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Johnson Electric Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code : 179)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31ST MARCH 2010

HIGHLIGHTS

- For the financial year ended 31st March 2010, total sales amounted to US$1,741 million – a decrease of 5% compared to the 2009 financial year
- Gross profit margins increased from 23.3% to 27.7% of sales
- Excluding restructuring costs and asset impairment, operating profits were US$136 million – more than double the prior year figure of US$66 million
- Net earnings attributable to equity holders increased from US$2.6 million to US$75.5 million or 2.06 US cents per share
- During the year bank loans of US$525 million were repaid and a new three-year term loan of US$400 million was put in place. At year end, net debt as a percentage of net capital was 3% compared to 19% a year earlier and the Group's cash and cash equivalents amounted to US$363 million

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The Directors announce that the audited consolidated profit attributable to equity holders for the year ended 31st March 2010 was US$75.5 million, an increase of US$72.9 million from US$2.6 million in the corresponding 2009 financial year.

FINANCIAL RESULTS

The audited consolidated income statement for the year ended 31st March 2010 together with comparative figures for the corresponding year in 2009 is set out below:

CONSOLIDATED INCOME STATEMENT
For the year ended 31st March 2010

	Note	**2010 US$'000**	2009 US$'000
Sales	2	**1,740,976**	1,828,165
Cost of goods sold		**(1,259,489)**	(1,402,468)
Gross profit		**481,487**	425,697
Other income and gains/(losses)		**5,737**	(6,600)
Selling and administrative expenses		**(350,840)**	(353,439)
Restructuring provision and assets impairment	3	**(25,813)**	(18,789)
Operating profit	4	**110,571**	46,869
Finance costs, net		**(6,757)**	(9,603)
Share of (losses)/profits of associated companies		**(50)**	128
Profit before income tax		**103,764**	37,394
Tax (expenses)/income	5	**(17,839)**	443
Profit for the year from continuing operations		**85,925**	37,837
Discontinued operations			
Loss from discontinued operations	6	**-**	(31,137)
Profit for the year		**85,925**	6,700
Attributable to:			
Equity holders of the Company		**75,512**	2,591
Minority interests		**10,413**	4,109
		85,925	6,700
Basic and diluted earnings per share for profit attributable to the equity holders of the Company during the year (expressed in US cents per share)			
-From continuing operations	8	**2.06**	0.92
-From discontinued operations		**-**	(0.85)
		2.06	0.07

Details of recommended final dividend of 0.64 US cents per share (2009: nil) equivalent to US$23.7 million (2009: nil) are set out in note 7.

CONSOLIDATED BALANCE SHEET
As of 31st March 2010

	Note	**2010 US$'000**	2009 US$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**368,609**	368,143
Investment properties		**45,392**	37,025
Leasehold land and land use rights		**26,641**	23,170
Intangibles		**699,871**	662,094
Associated companies		**1,527**	1,672
Deferred income tax assets		**39,833**	36,463
Available-for-sale financial assets		**2,386**	3,525
Other financial assets at fair value through profit or loss		**9,270**	9,039
Deposits		**3,205**	4,814
		1,196,734	1,145,945
Current assets			
Stocks and work in progress		**196,345**	202,772
Trade and other receivables	9	**360,252**	267,562
Other financial assets		**5,291**	6,385
Income tax recoverable		**5,101**	8,159
Pledged deposits		**-**	17,122
Bank balances and cash		**367,060**	302,002
		934,049	804,002
Current liabilities			
Trade and other payables	10	**341,144**	225,952
Current income tax liabilities		**17,029**	12,937
Other financial liabilities		**39,056**	15,986
Borrowings		**6,962**	1,082
Provisions and other liabilities		**32,975**	20,167
		437,166	276,124
NET CURRENT ASSETS		**496,883**	527,878
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,693,617**	1,673,823
Non-current liabilities			
Borrowings		**401,727**	527,827
Other financial liabilities		**-**	22,426
Deferred income tax liabilities		**83,777**	80,863
Provisions and other liabilities		**41,509**	44,559
		527,013	675,675
NET ASSETS		**1,166,604**	998,148
EQUITY			
Share capital and share premium		**79,493**	78,441
Reserves		**1,011,984**	885,965
Proposed dividends		**23,659**	-
		1,115,136	964,406
Minority interests		**51,468**	33,742
TOTAL EQUITY		**1,166,604**	998,148

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st March 2010

	2010	2009
	US$'000	US$'000
Profit for the year	**85,925**	6,700
Other comprehensive income/(expenses):		
Adjustment arising on translation of foreign subsidiaries and associated companies	44,241	(79,649)
Hedging instruments		
- fair value gains/(losses)	12,837	(20,263)
- transferred to income statement	13,204	9,213
Deferred income tax expenses on fair value change on hedging instruments	(1,752)	(638)
Actuarial gains/(losses) of defined benefit plans	7,595	(5,872)
Deferred income tax effect on actuarial gains/(losses) of defined benefit plans	(1,649)	781
Available-for-sale financial assets		
- fair value gains/(losses)	319	(938)
- release of reserves upon impairment	-	608
- release of reserves upon disposal	(247)	173
Gain on revaluation of property, plant and equipment transferred to investment properties	-	3,338
Deferred income tax expense on revaluation of property, plant and equipment transferred to investment properties	-	(387)
Other comprehensive income/(expenses) for the year, net of tax	**74,548**	(93,634)
Total comprehensive income/(expenses) for the year, net of tax	**160,473**	(86,934)
Total comprehensive income/(expense) attributable to :		
Equity holders of the Company	**149,902**	(91,753)
Minority interests		
Share of profit for the year	**10,413**	4,109
Adjustment arising on translation of foreign subsidiaries	**158**	710
	160,473	(86,934)

Notes:

1. Principal accounting policies

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

In 2009/10, the Group adopted the new/revised standards and interpretations of HKFRS below, which are relevant to its operations. The adoption of new/revised Hong Kong Accounting Standards (HKAS) did not result in substantial changes to the Group's accounting policies.

HKFRS 7	Amendment to Financial Instruments - Disclosures
HKAS 1 (Revised)	Presentation of financial statements
HKFRS 2	Amendment to Share-based payment
HKFRS 8	Operating segments
HKAS 23	Borrowing costs
Annual Improvement Project	Improvement to HKFRSs

In summary:

- HKFRS 7, 'Financial Instruments – Disclosures' (amendment) – The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. As the change in accounting policy only results in additional disclosures, there is no impact on earnings per share.

- HKAS 1 (revised), 'Presentation of financial statements' – The revised standard prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity in a statement of comprehensive income. As a result the Group presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income. Comparative information has been re-presented so that it also is 'in conformity with the revised standard. Since the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.

- HKFRS 2 (amendment), 'Share-based payment' – The amendment deals with vesting conditions and cancellations. It clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. These features would need to be included in the grant date fair value for transactions with employees and others providing similar services; they would not impact the number of awards expected to vest or valuation there of subsequent to grant date. All cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The Group and Company has adopted HKFRS 2 (amendment). The amendment does not have a material impact on the Group's or Company's financial statements.

1. Principal accounting policies *(Cont'd)*

- HKFRS 8, 'Operating segments' – HKFRS 8 replaces HKAS 14, 'Segment reporting', and aligns segment reporting with the requirements of the US standard SFAS 131, 'Disclosures about segments of an enterprise and related information'. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. The segments are reported in a manner that is more consistent with the internal reporting provided to the chief operating decision-maker. The reportable segment has not resulted in any change to the groups of cash-generating units on a segment level.

- HKAS 23, 'Borrowing costs' – this change in accounting policy was due to the adoption of HKAS 23, 'Borrowing costs' (2007) requiring the Group to capitalise borrowing costs attributable to acquisition or production of qualifying asset as part of the cost of that asset. The Group previously recognised all borrowing costs as an expense immediately. The change in accounting policy had no material impact on earnings per share.

2. Segment information

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker (as defined in HKFRS). The chief operating decision maker has been identified as the Group's Executive Committee.

The Group's business is managed in two operating segments - Manufacturing and Trading.

The manufacturing operating segment derives its revenue primarily from the manufacturing and sale of motors, electromechanical components, motion systems and sub-systems.

The trading operating segment is principally engaged in trading of goods and materials not manufactured by the Group.

2. **Segment information** *(Cont'd)*

The segment information presented to management for the reportable segment for the year ended 31st March 2010 are as follows:

	2010 Manufacturing US$'000	2010 Trading US$'000	2010 Group US$'000
External sales	1,720,905	20,071	1,740,976
Gross profit	479,919	1,568	481,487
Other operating income	3,366	1	3,367
Selling and administrative expenses	(349,733)	(3,451)	(353,184)
Operating profit/(loss) before restructuring	133,552	(1,882)	131,670
Restructuring costs	(25,813)	-	(25,813)
Operating profit/(loss) after restructuring	107,739	(1,882)	105,857
Non-operating income/(expenses)	7,310	(431)	6,879
Finance costs	(8,904)	(18)	(8,922)
Share of losses of associated companies	(50)	-	(50)
Profit/(loss) before income tax	106,095	(2,331)	103,764
Taxation			(17,839)
Profit for the year			85,925
Other information			
Depreciation and amortisation	87,258	111	87,369
Interest income	2,080	85	2,165
As of 31st March 2010			
Total assets	2,126,895	3,888	2,130,783
Total assets include:			
Investment in associated companies	1,527	-	1,527
Additions to non-current assets (other than financial assets and deferred tax assets)	39,975	-	39,975
Total liabilities	961,249	2,930	964,179

2. **Segment information** *(Cont'd)*

The segment information presented to management for the reportable segment for the year ended 31st March 2009 are as follows:

	2009 Manufacturing US$'000	2009 Trading US$'000	2009 Group US$'000
External sales	1,765,805	62,360	1,828,165
Gross profit	416,034	(3,523)	412,511
Other operating income	3,842	43	3,885
Selling and administrative expenses	(338,573)	(10,608)	(349,181)
Operating profit/(loss) before restructuring	81,303	(14,088)	67,215
Restructuring costs	(13,967)	(4,822)	(18,789)
Operating profit/(loss) after restructuring	67,336	(18,910)	48,426
Non-operating income	3,206	1,342	4,548
Finance costs	(15,266)	(442)	(15,708)
Share of profits of associated companies	128	-	128
Profit/(loss) before income tax	55,404	(18,010)	37,394
Taxation			443
Discontinued operations			(31,137)
Profit for the year			6,700
Other information			
Depreciation and amortization	89,258	190	89,448
Interest income	6,004	101	6,105
As of 31st March 2009			
Total assets	1,926,075	23,872	1,949,947
Total asset include:			
Investment in associated companies	1,672	-	1,672
Additions to non-current assets (other than financial assets and deferred tax assets)	68,214	764	68,978
Total liabilities	946,465	5,334	951,799

2. Segment information *(Cont'd)*

The management assesses the performance of the operating segments based on the measure of operating profit. The measure excludes items which are not directly related to the segment performance including non-operating income/(expenses) such as interest income, rental income, fair value gain/(loss) on revaluation of investment property, profit/(loss) on disposal of fixed assets, profit/(loss) on disposal of investments.

As discontinued operations included in the operating results for the year ended 31st March 2009 is non-recurring and it is not included in the measure of operating profit/(loss).

A reconciliation of the operating profit presented to management to the consolidated income statement is as follows:

	2010	2009
	US$'000	US$'000
Operating profit after restructuring	105,857	48,426
Rental income	4,392	4,410
(Loss)/profit on sale of investments	(2,410)	949
(Loss)/profit on disposal of fixed assets	(113)	18
Fair value gains/(losses) on investment properties	8,314	(5,435)
Fair value losses on interest rate swap	(4,446)	-
Miscellaneous expenses	(1,023)	(1,499)
Operating profit per consolidated income statement	110,571	46,869
Interest expense	(8,922)	(15,708)
Interest income	2,165	6,105
Finance costs, net	(6,757)	(9,603)
Share of (losses)/profits of associated companies	(50)	128
Profit before income tax	103,764	37,394

The amounts provided to the management with respect to total assets and liabilities are measured in a manner consistent with that presented in the financial statements. These assets and liabilities are allocated based on the operations of the segment.

Revenue from external customers are analysed by product applications. Breakdown of the revenue is as follows:

	2010	2009
	US$'000	US$'000
Automotive Products Group (APG)	933,746	905,136
Industry Products Group (IPG)	578,969	654,311
Other Businesses	228,261	268,718
	1,740,976	1,828,165

2. Segment information *(Cont'd)*

Geographical information disclosure in accordance with HKFRS 8

The Company is incorporated in Bermuda. Revenue from external customers by country for the year ended 31st March 2010 was as follows :

	2010	2009
	US$'000	US$'000
Hong Kong/ People's Republic of China ("HK/PRC")	468,350	436,232
United States of America ("USA")	323,798	386,440
Germany	271,160	299,179
France	115,382	128,463
Others	562,286	577,851
	1,740,976	1,828,165

No single external customer contributed more than 10% of the total Group revenue.

As of 31st March 2010, the total of non-current assets other than deferred tax assets, available for sale financial assets and other financial assets at fair value through profit and loss located in HK/PRC was US$991.8 million (at 31st March 2009 : US$922.4 million), and the total of these non-current assets located in other countries was US$153.5 million (at 31st March 2009 : US$174.6 million).

3. Restructuring provision and assets impairment

	2010	2009
	US$'000	US$'000
Restructuring provision (a)	24,630	10,154
Assets impairment relating to restructuring	1,183	3,813
Impairment of intangible assets (b)	-	4,822
Total provisions	25,813	18,789

(a) Restructuring provision and assets impairment relate to activities in Europe, US and Asia. Provision is mainly consisted of provision for severance payment in relation to initiatives to simplify the European manufacturing, supply chain, and legal entity footprints.

(b) Impairment of goodwill for trading segment.

4. Depreciation and amortisation

During the year, depreciation of US$67.5 million (2009: US$70.1 million) in respect of property, plant and equipment, amortisation of US$0.8 million (2009: US$0.7 million) in respect of leasehold land and land use rights and amortisation of US$18.8 million (2009: US$18.4 million) in respect of intangibles were charged in the income statement.

5. Tax (expenses)/income

Hong Kong profits tax has been provided at the rate of 16.5% (2009: 16.5%) on the estimated assessable profit for the year. Overseas tax has been provided at the applicable rates on the estimated assessable profit in the respective countries of operations for the year.

	2010	2009
	US$'000	US$'000
Current income tax		
Hong Kong profits tax	(11,024)	(4,896)
Overseas taxation	(19,533)	(14,846)
Over provisions in prior years	4,368	5,170
	(26,189)	(14,572)
Deferred income tax	10,922	15,015
Deferred income tax assets written off	(2,572)	-
	(17,839)	443

6. Discontinued operations

Discontinued operations related to Green Vision Group, a separate operation within the Trading business which was discontinued before 31st March 2009.

7. Dividends

	2010	2009
	US$'000	US$'000
Interim	-	-
Final, proposed, of 0.64 US cents (5 HK cents) per share (2009 : Nil)	23,659	-
	23,659	-

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 in issue during the year.

	2010	2009
Profit from continuing operations attributable to equity holders of the Company (thousands US dollars)	75,512	33,728
Weighted average number of ordinary shares in issue (thousands)	3,664,826	3,663,473
Basic earnings per share from continuing operations (US cents per share)	2.06	0.92
Losses from discontinued operations attributable to equity holders of the company (thousands US dollars)	-	(31,137)
Basic losses per share - discontinued operations (US cents per share)	-	(0.85)

The Company has share options that could dilute basic earnings/(losses) per share in the future. Diluted earnings/(losses) per share equals basic earnings per share because there were no potential dilutive ordinary shares outstanding during the year ended 31st March 2010.

9. Trade and other receivables

The trade and other receivables include gross trade receivables of US$309.7 million (2009: US$236.4 million). The Group normally grants credit terms ranging from 30 to 90 days to its trade customers. The ageing analysis of gross trade receivables based on overdue date was as follows:

	Current	0-60 days	61-90 days	Over 90 days	Total
	US$'000	US$'000	US$'000	US$'000	US$'000
Balance at 31st March 2010	275,240	25,741	1,901	6,852	309,734
Balance at 31st March 2009	203,305	17,392	3,521	12,163	236,381

10. Trade and other payables

The trade and other payables include trade payables of US$206.6 million (2009: US$120.0 million). The ageing analysis of trade payables based on invoice date 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 2010	151,903	34,423	20,239	206,565
Balance at 31st March 2009	86,414	15,753	17,804	119,971

11. Commitments

11.1 Capital Commitments

	2010	2009
	US$'000	US$'000
Capital commitments for property, plant and equipment		
Authorised but not contracted for	7,068	1,171
Contracted for	6,944	4,337
	14,012	5,508

11.2 Operating Lease Commitments

(i) At 31st March 2010, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	2010		2009	
	Land and buildings	Others	Land and buildings	Others
	US$'000	US$'000	US$'000	US$'000
Not later than one year	11,993	1,246	14,702	2,038
Later than one year and not later than five years	24,216	1,002	31,858	1,833
Later than five years	16,719	-	17,949	-
	52,928	2,248	64,509	3,871

(ii) At 31st March 2010, the Group had future aggregate minimum lease rental receivable under non-cancellable operating leases on land and buildings as follows:

	2010	2009
	US$'000	US$'000
Not later than one year	2,370	3,594
Later than one year and not later than five years	258	1,101
	2,628	4,695

A MESSAGE FROM PATRICK WANG

To Our Shareholders,

I am pleased to report that Johnson Electric is emerging from the global financial and economic crisis in good shape with a more focused business strategy, streamlined operations, and a healthy balance sheet.

The recovery in demand across most of our end markets has been unexpectedly strong in recent months – so strong in fact that it has been a challenge to ramp-up production from the sharply reduced levels of a year ago. On the other hand, the global macro-economic outlook for the medium term remains uncertain and many input costs are on the rise. As a consequence, the Group is continuing to prioritize its capital investments strictly according to need and is keeping its growth initiatives targeted at technology and innovations that can deliver tangible and rapid payback for our customers.

Summary of 2009/10 Results

- For the financial year ended 31st March 2010, total sales amounted to US$1,741 million – a decrease of 5% compared to the 2009 financial year

- Gross profit margins increased from 23.3% to 27.7% of sales

- Excluding restructuring costs and asset impairment, operating profits were US$136 million – more than double the prior year figure of US$66 million

- Net earnings attributable to equity holders increased from US$2.6 million to US$75.5 million or 2.06 US cents per share

- During the year bank loans of US$525 million were repaid and a new three-year term loan of US$400 million was put in place. At year end, net debt as a percentage of net capital was 3% compared to 19% a year earlier and the Group's cash and cash equivalents amounted to US$363 million

Dividends

In view of the improved operating environment and financial condition of the Company, the Board has determined that a resumption in dividend distributions would be appropriate. Accordingly, the Board has recommended a final dividend payment of US$23.7 million or 0.64 US cents per share.

Sales and Demand Trends

Although total sales declined by 5% to US$1.74 billion the underlying demand trend was clearly positive as the global economy began its recovery. Group sales (excluding those from trading segment) for the second half of the 2009/10 financial year were up 35% compared to the second half of the prior year when the global economic downturn was at its most severe.

The Automotive Products Group (APG), the largest operating division, achieved sales of US$934 million – an increase of 3% compared to a year earlier. This commendable performance was partly due to the fact the global automotive industry had been among the first sectors to collapse at the onset of the global crisis but has since experienced one of the fastest and steepest rates of recovery with the help of government-sponsored incentive schemes. More important, however, has been the exceptionally strong and sustained growth in passenger vehicle sales in many emerging markets, notably China. Johnson Electric has capitalized on these growth trends by aggressively marketing its range of innovative motors and motion system products at the same time as customers in these developing markets are starting to demand – and pay for – higher levels of technology and performance. As a consequence, the Group today derives more than a quarter of its total automotive application sales from Asia compared to only six percent five years ago.

The Industry Products Group (IPG) recorded sales of US$579 million – a decrease of 12% compared to the prior year. The major end markets of IPG include home appliances, power tools, and business and industrial equipment which all continued to experience depressed demand due to the prolonged weakness of housing and construction markets in developed economies, high rates of unemployment, and consequently lower levels of consumer expenditure. Recently, however, there has been a marked uplift in demand for many of the division's motor, actuator and switch products as industrial customers appear to be replenishing inventories and preparing to launch new products. As in the case of automotive, IPG is also achieving higher sales and market share gains in developing markets such as India and Brazil.

Other manufacturing businesses within the Group contributed a combined US$208 million to total sales – essentially flat year on year. This reflected the combination of lower sales by Parlex Corporation due to continued weakness in the global electronic component sector; higher sales by Tonglin Precision Parts due to its merger with a precision machining business during the period and to the overall strength of demand from China's automotive sector; and a modest reduction in sales by Saia-Burgess Controls which made strong gains in infrastructure automation in Europe, partly offset by weakness in the industrial machines sector.

Improved Profitability

Overall gross profit margins for the full year increased from 23.3% to 27.7% due to the combination of lower raw material costs (such as copper and steel), reduced fixed costs as the impact of various restructuring actions began to take effect, and the beginnings of a recovery in sales volume. The restructuring and cost reduction initiatives that spanned both the 2009/10 financial year and the second half of the prior year included a major realignment of our operations in Europe and North America where we have sought to consolidate manufacturing in selected locations and refocus activities in other sites towards design and precision engineering.

The economic crisis also indirectly functioned to provide added impetus to ongoing efforts to improve underperforming business units. For example, Parlex Corporation, a flexible printed circuit board manufacturer acquired by the Company in late 2005, is now well on the way to completing a successful turnaround. The business was loss-making at the time of acquisition but under Johnson Electric's ownership has returned to profitability and strong positive cash flow through an extensive restructuring program that involved the closure of five factories (including three in China) and various management actions to improve yield, optimize pricing, and exit unprofitable accounts. Similar

actions have been undertaken to enhance the performance of other smaller business units in the Group and this contributed to the overall improvement in profitability.

Group Sales and Administrative expenses were also reduced through tight cost controls though this was partly offset by a number of non-recurring charges and costs including the settlement of a long-standing patent dispute in North America. As a consequence, Group operating profits before restructuring costs and assets impairment charges totaled US$136 million, an increase of US$71 million.

Shifting the Focus from Restructuring to Innovation and Growth

The past two years have necessarily been focused on ensuring that the Company navigated safely through some of the most challenging market conditions in its fifty year history. Now that the worst of the recession appears to be behind us, management is shifting gear and directing its attention increasingly to the penetration of new markets, technological innovation, and further strengthening our internal processes and capabilities.

During the year we opened the Group's first Indian manufacturing facility in Chennai to serve that nation's rapidly growing automotive industry. We have also begun manufacturing and assembly operations in Beihai, Guangxi Province, representing the Group's first step in building a presence in south-west China for our core motor business. This location, which is benefiting from China's "Go West" policy, offers lower operating and labour costs and serves to reduce our degree of operational dependence on our major facility in Shajing, Guangdong Province.

While maintaining a competitive cost base is a constant imperative in our industry, we believe that the "twin pillars" of Johnson Electric's long-term success will be ***technology leadership*** and our ***safe choice*** commitment to our customers.

Our design and engineering efforts are targeted at collaborating closely with customers to provide motor and motion solutions that help them win in the marketplace with their flagship products. Recent technology innovations include the development of new motor products that require significantly less electricity, utilize less raw material (and hence are lighter), and yet offer more power and performance. These benefits can apply equally to more mature consumer product applications such as hair dryers and to more complex and sophisticated automotive applications such as engine management systems and window lift regulators.

The ultimate objective is to build and sustain market leading positions by differentiating ourselves from our competitors through the delivery of tangible end-product performance advantages for our customers. Such technological value-add is underpinned by investments in deepening our already extensive application know-how, strengthening our quality and reliability functions, and maintaining our traditionally high levels of responsiveness and flexibility. Taken together, we believe these capabilities offer customers a compelling "safe choice" rationale for selecting Johnson Electric to meet their needs.

The Outlook

Looking to the immediate future, we anticipate the generally buoyant demand conditions of the past few months to continue through the first half of the 2010/11 financial year with a correspondingly positive impact on sales and operating profits.

The prospects for the second half of the year, however, are much less certain. European economies are entering an expected era of fiscal austerity that necessitates reduced government spending and investment – and which may lead to lower consumer expenditure and economic growth. In addition, financial markets are currently concerned over the commitment and ability of some governments to implement the requisite budget reductions and this has led to a sharp relative depreciation of the Euro currency. Given that Europe represents a significant share of Johnson Electric's overall business, a weaker regional economy and depreciating Euro will tend to reduce the Group's sales and earnings potential as measured in US Dollars.

Partly offsetting slower growth in Europe has been and continues to be the exceptionally robust demand from the Asian automotive sector, especially in China. With our strong product offering based on best-in-class technology and a superior cost base, we expect to make further market share gains in the region. Yet there is also the potential risk of a cooling down in China's economy, including the possible removal of government-sponsored incentive schemes, which could affect demand for automotive vehicles. Meanwhile in the USA, although industrial output has been recovering quite well in recent months it remains to be seen whether this can translate into new job creation, increased consumer confidence, and a sustained recovery in house prices. Without these preconditions it is difficult to be especially optimistic about the outlook for US domestic consumption in the medium term.

On the cost side, there are also reasons to be cautious. Commodity prices have moved to levels well above the averages of the past year. While these input prices will remain highly sensitive to the global macro-economic picture, if they do remain at current levels or move higher this will place downward pressure on our gross margins. Similarly, labour costs in China have continued to rise sharply. Even if China's economic growth were to moderate, we see no sign of an abatement of the trend of a tight supply of labour and rising wages for the foreseeable future.

In summary, I am confident that the competitive position of Johnson Electric is very sound and, supported by the success of recent restructuring activities, the financial performance of the Group is set for further improvements in the year ahead. Nonetheless, a realistic assessment of the external environment suggests that we should also be prepared for potentially significant headwinds to affect sales and operating costs as the year progresses.

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

Patrick Shui-Chung Wang
Chairman and Chief Executive

Hong Kong, 31st May 2010

FINAL DIVIDEND

The Board has resolved to recommend at the forthcoming Annual General Meeting to be held on 28th July 2010 payment of a final dividend of 5 HK cents equivalent to 0.64 US cents per share (2009: nil) payable on 3rd August 2010 to persons who are registered shareholders of the Company on 28th July 2010 making a total distribution of 5 HK cents equivalent to 0.64 US cents per share for the year ended 31st March 2010 (2009: nil).

CLOSING REGISTER OF SHAREHOLDERS

The Register of Shareholders of the Company will be closed from Friday, 23rd July 2010 to Wednesday, 28th July 2010, 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 4:30 p.m. on Thursday, 22nd July 2010.

MANAGEMENT'S DISCUSSION AND ANALYSIS

OVERVIEW - FINANCIAL HIGHLIGHTS

US$ millions	FY2010	FY2009
Sales	1,741.0	1,828.2
Gross Profit	481.5	425.7
Gross Margin %	*28%*	*23%*
Operating Profit/(Loss)	110.6	46.9
Operating Margin %	*6%*	*3%*
Profit Attributable to Shareholders	75.5	2.6
Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA)	197.9	136.2
Free Cash Flow from Operations*	215.1	168.5
Cash	367.1	302.0
Debt (Total Borrowings)	(408.7)	(528.9)
Net Debt	(41.6)	(226.9)
Total Equity	1,166.6	998.1
Debt to Capital (Total Equity + Debt)	26%	35%
Debt to EBITDA	2.1	3.9
Free Cash Flow from Operations to Debt	53%	32%
Interest Coverage (EBIT**/Interest Expense)	12.4	3.0

**Net cash generated from operating activities plus interest received, less CAPEX net of proceeds from sales of assets*

***Earnings Before Interest and Tax (EBIT) is defined as Operating Profit (per accounts) plus share of (losses)/profit of associated companies*

- Global markets have begun to recover during the financial year from the economic downturn in the second half of FY2009.
- The Group continues to grow sales revenues in China in both Automotive and Industry businesses through innovation and new product development.
- Gross margins have improved due to lower raw material costs and significant efficiency improvements and restructuring.
- Claims and compensation significantly increased due to a litigation settlement for US$17.6 million and provisions for warranty claims in the year.
- Effective control of working capital, particularly inventories and receivables, has resulted in strong cash flow in the year.
- The Group has a strong balance sheet with low net debt. The Group significantly improved the creditworthiness ratios of Debt to EBITDA and Free Cash Flow from Operations to Debt. Hence we are well placed to take advantage of growth opportunities as markets continue to recover and strengthen.

SALES ANALYSIS

Operations in Johnson Electric (JE) share many common features in technology, manufacturing processes, supply chain management, brand and channel management and the business model as a whole. This creates opportunities for synergy; for revenue growth by leveraging the strength of the Group's technology and for cost reduction through the sharing of resources.

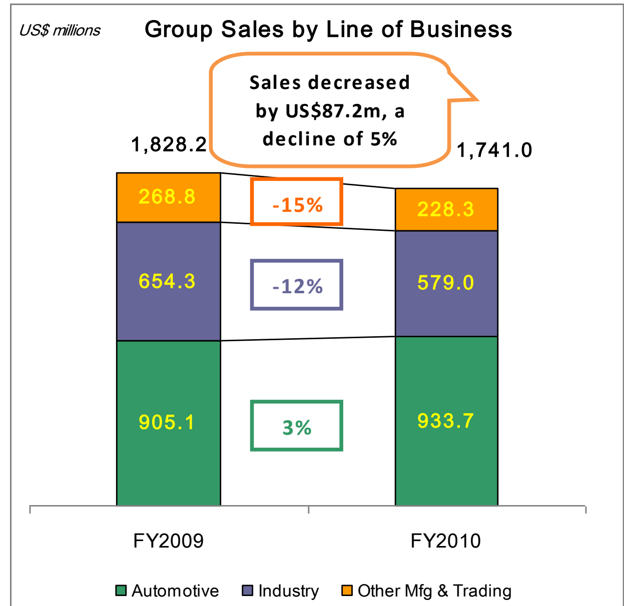
The Group has two operating segments, Manufacturing and Trading. Manufacturing is divided into three divisions (Automotive Products Group, Industry Products Group and Other Manufacturing Businesses) that focus on specific customer needs, applications, and technologies in defined markets. Sales for these divisions and business units for the year are analyzed as below:

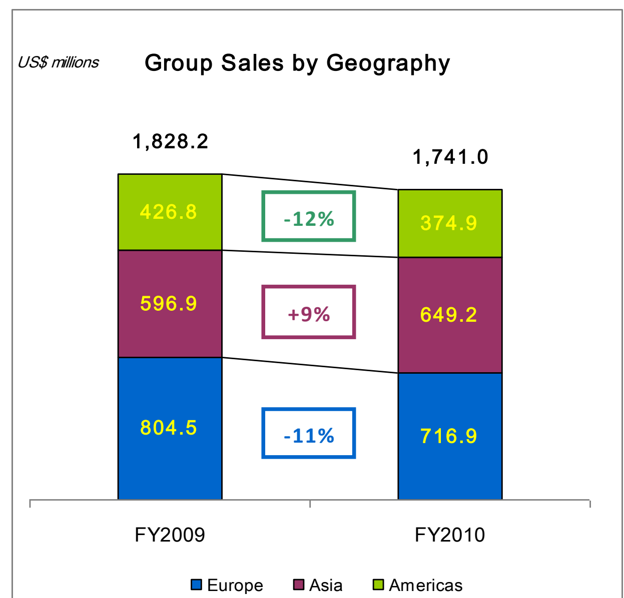
GROUP SALES ANALYSIS	**FY2010**		**FY2009**		**Increase/ (decrease)**		**Sales Growth at Constant Exchange Rates**
US$ millions	Sales	%	Sales	%		%	
Motors	666.9	38%	629.9	34%	37.0	6%	7%
Motion Systems	266.8	15%	275.2	15%	(8.4)	(3%)	(2%)
Automotive Products Group (APG)	**933.7**	**54%**	**905.1**	**50%**	**28.6**	**3%**	**4%**
Motors	434.9	25%	469.5	26%	(34.6)	(7%)	(8%)
Motion Systems	144.1	8%	184.8	10%	(40.7)	(22%)	(21%)
Industry Products Group (IPG)	**579.0**	**33%**	**654.3**	**36%**	**(75.3)**	**(12%)**	**(12%)**
Other Manufacturing Businesses	**208.2**	**12%**	**206.4**	**11%**	**1.8**	**1%**	**2%**
MANUFACTURING SEGMENT	**1,720.9**	**99%**	**1,765.8**	**97%**	**(44.9)**	**(3%)**	**(2%)**
TRADING SEGMENT	**20.1**	**1%**	**62.4**	**3%**	**(42.3)**	**(68%)**	**(68%)**
TOTAL SALES	**1,741.0**	**100%**	**1,828.2**	**100%**	**(87.2)**	**(5%)**	**(4%)**

SALES REVIEW

During FY2010[1] JE has started to see a recovery from the sales downturn we faced in the second half of FY2009. Sales revenue for the Group in the year declined by 5%, from US$1.83 billion in FY2009 to US$1.74 billion in FY2010. The decline of 5% was the result of the decline in sales in the second half of FY2009, largely offset by the sales recovery that has taken place in FY2010.

Excluding currency effects sales growth/(decline) for FY2010 vs FY2009: Overall (4%), Europe (9%), Asia 8%, Americas (12%).





- Automotive markets declined before IPG markets and have recovered faster, with the IPG market recovery being slower and less pronounced.

- The sharp fall in vehicle demand in the second half of FY2009 led to original equipment manufacturer (OEM) factory shutdowns and supply chain rationalization. In FY2010, government incentive programs and fiscal stimuli led to recovery of demand across global markets.

- Government incentives have particularly helped to generate demand for smaller vehicles, which are increasingly starting to use applications that utilize our products, particularly in comfort, climate and convenience applications. These applications traditionally were only on higher end vehicles, but increasingly these options are being installed on all vehicles. Increasing automation of window-lift, power seat adjustments, lumbar support, climate controls and mirror applications is contributing to growth.

- Growth in environmentally friendly products is being driven by government legislation, incentive schemes and consumer demand. This leads to increased demand for fuel efficient vehicles with low emissions. Our innovative products for engine air management and engine fuel management applications are enabling higher performance from smaller engine sizes. In addition to engine performance, our products also enhance fuel efficiency through improvements in transmission technology. Our newly developed braking products for anti-lock braking systems, electronic stability control and electric parking brakes are helping to meet the growing market requirement for increased safety.

- Economic growth in China has led to increased demand for automotive vehicles. JE has successfully leveraged its global capability to establish a solid base with emerging OEMs in China. Technology developed for European markets together with a manufacturing and sales capability in China is leading to growth in this key market.

- Similarly in European automotive markets JE is combining technical excellence with cost efficiency, based on a flexible global manufacturing footprint combined with local product development. With this we are increasingly winning new business in developed markets.

- In the Americas we supply products for vehicle platforms that were hit particularly hard by the downturn. Recently we have won new business on major new platforms by leveraging our global relationship with European Tier 1 suppliers. This, together with increased consumer demand, has contributed to a recovery in sales.

- IPG markets saw a decline in demand in the second half of FY2009 and the first half of FY2010 due to reductions in inventories across the supply chain. Market recovery due to gradual re-stocking has started in FY2010, particularly in air conditioning, floor cleaning and food and beverage market segments, and is expected to continue into FY2011.

[1] *In this discussion we use the convention FY20XX where 20XX represents the year ending 31st March 20XX. Thus the six months ending 30th September 2009 is the first half of FY2010, and the six months ending 31st March 2010 is the second half of FY2010.*

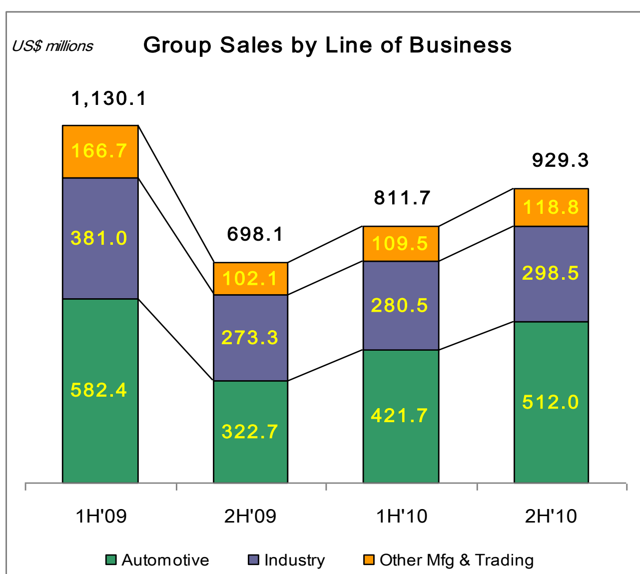
- Demand has declined due to fewer new homes being built and depressed consumer demand, particularly in Europe and the Americas. This has in turn impacted our customers in Asia who are strongly reliant on export markets in these regions.

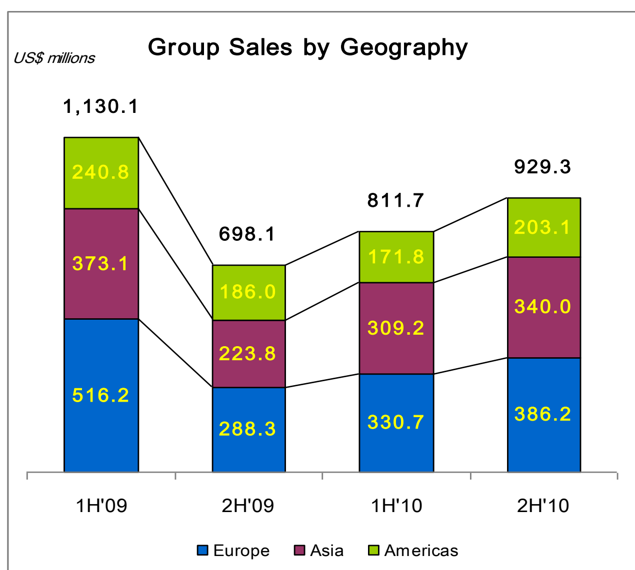
- In IPG markets we are developing new solutions for metering, office automation and gaming applications which are driving sales recovery, particularly in the Americas. Emerging "smart grid" applications for energy management are providing exciting opportunities for new metering applications.

- Sales in China for office automation applications such as printers and scanners, provided growth that offset the decline in exports in this market.

- End markets continue to be soft for many IPG products due to weak end user demand; we expect to see growth as customers re-stock the supply chain and demand gradually recovers. This will be supplemented by growth in key markets. We have won business in China with circuit breakers and food and beverage applications and are looking to expand into South America and India, particularly in the domestic equipment segment.

- Sales for Parlex, a printed circuit board and interconnect solutions provider, have reduced in line with reduced global demand.





- Sales for our Controls business, whose primary activity is in Europe, has declined slightly despite gaining market share in infrastructure automation, as demand for IPG machine applications has declined in line with the market.

- China Autoparts, a supplier of iron cast engine blocks to the Chinese automotive market, merged with Tian Xi Auto Parts Group in the year to form a new business, Tonglin Precision Parts. This new business is 52% owned by the Group and contributed sales growth on top of the underlying growth in the original engine block business.

- Overall the Group has seen a significant downturn in sales across all lines of business and regions following the financial crisis that impacted in the second half of FY2009. The economic downturn was exacerbated by inventory reduction programs by our customers.

- The recovery in global demand, together with the impact of government incentive programs, new product development and the growth in key markets such as China, have resulted in a robust and steady recovery which is expected to continue into FY2011. Due to the Group's global manufacturing capability and our ability to respond to rapid changes in demand to meet our customers' needs, JE will continue to generate growth based on technological innovation and as the safe choice for our customers.

- Sales in our Trading Segment have declined as we continue to reduce our business in metals and commodity trading in line with volatile markets conditions.

FINANCIAL REPORT

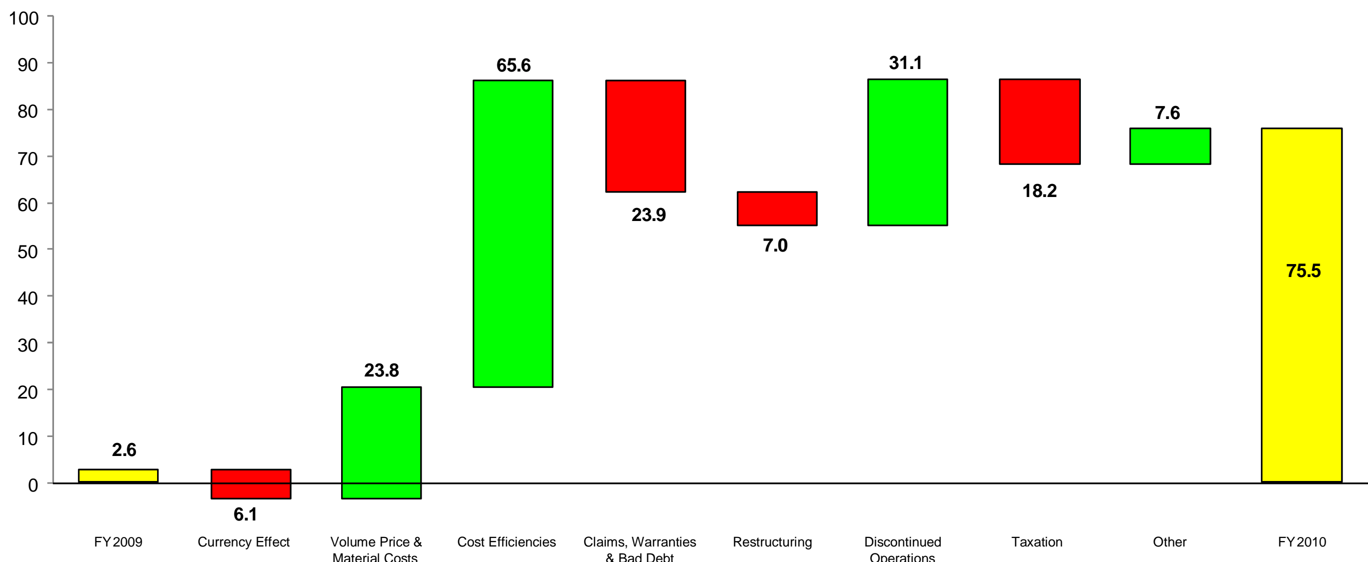
Analysis of Profit & Loss FY2010 vs FY2009

US$ millions	FY2010	FY2009	Increase/ (Decrease)
Sales	1,741.0	1,828.2	(87.2)
Gross Profit	481.5	425.7	55.8
Gross Margin %	*27.7%*	*23.3%*	*4.4%*
Other Income & Gains/(Losses)	5.7	(6.6)	12.3
Selling and Administrative Expenses ("S&A")	(350.8)	(353.4)	2.6
S&A %	*20.2%*	*19.3%*	*0.9%*
Operating Profit/(Loss) before Restructuring	136.4	65.7	70.7
Restructuring Costs & Assets Impairment	(25.8)	(18.8)	(7.0)
Operating Profit/(Loss)	110.6	46.9	63.7
Operating Margin %	*6.4%*	*2.6%*	*3.8%*
Finance Costs, Net	(6.8)	(9.6)	2.8
Share of (Loss)/Profit of Associated Companies	(0.1)	0.1	(0.2)
Profit/(Loss) before Income Tax	103.7	37.4	66.3
Income Tax	(17.8)	0.4	(18.2)
Profit/(Loss) from Continuing Operations	85.9	37.8	48.1
Discontinued Operations*	-	(31.1)	31.1
Profit/(Loss) for the Year	85.9	6.7	79.2
Minority Interest	(10.4)	(4.1)	(6.3)
Profit/(Loss) Attributable to Shareholders	75.5	2.6	72.9

**Green Vision Group*

Profit Attributable To Shareholders

The profit attributable to shareholders increased by US$72.9 million, from US$2.6 million in FY2009 to US$75.5 million in FY2010:



Profitability was impacted by the following:

- Currency Effect - translation of costs and revenues in foreign currency reduced operating profit by US$6.1 million mainly due to the decline of the value of the Euro against the US dollar.
- Volume Price and Material Costs – increased profits by US$23.8 million primarily as a result of lower commodity prices for copper, steel and other raw materials.
- Cost Efficiencies – costs reduced by US$65.6 million with reductions of US$40 million in staff costs following restructuring and cost improvement initiatives.
- Claims, Warranties and Bad Debts – increased by US$23.9 million primarily due to a litigation settlement for US$17.6 million and an increase in warranty costs.
- Restructuring – costs increased by US$7.0 million as a result of continuing programs in Europe and Japan to rightsize operations.
- Discontinued Operations – costs reduced by US$31.1 million as there were no charges for discontinued operations in FY2010 following the closure of Green Vision Group in FY2009.
- Taxation - increased by US$18.2 million in the year as the Group returned to profitability. The effective tax rate was 17.2% in the year.
- Other – costs increased by US$7.6 million primarily due to changes in derivative contracts, investment properties, payroll liabilities and minority interests.

COMPARISON BETWEEN PROFITABILITY OF 2H FY2010 AND 2H FY2009

The Group witnessed sharp declines in demand across its markets in the second half of FY2009 due to the global economic downturn. The rate at which revenues eroded exceeded the speed with which adequate countermeasures could be put in place. Consequently in FY2009, the Group moved from profits in the first half into a loss position in the second half.

JE responded as rapidly as possible to the global downturn by conserving cash as well as taking a series of determined restructuring actions to resize and reshape the business. These measures started to bear fruit in the first half of FY2010 and continued into the second half of FY2010. As a result of these cost reduction efforts, together with some recovery in sales and reduced raw material costs, the financial performance of the second half of FY2010 was significantly stronger than in the second half of FY2009.

Change in Profit & Loss Account - 2nd Half FY2010 vs 2nd Half FY2009

US$ millions	2H FY2010	2H FY2009	Increase/ (Decrease)
Sales	929.3	698.1	231.2
Gross Profit	265.6	132.8	132.8
Gross Margin %	*28.6%*	*19.0%*	*9.6%*
Other Income & Gains/(Losses)	7.0	(15.0)	22.0
Selling and Administrative Expenses ("S&A")	(183.1)	(150.0)	(33.1)
S&A %	*19.7%*	*21.5%*	*-1.8%*
Operating Profit/(Loss) before Restructuring	89.5	(32.2)	121.7
Restructuring Costs & Assets Impairment	(11.8)	(16.7)	4.9
Operating Profit/(Loss)	77.7	(48.9)	126.6
Operating Margin %	*8.4%*	*(7.0%)*	*15.4%*
Finance Costs, Net	(3.7)	(3.2)	(0.5)
Share of (Loss)/Profit of Associated Companies	0.1	-	0.1
Profit/(Loss) before Income Tax	74.1	(52.1)	126.2
Income Tax	(7.4)	14.7	(22.1)
Profit/(Loss) from Continuing Operations	66.7	(37.4)	104.1
Discontinued Operations*	-	(3.6)	3.6
Profit/(Loss) for the Year	66.7	(41.0)	107.7
Minority Interest	(5.7)	(2.0)	(3.7)
Profit/(Loss) Attributable to Shareholders	61.0	(43.0)	104.0

**Green Vision Group*

FINANCIAL POSITION AND LIQUIDITY

ANALYSIS OF CASH FLOWS

Simplified Cash Flow
US$ millions

	FY2010		FY2009	Change
Operating Profit	110.6		47.0	63.6
Depreciation, Amortization and Associates	87.3		89.2	(1.9)
EBITDA	***197.9***		***136.2***	***61.7***
Other Non Cash Items in Profit before Tax	13.9		16.9	(3.0)
Working Capital Change	63.9	(a)	106.9	(43.0)
Cash Generated from Operations	***275.7***		***260.0***	***15.7***
Interest Paid	(8.3)		(14.6)	6.3
Tax	(18.9)		(28.3)	9.4
Net Cash Generated from Operating Activities	***248.5***		***217.1***	***31.4***
Interest Received	2.2		6.1	(3.9)
Capital Expenditure	(38.0)		(62.8)	24.8
Proceeds from Sale of Assets	2.4		8.1	(5.7)
Free Cash Flow from Operations	***215.1***		***168.5***	***46.6***
Cost of Acquisition of Subsidiaries and Minority Interests	(28.9)		(2.6)	(26.3)
Proceeds from Sale of Investments	0.4		0.8	(0.4)
Other Investments	(2.4)		(31.5)	29.1
Dividend Paid	-		(46.2)	46.2
Cash Generated from Continuing Operations	***184.2***		***89.0***	***95.2***
Discontinued Operations (exclude financing activities)	-		(13.0)	13.0
Exchange Gains/(Loss) on Cash and Borrowings	1.1		(6.5)	7.6
Net Movement in Cash, Overdrafts and Borrowings (Net Debt)	***185.3***	(b)	***69.5***	***115.8***

Net Debt Analysis	**31/3/2010**	**31/3/2009**	**Decrease/ (Increase)**	
Cash	367.1	302.0	65.1	
Short Term Borrowings	(7.0)	(1.1)	(5.9)	
Long Term Borrowings	(401.7)	(527.8)	126.1	
Net Debt Outstanding	***(41.6)***	***(226.9)***	***185.3***	(b)

WORKING CAPITAL CHANGE

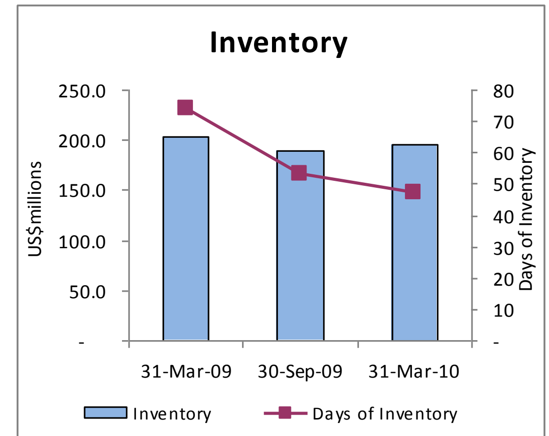
US$ millions	**31st Mar 09**	Currency translation	Acquisitions	Pension, Hedging & Interest Payable	**Increase/ (Decrease) in operating working capital net of exchange**		**31st Mar 10**
Stocks and other work in progress	**202.8**	3.7	3.6	-	**(13.8)**		**196.3**
Trade and other receivables	**267.6**	5.8	11.4	-	**75.5**		**360.3**
Deposits - non current	**4.8**	-	-	-	**(1.6)**		**3.2**
Trade and other payables	**(226.0)**	(5.1)	(15.8)	0.4	**(94.6)**		**(341.1)**
Provisions and other liabilities*	**(64.7)**	(1.0)	(1.3)	7.6	**(15.1)**		**(74.5)**
Other financial liabilities, net	**(32.0)**	(13.5)	-	26.0	**(14.3)**		**(33.8)**
Total Working Capital per Balance Sheet	**152.5**	(10.1)	(2.1)	34.0	**(63.9)**	(a)	**110.4**

**Current and non current*

Stocks and Work in Progress

Stocks excluding acquired businesses were as follows:

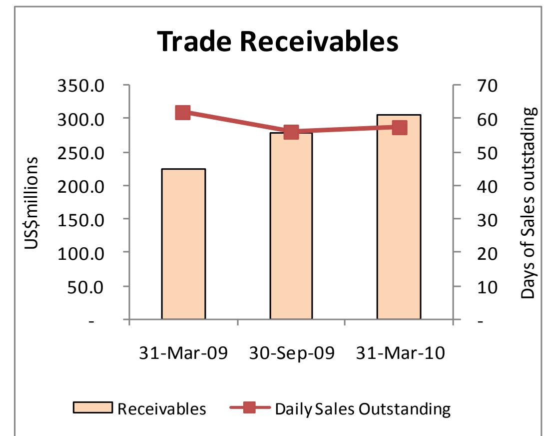
- Stocks reduced by US$6.5 million in FY2010 from US$202.8 million as of 31st March 2009 to US$196.3 million as of 31st March 2010. Excluding currency effects and acquisitions, stocks reduced by US$13.8 million.
- Days of inventory, reduced from 74 to 47 in FY2010 as controls were tightened and demand has improved.



Trade and Other Receivables

Trade and other receivables, excluding acquisitions, were as follows:

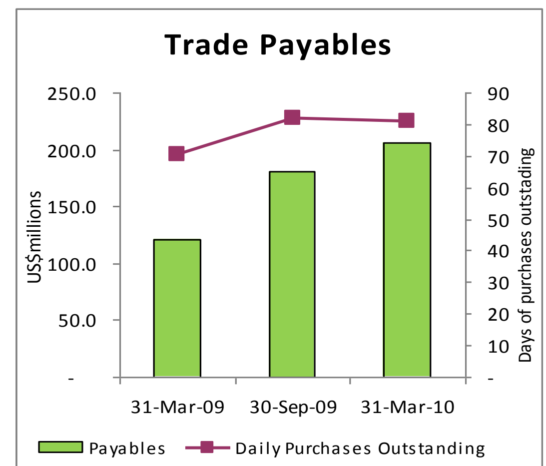
- Trade and other receivables increased by US$92.7 million in FY2010 from US$267.6 million to US$360.3 million. Excluding currency effects and acquisitions, receivables increased by US$75.5 million.
- Daily sales outstanding reduced from 62 days to 58 days, partially reflecting our tightened credit policy and receivables collection efforts.
- Despite the challenging economic conditions and their effect on our customers, 97.7% of our receivables are now current or less than 30 days past due, an improvement over 96.2% as of 31st March 2009.



Trade and Other Payables

Trade and other payables, excluding acquisitions, were as follows:

- Trade and other payables increased by US$115.1 million in FY2010 from US$226.0 million to US$341.1 million. Excluding currency effects and acquisitions, payables increased by US$94.6 million.
- Daily purchases outstanding increased from 70 to 81 days, partially due to improved terms negotiated with our suppliers.



Provisions

Long term and short term provisions increased by US$9.8 million from US$64.7 million to US$74.5 million, mainly due to restructuring and warranty provisions net of actuarial gains on pension funds that are recognized in equity (no impact on profit).

Other Financial Liabilities

For risk management purposes, the Group enters into forward contracts to mitigate its exposure to volatile currency exchange rates, interest rates and commodity prices. These mainly take the form of forward contracts and swap agreements.

Other financial liabilities, net, were US$33.8 million as of 31st March 2010, an increase of US$1.8 million from US$32.0 million as of 31st March 2009. The changes can be analyzed as follows:

US$ millions	31st March 2010			31st March 2009			Increase/ (Decrease)
	Asset	Liability	Net	Asset	Liability	Net	
Currency Forward Contracts	0.4	(0.7)	(0.3)	3.2	-	3.2	(3.5)
Interest and Cross Currency Swaps	-	(38.2)	(38.2)	-	(23.4)	(23.4)	(14.8)
Commodity Forward Contracts	4.7	(0.2)	4.5	2.7	(15.0)	(12.3)	16.8
All Others	0.2	-	0.2	0.5	-	0.5	(0.3)
Total (Current and Non Current)	5.3	(39.1)	(33.8)	6.4	(38.4)	(32.0)	(1.8)

Forward contracts and other derivatives are marked to market at the end of each reporting period.

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- Foreign currency forward contracts at 31st March 2010 are a net liability of US$0.3 million compared to a net asset of US$3.2 million as of 31st March 2009.
- Net liabilities from interest and cross currency swaps increased by US$14.8 million from US$23.4 million as of 31st March 2009 to US$38.2 million as of 31st March 2010, due to the unfavourable movement of the Swiss franc against the US dollar in the year.
- A net liability of US$12.3 million at 31st March 2009, arising from commodity hedging contracts for copper, has been replaced by a net asset of US$4.5 million at 31st March 2010. This represents the mark to market of forward contracts in place until June 2011.

Interest Paid

Interest paid reduced by US$6.3 million from US$14.6 million to US$8.3 million. The average interest rate was lower in FY2010 than in FY2009 and debt levels were reduced.

Tax Paid

Tax paid in the year reduced by US$9.4 million from US$28.3 million to US$18.9 million reflecting the natural lag in tax payments from declared profits and reduced profitability in FY2009 compared to FY2008.

Interest Received

Interest received declined in the year by US$3.9 million from US$6.1 million to US$2.2 million. This was due to declining interest rates on cash deposits.

Capital Expenditure (and proceeds from sale of assets)

Capital expenditure, net of proceeds from sale of assets, reduced by US$19.1 million from US$54.7 million in FY2009 to US$35.6 million in FY2010. Capital expenditure was reduced to ensure effective use of our existing capacity, while maintaining a high service level. JE continued to invest in machinery and equipment which enables innovation, new product manufacture, improved process flow, and efficiency.

FREE CASH FLOW FROM OPERATIONS

Free cash flow from operations increased by US$46.6 million, from US$168.5 million in FY2009 to US$215.1 million in FY2010. Free cash flow from operations as a percentage of gross debt increased to 52.6% in FY2010 from 31.9% in FY2009, which is a significant improvement.

Acquisitions and Mergers

The cash outlay for acquisitions in the year, including the acquisition of net debt in the acquired companies, increased by US$26.3 million from US$2.6 million to US$28.9 million. This was as a result of the merger of China Autoparts, Inc. with Tian Xi, and the acquisition of an increased stake in Nanomotion.

Dividend Payments

No dividends were paid in FY2010 in line with the board's policy of retaining cash within the business in the near term during the poor economic conditions. This compares with a final dividend payment of US$46.2 million for FY2008 which was paid in FY2009. Final dividend of US$23.7 million has been recommended for FY2010 which will be paid in FY2011.

Other Cash Movements

Cash outflows from other investments reduced by US$29.1 million from US$31.5 million to US$2.4 million. In FY2009 cash outflow was incurred mainly for a pledged deposit of US$17.1 million for a litigation and US$13.2 million for unwinding a portion of the US dollar Swiss franc cross currency swap. The pledged deposit was used in FY2010 to partially settle litigation damages awarded by the court. These cash outflows in the prior year did not repeat in the year.

Cash Generated from Continuing Operations

Net cash flow from continuing operations increased by US$95.2 million from US$89.0 million in FY2009 to US$184.2 million in FY2010.

Discontinued Operations

There was no cash flow from discontinued operations in FY2010, as compared to a cash outflow of US$13.0 million in FY2009 arising from the discontinuation of the Green Vision Group business.

Exchange Gains/(losses) on Cash and Borrowings

Exchange differences on cash and borrowings moved US$7.6 million from US$6.5 million loss in FY2009 to a US$1.1 million profit in FY2010.

Net Movement in Cash, Overdrafts and Borrowings (Net Debt)

Net debt reduced by US$185.3 million in the year. This compares with a net debt reduction of US$69.5 million in FY2009.

Net Movement in Cash and Borrowings

The Group's debt to capital ratio was 26% at 31st March 2010, significantly improved from 35% at 31st March 2009.

- Net borrowings (total long and short term borrowings, net of cash) fell by US$185.3 million in from US$226.9 million at 31st March 2009 to US$41.6 million at 31st March 2010.
- This overall reduction in net borrowings resulted from an increase in cash and cash equivalents of US$65.1 million, an increase in short term bank overdrafts of US$5.9 million and a reduction in long term borrowings of US$126.1 million.

FINANCIAL MANAGEMENT AND TREASURY POLICY

The management of financial risk in 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.

Liquidity

During the year the Group refinanced its debt. Bank loans of US$525 million were repaid and a new loan of US$400 million was put in place in February 2010, repayable at 26th February 2013. The upfront fee of US$4.6 million was capitalized and will be amortized over the period of the loan. This term loan is subject to the usual terms and conditions by a bank group to an industrial credit. As of 31st March 2010, the Group was in compliance with all covenants and expects to be compliant going forward.

Other loans of US$13.3 million are held with maturity dates ranging from April 2010 to May 2018.

As of 31st March 2010 the Group had cash on hand of US$367.1 million. The Group has approximately US$400 million of uncommitted short term borrowing facilities provided by its relationship banks. We believe that the combination of our ongoing free cashflow from operations, cash balances and available credit facilities will be sufficient to satisfy our cash needs for our current level of operations and our planned operations for the foreseeable future.

Foreign Currency

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

- The major sales generating currencies continue to be the US dollar, the Euro and the Chinese renminbi.
- In the Group's businesses, for FY2010, 49% of the sales (47% in the previous period) were in US dollars, 33% in Euros (37% in the previous period), 12% in Chinese renminbi (7% in the previous period) and the rest in other currencies including Japanese yen.
- The major currencies used for purchases of materials and services are the US dollar, the Euro, the Hong Kong dollar and the Chinese renminbi.
- The Group mitigates foreign exchange risk through forward contracts for foreign currency exchange rates based on forecasts of foreign currency cash flows from operations.

RISK MANAGEMENT

The Group ("We") are developing an improved framework for the management and control of risk in the Group. Risks are in the process of being more formally identified and recorded in the Risk Register for key operations, and we are evaluating the inherent risks and residual risks after mitigating controls are considered. The Risk Register will be updated regularly and used to plan the Group's audit and risk strategy. Specific risks that we proactively manage are detailed below:

Strategic Risk

- We differentiate our products primarily through technology and innovation, and by being the safe choice for our customers.
- We continuously evaluate the suitability of our operational footprint to unlock synergy between the different parts of our global operations and enhance our flexibility to respond quickly to market changes.
- We actively focus on innovation in technology and product design. This leads to competitive advantage in markets which are characterized by constant developments in technology, changes in industry standards and continuing demand for product and service enhancements.
- We have effective processes to ensure strong joint venture partnerships, business partnership and supplier relationships.
- We mitigate the risk of customer concentration by maintaining an extensive global client base across a wide range of markets and product applications.
- We ensure that shareholders' funds are appropriately invested in acquisitions or other strategic initiatives through careful review and due diligence procedures by senior managers.
- We manage the risk of adverse consequences from political development in countries in which we operate by frequent discussions with trusted local advisors and management.
- We actively safeguard our intellectual property to protect our brand image, product differentiation and pricing capability.

Operational Risk

- We continue to develop high quality engineering and manufacturing processes across our operations which enable us to minimize the risk of warranty claims.
- We actively seek to attract and retain high calibre management and key personnel by building effective networks of key employees and partners to safeguard our ongoing business success.
- We maintain a cost effective information technology infrastructure by developing hardware, communications, networking and business applications to meet the strategic and operational needs of the business.
- We secure our computer network from physical damage and security breaches such as computer viruses, worms, physical and electronic break-ins, sabotage, and similar disruptions from unauthorized tampering with our systems.
- We continuously review and enhance controls to prevent fraudulent activities against the Group through independent internal audit and risk reviews, the enforcement of formal policies and procedures, and a comprehensive "anti-fraud" program.
- We protect the value of our brands through active management of customer satisfaction and work hard to minimize potential litigation activities which would impair our reputation in the marketplace.

Financial Risk

- We control working capital and the risk of bad debts by carefully evaluating credit risk with our customers and a low tolerance for delinquent payment. We continue to monitor our receivables carefully as the economic recovery continues.
- We manage the risk of loss from currency exchange rate fluctuations through the use of appropriate currency hedging strategies based on estimates of future currency flows.
- We will continue to monitor interest rate risk by maintaining a mix of fixed and floating interest rate borrowings in the functional currencies in which we operate.
- We manage the risk of loss from volatile commodity prices, particularly copper and steel, through appropriate hedging strategies based on forecast levels of consumption.
- We manage continuity of supply of key raw materials through a range of commercial partnerships with steel suppliers.
- We manage liquidity through long term debt and by maintaining adequate cash balances (US$367.1 million at 31st March 2010) to meet foreseeable operational needs; in addition we have approximately US$400 million of uncommitted credit facilities with our relationship banks.

Compliance Risk

- We manage compliance with taxation regulations world-wide through our Corporate Tax department which also ensures that our legal and tax structure optimizes tax liabilities within the constraints set by tax regulations and laws.

- We ensure compliance with the Foreign Corrupt Practices Act in line with our obligations (due to our stock being traded over-the-counter on the US stock exchange), through maintenance of a comprehensive system of internal controls and review.
- We ensure compliance with local and international standards and regulations regarding energy consumption, environmental costs, product technology and employee safety through our Environmental Health and Safety function.

INVESTING IN PEOPLE

FY2010 was a dynamic year for JE, with both operational and financial events impacting the people of the Group. The challenges that arose from these events have been largely met, and the strengths of our employee base were enhanced during the course of the year.

- Programs were put in place in the second half of FY2009 to restrain people costs and these continued into FY2010. These regrettable but necessary actions were taken in response to the market downturn that affected virtually all industries world-wide. Management and Human Resources restructured operations, and employees maintained high levels of commitment and quality in the ongoing operations.
- In the United States, the organization was scaled back to basic operating levels, and the Cary, North Carolina facility was closed and consolidated into our Automotive Products Group site in Springfield, Tennessee. The Industry Products Group facility in Vandalia, Ohio is a very mature work site with valued, long term employees. This location was forced to downsize in the second half of calendar 2009. Throughout the downsizing process and after, we were able to maintain the support of all employees via good work and good policies.
- In Europe, manufacturing and sales operations were affected by the severe decline in the market. A planned move to a "Principal Business Structure" was confirmed, where the activities in some of the locations in Europe were consolidated into several major sites, or hubs. Murten, Switzerland, was confirmed as the management and operating centre for the European region. Shared service centres have been established in several locations, including Murten, Switzerland and Hatvan, Hungary. These initiatives, coming at a time when there was also severe stress in our markets, resulted in a total of seven social plans being put in place. Workers were affected by redundancy in Germany, Switzerland, France, the United Kingdom, Italy and Israel.
- Employees who remained in employment were called on to meet the challenges of shortened lead times by our customers, and the restructuring of our manufacturing footprint. Staff at all levels responded to these challenges in such a fashion that allowed the business to reduce overheads without losing efficiency and to respond to improving market conditions effectively. Our European operations are poised for ongoing growth, and the capability of our people, confirmed over the past year, is a source of significant competitive advantage. We are very proud of the entire European team.
- In Asia, the market downturn was felt strongly at our large manufacturing and development site in Shajing, China, beginning in the second half of FY2009 and continuing into the first half of FY2010. Staff and direct labour levels were reduced in both China and Hong Kong. Towards the latter part of the first half of FY2010, however, customer demand, particularly for the Automotive Products Group, began to rise dramatically, but on a selective, customer by customer basis. The fluctuation in headcount was significant, notably in Shajing, where headcount declined to a low of approximately 20,000 in FY2009, and rose to approximately 30,000 by the end of FY2010. Throughout this period, the *gemba kaizen* principles that are so deeply engrained throughout the Group, but particularly in China manufacturing, allowed the workforce to respond with great flexibility and with few adverse consequences associated with quality or delivery schedules.
- As of 31st March 2010, total employment for JE was about 39,000 employees and subcontract workers across 23 countries.

Human Resources Management

The people-centred programs which make JE a strong, global manufacturer of a broad range of motion-centred, electrical components, in use by many of the best, and best-known, companies in the world, are not unique. These programs are:

- equitable and competitive compensation structures
- fair employment practices that treat all employees with respect and which allow their voices to be heard at all times and on all issues
- incentive systems that reward the attainment of both business plan goals and technical superiority
- a system-based approach to Environmental, Health and Safety affairs
- a growing emphasis on Training and Development which emphasizes *gemba kaizen* methods, core competencies and the development of all employees by providing new job accountabilities on an ongoing basis.

If the people management and people-centred programs at JE have uniqueness, it is in our insistence that our people-centred programs be characterized by excellence in the execution of these programs. Moreover, we believe our unquestioned commitment to the continuous improvement of our people is a significant differentiator for this business, and one which will sustain the record of prosperous growth that has been achieved by the Group over 51 years.

CORPORATE GOVERNANCE

Johnson Electric is committed to achieving high standards of corporate governance that properly protect and promote the interests of its shareholders and devotes considerable effort to identifying and formalising best practices of corporate governance.

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 2010 of the Company.

Code on Corporate Governance Practices

During the year ended 31st March 2010, the Company had complied with the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), 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 Shui-Chung Wang 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 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 2010. No incident of non-compliance was noted by the Company in 2009/10.

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 Company's annual results for the year ended 31st March 2010 has been reviewed by the Audit Committee.

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 except in connection with the share purchase for the Long-Term Incentive Share Scheme for eligible employees and Directors.

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 2010 will be despatched to the shareholders and available on the same websites on or about 24th June 2010.

BOARD OF DIRECTORS

As at the date of this announcement, the Board of Directors of the Company comprises Patrick Shui-Chung Wang, Winnie Wing-Yee Wang, Austin Jesse Wang, being the Executive Directors, and Yik-Chun Koo Wang, Peter Kin-Chung Wang, being the Non-Executive Directors, and Peter Stuart Allenby Edwards, Patrick Blackwell Paul, Oscar de Paula Bernardes Neto and Michael John Enright, being the Independent Non-Executive Directors.

On behalf of the Board of Directors
Patrick Shui-Chung Wang
Chairman and Chief Executive

Hong Kong, 31st May 2010

Website: www.johnsonelectric.com