JOHNSON ELECTRIC HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock code: 179)

Excellence in *Motors* Since 1959

ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31ST MARCH 2004

FINANCIAL HIGHLIGHTS

- Total sales US$1,051 million – up 10%
- Excluding plant restructuring charges and provisions, profit attributable to shareholders was US$133 million, a decrease of 11%
- Net earnings after plant restructuring charges and provisions declined 22% to US$117 million
- Notwithstanding the decline in net earnings, net operating cash flow increased 11% to a record US$184 million
- Earnings per share decreased 22% to 3.17 US cents
- Dividends per share increased 4% to 1.73 US cents
- Johnson Electric's underlying financial position remains exceptionally strong and, taking into account cash and cash equivalents of US$247 million, the Group is substantively debt free

The Directors announce that the audited consolidated profit attributable to shareholders for the year ended 31st March 2004 was US$116,577,000, a decrease of 22% over the corresponding year in 2003.

FINANCIAL RESULTS

The audited consolidated profit and loss account for the year ended 31st March 2004 together with comparative figures for the corresponding year in 2003 is set out below:

CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Note	**2004** **US$'000**	2003 As restated *US$'000*
Turnover	*2*	**1,050,707**	955,339
Cost of sales		**(737,215)**	(644,641)
Gross profit		**313,492**	310,698
Other revenues		**15,347**	11,006
Selling and administrative expenses		**(179,078)**	(145,899)
Restructuring costs/provisions	*3*	**(21,290)**	–
Operating profit	*4*	**128,471**	175,805
Finance costs		**(233)**	(883)
Share of profits less losses of jointly controlled entities/associated companies		**6,295**	(720)
Profit before taxation		**134,533**	174,202
Taxation	*5*	**(17,956)**	(24,788)
Profit after taxation		**116,577**	149,414
Minority interests		**–**	(2)
Profit attributable to shareholders		**116,577**	149,412
Dividends		**63,585**	61,230
Basic earnings per share (US cents)	*6*	**3.17**	4.07
Fully diluted earnings per share (US cents)	*6*	**3.17**	4.07

CONDENSED CONSOLIDATED BALANCE SHEET

	Note	2004	2003
			As restated
	Note	***US$'000***	*US$'000*
Intangibles		**20,074**	22,421
Properties, plant and equipment		**256,952**	248,501
Other non-current assets		**76,468**	63,984
Current assets			
Stocks and work in progress		**116,170**	130,541
Trade and other receivables	*7*	**229,582**	213,536
Other investments		**117,424**	77,312
Tax recoverable		**5,457**	6,060
Bank balances and cash		**130,908**	115,578
		599,541	543,027
Current liabilities			
Trade and other payables	*8*	**175,280**	171,997
Current portion of long term loans		**137**	345
Tax payable		**3,327**	1,769
Bank loans and overdrafts		**11**	2,325
		178,755	176,436
Net current assets		**420,786**	366,591
Total assets less current liabilities		**774,280**	701,497
Non-current liabilities			
Long term loans		**2,921**	7,136
Other provisions		**16,144**	13,353
Deferred taxation		**21,093**	15,386
Minority interests		**5**	4
		40,163	35,879
NET ASSETS		**734,117**	665,618
CAPITAL AND RESERVES			
Share capital		**5,925**	5,925
Reserves		**685,802**	617,303
Proposed dividends		**42,390**	42,390
SHAREHOLDERS' FUNDS		**734,117**	665,618

Note:

1. Principal accounting policies

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

In the current year, the Group adopted the Statement of Standard Accounting Practice ("SSAP") No. 12 (revised) "Income Taxes" issued by the HKSA, which is effective for accounting periods commencing on or after 1st January 2003.

The adoption of the revised SSAP 12 represents a change in accounting policy, which has been applied retrospectively and the comparatives presented have been restated to conform to the changed policy. The opening retained earnings at 1st April 2002 and 2003 have been reduced by US$2,426,000 and US$3,030,000, respectively, which represent the unprovided net deferred tax liabilities. This change has resulted in a decrease in deferred tax assets and an increase in deferred tax liabilities at 31st March 2003 by US$2,843,000 and US$187,000, respectively. The profit for the year ended 31st March 2003 has been reduced by US$604,000.

2. Turnover

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

	Turnover		**Operating profit/(loss)**	
	2004	2003	**2004**	2003
	US$'000	*US$'000*	***US$'000***	*US$'000*
Operating activities				
Sales of motors	**1,050,707**	955,339	**128,471**	175,805
Geographical area by manufacturing location				
Asia	**674,750**	579,695	**140,576**	143,551
America	**95,764**	132,534	**(16,268)**	4,804
Europe	**280,193**	243,110	**4,163**	27,450
	1,050,707	955,339	**128,471**	175,805

	2004	2003
	US$'000	*US$'000*
Turnover by geographical destinations of customers		
Asia	**317,069**	285,086
America	**310,861**	298,850
Europe	**422,777**	371,403
	1,050,707	955,339

3. Restructuring costs/provisions

During the year, Johnson Electric accelerated its strategy of restructuring those existing and acquired operations whose strategic location and relative cost position do not meet the current needs of the marketplace. The Group completed closure of its manufacturing plant in Thailand and research and development centre in Germany. Actions are also being taken to further restructure the manufacturing operations at Matamoros in Mexico. Other costs mainly comprise of severance payments and provisions for other shutdown costs.

	2004	2003
	US$'000	*US$'000*
Asset write-offs (including provision for impairment)	**11,819**	–
Other costs	**9,471**	–
Total provision	**21,290**	–

Net provision for costs of restructuring is US$15,987,000, after deduction of tax impact of US$5,303,000.

4. Depreciation and amortisation

During the year, depreciation of US$43,124,000 (2003: US$36,145,000) and amortisation of US$2,736,000 (2003: US$3,225,000) were charged in respect of the Group's properties, plant and equipment and intangible assets respectively.

5. Taxation

Hong Kong profits tax has been provided at the rate of 17.5% (2003: 16%) on the estimated assessable profit for the year. In 2003, the government enacted a change in the profits tax rate from 16% to 17.5% for the fiscal year 2003/2004. Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

The amount of taxation charged to the consolidated profit and loss account represents:

	2004	2003 As restated
	US$'000	*US$'000*
Current taxation		
Hong Kong profits tax	**(7,407)**	(6,992)
Overseas taxation	**(6,255)**	(2,794)
(Under)/over provisions in prior years	**(637)**	1,026
	(14,299)	(8,760)
Deferred taxation	**(2,323)**	(15,836)
	(16,622)	(24,596)
Share of taxation attributable to jointly controlled entities/ associated companies	**(1,334)**	(192)
	(17,956)	(24,788)

6. 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$116,577,000 (2003 as restated: US$149,412,000).

The basic earnings per share is based on 3,673,788,920 (2003: 3,673,788,920) shares in issue during the year.

The fully diluted earnings per share is based on 3,674,185,681 (2003: 3,673,983,580) ordinary shares which is the weighted average number of ordinary shares in issue during the year plus weighted average of 396,761 (2003: 194,660) ordinary shares deemed to be issued at no consideration if all outstanding options had been exercised.

7. Trade and other receivables

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$198,817,000 (2003: US$178,170,000). The ageing analysis of trade receivables was as follows:

	0-60 days	**61-90 days**	**Over 90 days**	**Total**
	US$'000	*US$'000*	*US$'000*	*US$'000*
Balance at 31st March, 2004	**144,704**	**39,857**	**14,256**	**198,817**
Balance at 31st March, 2003	130,019	24,009	24,142	178,170

8. Trade and other payables

The trade and other payables included trade payables balance of US$118,502,000 (2003: US$124,717,000). 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, 2004	**88,740**	**13,447**	**16,315**	**118,502**
Balance at 31st March, 2003	94,219	13,821	16,677	124,717

9. Comparatives

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

FINAL DIVIDEND

The Board has resolved to recommend at the forthcoming Annual General Meeting to be held on 20th July 2004 payment of a final dividend of 9 HK cents equivalent to 1.15 US cents per share (2003: 9 HK cents or 1.15 US cents) payable on 23rd July 2004 to persons who are registered shareholders of the Company on 20th July 2004 making a total distribution of 13.5 HK cents equivalent to 1.73 US cents per share for the year ended 31st March 2004 (2003: 13 HK cents or 1.66 US cents).

CLOSING REGISTER OF MEMBERS

The transfer books and the register of members of the Company will be closed from Friday, 16th July 2004 to Tuesday, 20th July 2004, 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, Computershare Hong Kong Investor Services Limited at 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:00 p.m. on Thursday, 15th July 2004.

A MESSAGE FROM PATRICK WANG

To Our Shareholders,

The 2004 financial year was a difficult one for Johnson Electric. We had to deal with a global economic environment for manufacturing businesses that remained sluggish for much of the year and in most instances did not see a consistent upward trend until the second half. We also faced quite unprecedented increases in global commodity prices that put pressure on our input costs and hence profit margins.

On the positive side, despite these challenging market conditions, the Group achieved double digit sales growth and passed the US$1 billion sales mark for the first time in its history. We continued to demonstrate our strong cash generation abilities with an 11% increase in net operating cash flow. And we are taking action to continue to strengthen our long-term competitive position – implementing a number of restructuring initiatives in our overseas manufacturing operations, improving asset productivity, and investing in people and business systems to sustain long term growth.

Nonetheless, the bottom line results were unsatisfactory and profitability levels fell well short of our objectives at the start of the year. We had relatively limited room for manoeuvre in the face of the extraordinarily rapid increase in copper and steel prices during the latter months of the financial year. Management is consequently working hard to drive performance back to more acceptable levels for the current year. The early signs of these efforts are reasonably encouraging – but there remains plenty of work to do.

Summary of 2003-04 Results

- For the financial year ended 31st March 2004, total sales were a record US$1,051 million, up 10% compared to the 2003 financial year
- Excluding plant restructuring charges and provisions, profit attributable to shareholders was US$133 million, a decrease of 11%
- Net earnings after plant restructuring charges and provisions declined 22% to US$117 million or 3.17 US cents per share
- Notwithstanding the decline in net earnings, net operating cash flow increased 11% to a record US$184 million
- Johnson Electric's underlying financial position remains exceptionally strong and, taking into account cash and cash equivalents of US$247 million, the Group is substantively debt free.

Dividends

The Board has recommended a final dividend of 1.15 US cents per share, which together with the interim dividend of 0.58 US cents per share, represents a total dividend of 1.73 US cents per share – an increase of 4% over the 2003 financial year.

Operating Environment in 2003/04

Johnson Electric's sales during the first months of the 2003-04 financial year continued to feel the effects of a comparatively weak global economy, with mixed and somewhat hesitant patterns of demand. Trading conditions, however, picked up in the second half as both global industrial output and customer inventories reflected higher end-user confidence levels. The Group derives approximately 40% of its sales from European markets and therefore sales also benefited from a stronger Euro currency compared to the US dollar (though at the same time certain operating expenses denominated in Euros also rose in US dollar terms).

As a result, the Group achieved sales growth of almost 15% in the second half compared to the same period last year – and marking a significant improvement over the 5% increase recorded in the first six months of the financial year.

The Commercial Motors Group ("CMG"), in particular, achieved strong sales growth of over 20% in the second half of the year compared to a flat performance in the first half. The division's total sales for the year amounted to US$389 million, an increase of 12% over the prior year.

All CMG business units achieved positive sales increases, with the strongest performance coming from home appliance applications which continue to gain market share through new product introductions and new customers. Sales to the power tools sector were affected by excess inventories in certain distribution channels in the first half but nonetheless recorded a modest overall improvement compared to the prior year. Business equipment and personal care products achieved satisfactory growth in relatively mature markets where price competition tends to be greater. The audio-visual sector, presently the smallest of CMG's businesses, also continued to expand its motor product line to focus on higher-end products and delivered healthy double-digit increases in sales volume and value. Recent acquisitions of the equity interests not already owned by Johnson Electric in the former Nidec Johnson Electric joint venture and in Nihon Mini Motor have provided the Group with a much larger consolidated sales platform from which to grow in the audio-visual motor sector in the coming years.

The Automotive Motors Group ("AMG"), which contributes approximately 60% of the Group's sales, recorded a 9% increase in total revenue to US$662 million. AMG motor and motor system products are generally less sensitive to short-term economic fluctuations and depend more on the timing and success of our new product programs, customer outsourcing decisions, and on the life-cycle of particular vehicle models. The AMG division consequently experienced a modest improvement in sales growth in the second half of the year compared to the first half.

In Europe, all of AMG's business units achieved double-digit sales growth as a result of both a stronger Euro currency and Johnson Electric's comparatively high market share among several of the top performing car brands in these markets. The performance of AMG in North America, on the other hand, was weaker with a slight decline in year-on-year sales recorded.

Raw Material and Operating Expenditure Increases

Steel and copper are two of the major raw materials used in small precision motors and Johnson Electric inevitably felt the effects of price increases in these commodities, especially during the second half of year when global market prices escalated dramatically. For the year as a whole, the company's weighted average cost of steel increased by over 30%, and the average London spot price of copper increased by approximately 29%. Higher raw material costs were therefore a key factor in the decline in the Group's gross margin from 32.5% to 29.8%.

Selling, General and Administration expenses also increased disproportionally to sales growth. Part of this increase was due to sharply higher international freight and shipping costs, as well as the translation of Euro-dominated expenses for US dollar reporting. For the most part, however, higher overhead expenses reflected the company's recent investments in people and technology to support the Group's long-term growth objectives. With a business that now exceeds US$1 billion in revenue and continues to expand, management believes that these types of investment are essential in order to maintain the company's growth trajectory.

The Group is now much better positioned to benefit from improved operating leverage as the global recovery continues and sales levels increase. Nevertheless, the imperative to improve operating profitability for the 2004-05 financial year is resulting in an aggressive CEO-led review of SG&A expenses to ensure that these properly reflect the needs of the business today and are scaleable for the rate of growth anticipated in the coming years.

Overseas Plant Restructuring to Improve Long-Term Cost Position

During the year, Johnson Electric accelerated its strategy of restructuring those existing and acquired operations whose strategic location and relative cost position do not meet the current needs of the marketplace. The company completed the closure of its manufacturing plant in Thailand and research and development centre in Germany. Actions are also being taken to further restructure the manufacturing operations at Matamoros in Mexico.

The plant closure and restructuring initiatives essentially involve the relocation of certain production activities to lower cost manufacturing locations – primarily to the company's large scale and vertically integrated manufacturing complex in Guangdong Province, China. In the case of research and development and other technical/sales support functions located in overseas end-markets, the Group is increasingly consolidating these into fewer strategic locations in order to achieve greater operating efficiencies and flexibility. In most cases, the near-term cash outflow associated with these restructuring initiatives is expected to be recovered within two years through profitability and revenue improvements.

Overall Impact on Profitability

The combined effects of higher raw material costs, investments in building a more sustainable operating platform, and restructuring charges reduced profit margins for the Group. Taking into account the US$16 million after tax non-recurring charge for closure costs incurred and provisions for further restructuring expenses, net profit attributable to shareholders decreased by 22% to US$117 million.

Positioning the Business for Continued Growth and Value Creation

Notwithstanding the relatively tough operating conditions of the past twelve months, Johnson Electric remains exceptionally well positioned to maintain its leadership in the small motor and motor systems industry.

As global customers search for the right solutions in terms of quality, price and responsiveness, they are increasingly looking to China to serve their supply chain needs. In China, we are confident that no other company can provide large-scale, globally-oriented, flexible motor solutions comparable to those offered by Johnson Electric.

For us, the challenge is meeting that demand in a manner that makes our customers successful and creates attractive returns for our shareholders over the long term. Our growth strategy is therefore to drive continuous improvements in our operations, to penetrate new market segments that offer above average prospects of profitable growth, and to invest in the right people to sustain high performance levels.

Underlying demand for motor applications across a wide range of end markets remains robust. This fact, combined with the ongoing shift towards outsourcing and lower cost country sourcing for motors, provides the Group with a healthy foundation for organic growth.

Consistent with our previously articulated strategy on corporate development, we aim to supplement our organic growth with selective investments and acquisitions. The key criteria for any such investment is that it must fit logically with Johnson Electric's existing activities or capabilities, that it can be managed effectively, and that it is reasonably priced.

The Group's two most recent acquisitions reflect this prudent approach. In March 2004, Johnson Electric acquired Nidec Corporation's 50% stake in the Nidec Johnson Electric audio visual motor joint venture after it was agreed that the timing was now right for one of the joint venture partners to take over the future development of the business. In April 2004, after the financial year end, it was also announced that the Group had agreed to acquire the remaining equity that it did not already own in Nihon Mini Motor, a leading motor supplier to the digital camera market. Johnson Electric originally acquired a 49% interest in Nihon Mini Motor from Mitsubishi Materials in April 2003.

In addition to these transactions, we have established two new businesses under the Johnson Electric umbrella that are presently exploring new growth opportunities in adjacent areas that we believe complement our overall strategy and skills in relation to manufacturing and sourcing components in China. Johnson Electric Trading Limited functions as a China sourcing platform for selected motor and motor-related products and components that are not currently manufactured within the Group. Johnson Electric Capital Limited is the Group's vehicle for exploring direct investment opportunities in component businesses that are adjacent to small motors in terms of manufacturing process, distribution channel, or customer profile.

Current Performance and Outlook

The current trading performance of the Group is satisfactory and, taking into account the consolidation of Nihon Mini Motor, we presently anticipate a low double digit percentage increase in sales for the current financial year.

The CMG division is expected to grow at a faster rate than AMG due partly to the timing of new product introductions and partly to recent acquisitions and investments in the audio visual motor sector.

As noted above, increases in raw material costs, especially towards the end of the 2003-04 financial year, have put pressure on gross margins with current input costs continuing to be above the average for the prior year. While the company cannot be entirely insulated from commodity price movements, intensive efforts are being taken to minimize their impact. This has included a policy of increasing product prices depending on material content. Subject to the traction we gain through these pricing strategies, as well as the effective execution of recently announced restructuring initiatives, we are cautiously optimistic that a modest improvement in gross margins can be achieved in the current financial year.

It should also be noted that several of our overseas restructuring initiatives associated with acquisitions typically extend over a period of time and we anticipate additional charges, of both a cash and non-cash nature, related to this long-term business improvement strategy in the future.

Overall, I am very encouraged by the commitment of our people to delivering disciplined growth and high performance. Over the past five years we have effectively tripled the size of the company and firmly established Johnson Electric as a true global leader in our industry. We have a strong pipeline of new product introductions, clearly defined go-to-market strategies, and an unparalleled model for delivering the motor solutions our customers need. Johnson Electric remains well positioned for long-term cash flow generation and value creation.

FINANCIAL REVIEW

OVERVIEW

The Group reported profit attributable to shareholders of US$116.6 million, or 3.17 US cents per share for the year ended 31st March 2004, compared to profit attributable to shareholders of US$149.4 million or 4.07 US cents per share in 2002/03.

Profit attributable to shareholders for the year included pre-tax restructuring costs/provisions of US$21.3 million (US$16.0 million net of tax). Excluding the impact of such costs/provisions, profit attributable to shareholders was US$132.6 million, a decrease of 11.3%.

In March 2004, Johnson Electric acquired Nidec Corporation's 50% stake in the Nidec Johnson Electric audio visual motor joint venture after it was agreed that the timing was now right for one of the joint venture partners to take over the future development of the business. In April 2004, after the financial year end, it was also announced that the Group had agreed to acquire the remaining 51% of the equity that it did not already own in Nihon Mini Motor, a leading motor supplier to the digital camera market. Johnson Electric originally acquired a 49% interest in Nihon Mini Motor from Mitsubishi Materials in April 2003.

Total turnover was US$1,051 million, an increase of 10% over the level in the prior year. Unit volume grew approximately 12%.

On a divisional basis, Automotive Motors Group increased 9% to US$662 million, representing 63% of total turnover. In addition to the effect of the stronger Euro currency, AMG achieved gains in market share, as a result of new product introductions and increasing outsourcing by customers.

Overall sales of the Commercial Motors Group increased over 12% to a record level of US$389 million, driven by the increasing trends of outsourcing by customers and new product introductions.

EARNINGS BEFORE INTEREST AND TAX ("EBIT")

Excluding the restructuring costs/provisions, EBIT was US$149.7 million, a decrease of US$26.1 million or 14.8%. The decline was mainly due to an increase of US$33.2 million or 22.8% in selling and administrative expenses, partly offset by an increase of US$2.8 million or 0.9% in gross profit and an increase of US$4.3 million in other revenues. The Group's EBIT (before restructuring costs/provisions), as a percentage of sales, decreased from 18.4% to 14.2%.

Gross margins decreased from 32.5% to 29.8%, due essentially to increased costs of steel and copper, especially during the second half of the year when we saw unprecedented escalation in global prices of those commodities.

Other revenues were US$15.3 million, up 39.1%, due to an increase of US$4.9 million in scrap sales, partly offset by a decrease of US$0.2 million in interest income.

Overall SG&A expenses increased 22.8% to US$179.1 million, and as a percentage of sales, increased from 15.3% to 17.0%.

The restructuring costs/provisions represented the closure costs of the manufacturing plant in Thailand and research and development centre in Germany during the year. Actions are also being taken to further restructure the manufacturing operations at Matamoros in Mexico. The closure costs incurred during the year, together with a provision to be made for further restructuring costs amounted to US$21.3 million (US$16.0 million net of tax). Included in the provision was a non-cash fixed asset write-offs of US$11.8 million.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's financial resources and liquidity remained strong, as cash generated from operations reached a record level of US$197.2 million. Net operating cashflow after interest and tax increased to US$184.4 million, compared to US$165.9 million in the previous year. As at 31st March 2004, the Group's total cash and other investments increased 28.7% to US$248.3 million, compared to US$192.9 million one year ago. Total debt was further reduced to US$3.1 million. Hence, the Group had no net debt.

The Group's principal committed facilities were long-term loans in Euro totalling US$3.1 million (of which US$0.1 million being repayable within one year) obtained by Gate S.r.l. to take advantage of preferential interest rates (fixed at between 1.5% and 3.2%) 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 other than the Group's regular annual capital expenditures required to maintain its growth in sales.

FINANCIAL MANAGEMENT AND TREASURY POLICY

The financial risk management of the Group is the responsibility of the Group's treasury function at the corporate centre 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 2004, of the micromotor sales from Hong Kong/China, 84% were in US dollars; 12% in Euro for certain sales to Europe; and 4% in Japanese Yen for certain sales to Japan.

The Body Climate and Powertrain Cooling business units, having sales of US$353 million representing 34% of the Group's total sales in the year under review, are mainly 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 Chassis Braking 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 2004, the surplus cash (comprising cash and other investments) increased to US$248.3 million, up 29% from US$192.9 million at the previous year-end. The Group is essentially debt-free, except certain loans amounting to US$3.1 million (compared to US$9.8 million a year ago).

As at 31st March 2004, 71% of the surplus cash was held in US dollars (compared to 70% a year ago); and the average duration of the Group's interest-bearing securities and time deposits was increased to 0.5 month, compared to 0.1 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 over time. At this stage, however, with continuing strong cash flows, there are no immediate requirements for debt finance.

Total debt remained at a low level of US$3.1 million, compared to US$9.8 million at the last year-end, comprising mainly the long-term loans and obligations of US$3.1 million. Borrowings at fixed interest rates amounted to approximately US$3.1 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 in Euro obtained by Gate S.r.l., a subsidiary based in Europe, equivalent to approximately US$3.1 million, the Group has no significant exposure to foreign exchange fluctuations in relation to borrowings.

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 members of Audit Committee 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 (Chairman) and Mr. Michael Enright, who was appointed as Member of the Committee on 18th March 2004 in place of Mr. Ian Conn who retired and resigned on the same date.

During the year, the Audit Committee met 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 Committee reviewed the unaudited interim accounts and the audited annual accounts for 2004 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 of Hong Kong Limited except that one of the Independent Non-executive Directors of the Company was not appointed for a specific term but he is subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Company's Bye-Laws.

PUBLICATION OF ANNUAL REPORT ON THE STOCK EXCHANGE'S WEBSITE

The Company's 2004 Annual Report containing all the information required by paragraphs 45(1) to 45(3) (both paragraphs inclusive) of Appendix 16 of the Listing Rules will be submitted to The Stock Exchange of Hong Kong Limited ("SEHK") on or before 21st June 2004 for uploading onto SEHK's website (http://www.hkex.com.hk).

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 of directors
Patrick Wang Shui Chung
Chairman & Chief Executive

Hong Kong, 7th June 2004

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 Chatham Room, Level 7, Conrad Hotel, Pacific Place, 88 Queensway, Hong Kong on Tuesday, 20th July 2004 at 12:00 noon for the following purposes:–

1. To receive and adopt the Audited Consolidated Accounts and the Reports of the Directors and of the Auditors for the year ended 31st March 2004;

2. To declare a final dividend in respect of the year ended 31st March 2004;

3. To re-elect the following Directors:

   (a) Mr. Peter Wang Kin Chung as Non-executive Director

   (b) Mr. Peter Stuart Allenby Edwards as Independent Non-executive Director

   (c) Mr. Patrick Blackwell Paul as Independent Non-executive Director

   (d) Mr. Michael John Enright as Independent Non-executive Director

4. To confirm the remuneration of Directors;

5. To re-appoint Auditors and to authorise the Directors to fix their remuneration;

6. As special business, to consider and, if thought fit, pass the following as an Ordinary Resolution:–

   "**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. As special business, to consider and, if thought fit, pass the following as an Ordinary Resolution:–

   "**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 powers 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

      (i) a Rights Issue, or

      (ii) the exercise of options granted under the Company's Share Option Scheme,

   shall not exceed the aggregate of 5 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 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)."

8. As special business, to consider and, if thought fit, pass the following as an Ordinary Resolution:–

"**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."

9. As special business, to consider and, if thought fit, pass the following as an Ordinary Resolution:–

"**THAT** conditional upon the passing of Ordinary Resolutions numbered 7 and 8 as set out in the Notice convening this meeting, 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 shall be added by 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. 8 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."

10. As special business, to consider and, if thought fit, pass the following as a Special Resolution:–

"**THAT** the Bye-Laws of the Company be and are hereby amended in the following manner:–

(1) Bye-Law 1

(a) By deleting the words "Section 2 of the Securities and Futures (Clearing Houses) Ordinance (Chapter 420 of Laws of Hong Kong)" where they appear in the paragraph defining "Clearing House" and replacing them with the words "the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)";

(b) By adding the following new definitions immediately after the definition of "corporate representative":

""associate(s)" in relation to any Director, shall have the meaning ascribed to it under the Listing Rules; and

"Listing Rules" shall mean the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time);";

(2) Bye-Law 85A

By adding the following new bye-law as a Bye-Law 85A immediately after the existing Bye-Law 85:

"85A. Where any member is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.";

(3) Bye-Law 108(B)

(a) By replacing the Bye-Law 108(B)(ii) in its entirety with the following paragraphs:

"(ii) A Director shall not vote (nor shall he be counted in the quorum) on any resolution of the Board approving any contract or arrangement or proposal in which he or any of his associates is to the knowledge of such Director materially interested, and if he shall do so his vote shall not be counted (nor shall he be counted in the quorum for that resolution), but this prohibition shall not apply to any of the following matters namely:–

(a) the giving of any security or indemnity either:

(i) to the Director or his associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries; or

(ii) to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his associate(s) has himself/themselves assumed responsibility in whole or in part and whether alone or jointly under a guarantee or indemnity or by the giving of security;

(b) any proposal concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase where the Director or his associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

(c) any proposal concerning any other company in which the Director or his associate(s) is/are interested only, whether directly or indirectly, as an officer or executive or shareholder or in which the Director or his associate(s) is/are beneficially interested in shares of that company, provided that the Director and any of his associates are not in aggregate beneficially interested in 5% or more of the issued shares of any class of such company (or of any third company through which his interest or that of his associate(s) is derived) or of the voting rights;

(d) any proposal or arrangement concerning the benefit of employees of the Company or its subsidiaries including:

(i) the adoption, modification or operation of any employees' share scheme or any share incentive or share option scheme involving the issue or grant of options over shares or other securities by the Company under which the Director or his associate(s) may benefit; or

(ii) the adoption, modification or operation of a pension fund or retirement, death or disability benefits scheme which relates both to Directors, his associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or his associate(s), as such any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and

(e) any contract or arrangement in which the Director or his associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company.";

(b) By deleting the existing paragraphs (a) and (b) of Bye-Law 108(B)(iii) in their entirety and replacing thereof with the following new wording:

"(a) A company shall be deemed to be a company in which a Director and/or any of his associates owns five (5) per cent. or more of the issued shares of any class of the equity share capital of such company or of the voting rights of any class of shares of such company if and so long as (but only if and so long as) he and/or his associates is/are (either directly or indirectly) the holder of or beneficially interested in five (5) per cent. or more of any class of the equity share capital of such company (or of any third company through which his/their interest is derived) or of the voting rights of any class of shares available to members of the company. For the purpose of this paragraph there shall be disregarded any shares held by a Director or his associate(s) as bare or custodian trustee and in which he or any of them has no beneficial interest, any shares comprised in a trust in which the interest of the Director or his associate(s) is/are in reversion or remainder, if and so long as some other person is entitled to receive the income thereof, and any shares comprised in an authorised unit trust scheme in which the Director or his associate(s) is/are interested only as a unit holder.

(b) Where a company in which a Director and/or any of his associates holds five (5) per cent. or more of any class of the equity share capital of such company or of the voting rights of any class of shares available to members of the company is materially interested in a transaction, then that Director and/or his associates shall also be deemed materially interested in such transaction.";

(c) By adding the following as a new paragraph (c) to Bye-Law 108(B)(iii):

"(c) If any question shall arise at any meeting of the Board as to the materiality of the interest of a Director (other than the Chairman) or his associate(s) or as to the entitlement of any Director (other than such Chairman) to vote or be counted in the quorum and such question is not resolved by his voluntarily agreeing to abstain from voting or not to be counted in the quorum, such question shall be referred to the Chairman and his ruling in relation to such other Director or his associate(s) shall be final and conclusive except in a case where the nature or extent of the interest of the Director or his associate(s) concerned as known to such Director has not been fairly disclosed to the Board. If any question as aforesaid shall arise in respect of the Chairman or his associate(s) such question shall be decided by a resolution of the Board (for which purpose such Chairman shall not be counted in the quorum and shall not vote thereon) and such resolution shall be final and conclusive except in a case where the nature or extent of the interest of such Chairman or his associate(s) as known to such Chairman has not been fairly disclosed to the Board.";

(4) Bye-Law 114

By deleting the existing Bye-Law 114 and replacing thereof with the following:

"114. No person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected shall have been lodged at the Head Office or at the Registration Office at least seven days before the date of the general meeting. The period for lodgment of the notices required under this Bye-Law shall commence no earlier than the day after the despatch of the notice of the general meeting appointed for such election and end no later than seven days prior to the date of such general meeting.""

By order of the Board
Susan Yip Chee Lan
Company Secretary

Hong Kong, 7th June 2004

Notes:

1. A Shareholder entitled to attend and vote is entitled to appoint one or more 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 instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority shall be deposited at the principal place of business 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 Friday, 16th July 2004 to Tuesday, 20th July 2004, 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, Computershare Hong Kong Investor Services Limited at 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:00 p.m. on Thursday, 15th July 2004.

4. As at the date of this announcement, the Board of Directors of the Company consists of:–

Wang Koo Yik Chun	*Honorary Chairman*
Patrick Wang Shui Chung	*Chairman and Chief Executive*
Winnie Wang Wing Yee	*Vice-Chairman*
Richard Wang Li-Chung	*Executive Director*
Peter Stuart Allenby Edwards	*Independent Non-executive Director*
Peter John Wrangham	*Independent Non-executive Director*
Patrick Blackwell Paul	*Independent Non-executive Director*
Arkadi Kuhlmann	*Independent Non-executive Director*
Oscar De Paula Bernardes Neto	*Independent Non-executive Director*
Peter Wang Kin Chung	*Non-executive Director*
Michael John Enright	*Independent Non-executive Director*

"Please also refer to the published version of this announcement in South China Morning Post".