
Other provisions		12,321	15,124
Deferred taxation		10,924	12,168
Minority interests		5	5
		29,172	29,057
NET ASSETS		467,165	385,157
CAPITAL AND RESERVES			
Share capital	9	5,925	5,925
Reserves		461,240	379,232
Shareholders' funds		467,165	385,157

Note:

1. Principal accounting policies

The accounts have been prepared in accordance with generally accepted accounting principles in Hong Kong and comply with accounting standards issued by the Hong Kong Society of Accountants. The accounts are prepared under the historical cost convention as modified by the revaluation of certain investment properties and investments in securities.

2. Turnover

The group is principally engaged in the manufacture of micromotors. An analysis of the group's turnover and contribution to operating profit for the year by operating activities and geographical area by origin is as follows:

	Turnover		Operating profit	
	2001 US\$'000	2000 US\$'000	2001 US\$'000	2000 US\$'000
Operating activities				
Sales of motors	790,190	677,144	138,915	157,287
Geographical area by origin				
Asia	471,908	425,021	120,446	119,142

North America	127,105	101,104	(17,431)*	10,719
Europe	191,177	151,019	35,900	27,426
	790,190	677,144	138,915	157,287
			2001	2000
			US\$'000	US\$'000

Turnover by geographical destination

Asia			228,320	197,279
North America			248,952	210,864
Europe			312,918	269,001
			790,190	677,144

\* The amount is after provision for costs of restructuring of US\$26,661,000. Excluding the provision for costs of restructuring, the operating profit was US\$9,230,000.

3. Provision for costs of restructuring

Provision for costs of restructuring has been made for the closing of the manufacturing plant in Columbus, Mississippi, USA which is expected to be completed by end of October 2001. Total provision includes severance wages and associated costs, costs relating to environmental issues, plant and equipment write-offs, and other normal relocation and closure expenses.

	2001	2000
	US\$'000	US\$'000
Asset write-offs	15,321	-
Other costs	11,340	-
Total provision	26,661	-

Net provision for costs of restructuring was US\$17,128,000, after deduction of deferred tax benefits of US\$9,533,000.

4. Depreciation

During the year, depreciation of US\$35,695,000 (2000: US\$37,284,000) was charged in respect of the Group's properties, plant and equipment.

5. Taxation credit/(charge)

Hong Kong profits tax has been provided at the rate of 16% (2000: 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.

	2001 US\$'000	2000 US\$'000
Current taxation		
Hong Kong profits tax	(8,925)	(10,616)
Overseas taxation	(8,809)	(11,262)
	(17,734)	(21,878)
Deferred taxation	26,933	2,177
	9,199	(19,701)

The deferred tax benefit for provision for costs of restructuring is US\$9,533,000.

#### 6. Earnings per share

The calculation of earnings per share is based on the group's profit attributable to shareholders of US\$145,368,000 (2000: US\$135,558,000) and 3,673,788,920 shares currently in issue after subdivision of each of the issued and unissued shares into four subdivided shares on 14th August 2000. The earnings per share for 2000 has been adjusted accordingly.

#### 7. Trade and other receivables

The Group allows an average credit period of 30 to 60 days to its trade customers. The trade and other receivables included trade receivables balance of US\$154,368,000 (2000: US\$140,065,000). The ageing analysis of trade receivables was as follows:

	0-60 days US\$'000	61-90 days US\$'000	Over 90 days US\$'000	Total US\$'000
Balance at 31st March, 2001	123,273	16,215	14,880	154,368
Balance at 31st March, 2000	94,600	21,436	24,029	140,065

#### 8. Trade and other payables

The trade and other payables included trade payables balance of US\$73,844,000 (2000: US\$70,208,000). The ageing analysis of trade payables was as follows:

	0-60 days US\$'000	61-90 days US\$'000	Over 90 days US\$'000	Total US\$'000
Balance at 31st March, 2001	51,355	12,010	10,479	73,844
Balance at 31st March, 2000	42,260	12,044	15,904	70,208

#### 9. Share capital

2001	2000
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	US\$'000	US\$'000
Authorised:		
7,040,000 ordinary shares of HK\$0.0125 each (2000: 1,760,000,000 ordinary shares of HK\$0.05 each)	11,355	11,355
Issued and fully paid:		
3,673,788,920 ordinary shares of HK\$0.0125 each (2000: 918,447,230 ordinary shares of HK\$0.05 each)	5,925	5,925

On 11th August 2000, an ordinary resolution was passed to subdivide the issued and unissued share of HK\$0.05 each of the company into four shares of HK\$0.0125 each with effect from 14th August 2000.

## A MESSAGE FROM PATRICK WANG

### To Our Shareholders,

For the financial year ended 31st March 2001, Johnson Electric achieved double-digit sales growth and a further year of increased earnings.

- Total sales rose to US\$790 million; an increase of 17% over 2000
- Net earnings before provision for restructuring costs increased by 20% to US\$162 million
- Net earnings after provision for restructuring costs increased to a record of US\$145 million; up 7%
- Earnings per share increased 7% to 4 US cents per share
- Taking into account cash reserves, the Group ended the year debt free

In the year 2001, Johnson Electric continued to make investments in people, technology, new product programmes, and new ventures in order to ensure that the competitive advantage of the Group is maintained for the longer term. As part of this effort, the decision was taken to accelerate the restructuring of our North American motor systems business which will result in the closure of one plant and the relocation of its activities to lower cost locations. While some of these initiatives have resulted in near-term cash outflows, we are highly confident that they form the necessary foundation for preserving and enhancing the value of our shareholders' equity.

### Dividends

Your Board has recommended a final dividend of 0.94 US cents per share, which together with the interim dividend of 0.38 US cents, represents a total dividend of 1.32 US cents - an increase of 7% over 2000.

## **Business Environment**

Notwithstanding a somewhat tougher operating environment in the second half of the year, Johnson Electric achieved year-on-year sales improvements in each of its core micromotor business segments. Excluding Johnson Electric Automotive, Inc. ("JEAI"), the European and US motor systems business acquired in 1999, overall micromotor sales increased by 11% to US\$472 million.

The Group's activities span a number of product applications and geographic markets, each with its own pattern of end-user demand and competitive dynamics. In this regard, sales of Johnson Electric's products do not necessarily mirror the mainstream macro-economic indicators that have recently weakened in North America and, to a lesser extent, in Europe.

For example, in automotive components - which is Johnson Electric's largest product application segment - sales improved significantly during the second half of the financial year despite a general perception of a depressed global automotive market. Such improvements reflect the Group's very strong competitive position in certain product areas and the fact that the automotive industry operates according to car model cycles that can have a disproportionately positive impact on nominated component suppliers when a new model commences production.

In the power tools and home appliances sectors, on the other hand, the competitive environment worked against the Group in the second half of the year. Both sectors experienced a decline in second-half year-on-year sales, though recorded positive gains for the financial year overall. Again, the sales picture was quite varied across geographies: European sales were much weaker than in North America during the year as a result of competitive price pressures, a weaker Euro, and selected inventory reductions by some customers and distributors.

Business equipment and personal product segments both recorded strong double-digit sales gains. Audio-visual segment revenues grew at a triple-digit rate and included the first sales from Nidec Johnson Electric, a joint venture between Johnson Electric and Nidec Corporation of Japan, which commenced production in July 2000.

Sales of JEAI, which encompasses the two motor systems divisions of Johnson Electric Automotive Motors ("JEAM") in North America and Gate S.p.A. in Europe, grew to US\$318 million, an increase of 26% over the previous financial year that included only nine months' contribution from these two businesses. Gate, which is substantially the larger division, performed quite satisfactorily given the market environment and weak Euro during the year. As previously announced, JEAM is undergoing a major restructuring program designed to enhance its competitiveness that will result in the closure of its manufacturing plant in Columbus, Mississippi, and the transfer of production responsibilities to plants in China and Mexico.

## **Operating Profitability and Restructuring Provision**

The effects of several one-off factors had an impact on the Group's profitability during the year. Four factors contributed to a decline in margins to below the Group's normal target levels:

- First, the Nidec Johnson Electric joint venture commenced operations during the year, but as expected for a start-up business it will need to build further scale over the coming

months in order to achieve its planned profitability levels;

- Second, the Group incurred higher raw material and operating costs. The additional production costs partly reflected investments made in preparation for the relocation of the products currently manufactured in the Columbus plant, and partly in anticipation of new product requirements in existing micromotor segments. Related to this is the fact that until the restructuring of JEAM is completed, the North American motor systems division is not making a material profit contribution;
- Third, as the Group's market position in Europe increased through the acquisition of Gate, so too did its exposure to the Euro. Gate, in fact, achieved improved earnings in Euro terms during 2001, but after translation into US dollars the weakness in the European currency reduced Johnson Electric's reported earnings;
- Fourth, as noted above, the weaker macro economic environment in several OECD countries has had a mixed impact on Johnson Electric. While some sectors are showing healthy resilience, others are feeling the effects of a more uncertain and cautious appetite for spending on the part of consumers and businesses - and in some instances this has been reflected in price pressure and lower sales volumes for the Group's micromotor products.

Although each of the above factors individually had a relatively modest impact on margins, taken together the effects were clearly significant on this year's overall operating performance.

In addition, the Group incurred a one-time pre-tax provision for restructuring costs amounting to US\$27 million to provide for the closure of the Columbus plant. Net provision after deduction of the relevant tax benefits, was US\$17 million. Excluding the restructuring provision, the Group's net recurring profits attributable to shareholders amounted to US\$162 million.

## **Competitive Advantage and Growth**

The current weakness in a number of North American and European manufacturing industries is symptomatic of a more fundamental restructuring in the global manufacturing supply chain. Globalisation, industry consolidation and excess capacity in some sectors are forcing manufacturers of all types to re-think how and where they source components and finished goods.

As we have noted in previous years' annual reports, Johnson Electric is particularly well placed to benefit from the trend of US and European manufacturers outsourcing the production of micromotors and motor systems. The Group has established a unique low cost production and sourcing platform in southern China that now has the scale and capabilities to sustain our competitive advantage as a global leader. "Johnson City", the Group's Shajing manufacturing base and supplier community, is pivotal to Johnson Electric's growth strategy.

The acquisition of JEAI has been an especially important element in Johnson Electric's corporate development. Not only has it broadened and deepened our customer relationships in the automotive components sector, it has also enhanced our understanding of how we can compete and win over the longer term by leveraging our core competencies.

The planned closure of the Columbus plant and relocation of its production activities reflects the



reality that Johnson Electric can manufacture and deliver certain products to North American customers at substantially lower costs from China or Mexico than it presently costs from a US-based plant. Similar cost advantages are achievable in other parts of the motor manufacturing value chain from tooling through to sub-assembly activities.

Certain products and processes - advanced engineering design, for example - benefit from being located close to car OEM manufacturing centres. We continue to leverage our China-based production platform to reduce delivered costs for our customers, enabling the Group to increase sales and profits. Achieving growth along those two dimensions is a prerequisite for a dynamic and rewarding environment for our people, as well as for sustained value creation for our shareholders.

## **Outlook**

Looking ahead, the Group's various business units are each executing business plans that emphasize a combination of increasing market share of existing and new customers, as well as new product introductions to penetrate new market segments. While the current economic downturn in North America undoubtedly adds a degree of uncertainty to end-user demand, we are optimistic that Johnson Electric's diverse spread of product applications and geographic markets will deliver healthy sales growth in the 2001-02 financial year.

The prospects for margin improvements in the coming year are also very encouraging. Among other factors, Nidec Johnson Electric should begin to make a contribution to profits and, once the restructuring of JEAM has been completed, we also anticipate a rapid, positive impact on operating margins from North American motor systems sales.

Finally, Johnson Electric continues to explore other options for growing the business through acquisition, joint venture, or strategic alliance. The significant industry restructuring in global automotive components and other manufacturing sectors offers the Group with a number of interesting potential alternatives. However, management is acutely aware of the complexity and risks associated with acquisition-led growth and is determined to ensure that any potential acquisition passes the Group's rigorous screening criteria in terms of strategic fit, integration requirements and price.

## **FINAL DIVIDEND**

The Board has resolved to recommend at the forthcoming Annual General Meeting to be held on 25th July 2001 payment of a final dividend of 7.3 HK cents equivalent to 0.94 US cents per share (2000: 28.5 HK cents or 3.64 US cents before adjusting for the share split in 2000/01) payable on 27th July 2001 to persons who are registered shareholders of the Company on 25th July 2001 making a total distribution of 10.3 HK cents equivalent to 1.32 US cents per share for the year ended 31st March 2001 (2000: 38.5 HK cents or 4.94 US cents).

## **CLOSING REGISTER OF MEMBERS**

The transfer books and the register of members of the Company will be closed from Monday,

23rd July 2001 to Wednesday, 25th July 2001, both dates inclusive, during which no transfer of shares will be registered. In order to qualify for the proposed final dividend, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's branch registrars, Central Registration Hong Kong Limited at 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:00 p.m. on Friday, 20th July 2001.

## **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.

## **AUDIT COMMITTEE**

The Audit Committee meets regularly 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 members of the Audit Committee are Mr. David Wylie Gairns (Chairman of the Committee) and Mr. Ian Lorne Thompson Conn.

## **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 of Hong Kong Limited except that some of the independent non-executive directors of the Company have no set term of office 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.

On behalf of the Board, I would like to thank all of our employees for their hard work, enthusiasm and commitment over the past year. To our shareholders, customers, business partners and suppliers, I look forward to another year of productive growth.

On behalf of the board of directors  
Patrick Wang Shui Chung  
Chairman & Chief Executive

Hong Kong, 8th June 2001

## **NOTICE OF ANNUAL GENERAL MEETING**

Notice is hereby given that the Annual General Meeting of Johnson Electric Holdings Limited ("the Company") will be held at Pheasant Room, 1/F., Mandarin Oriental, 5 Connaught Road, Central, Hong Kong on Wednesday, 25th July 2001 at 12:30 p.m. for the following purposes:-

1. To receive and consider the Statement of Accounts and the Reports of the Directors and of the Auditors for the year ended 31st March 2001;
2. To declare a final dividend;

3. To re-elect Directors;
4. To confirm the remuneration of Directors;
5. To re-appoint Auditors and to authorise the Directors to fix their remuneration;

and by way of special business, to consider and, if thought fit, pass the following Ordinary Resolutions:-

6. That the number of Directors of the Company be fixed at 15 and that the Directors be authorized to elect or appoint additional directors up to the maximum of 15.

7. (1) That:

- (a) subject to paragraph (c), the exercise by the Directors of the Company during the relevant period of all the powers of the Company to issue, allot and dispose of additional shares in the capital of the Company and to make or grant offers, agreements and options which would or might require the exercise of such power be and is hereby generally and unconditionally approved;
- (b) the approval in paragraph (a) shall authorize the Directors of the Company during the relevant period to make or grant offers, agreements and options which would or might require the exercise of such power after the end of the relevant period;
- (c) the aggregate nominal amount of share capital of the Company allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the Directors of the Company pursuant to the approval in paragraph (a), otherwise than pursuant to a Rights Issue or pursuant to the exercise of subscription rights under any warrants to subscribe for shares of the Company or under any options granted under the Company's Share Option Scheme, shall not exceed the aggregate of 20 per cent. of the aggregate nominal amount of the share capital of the Company in issue on the date of the passing of this Resolution and the said approval shall be limited accordingly; and
- (d) for the purposes of this Resolution:

"relevant period" means the period from the passing of this Resolution until whichever is the earliest of

- (i) the conclusion of the next Annual General Meeting of the Company;
- (ii) the expiration of the period within which the next Annual General Meeting of the Company is required by the Bye-Laws of the Company or any applicable law of Bermuda to be held; and
- (iii) the revocation or variation of this Resolution by an ordinary

resolution of the Shareholders of the Company in General Meeting; and

"Rights Issue" means an offer of shares, warrants or other securities to holders of shares of the Company on the register on a fixed record date in proportion to their then holdings of such shares (subject to such exclusions or other arrangements as the Directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory outside Hong Kong).

- (2) That:
- (a) the exercise by the Directors during the relevant period of all powers of the Company to purchase its own shares, subject to and in accordance with all applicable laws, be and is hereby generally and unconditionally approved;
  - (b) the aggregate nominal amount of shares of the Company which may be purchased on The Stock Exchange of Hong Kong Limited or any other stock exchange recognised for this purpose by the Securities and Futures Commission of Hong Kong and The Stock Exchange of Hong Kong Limited under the Hong Kong Code on Share Repurchases by the Company pursuant to the approval in paragraph (a) during the relevant period, shall be no more than 10 per cent. of the aggregate nominal amount of the existing issued share capital of the Company, at the date of the passing of this Resolution, and the authority pursuant to paragraph (a) shall be limited accordingly;
  - (c) for the purposes of this Resolution, "relevant period" means the period from the passing of this Resolution until whichever is the earliest of
    - (i) the conclusion of the next Annual General Meeting of the Company;
    - (ii) the expiration of the period within which the next Annual General Meeting of the Company is required by the Bye-Laws of the Company or any applicable law of Bermuda to be held; and
    - (iii) the revocation or variation of this Resolution by an ordinary resolution of the Shareholders of the Company in General Meeting.
- (3) That the general mandate granted to the Directors of the Company and for the time being in force to exercise the powers of the Company to allot shares be and

is hereby extended by the addition to the aggregate nominal amount of the share capital which may be allotted or agreed conditionally or unconditionally to be allotted by the Directors of the Company pursuant to such general mandate an amount representing the aggregate nominal amount of the share capital of the Company repurchased by the Company under the authority granted by the resolution set out as Resolution No. 7(2) in the notice convening this Meeting, provided that such additional amount shall not exceed 10 per cent. of the aggregate nominal amount of the share capital of the Company in issue as at the date of the passing of this Resolution.

By order of the Board  
Susan Yip Chee Lan  
Company Secretary

Hong Kong, 8th June 2001

#### Notes

1. A Shareholder entitled to attend and vote is entitled to appoint a proxy or proxies to attend and, on a poll, vote instead of him. A proxy need not also be a Shareholder of the Company. A proxy form is enclosed. Completion and return of the proxy form will not preclude a Shareholder from attending and voting in person.
2. To be valid, the proxy form should be deposited at the Head Office of the Company at Johnson Building, 6-22 Dai Shun Street, Tai Po Industrial Estate, Tai Po, N.T. Hong Kong not less than 48 hours before the time appointed for holding of the Meeting.
3. The transfer books and the register of members of the Company will be closed from Monday, 23rd July 2001 to Wednesday, 25th July 2001, both dates inclusive, during which no transfer of shares will be registered. In order to qualify for the proposed final dividend, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's branch registrars, Central Registration Hong Kong Limited at 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:00 p.m. on Friday, 20th July 2001.

"Please also refer to the published version of this announcement in the SCMP"