JOHNSON ELECTRIC HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock code: 179)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31ST MARCH 2006

FINANCIAL HIGHLIGHTS

- Total sales US$1,526 million – up 33%
- EBITDA excluding restructuring charges and provisions was US$201 million – a decrease of 5%
- Net earnings attributable to equity holders decreased 33% to US$94 million
- Net cash generated from operating activities US$159 million – up 30%
- Earnings per share for equity holders was 2.56 US cents
- Dividends per share 1.67 US cents

The Directors announce that the audited consolidated profit attributable to equity holders for the year ended 31st March 2006 was US$93,990,000, a decrease of 33% over the corresponding year in 2005.

FINANCIAL RESULTS

The audited consolidated profit and loss account for the year ended 31st March 2006 together with restated comparative figures for the corresponding year in 2005 is set out below:

CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Note	2006	(restated) 2005
		US$'000	*US$'000*
Turnover	*2*	**1,526,328**	1,143,783
Cost of goods sold		**(1,149,235)**	(795,625)
Gross profit		**377,093**	348,158
Other gains, net		**13,155**	4,320
Selling and administrative expenses		**(251,529)**	(188,583)
Restructuring costs/provisions	*3*	**(17,248)**	(9,992)
Operating profit	*4*	**121,471**	153,903
Finance costs	*5*	**(7,618)**	(308)
Share of profits less losses of jointly controlled entities/associated companies		**2,398**	2,851
Profit before income tax		**116,251**	156,446
Income tax expenses	*6*	**(21,884)**	(15,193)
Profit for the year		**94,367**	141,253
Attributable to:			
Equity holders of the company		**93,990**	141,229
Minority interests		**377**	24
		94,367	141,253
Dividends	*7*	**61,230**	73,005
Earnings per share for profit attributable to the equity holders of the Company during the year (expressed in US cents per share)			
Basic	*8*	**2.56**	3.84
Diluted	*8*	**2.56**	3.84

CONDENSED CONSOLIDATED BALANCE SHEET

	Note	2006 US$'000	(restated) 2005 US$'000
Intangibles		**631,592**	43,335
Properties, plant and equipment		**378,543**	244,115
Investment properties		**17,202**	8,356
Leasehold land and land use rights		**25,355**	27,877
Other non-current assets		**56,873**	55,047
Current assets			
Stocks and work in progress		**233,379**	160,771
Trade and other receivables	*9*	**418,177**	278,028
Derivative financial instruments		**7,989**	–
Other financial assets at fair value through profit or loss		**2,707**	–
Other investments		**–**	58,813
Income tax recoverable		**3,716**	9,168
Bank balances and cash		**238,510**	176,321
		904,478	683,101
Current liabilities			
Trade and other payables	*10*	**287,688**	179,202
Current income tax liabilities		**18,349**	4,466
Derivative financial instruments		**579**	–
Borrowings		**184,920**	12,970
Provisions and other liabilities		**12,542**	2,891
		504,078	199,529
Net current assets		**400,400**	483,572
Total assets less current liabilities		**1,509,965**	862,302
Non-current liabilities			
Borrowings		**523,193**	3,018
Deferred income tax liabilities		**88,069**	23,268
Provisions and other liabilities		**42,899**	16,649
		654,161	42,935
NET ASSETS		**855,804**	819,367
EQUITY			
Share capital		**81,412**	83,780
Reserves		**724,093**	682,669
Proposed dividends		**40,035**	51,810
		845,540	818,259
Minority interests		**10,264**	1,108
TOTAL EQUITY		**855,804**	819,367

CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE

FOR THE YEAR ENDED 31ST MARCH 2006

	2006	2005
	US$'000	*US$'000*
Gain on revaluation of properties, plant and equipment transfer to investment properties	**2,368**	462
Deferred tax effect on gain on revaluation of properties, plant and equipment transfer to investment properties	**(414)**	–
Deferred tax effect on investment properties upon the adoption of HKAS – Int 21	**–**	63
Revaluation surplus realised upon disposal of investment properties	**–**	(822)
Fair value losses on available-for-sale financial assets	**(627)**	–
Fair value gain on hedging instruments	**6,724**	–
Deferred tax effect on fair value gain in hedging instruments	**(1,177)**	–
Actuarial gains of defined benefit plan upon the adoption of HKAS 19 (Amendment)	**5,777**	–
Deferred tax effect on actuarial gain of defined benefit plan upon the adoption of HKAS 19 (Amendment)	**(1,058)**	–
Adjustment arising on translation of foreign subsidiaries, associated companies and jointly controlled entities	**(7,359)**	8,030
Net income recognised directly in equity	**4,234**	7,733
Profit for the year	**94,367**	141,253
Total recognised income for the year	**98,601**	148,986

Note:

1. **Principal accounting policies**

The accounts have been prepared in accordance with Hong Kong Financial Reporting Standards (HKFRS). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss and investment properties, which are carried at fair value.

In 2005/06, the Group adopted the new/revised standards and interpretations of HKFRS below, which are relevant to its operations. The comparatives have been amended as required, in accordance with the relevant requirements.

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after Balance Sheet Date
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 19 (Amendment)	Actuarial gains and losses
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs

HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 28	Investments in Associates
HKAS 31	Investments in Joint Ventures
HKAS 32	Financial Instruments: Disclosures and Presentation
HKAS 33	Earnings per Share
HKAS 36	Impairment of Assets
HKAS 38	Intangible Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 40	Investment Property
HKAS-Int 12	Scope of HKAS – Int 12 Consolidation – Special Purpose Entities
HKAS-Int 15	Operating Leases – Incentives
HKAS-Int 21	Income Taxes – Recovery of Revalued Non-Depreciable Assets
HKFRS 2	Share-based Payments
HKFRS 3	Business Combinations

The adoption of new/revised HKASs 1, 2, 7, 8, 10, 16, 21, 23, 24, 27, 28, 31, 33 and HKAS-Ints 12 & 15 did not result in substantial changes to the Group's accounting policies. In summary:

- HKAS 1 has affected the presentation of minority interest, investment properties, share of net after-tax results of associates and jointly controlled entities and other disclosures.
- HKASs 2, 7, 8, 10, 16, 23, 27, 28, 31, 33 and HKAS-Ints 12 and 15 had no material effect on the Group's policies.
- HKAS 21 had no material effect on the Group's policy. The functional currency of each of the consolidated entities has been re-evaluated based on the guidance to the revised standard.
- HKAS 24 has affected the identification of related parties and some other related-party disclosures.

The adoption of revised HKAS 17 has resulted in a change in the accounting policy relating to the reclassification of leasehold land and land use rights from properties, plant and equipment to operating leases. The up-front prepayments made for the leasehold land and land use rights are expensed in the profit and loss account on a straight-line basis over the period of the lease or where there is impairment, the impairment is expensed in the profit and loss account. In prior years, the leasehold land and land use rights was accounted for at cost less accumulated depreciation and accumulated impairment.

The adoption of HKASs 32 and 39 has resulted in a change in the accounting policy relating to the classification of other financial assets at fair value through profit or loss and available-for-sale financial assets.

The adoption of revised HKAS 40 has resulted in a change in the accounting policy of which the changes in fair values are recorded in the profit and loss account as part of other gains, net. In prior years, the increases in fair value were credited to the investment properties revaluation reserve. Decreases in fair value were first set off against increases on earlier valuations on a portfolio basis and thereafter expensed in the profit and loss account.

The adoption of revised HKAS-Int 21 has resulted in a change in the accounting policy relating to the measurement of deferred tax liabilities arising from the revaluation of investment properties. Such deferred tax liabilities are measured on the basis of tax consequences that would follow from recovery of the carrying amount of that asset through use. In prior years, the carrying amount of that asset was expected to be recovered through sale.

The adoption of HKFRS 2 has resulted in a change in the accounting policy for share-based payments. Until 31st March 2005, the provision of share options to employees did not result in an expense in the profit and loss account. Effective 1st April 2005, the Group expenses the cost of share options in the profit and loss account. As a transitional provision, the cost of share options granted after 7th November 2002 which had not yet vested on 1st April 2005 was expensed retrospectively in the profit and loss account of the respective periods.

The adoption of amendment to HKAS 19 provides an option of recognising actuarial gains and losses in full in the year in which they occur, outside profit and loss account, in reserves. The Group has elected to take the option to recognise all actuarial gains and losses, including those actuarial gains and losses previously included as part of the transitional unrecognised liabilities on initial adoption of SSAP 34, Employee benefits. In prior years, cumulative unrecognised net actuarial gains and losses, to the extent of the amount in excess of 10% of the greater of the present value of the plan obligations and the fair value of plan assets, were recognised in the profit and loss account over the average remaining service lives of employees.

The adoption of HKFRS 3, HKAS 36 and HKAS 38 results in a change in the accounting policy for goodwill.

Until 31st March 2005, goodwill was:

– Amortised on a straight line basis over a period ranging from 5 to 20 years; and

– Assessed for an indication of impairment at each balance sheet date.

In accordance with the provisions of HKFRS 3:

– The Group ceased amortisation of goodwill from 1st April 2005;

– Accumulated amortisation as at 31st March 2005 has been eliminated with a corresponding decrease in the cost of goodwill;

– From the year ending 31st March 2006 onwards, goodwill will be tested annually for impairment, as well as when there is indication of impairment.

The Group has reassessed the useful lives of its intangible assets in accordance with the provisions of HKAS 38. No adjustment resulted from this reassessment.

All changes in the accounting policies have been made in accordance with the transition provisions in the respective standards. All standards adopted by the Group require retrospective application other than:

– HKAS 16 – the initial measurement of an item of properties, plant and equipment acquired in an exchange of assets transaction is accounted at fair value prospectively only to future transactions;

– HKAS 21 – prospective accounting for goodwill and fair value adjustments as part of foreign operations;

– HKAS 39 – does not permit to recognise, not recognise and measure financial assets and liabilities in accordance with this standard on a retrospective basis. The Group applied the previous SSAP 24 "Accounting for investments in securities" to investments securities and other investments and also to hedge relationships for the 2004/05 comparative information. The adjustments required for the accounting differences between SSAP 24 and HKAS 39 are determined and recognised at 1st April 2005;

– HKAS 40 – since the Group has adopted the fair value model, there is no requirement for the Group to restate the comparative information, any adjustment should be made to the retained earnings as at 1st April 2005, including the reclassification of any amount held in revaluation surplus for investment property;

– HKAS-Int 15 – does not require the recognition of incentives for leases beginning before 1st April 2005;

– HKFRS 2 – only retrospective application for all equity instruments granted after 7th November 2002 and not vested at 1st April 2005; and

– HKFRS 3 – prospectively after the adoption date.

Effect of adopting HKAS 17, 19(Amendment), 32, 39, 40 and HKFRS 2 on the Group's consolidated profit and loss account are as follows:

	Year ended 31st March 2006						Year ended 31st March 2005			
	HKAS 1	**HKAS 17**	**Amendment to HKAS 19**	**HKAS 32 & 39**	**HKAS 40**	**HKFRS 2**	HKAS 1	HKAS 17	HKFRS 2	HKAS-Int 21
Decrease in cost of sales	**-**	**-**	**-**	**239**	**-**	**-**	–	–	–	–
Increase in other gains, net	**-**	**-**	**-**	**-**	**5,671**	**-**	–	–	–	–
(Increase) /decrease in selling and administrative expenses	**-**	**48**	**-**	**24**	**-**	**210**	–	125	(544)	–

Effect of adopting HKAS 1, 17, 19(Amendment), 32, 36, 38, 39, 40, HKFRS 2, 3 and HKAS-Int 21 on the Group's condensed consolidated balance sheet are as follows:

	31st March 2006						1st April 2005	31st March 2005			
	HKAS 1	HKAS 17	Amendment to HKAS 19	HKAS 32 & 39	HKAS 40	HKFRS 2	HKFRS 3, HKAS 36 & 38	HKAS 1	HKAS 17	HKFRS 2	HKAS-Int 21
Increase in intangibles	–	–	–	–	–	–	1,864	–	–	–	–
Decrease in employee benefit obligation	–	–	(5,777)	–	–	–	–	–	–	–	–
Decrease in properties, plant and equipment	(17,202)	(25,522)	–	–	–	–	–	(8,356)	(28,092)	–	–
Increase in investment properties	17,202	–	–	–	–	–	–	8,356	–	–	–
Increase in leasehold land	–	25,355	–	–	–	–	–	–	27,877	–	–
Increase in available-for-sale financial assets	–	–	–	5,294	–	–	–	–	–	–	–
Increase in trade and other receivables	–	–	–	225	–	–	–	–	–	–	–
Increase in other financial assets through profit or loss	–	–	–	2,707	–	–	–	–	–	–	–
Increase in bank loans and overdrafts	–	–	–	225	–	–	–	–	–	–	–
Increase in derivative financial instruments											
– Assets	–	–	–	7,989	–	–	–	–	–	–	–
– Liabilities	–	–	–	579	–	–	–	–	–	–	–
Increase in hedging reserve	–	–	–	5,547	–	–	–	–	–	–	–
Increase in deferred tax liability	–	–	1,058	1,177	–	–	–	–	–	–	1,376
Increase in other reserve	–	–	–	298	–	–	–	–	–	–	–
Increase in share option reserve	–	–	–	–	–	681	–	–	–	891	–
Decrease in investment properties revaluation reserve	–	–	–	–	(6,487)	–	–	–	–	–	(1,376)
Increase/(decrease) in retained earnings	–	(167)	4,719	1,851	6,487	(681)	1,864	–	(215)	(891)	–

2. Segment information

The principal operations of the Group are the manufacture, sale and trading of motors, electromechanical components and materials.

(a) *Primary reporting format – geographical segments*

The Group's business operates in three geographical areas by manufacturing location.

	Asia 2006 *US$'000*	**America 2006** *US$'000*	**Europe 2006** *US$'000*	**Group 2006** *US$'000*
Sales	**954,090**	**120,992**	**451,246**	**1,526,328**
Operating profit/(loss)	**126,773**	**29**	**(5,331)**	**121,471**
Finance costs				**(7,618)**
Share of profits less losses of jointly controlled entities and associated companies	**2,375**	**–**	**23**	**2,398**
Profit before income tax				**116,251**
Income tax expenses				**(21,884)**
Profit for the year				**94,367**

	Asia 2005 *US$'000*	America 2005 *US$'000*	Europe 2005 *US$'000*	Group 2005 (Restated) *US$'000*
Sales	783,640	80,880	279,263	1,143,783
Operating profit/(loss)	157,728	(9,767)	5,942	153,903
Finance costs				(308)
Share of profits less losses of jointly controlled entities and associated companies	2,840	–	11	2,851
Profit before income tax				156,446
Income tax expenses				(15,193)
Profit for the year				141,253

Sales by geographical destinations of customers

	2006 *US$'000*	2005 *US$'000*
Asia	**510,969**	382,359
America	**396,181**	314,411
Europe	**619,178**	447,013
	1,526,328	1,143,783

(b) *Secondary reporting format – business segments*

Sales by business segments

	2006	2005
	US$'000	*US$'000*
Manufacturing and sales	**1,460,574**	1,138,024
Trading	**65,754**	5,759
	1,526,328	1,143,783

3. Restructuring costs/provisions

Including the newly acquired business, the Group announced closure of certain plants in Europe and US. The costs incurred during the year mainly represent asset write-offs, severance payments and provisions for other shutdown costs.

	2006	2005
	US$'000	*US$'000*
Asset write-offs (including provision for impairment)	**3,154**	–
Other costs	**14,094**	9,992
Total provision	**17,248**	9,992

4. Depreciation and amortisation

During the year, depreciation of US$54,394,000 (2005 restated: US$43,355,000) in respect of properties, plant and equipment, amortisation of US$318,000 (2005 restated: US$718,000) in respect of leasehold land and land-use right and amortisation of US$7,828,000 (2005: US$3,313,000) in respect of intangibles were charged in the profit and loss account.

5. Finance costs

Interest expense for the year amounted to US$7,618,000. The increase is mainly due to the finance costs incurred on the US$520,718,000 bridge loan to fund the Saia-Burgess acquisition.

6. Income tax expenses

Hong Kong profits tax has been provided at the rate of 17.5% (2005: 17.5%) on the estimated assessable profit for the year. Overseas tax has been provided at the applicable rates on the estimated assessable profit in respective countries of operations for the year.

		(restated)
	2006	2005
	US$'000	*US$'000*
Current taxation		
Hong Kong profits tax	**(6,070)**	(8,599)
Overseas taxation	**(19,554)**	(3,789)
(Under)/ over provisions in prior years	**(2,656)**	1,014
	(28,280)	(11,374)
Deferred income tax	**6,396**	(3,819)
	(21,884)	(15,193)

Taxes on profits increased 44.0% to US$21,884,000, compared to US$15,193,000 in the previous year mainly due to the decrease in deferred taxation and the increase of overseas taxation in relation to the Group's operations in Europe and North America.

7. Dividends

	2006 *US$'000*	2005 *US$'000*
Interim, paid, of 0.58 US cents per share (2005: 0.58 US cents)	**21,195**	21,195
Final, proposed, of 1.09 US cents per share (2005: 1.41 US cents)	**40,035**	51,810
	61,230	73,005

8. Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares 3,672,599,405 (2005: 3,673,788,920) in issue during the year, excluding ordinary shares purchased by the Group and held as treasury shares.

Diluted earnings per share equals basic earnings per share because there were no potential dilutive ordinary shares outstanding during the year ended 31st March 2006.

9. Trade and other receivables

The Group normally grants credit period range from 30 to 90 days to its trade customers. The trade and other receivables included trade receivables of US$375,558,000 (2005: US$233,474,000). 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, 2006	**284,475**	**41,226**	**49,857**	**375,558**
Balance at 31st March, 2005	162,847	36,254	34,373	233,474

10. Trade and other payables

The trade and other payables included trade payables of US$194,925,000 (2005: US$128,255,000). 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, 2006	**151,055**	**15,652**	**28,218**	**194,925**
Balance at 31st March, 2005	91,124	15,888	21,243	128,255

FINAL DIVIDEND

The Board has resolved to recommend at the forthcoming Annual General Meeting to be held on 20th July 2006 payment of a final dividend of 8.5 HK cents equivalent to 1.09 US cents per share (2005: 11 HK cents or 1.41 US cents) payable on 26th July 2006 to persons who are registered shareholders of the Company on 20th July 2006 making a total distribution of 13 HK cents equivalent to 1.67 US cents per share for the year ended 31st March 2006 (2005: 15.5 HK cents or 1.99 US cents).

CLOSING REGISTER OF SHAREHOLDERS

The Register of Shareholders of the Company will be closed from Monday, 17th July 2006 to Thursday, 20th July 2006, both dates inclusive, during which no transfer of shares will be registered.

In order to qualify for the proposed final dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong (not the Registrar in Bermuda) for registration, not later than 4:00 p.m. on Friday, 14th July 2006.

CHAIRMAN'S STATEMENT

To Our Shareholders,

The 2006 financial year marked an important watershed in Johnson Electric's development.

Through the acquisitions of Saia-Burgess Electronics Holding AG and Parlex Corporation we are transforming ourselves into a dynamic and truly multinational business with unrivalled technology and capabilities that span DC motors, stepper motors, solenoids, actuators, precision gears, precision plastics, and flexible printed circuits. The Johnson Electric Group is now uniquely positioned to lead our industry in providing innovative motor and "motion" system solutions to our growing global customer base.

These essential strategic advances, however, are being made in the context of a difficult operating environment marked by dramatic raw material price volatility that has significantly depressed near-term gross margins and more than outweighed the ongoing progress management has made in improving operational effectiveness and containing overheads.

Summary of 2005-06 Results

- For the financial year ended 31st March 2006, total sales were a record US$1,526 million – an increase of 33% compared to the 2005 financial year
- Excluding restructuring charges and provisions, operating profits were US$139 million, a decrease of 15%
- Net earnings attributable to shareholders after restructuring charges and provisions declined 33% to US$94 million or 2.56 US cents per share
- The Board has recommended a final dividend of 1.09 US cents per share, which together with the interim dividend of 0.58 US cents per share, represents a total dividend of 1.67 US cents per share

Sales Performance

The major factor behind the strong sales increase for the year was the additional contributions of Saia-Burgess Electronics and Parlex for the five month period since they were acquired in November 2005. In Johnson Electric's Automotive and Commercial Motors Groups sales grew by 3% in the year – reflecting relatively soft market conditions.

The Automotive Motors Group ("AMG") achieved sales of US$643 million, representing a growth rate of 5% compared to the prior year. With the exception of the Body Instruments business unit, where year-on-year sales were flat, all AMG business units grew sales during the year – a creditable performance given the severe structural problems that continue to affect the North American and European automotive industries.

The Commercial Motors Group ("CMG") achieved sales of US$532 million, an increase of 2% over the prior year. Strong growth in the Home Appliance and Business Equipment/Personal Products business units was partially offset by weaker performances in the Power Tools and Audio-Visual product application segments which experienced heightened price competition. The CMG division overall continues to make good progress in shifting the mix of its business to focus on differentiated products where Johnson Electric commands a stronger market position and better pricing power. Nanomotion Ltd., the Group's Israel-based producer of high precision piezo ceramic motors, continues to make progress in developing a range of advanced technological solutions to support the Group's penetration into new markets.

Commodity Price Increases Continue to Pressure Gross Margins

Good progress towards securing our long-term competitiveness contrasted with the negative impact of higher raw material costs during the year. For the third year in succession, the Group's cost of materials increased due to the sharp rise in global commodity prices.

The market price for copper, for example, increased by more than 50% during the financial year – and is presently more than four times its level of three years ago. In the case of steel, although market prices declined during the second-half of the year, the Group did not benefit significantly from this during the period due to the timing and extended nature of its purchase contracts with its steel suppliers.

On-going operational efficiency improvements and copper hedging strategies helped to partially offset these negative trends. Nonetheless, the overall impact of higher material costs, as well as competitive price pressures in some market segments, reduced gross profits in the Automotive and Commercial motor divisions by approximately 11% compared to the prior year.

Restructuring Charges and the Accounting Impact of Recent Acquisitions

The completion of the Saia-Burgess Electronics and Parlex acquisitions resulted in a number of restructuring initiatives designed to improve the long-term economic performance of these businesses and the expanded Johnson Electric Group. These initiatives, as well as certain other one-time restructuring charges and provisions related to the closing of overseas facilities, resulted in restructuring costs of approximately US$17 million.

The company incurred an amortisation charge of US$6 million due to the requirement to amortise the intangible assets of acquired businesses over periods ranging from 5 years to 25 years.

The overall effects of high commodity prices, business restructuring expenses, and amortisation charges related to our recent acquisitions, resulted in an unsatisfactory decrease in net income for the year.

Building a Platform for Sustaining Long-Term Competitive Advantage

For many years now, a central element of Johnson Electric's corporate strategy has been to leverage our low-cost, large-scale manufacturing platform in China to build a leading market position serving global OEM customers. By exploiting that market leadership to invest in elements of the business that our customers also value (speed to market, for example), we have been able to grow market share and volumes – hence further building the company's scale and reinforcing its low cost position.

Looking to the future, a component manufacturing business such as ours must continue to exploit its scale and improve its operational efficiency to achieve further cost reductions. In this regard, we are making steady progress in refining the effectiveness of our China manufacturing operations and global supply chain through a variety of lean manufacturing and Gemba Kaizen improvement techniques.

At the same time, however, it is imperative that we act to *sustain* our competitive advantage by investing in new capabilities that will effectively differentiate our products in the marketplace.

The acquisition of Saia-Burgess Electronics is an essential piece in this strategy and we are satisfied with the progress of this business to date. It brings to Johnson Electric a combination of technology and talent that complements and extends the Group's ability to develop innovative and integrated motion systems. The value-creation opportunity here is both to lower costs by leveraging Johnson Electric's cost base in China (though we do expect to achieve significant purchasing and manufacturing synergies in this area) and enable the Group to offer smart, value-adding solutions to customers across a spectrum of closely related products areas in ways that our competitors cannot match.

Similarly, the addition of Parlex – though a much smaller business – provides new capabilities for Johnson Electric to extend its reach in electronics and electronic assemblies which are becoming an increasingly important feature in the markets where we compete. Although the current operational model of Parlex requires further reshaping to achieve the level of profitability we demand, the business is already beginning to benefit from new business opportunities sourced from other parts of Johnson Electric and Saia-Burgess Electronics which utilise flexible printed circuits inside existing motor and actuator sub-systems.

Future Prospects

Looking ahead, Johnson Electric is well positioned for the 2006-07 financial year and for the longer term.

The steps that we have taken over the past twelve months have significantly enhanced the value-creation potential of our business. Turning that potential into reality, of course, will require further hard work and disciplined execution. A systematic and wide-ranging integration process is well underway to bring out the best of the combined Johnson Electric and Saia-Burgess businesses and to achieve genuine benefits in terms of superior revenue growth and operational cost savings. At Parlex, we are also optimistic that the business is on track to make a positive contribution to both the expanded technology offering and profits of the Group.

Business units serving our traditional micro-motor markets will continue to focus on those customer segments where we are able to differentiate our product offering to achieve attractive margins. In the near-term, we also anticipate an improvement in gross margins as a result of the raw material purchasing contracts that we currently have in place.

The full-year contributions of recent acquisitions can be expected to result in the Group generating annual sales of approximately US$2 billion and, barring unforeseen circumstances, we aim to achieve an improvement in the bottom-line performance in the 2006-07 financial year.

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

FINANCIAL REVIEW

Overview

Total turnover was US$1,526 million, an increase of 33% over the level in the prior year. This increase is primary due to the sales contributions of Saia-Burgess and Parlex for the five month period since they were acquired in November 2005.

The Group reported profit attributable to shareholders of US$94.0 million, or 2.56 US cents per share for the year ended 31st March 2006, compared to the restated profit attributable to shareholders of US$141.2 million or 3.84 US cents per share in 2004/05. Profit attributable to shareholders for the year was reduced by pre-tax restructuring costs/ provisions of US$17.2 million (US$10.0 million for the prior year) and amortization of intangible assets of US$7.8 million (US$3.3 million for the prior year).

In November 2005, Johnson Electric made two strategic acquisitions: Saia-Burgess and Parlex. Saia-Burgess is a leading supplier of stepper motors, switches, actuators, sensors and electronic controllers to customers within the automotive, industrial, medical, home appliance, and infrastructure automation industries and Parlex is a provider of flexible interconnect solutions to a wide range of end market applications for global customers. The total consideration for these two acquisitions amounted to US$599.0 million and their addition has resulted in a significant change to the revenues, assets, working capital, and borrowings of the Group compared to a year ago.

The Johnson Electric Group now has a significant investment in intangible assets. The total amount attributable to intangible assets at the end of the year is US$631.6 million, including US$265.0 million of intangible assets such as Patents, Technology, Brands, Development Cost and Customer Relationships, and US$366.6 million of Goodwill.

Group had borrowings of US$708.1 million at the year end offset in part by cash balances of $238.5 million. At 31st March 2006, the Group had an outstanding bridge loan in the amount of US$520.7 million. This had been taken out in November 2005 for the purpose of funding the purchase of shares in Saia-Burgess. At 31st March 2006, the Company also had in place a facility agreement with a syndicate of banks for a five-year loan facility of up to US$530.0 million for the express purpose of refinancing the bridge loan. This facility was drawn down on 6th April 2006 to refinance in full the bridge loan. The five-year loan is repayable in full on the Final Maturity Date, 31st March 2011. The cash flow remained strong with a total of US$159.3 million net cash generated from operating activities in the year.

Turnover
The sales for the Automotive and Commercial Motors Divisions (AMG and CMG), representing 77% of the total sales, increased by approximately 3% over the prior year. The Saia-Burgess business units added US$227 million of new revenue to the Group in the 5 months since acquisition.

Cost of Sales and Gross Margins
The profitability of the Group has been affected by the unprecedented increase cost of raw material components used for motor manufacturing – particularly copper and steel which together represent the largest portion of the Group's material purchases. These adverse impacts have been partially offset by the benefits gained from restructuring in prior periods and through an ongoing drive for productivity.

The Group's gross margins as a percentage of sales decreased from 30.4% for 2004/05 to 24.7% for the current year. Sales of scrap material were taken into account in the determination of the cost of material consumed.

Saia-Burgess' gross margins for the five month period since acquisition was US$55.3 million, representing 24.4% as a percentage of sales in that business.

With the actions taken and being taken to hedge copper, to purchase steel in an effective manner, to continue process and productivity improvements, to address customer pricing issues, and to integrate the recent acquisitions, the Group aims to achieve some improvement in gross margins in the coming year. This forecast is based on current market conditions and is subject to unforeseen circumstances.

Other gains increased from US$4.3 million to US$13.1 million. This improvement was mainly due to the increase of interest income of US$3.2 million and gain on the revaluation of investment properties of US$5.7 million.

SG&A expenses increased 33.4% to US$251.5 million, but as a percentage of sales remained at 16.5%. The increase reflects the impact of the additional SG&A for Saia-Burgess and Parlex which amounted to an additional US$50.4 million for the five month period since acquisition.

Under the new accounting standards, acquirers are required to record separately the intangible assets of the acquired businesses at the date of acquisition, and to amortize them. Thus the consolidation of Saia-Burgess and Parlex into Johnson Electric will result in amortization of their intangibles assets over periods ranging from 5 years to 25 years depending on the nature of the intangible asset. The amortization for the five month period is US$6.2 million.

The Group recorded restructuring costs and provisions in the year which total US$17.2 million.

Restructuring initiatives in Saia-Burgess and Parlex following their acquisition, which are designed to improve the long-term economic performance of these businesses and the expanded Johnson Electric Group, resulted in costs and provisions which amounted to US$8.9 million.

There were also restructuring costs and provisions in other segments of the business which relate to initiatives in Spain, the US, the UK, and China. These amounted to US$8.3 million.

Finance costs for the year amounted to US$7.6 million. The increase is mainly due to the finance cost incurred on the US$520.7 million bridge loan to fund the Saia-Burgess acquisition.

Income tax expenses increased to US$21.9 million, compared to US$15.2 million in the previous year due mainly to the decrease in deferred taxation and increase of overseas taxation in relation to the Group's operations in Europe and North America.

Excluding the restructuring costs and provisions, EBIT was US$138.7 million, a decrease of US$25.2 million or 15.4%. The Group's "EBIT (before restructuring costs and provisions)" decreased from 14.3% as a percentage of sales in the prior year to 9.1% this year.

CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL LEVERAGE

The Group's financial resources and liquidity remained healthy throughout the year. Net borrowings (total borrowings net of cash and other financial assets at fair value through profit or loss) at 31 March 2006 was US$466.9 million and the Group gearing ratio (calculated on the total borrowings net of cash and other financial assets at fair value through profit or loss to the shareholders) was 55.2%.

The Group interest coverage ratio (profit before tax and interest expense divided by interest expense) is 16 times, compared to 508 times for prior year. Interest expense of US$7.6 million was incurred on the loans for the acquisition of the Saia-Burgess and on the loans to fund the Group's operational requirements.

For day-to-day liquidity management and to maintain flexibility in funding, the Group also has access to significant unutilized short-term borrowing facilities provided by its relationship banks not less than US$200 million.

Funding requirements for capital expenditures are expected to be met by internal cash flows and there are currently no plans to make any significant change in the rate of capital expenditures compared to recent years.

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. Policies are established by senior management.

Foreign Currency

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

For the AMG and CMG business units the major revenue generating currencies continue to be the US dollar, the Euro and the Japanese Yen. For the year to 31st March 2006, of the sales from these business units, 60% were in US dollars; 32% in Euro for certain sales to Europe; and 8% in Japanese Yen for certain sales to Japan. The major currencies used for purchases of materials and services are the US dollar, the Euro, the Hong Kong dollar and the 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 4 months.

The revenues and costs for Saia-Burgess and Parlex are denominated mainly in Euro and US dollars respectively and no material currency exposure is present in these businesses.

Cash and Borrowings

As at 31st March 2006, bank balances and cash (comprising cash and other financial assets at fair value through profit or loss) increased to US$241.2 million, up US$6.1 million from US$235.1 million at the previous year-end.

As at 31st March 2006, 73% of these cash balances was held in US dollars (compared to 63% a year ago); and the average duration of the Group's interest-bearing securities and time deposits was increased to 0.7 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.

At the balance sheet date, total borrowings amounted to US$708.1 million, an increase of US$692.1 million from US$16.0 million at the previous year-end. The increase is mainly due to the bridge loan of US$520.7 million drawn down in November, 2005 to finance the acquisition of Saia-Burgess and the consolidation of the Saia-Burgess and Parlex borrowings of US$172.6 million for working capital management.

The Group's borrowings are mainly denominated in US dollar and Swiss Francs. The bridge loan which is denominated in Swiss Francs was hedged by the Group's investment in Saia-Burgess and the Group therefore has no significant exposure to foreign exchange fluctuations in relation to borrowings.

CORPORATE GOVERNANCE

Johnson Electric is committed to achieving high standards of corporate governance that properly protect and promote the interests of its shareholders.

The monitoring and assessment of certain governance matters are allocated to four committees: Audit Committee, Remuneration Committee, Nomination And Corporate Governance Committee and Board Committee which operate under defined terms of reference and are required to report to the full board on a regular basis.

Full details of the Corporate Governance Report are set out in the Annual Report 2006 of the Company.

CODE ON CORPORATE GOVERNANCE PRACTICES

During the year ended 31st March 2006, the Company had complied with the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules, except for the following deviations:

Code Provision A.2.1

Code A.2.1 provides, inter alia, that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

Neither the Company's Bye-Laws nor The Johnson Electric Holdings Limited Company Act, 1988 (a private act of Bermuda) contains any requirement as to the separation of these roles.

Dr. Patrick Wang Shui Chung is the Chairman and Chief Executive of the Company. The Board is of the opinion that it is appropriate and in the best interests of the Company at its present stage of development that Dr. Wang should hold both these offices. The Board, which is comprised of a majority of independent non-executive directors, believes that it is able effectively to monitor and assess management in a manner that properly protects and promotes the interests of shareholders.

Code Provision A.4.1 and A.4.2

Code A.4.1 provides, inter alia, that non-executive directors should be appointed for a specific term, subject to re-election.

Code A.4.2 also provides that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

The independent non-executive directors were appointed for a specific term while the non-executive directors do not have a specific term of appointment. However, under Section 3(e) of The Johnson Electric Holdings Limited Company Act, 1988 and the Company's Bye-Law 109(A), one-third of the directors who have served longest on the board must retire thus becoming eligible for re-election at each Annual General Meeting. Accordingly, no director has a term of appointment longer than three years. Bye-Law 109(A) states that the executive chairman is not subject to retirement by rotation and shall not be counted in determining the number of directors to retire.

In the opinion of the Board, it is important for the stability and beneficial to the growth of the Company that there is, and is seen to be, continuity of leadership in the role of the Chairman of the Company and, in consequence, the Board is of the view that the Chairman should not be subject to retirement by rotation or hold office for a limited term at the present time.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Group has adopted procedures governing directors' securities transactions in compliance with the Model Code as set out in Appendix 10 of the Listing Rules. Specific confirmation has been obtained from all directors to confirm compliance with the Model Code throughout the year ended 31st March 2006. No incident of non-compliance was noted by the Company to date in 2005/06.

Employees who are likely to be in possession of unpublished price-sensitive information of the Group are also subject to compliance with guidelines on no less exacting terms than the Model Code.

REVIEW OF ANNUAL RESULTS

The Audit Committee has reviewed the accounting principles and practices adopted by the Group and the annual results for the year ended 31st March 2006.

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.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This results announcement is published on the websites of the Company (www.johnsonelectric.com) and the Stock Exchange (www.hkex.com.hk). The Company's Annual Report 2006 will be despatched to the shareholders and available on the same websites on or before 28th June 2006.

BOARD OF DIRECTORS

As at the date of this announcement, the board of directors of the Company comprises Patrick Wang Shui Chung, Winnie Wang Wing Yee, Richard Wang Li-Chung, being the Executive Directors, and Wang Koo Yik Chun, Peter Wang Kin Chung, being the Non-Executive Directors, and Peter Stuart Allenby Edwards, Patrick Blackwell Paul, Arkadi Kuhlmann, Laura May-Lung Cha, Oscar De Paula Bernardes Neto and Michael John Enright, being the Independent Non-Executive Directors.

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

Hong Kong, 5th June 2006

Website: www.johnsonelectric.com

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