JOHNSON ELECTRIC

Johnson Electric Holdings Limited

(Incorporated in Bermuda with limited liability)
(Stock Code : 179)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2024

HIGHLIGHTS

- For the financial year ended 31 March 2024, total sales amounted to US$3,814 million – an increase of 5% compared to the prior year
- Gross profit totalled US$851 million – an increase of 19%
- EBITA, adjusted to exclude non-cash foreign exchange rate movements and restructuring charges, increased by 56% to US$343 million or 9.0% of sales (compared to 6.0% of sales in FY22/23)
- Net profit attributable to shareholders totalled US$229 million – an increase of 45% compared to the prior year
- Underlying net profit, adjusted to exclude non-cash foreign exchange rate movements and restructuring charges, totalled US$252 million – an increase of 70%
- Free cash flow from operations totalled US$422 million compared to US$215 million in the prior year
- A recommended final dividend of 44 HK cents per share (5.64 US cents), which combined with the interim dividend paid, will amount to a 20% increase compared to total dividends declared for the prior year
- As of 31 March 2024, cash reserves amounted to US$810 million and the ratio of total debt to capital at year end was 18%

Letter to shareholders

For the financial year 2023/24, Johnson Electric delivered commendable results in relatively subdued macro-economic conditions impacted by high interest rates and geopolitical instability. Significant progress was achieved in containing costs, improving operating efficiencies, and making pricing adjustments to recover inflationary effects that had hampered financial performance in the aftermath of the COVID-19 pandemic. As a result, the Group has been able to restore its profitability close to the levels achieved immediately prior to the pandemic and with a strengthened balance sheet.

Divisional Sales Performance

The Automotive Products Group ("APG"), Johnson Electric's largest operating division, achieved sales of US$3,210 million – an increase of 10% on a constant currency basis. The global automotive sector experienced unusually strong volume growth in the first half of the financial year, largely due to pent up consumer demand for new cars caused by almost three years of severe supply constraints. During the second half of the year, demand growth slowed as supply pressures eased and the effects of higher vehicle prices and financing costs became the predominant factors shaping the market. Nonetheless, over the course of the year, APG continued to maintain above-market sales growth rates due to a product portfolio that is closely aligned with the key long-term technology trends transforming the industry.

APG's sales strength extended across every major geographic region. In Asia-Pacific, sales increased by 10% on a constant currency basis compared to the region's light vehicle production volume growth of approximately 8%. In the Americas, constant-currency sales grew by 9% compared to an estimated 6% rise in vehicle production. And in EMEA, APG's constant-currency sales increased by 13% compared to an estimated 7% increase in vehicle production.

While specific market dynamics vary by region, the common and most important structural trend driving automotive industry demand is electrification. Presently, one in every three new cars sold globally is either a battery-electric or hybrid-electric powered vehicle – up from one in twelve cars only five years ago. It remains to be seen how fast the pace of electrification evolves from here with multiple factors expected to interplay in determining consumer demand and OEM vehicle production strategies. Among these factors are the continued expansion of charging infrastructure, improvements in vehicle driving range, battery supply chain development, electric vehicle pricing relative to alternatives, and the policy stances of national governments.

From a product and technology perspective, APG is strongly positioned to benefit from the changes impacting the industry as it transitions away from the internal combustion engine. On the one hand, a majority of our motion products and subsystems are independent of which type of propulsion mechanism drives a vehicle – with every vehicle requiring an array of closing, opening, locking, adjusting, heating, cooling, and lubricating applications that depend on our electric motors, actuators, solenoids, switches, valves, and pump technologies. On the other hand, the development of the next generation of electric and hybrid vehicles is presenting OEMs with a host of new design and technical challenges that APG is uniquely well-placed to solve. One example of APG's motion technology leadership is a highly advanced integrated thermal management system that combine motors, valves, and pumps – and functions as a key enabler for EVs to simultaneously optimise battery performance and cabin temperature. Another exciting growth opportunity is in the area of enhanced passenger comfort and safety, with vehicle cabins expected to undergo significant design changes to feature different seating configurations, steering column adjustments, and new door entry / exit systems.

In contrast to APG, the Industry Products Group (IPG) – contributing 16% of total Group sales – experienced a more difficult year. The division's sales were US$604 million which, excluding the effects of currency movements and an acquisition in the prior year, represented a decline of 19%. As has been previously reported, IPG has been enduring a period of weaker sales due to the combination of the highly unusual post-pandemic effects on consumer expenditure and channel inventory levels, as well as reduced overall consumer confidence in the face of sharply higher interest rates and inflation.

Management has been responding to these near-term headwinds by cost rationalisation and streamlining operating processes, including greater use of automation and digital tools. Equally important has been the necessity to revisit assumptions related to priority industrial and consumer product applications and reallocate resources accordingly.

While it has been tough to call the bottom of IPG's recent sales downturn, there are increasing indications that contract manufacturers and distribution channels are now looking to replenish inventories – though the path to a full recovery is constrained by lacklustre macro-economic conditions in most major geographies. The medium-term growth potential for IPG continues to be attractive given the proliferation of motion and electrification-enabling technologies in an increasing range of product applications spanning medical devices, lawn and garden equipment, electric bikes, warehouse automation, ventilation and heating, smart home products, and numerous other industrial applications.

Gross Margins and Operating Profitability

The Group's gross profit amounted to US$851 million – an increase of 19% compared to the prior year and, as a percentage of sales, represented an increase from 19.6% to 22.3%. The improvement of gross margins was primarily due to sales volume growth, pricing, lower raw material and freight costs, and reductions in direct labour that were partially offset by higher utility expenses.

Reported earnings before interest, tax and amortization ("EBITA") amounted to US$315 million (compared to US$232 million in the prior year). EBITA adjusted to exclude non-cash foreign exchange rate movements and restructuring charges, amounted to US$343 million or 9.0% of sales (compared to 6.0% of sales in the prior year).

Net Profit and Financial Condition

Net profit attributable to shareholders increased by 45% to US$229 million or 24.71 US cents per share on a fully diluted basis. Underlying net profit, adjusted to exclude non-cash foreign exchange rate movements and restructuring charges, amounted to US$252 million compared to US$148 million in the prior year.

Cash generation has also continued to improve with free cash from operations for the financial year totalling US$422 million. As a consequence, the Group's overall financial condition is robust with a total debt to capital ratio of 18% and year-end cash reserves of US$810 million.

Dividends

The Board has recommended increasing the final dividend to 44 HK cents (5.64 US cents) per share, which together with the interim dividend of 17 HK cents, represents a total dividend of 61 HK cents (7.82 US cents) per share – a 20% increase in total dividends for the year. The final dividend will be payable in cash.

After a thorough review of its financial status and anticipated capital needs, the Board has concluded that the Company will discontinue offering a scrip alternative for the dividend. This change will take effect starting with the final dividend for the fiscal year 23/24.

Business Model Development

Management remains focused on adapting Johnson Electric's business model to capture the substantial growth opportunities inherent in our target markets and, at the same time, ensure that we are building sufficient resiliency to withstand unforeseen disruptions and economic downturns in the locations where we operate. Central to this model is the development of large-scale, low-cost production hubs in the three major geographies of Asia, Europe, and the Americas.

Across our manufacturing operations and business support functions, we are continuing to increase the use of advanced digital tools and processes. This includes adopting and advancing the use of Artificial Intelligence software to enhance decision-making and operational efficiency – with extensive training for our employees on AI's applicability to their specific areas of work.

One example of the promising opportunities arising from the rapid acceleration in AI applications is Qualisense, a joint-venture that Johnson Electric formed in Israel in 2021 to develop AI-driven quality assurance software for industrial automation processes. Successful pilot projects on production lines in our own factories in China and Canada have created the foundations not only for significant quality and efficiency improvements internally, but are now leading to growing commercial interest from several major third-party manufacturers.

Outlook

Global macro-economic conditions for the year ahead are expected to remain comparatively subdued with inflation easing only gradually and interest rates in Western economies potentially staying higher for longer than previously forecast. Geopolitical tensions continue to present the biggest risk to growth and international trade with the brutal conflicts in Ukraine and the Middle East presently showing no sign of resolution. In Johnson Electric's largest end markets, demand for automotive components has slowed sharply from a year ago and light vehicle production volumes are forecast to be flat for the 2024 calendar year. In this context, management is budgeting for a low single digit rate of sales growth in FY24/25.

Notwithstanding the relatively soft outlook for sales in the near term, I am encouraged by the positive progress that the Group has made to restore its profitability to more satisfactory levels and to generate higher cash returns on invested capital. The focus now is to grow our market share in segments where we are competitively advantaged and to drive for operational excellence across every aspect of our business. Looking ahead to the medium and longer term, I am cautiously optimistic that Johnson Electric stands on a solid base to build and grow value for all stakeholders.

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

Patrick WANG *SBS, JP*
Chairman and Chief Executive

Hong Kong, 16 May 2024

Management's Discussion and Analysis

Financial Performance

US$ million	FY23/24	FY22/23
Sales	3,814.2	3,646.1
Gross profit	850.7	715.9
Gross margin	*22.3%*	*19.6%*
EBITA [1]	315.2	231.5
EBITA adjusted [2]	342.8	220.1
EBITA adjusted margin	*9.0%*	*6.0%*
Profit attributable to shareholders	229.2	157.8
Adjusted net profit [2]	252.0	147.9
Diluted earnings per share (US cents)	24.71	17.33
Free cash flow from operations	422.4	214.8

US$ million	31 Mar 2024	31 Mar 2023
Cash [3]	809.9	408.7
Total debt [4]	560.8	474.0
Net cash / (debt) [5]	249.1	(65.3)
Total equity	2,596.7	2,495.4
Market capitalization [6]	1,294.6	1,052.9
Enterprise value [7]	1,092.2	1,166.7

Key Financial Ratios	31 Mar 2024	31 Mar 2023
Total debt to capital [8]	18%	16%
Net debt to net capital [9]	n/a	3%
Gross debt [10] to EBITDA adjusted [11]	1.1	1.3
Enterprise value to EBITDA adjusted	1.9	2.5
Interest cover [12]	10.8	9.8

1 Earnings before interest, tax and amortization
2 Adjusted to exclude unrealized gains or losses relating to exchange rate movements as well as restructuring and other related costs (for further information see page 11)
3 Cash, cash equivalents and time deposits
4 Bank, bonds and other miscellaneous borrowings
5 Cash, cash equivalents and time deposits less total debt
6 Outstanding number of shares multiplied by the closing price (HK$10.84 per share as of 31 March 2024 and HK$8.90 per share as of 31 March 2023) converted to USD at the closing exchange rate
7 Market capitalization plus non-controlling interests plus total debt less cash, cash equivalents and time deposits
8 Capital equals to total equity plus total debt
9 Net capital equals to total equity plus total debt less cash. The net debt to net capital as of 31 March 2024 was not applicable (n/a) as the Group was in a net cash position
10 Including pension liabilities and lease liabilities
11 Adjusted [2] earnings before interest, tax, depreciation and amortization, giving adjusted EBITDA of US$587.8 million (31 March 2023: US$461.5 million)
12 Adjusted EBITA divided by gross interest expense. Gross interest expense was adjusted to include capitalized interest

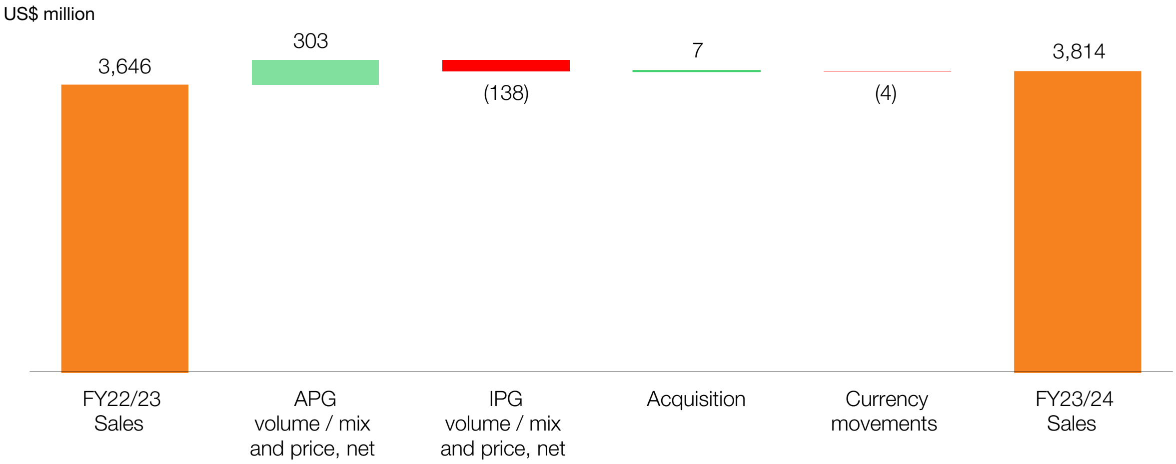
Business Review

Sales

Sales increased by US$168.1 million or 5% to US$3,814.2 million in FY23/24 (FY22/23: US$ 3,646.1 million). Net foreign exchange rate movements relative to the US Dollar had a negligible impact on the Group's sales as the strengthening of the Euro was counterbalanced by the weakening of the Renminbi and the Canadian Dollar. A breakdown of the sales by operating division is shown below:

US$ million	FY23/24		FY22/23		Change	
Automotive Products Group ("APG") sales						
Excluding currency movements	3,216.9		2,913.7		303.2	10%
Currency movements	(6.7)		n/a		(6.7)	
APG sales, as reported	3,210.2	84%	2,913.7	80%	296.5	10%
Industry Products Group ("IPG") sales						
Excluding currency movements	594.9		732.4		(137.5)	(19%)
Acquisition	6.7		n/a		6.7	
Subtotal	601.6		732.4		(130.8)	(18%)
Currency movements	2.4		n/a		2.4	
IPG sales, as reported	604.0	16%	732.4	20%	(128.4)	(18%)
Group sales						
Excluding currency movements	3,811.8		3,646.1		165.7	5%
Acquisition	6.7		n/a		6.7	
Subtotal	3,818.5		3,646.1		172.4	5%
Currency movements	(4.3)		n/a		(4.3)	
Group sales, as reported	**3,814.2**	100%	**3,646.1**	100%	**168.1**	**5%**

The drivers underlying these movements are shown in the following chart:



Volume / mix and price increased sales by US$165.7 million in FY23/24, compared to FY22/23. APG's growth contributed US$303.2 million to sales, while IPG experienced a decrease of US$137.5 million.

The underlying changes in APG and IPG's sales are discussed on pages 8 to 9

Acquisition: The Group acquired a majority interest in Pendix GmbH, in October 2022 and the effect on sales for the year-on-year comparison (April to October 2023) was US$6.7 million.

Currency movements had a limited impact, decreasing sales by US$4.3 million. The strengthening of average US Dollar exchange rates for the Euro was offset by the weakening of average rates for the Renminbi and Canadian Dollar, when compared to FY22/23. The Group's sales are largely denominated in the US Dollar, the Euro, the Renminbi and the Canadian Dollar.

For further information on the Group's foreign exchange risk, see pages 20 to 22 in the Financial Management and Treasury Policy section. Also, see Note 1.3 to the consolidated financial statements ("the accounts") for the main foreign currency translation rates

Automotive Products Group

APG's sales, excluding currency movements, increased by 10%, compared to FY22/23. In the same period, global light vehicle production volumes grew by 8%.

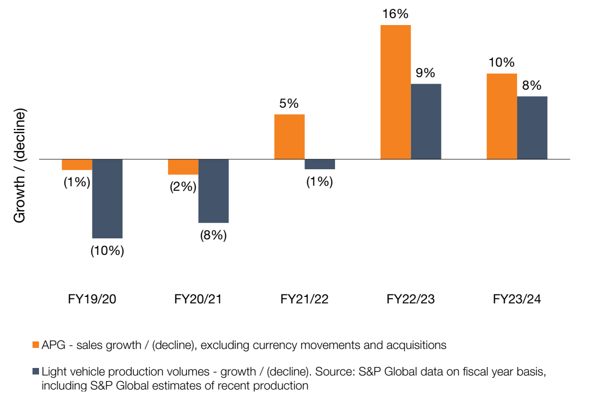
APG's strategic emphasis is on developing and implementing technology solutions that facilitate the automotive industry's transition to new-energy vehicles, as well as supporting the industry's efforts to reduce vehicle weight and enhance passenger safety and comfort.

By region, excluding currency movements:

- In **Asia-Pacific**, sales increased by 10% while light vehicle production in the region grew by 8%. Sales showed strong growth in several product segments, especially vision, braking, pumps, thermal management, closure and powder metal components, driven by the launch of new products and higher volumes. Even though overall growth in the region was moderated by slower growth in powertrain cooling due to a less favourable customer mix, APG outperformed the overall trend in light vehicle production in the region
- In **Europe, Middle East and Africa ("EMEA")**, sales increased by 13% while light vehicle production in the region grew by 7%. Sales increased across most segments, with the highest growth noted in thermal management, engine and fuel management, mechatronic oil pumps, vision and braking due to volume increases and new program launches
- In the **Americas**, sales increased by 9% while light vehicle production in the region grew by 6%. Sales increased across most segments, with the highest growth noted in powder metal components, oil pumps, thermal management and braking due to market growth and the success of certain customer programs

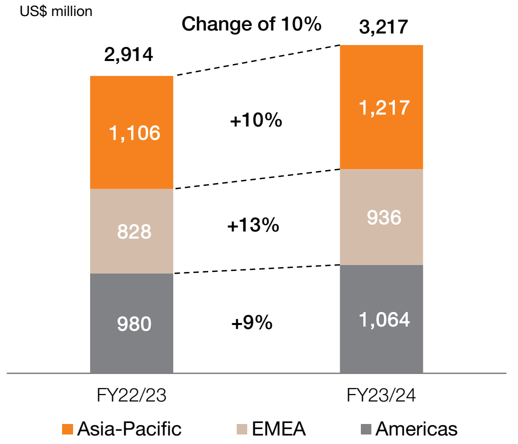
APG accounted for 84% of the Group's total sales in FY23/24 (FY22/23: 80%). Within this, the cooling fan business, including the "Gate" brand, primarily engaged in the manufacture and sale of condenser radiator fan modules for OEM and Tier 1 customers, accounted for 17% of the Group's business (FY22/23: 17%).

Changes in APG sales vs. global light vehicle production



APG sales by region

(excluding currency movements)



Growth / (decline) in APG sales

(excluding currency movements and acquisitions)

Year ended	Asia-Pacific	EMEA	Americas	Total
31 March 2024	10%	13%	9%	10%
31 March 2023	13%	17%	19%	16%
31 March 2022	4%	3%	10%	5%
31 March 2021	15%	(13%)	(8%)	(2%)
31 March 2020	(9%)	(2%)	8%	(1%)

Industry Products Group

IPG's sales, excluding currency movements and an acquisition, decreased by 19% compared to FY22/23.

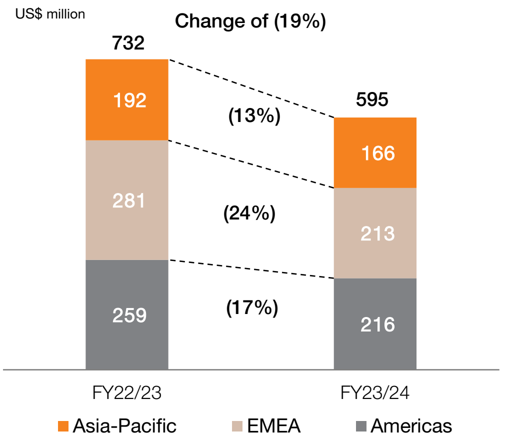
Amidst a global macro-economy characterized by lingering inflation, geopolitical tensions, and economic uncertainty, IPG faced a tough market environment. Consumers, exercising caution, opted to either curtail or delay discretionary spending. This shift in demand had a pronounced effect on IPG's sales. Moreover, the slow consumption of excess inventory in manufacturing and retail channels resulted in sluggish customer replenishment orders. Consequently, sales declined in all regions.

Despite this, certain segments experienced growth. Sales of piezoelectric motors benefited from robust demand for high-precision equipment utilized in semiconductor foundries. The medical devices segment grew, driven by the persistent demand arising from the imperative to minimize the labour intensity of surgical procedures.

IPG is actively exploring strategic segments with long-term high potential. Its high-precision products could form the basis for intelligent solutions that unlock new efficiencies across specific industries and applications. However, these markets will take some time to fully evolve.

IPG sales by region

(excluding currency movements and acquisitions)



Growth / (decline) in IPG sales

(excluding currency movements and acquisitions)

Year ended	Asia-Pacific	EMEA	Americas	Total
31 March 2024	(13%)	(24%)	(17%)	(19%)
31 March 2023	(26%)	(2%)	9%	(7%)
31 March 2022	(5%)	27%	20%	12%
31 March 2021	29%	6%	(1%)	12%
31 March 2020	(18%)	(14%)	(14%)	(15%)

Profitability

Profit attributable to shareholders was US$229.2 million in FY23/24, an increase of US$71.4 million from US$157.8 million in FY22/23.

US$ million	FY23/24	FY22/23	Increase / (decrease) in profit
Sales	3,814.2	3,646.1	168.1
Gross profit	850.7	715.9	134.8
Gross margin %	*22.3%*	*19.6%*	
Other (expenses) / income, net	(13.4)	41.1	(54.5)
As a % of sales	*0.4%*	*1.1%*	
Intangible assets amortization expense	(32.5)	(34.4)	1.9
As a % of sales	*0.9%*	*0.9%*	
Other selling and administrative expenses	(509.3)	(522.1)	12.8
As a % of sales	*13.4%*	*14.3%*	
Restructuring and other related costs	(10.2)	(1.8)	(8.4)
Operating profit	285.3	198.7	86.6
Operating profit margin %	*7.5%*	*5.4%*	
Share of losses of associate and joint venture	(2.6)	(1.6)	(1.0)
Net finance costs	(11.6)	(16.1)	4.5
Profit before income tax	271.1	181.0	90.1
Income tax expense	(38.8)	(19.7)	(19.1)
Effective tax rate	*14.3%*	*10.9%*	
Profit for the year	232.3	161.3	71.0
Non-controlling interests	(3.1)	(3.5)	0.4
Profit attributable to shareholders	229.2	157.8	71.4
Basic earnings per share (US cents)	24.83	17.42	7.41
Diluted earnings per share (US cents)	24.71	17.33	7.38

The adjusted net profit, representing the Group's underlying performance, increased by US$104.1 million or 70% to US$252.0 million. The adjustments included:

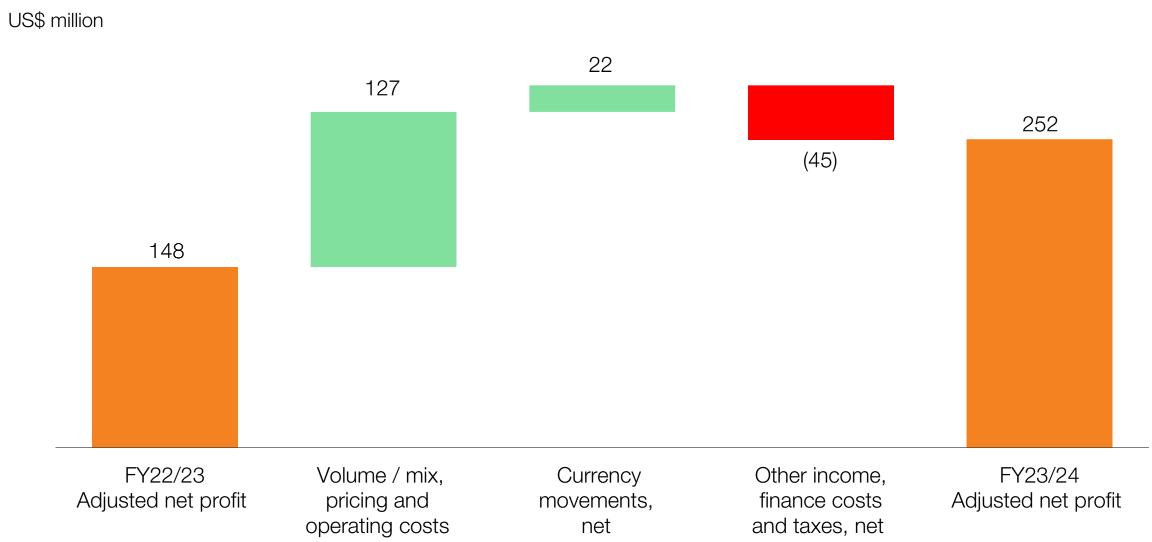
- Unrealized currency net losses of US$14.8 million, net of tax, largely due to the release of previous gains on the consumption of Euro contracts
- Restructuring and other related costs of US$8.0 million, net of tax, primarily for severance costs in Europe

The walk between the net profit, as reported, and the adjusted net profit is shown in the table below:

US$ million	FY22/23 Before tax	FY22/23 Tax effect	FY22/23 Net of tax effect	FY23/24 Before tax	FY23/24 Tax effect	FY23/24 Net of tax effect
Net profit, as reported			157.8			229.2
Unrealized net (gains) / losses on other financial assets and liabilities	(6.9)	0.2	(6.7)	2.4	(0.5)	1.9
Unrealized net gains from revaluation of monetary assets and liabilities	(13.4)	2.9	(10.5)	(3.1)	0.1	(3.0)
Unrealized net losses on structured foreign currency contracts	7.1	(1.2)	5.9	18.1	(2.2)	15.9
Restructuring and other related costs	1.8	(0.4)	1.4	10.2	(2.2)	8.0
Net (gains) / losses of significant non-cash items, restructuring and other related costs	(11.4)	1.5	(9.9)	27.6	(4.8)	22.8
Adjusted net profit [1]			147.9			252.0
As a % of sales			*4.1%*			*6.6%*

1 Unrealized gains or losses relating to exchange rate movements are significant non-cash items. Restructuring and other related costs are not part of the routine operations of the Group. This adjusted measure of net profit excluding non-cash foreign exchange rate movements and restructuring costs provides additional insight into the underlying performance of the business

The drivers of the movements in net profit excluding non-cash foreign exchange rate movements and restructuring costs are shown below:



Volume / mix, pricing and operating costs: Revenue benefited from improvements in volume / mix and partial cost inflation recovery through price adjustments, somewhat offset by contractual price reductions. Inflation in wages and other cost increases was more than offset by cost saving actions and lower logistics costs. The combination of these factors improved net profit by US$127.2 million.

Currency movements, net: The Group's global operations expose it to foreign exchange volatility, partially mitigated by hedging key currencies such as the Euro and the Renminbi. Excluding unrealized gains and losses, currency movements improved net profit by US$21.7 million compared to the prior year, largely due to the depreciation of the Renminbi and the appreciation of the Euro during the year.

For further information on the Group's foreign exchange risk and forward foreign currency contracts, see pages 20 to 22 in the Financial Management and Treasury Policy section

Gross margin: The above changes in volume / mix, pricing and operating costs, and currency movements led to an improvement in the gross margin from 19.6% in FY22/23 to 22.3% in FY23/24.

The sequential change in gross margin by half-year is shown in the table below:

	Gross margin %
Second half of FY23/24	22.4%
First half of FY23/24	22.2%
Second half of FY22/23	19.3%
First half of FY22/23	20.0%

Selling and administrative expenses (excluding amortization of intangible assets) decreased to 13.4% as a percentage of sales (FY22/23: 14.3%), due to the combined effect of improved cost leverage as sales grew and reduced logistics costs.

Other income, finance costs and taxes, net, adversely impacted profits by US$44.8 million compared to FY22/23.

Other income decreased due to lower amounts received for subsidies and government grants compared to the prior year, as well as fair value losses on certain financial assets at fair value through profit and loss recorded during the year.

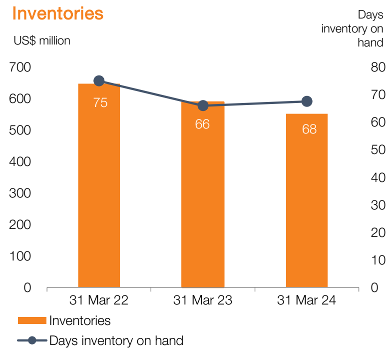
Income tax expenses, as reported, increased by US$19.1 million due to higher profits. The effective tax rate ("ETR") increased to 14.3% (FY22/23: 10.9%). The ETR is influenced by changes in the level of profit before income tax. In FY23/24, the impact of non-taxable income on the ETR was lessened as the profit before income tax was higher than in the prior year.

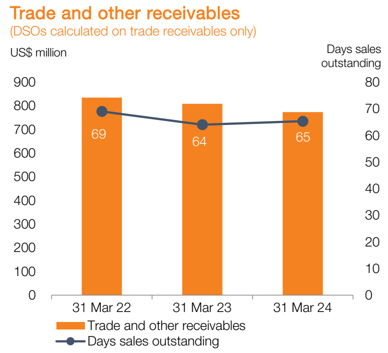
Taxes are further analyzed in Note 18 to the accounts

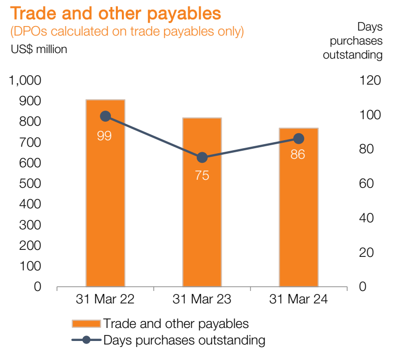
Working Capital

US$ million	Balance sheet as of 31 Mar 2023	Currency translation	Working capital changes per cash flow	Pension, hedging and non-working capital items	Balance sheet as of 31 Mar 2024
Inventories	589.0	(4.4)	(33.1)	-	551.5
Trade and other receivables	808.2	(7.4)	(28.7)	1.1	773.2
Other non-current assets	19.8	(0.2)	0.1	2.1	21.8
Trade and other payables [1]	(816.1)	16.0	13.0	19.9	(767.2)
Retirement benefit obligations [1, 2]	(9.7)	1.5	0.2	(9.8)	(17.8)
Provisions and other liabilities [1]	(34.1)	0.2	(21.5)	-	(55.4)
Other financial assets / (liabilities), net [1, 3]	205.3	(0.2)	(0.3)	(41.6)	163.2
Total working capital per balance sheet	762.4	5.5	(70.3)	(28.3)	669.3

1 Current and non-current
2 Net of defined benefit pension plan assets
3 Other financial assets / (liabilities), net represent the aggregate fair values of the Group's hedge contracts. Further details of the Group's hedging activities can be found on pages 20 to 22 in the Financial Management and Treasury Policy section and Note 7 to the accounts







Inventories decreased by US$37.5 million to US$551.5 million as of 31 March 2024.

Days inventory on hand increased slightly to 68 days as of 31 March 2024, from 66 days as of 31 March 2023.

The management team is continuously evaluating demand trends and inventory data to avoid any inventory surpluses.

Trade and other receivables decreased by US$35.0 million to US$773.2 million as of 31 March 2024.

Days sales outstanding ("DSOs") were flat at 65 days as of 31 March 2024 (64 days as of 31 March 2023).

The Group's trade receivables are of high quality. Current and overdue balances of less than 30 days were 97% of gross trade receivables.

Trade and other payables decreased by US$48.9 million to US$767.2 million as of 31 March 2024.

As of 31 March 2023, days purchases outstanding ("DPOs") stood at 75 days as the consumption of raw materials temporarily outpaced the rate of purchases for replenishment. Purchasing has returned to a more normal level, causing DPOs to increase to 86 days as of 31 March 2024.

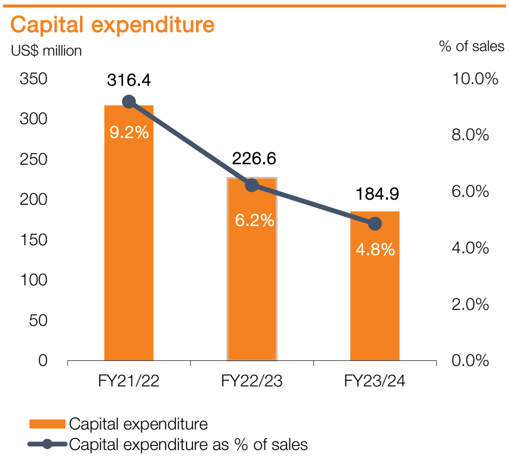
Cash Flow

US$ million	FY23/24	FY22/23	Change
Operating profit	285.3	198.7	86.6
Depreciation and amortization (including leases)	274.9	274.2	0.7
EBITDA	560.2	472.9	87.3
Other non-cash items	44.3	(16.3)	60.6
Working capital changes	70.3	27.5	42.8
Interest paid (including leases)	(30.4)	(22.2)	(8.2)
Interest received	19.9	5.6	14.3
Income taxes paid	(62.5)	(29.3)	(33.2)
Capital expenditure	(184.9)	(226.6)	41.7
Proceeds from disposal of fixed assets	6.7	5.1	1.6
Capitalization of engineering development costs	(1.2)	(1.9)	0.7
Free cash flow from operations	**422.4**	**214.8**	**207.6**
Acquisitions and investment in joint venture	(3.0)	(72.6)	69.6
Dividends paid	(52.5)	(12.4)	(40.1)
Purchase of shares for share award scheme	(8.7)	(0.6)	(8.1)
Other investing activities	(2.9)	(1.3)	(1.6)
Dividends paid to non-controlling interests	(5.6)	(6.3)	0.7
Payment of lease – principal portion	(26.8)	(29.1)	2.3
Borrowings / (repayment), net	87.7	(11.2)	98.9
Time deposits with maturities over three months	(60.0)	-	(60.0)
Increase in cash and cash equivalents excluding currency movements	350.6	81.3	269.3
Currency translation losses on cash and cash equivalents	(9.4)	(18.0)	8.6
Net movement in cash and cash equivalents	341.2	63.3	277.9

The Group generated free cash flow of US$422.4 million in FY23/24 (FY22/23 US$214.8 million). The movement in free cash flow for FY23/24 included the following:

- **EBITDA** growth added US$87.3 million
- **Working capital changes** released US$70.3 million, as explained in the previous section
- **Income taxes paid** increased by US$33.2 million to US$62.5 million due to higher pre-tax profits
- **Capital expenditure** decreased by US$41.7 million to US$184.9 million. The Group enjoyed enhanced asset utilization and reduced capital requirements as a result of prior investments in automation and footprint expansion.

  The Group continues to invest in new product launches, long-term technology and testing development and enhanced automation as well as the ongoing replacement of assets



The net movement in cash includes the following:

- **Acquisitions and investment in joint venture**: The Group invested a further US$3.0 million in its Qualisense joint venture in FY23/24

  In FY22/23, the Group:
  - Acquired an 80% interest in Pendix for consideration of US$20.3 million, net of cash acquired
  - Acquired the remaining 20% non-controlling interest in Halla Stackpole for consideration of US$50.8 million
  - Invested a further US$1.5 million in the Qualisense joint venture

- **Dividends and shares**: The Company utilized US$52.5 million cash for dividend payments in FY23/24, with a further US$7.7 million settled in scrip (FY22/23: US$12.4 million in cash and US$26.9 million in scrip).

  The Company purchased 6.5 million shares for US$8.7 million including brokerage fees for the share award scheme (FY22/23: 0.5 million shares purchased for US$0.6 million)

  For further details of dividends and shares, including the proposed final dividend for FY23/24, see next section

- **Borrowings, net**: The Group borrowed US$87.7 million, net (FY22/23: repaid US$11.2 million, net)

  For further details of the Group's debt, loans and other borrowings, see next section

- **Time deposits**: The Group placed US$60.0 million (FY22/23: US$nil) into 6-month time deposits, which will mature in May 2024

Financial Management and Treasury Policy

Financial risk faced by the Group is managed by the Group's Treasury department based in the corporate headquarters in Hong Kong. Treasury policies for this are established by senior management and approved by the Board of Directors.

Credit Rating

Johnson Electric subscribes to both Moody's Investors Service and S&P Global Ratings to provide independent long-term credit ratings. As of 31 March 2024, the Group maintained investment grade ratings with a stable outlook from both agencies. These ratings reflect the Group's solid market position, resilience and prudent financial leverage.

	Rating	Outlook	Grade
Moody's Investors Service	Baa1	Stable	Investment
S&P Global Ratings	BBB	Stable	Investment

Liquidity

Management believes that the combination of cash[1], available unutilized credit lines, access to capital markets and expected future operating cash flows is sufficient to satisfy the Group's cash needs for the current and planned level of operations for the foreseeable future.

Cash [1] increased by US$401.2 million to US$809.9 million as of 31 March 2024 (31 March 2023: US$408.7 million).

Cash and credit lines

US$ million	31 Mar 2024	31 Mar 2023	Change
Cash [1]	809.9	408.7	401.2
Unutilized committed credit lines	485.0	150.0	335.0
Unutilized uncommitted credit lines	592.7	609.0	(16.3)
Available unutilized credit lines	1,077.7	759.0	318.7
Combined available funds	1,887.6	1,167.7	719.9

1 Cash, cash equivalents and time deposits

Available credit lines: The Group had US$1,077.7 million available unutilized credit lines as of 31 March 2024, comprised of:

- US$200.0 million syndicated revolving credit facility maturing in November 2028
- US$100.0 million facility provided by Export Development Canada, to fund the Group's working capital requirements, maturing in January 2027. The full amount of this facility was drawn down on 2 May 2024
- US$185.0 million remaining unutilized portion of committed revolving credit facilities provided by its principal bankers, on a bilateral basis. These facilities have staggered maturity dates ranging from October 2024 to December 2026
- US$592.7 million uncommitted credit facilities

Net cash increased by US$314.4 million to US$249.1 million as of 31 March 2024 (31 March 2023: net debt US$65.3 million).

Net cash / (debt)

US$ million	31 Mar 2024	31 Mar 2023	Change
Cash [1]	809.9	408.7	401.2
Borrowings	(560.8)	(474.0)	(86.8)
Net cash / (debt)	249.1	(65.3)	314.4

Cash [1] by currency

US$ million	31 Mar 2024	31 Mar 2023
USD	422.6	117.4
EUR	145.6	104.2
RMB	131.8	114.3
KRW	49.3	44.2
Others	60.6	28.6
Total	809.9	408.7

1 Cash, cash equivalents and time deposits

Debt increased by US$86.8 million, net to US$560.8 million as of 31 March 2024. This increase included:

- **Syndicated loan**: In August 2023, the Group entered into a US$400 million facilities agreement for financing the general working capital of the Group and refinancing the existing indebtedness of the Group, comprising a US$200 million term loan facility and a US$200 million revolving credit facility. The term loan was drawn down during the year, and as of 31 March 2024, the carrying value, net of amortized costs, was US$194.8 million. The revolving credit facility remains unutilized
- **Export Development Canada**: the US$100.0 million loan was repaid in full. As discussed on the previous page, a new US$100.0 million facility was drawn down on 2 May 2024

Changes in debt

US$ million	31 Mar 2024	31 Mar 2023	Change
Bonds	301.8	301.2	0.6
Syndicated Loan	194.8	-	194.8
Loan from Export Development Canada	-	100.0	(100.0)
Loan from HSBC	60.3	69.0	(8.7)
Other borrowings	3.9	3.8	0.1
Total borrowings	560.8	474.0	86.8

Debt by currency

US$ million	Gross debt	Swap contracts	Total debt after effect of swaps
USD	500.5	(275.2)	225.3
EUR	-	265.1	265.1
RMB	60.3	-	60.3
Total	560.8	(10.1)	550.7

The maturity dates of significant borrowings are as follows:

- **Bonds**: The Bonds mature in July 2024
- **Loan from HSBC**: The first repayment was made in May 2023, with further repayments every six months until November 2025
- **Syndicated term loan**: repayment is due in November 2028

Repayment schedule

US$ million	31 Mar 2024
Repayable within one year	308.5
Repayable after more than one year	252.3
Gross debt	560.8
Swap contracts (Other financial assets)	(10.1)
Total debt including swap contracts	550.7

Lease liabilities decreased by US$19.5 million to US$73.9 million as of 31 March 2024, due to lease repayments and the end of certain property leases.

The corresponding assets are shown as right-of-use assets under property, plant and equipment.

Changes in lease liabilities

US$ million	31 Mar 2024	31 Mar 2023	Change
Current	18.9	27.7	(8.8)
Non-current	55.0	65.7	(10.7)
Total lease liabilities	73.9	93.4	(19.5)

Financial covenants: The Group maintains a prudent level of debt and remains in full compliance with its financial covenants, including requirements for net worth and the ratios of total liabilities to net worth, net debt to EBITDA and EBITDA to interest expense.

Financial ratios: The Group's gearing ratios as of 31 March 2024 reflected the following changes:

- Total debt to capital increased to 18% (16% as of 31 March 2023)
- Gross debt to adjusted EBITDA decreased to 1.1 times (1.3 times as of 31 March 2023)
- Enterprise value to adjusted EBITDA decreased to 1.9 times (2.5 times as of 31 March 2023)
- Interest cover increased to 10.8 times (9.8 times as of 31 March 2023)

Please refer to page 5 for definitions and bases of calculation (including adjustments) of financial ratios

Dividends

Final dividend: The Board has recommended a final dividend of 44 HK cents per share for FY23/24 equivalent to US$51.9 million (FY22/23: 34 HK cents per share), to be paid in cash with no scrip alternative in September 2024.

Interim dividend: The Company paid an interim dividend of 17 HK cents per share for the first half of FY23/24 (first half of FY22/23: 17 HK cents per share) equivalent to US$20.1 million. US$5.1 million of this interim dividend was settled by the issue of 2.2 million new shares under a scrip dividend option and US$15.0 million was paid in cash.

Dividend payment

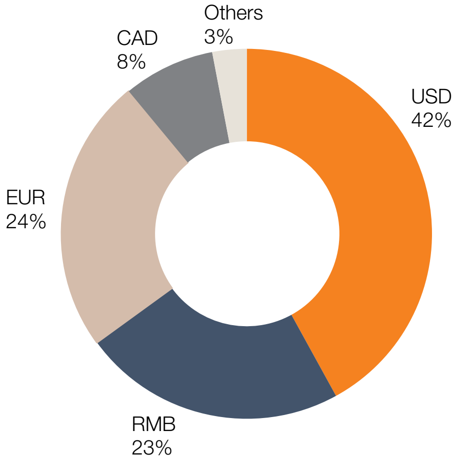
		FY23/24		FY22/23		FY21/22	
		Final	Interim	Final	Interim	Final	Interim
HK cents per share	Dividend	44 *	17	34	17	17	17
US$ million	Cash	51.9	15.0	37.4	5.2	7.2	18.7
	New shares	-	5.1	2.6	14.6	12.3	0.8
	Total	51.9	20.1	40.0	19.8	19.5	19.5

* Proposed dividend

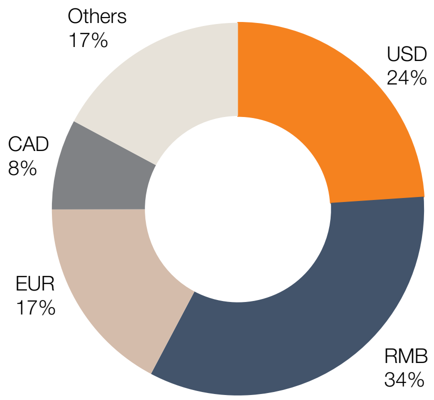
Foreign Exchange Risk

The Group is exposed to foreign exchange risk, largely from sales and costs denominated in a number of currencies. It mitigates the economic risk from this through plain vanilla forward currency contracts and structured foreign currency contracts. These contracts have varying maturity dates, ranging from 1 to 54 months after 31 March 2024, to match the underlying cash flows of the business.

Sales by currency



Costs by currency



The net fair value gains of currency contracts, including plain vanilla forward foreign currency contracts, cross-currency interest rate swaps and structured foreign currency contracts decreased by US$44.8 million to US$171.4 million as of 31 March 2024. This was largely due to a reduction in gains for Renminbi and Euro contracts, partly offset by an increase in net gains on contracts for the Hungarian Forint, the Mexican Peso, the Polish Zloty and other currencies.

The mark-to-market ("MTM") rate is the current fair value for the settlement of a forward contract, as provided by the counterparties (the Group's principal bankers). The mark-to-market rates are influenced by the changes in spot rates shown in the adjacent table.

Net fair value of currency contracts

US$ million		31 Mar 2024	31 Mar 2023	Change
Euro	Plain vanilla forward contracts and swaps	126.1	133.1	(7.0)
	Structured contracts	12.1	30.2	(18.1)
	Subtotal	138.2	163.3	(25.1)
Renminbi	Plain vanilla forward contracts	4.8	44.9	(40.1)
Others	Plain vanilla forward contracts	28.4	8.0	20.4
Total		171.4	216.2	(44.8)

Spot rates of significant currencies

	Spot rates as of 31 Mar 2024	Spot rates as of 31 Mar 2023	
USD per EUR	1.08	1.09	Flat
HUF per EUR	395.18	379.98	EUR Strengthen 4%
CAD per USD	1.36	1.35	Flat
RMB per USD	7.09	6.89	USD Strengthen 3%
MXN per USD	16.53	18.09	USD Weaken 9%
PLN per USD	3.99	4.29	USD Weaken 7%

Euro contracts: The Group's plain vanilla and structured forward contracts to sell the Euro ("EUR") and buy US Dollars ("USD") create an economic hedge for Euro-denominated export sales. In addition, the Group hedges its net investment in its European operations against exposure from changes in the underlying value of investments due to future changes in exchange rates. It also hedges its intragroup Euro monetary balances from changes in exchange rates.

Plain vanilla Euro contracts: The financial asset representing cumulative fair value gains on plain vanilla and swap contracts decreased by US$7.0 million to US$126.1 million as of 31 March 2024 (31 March 2023: US$133.1 million financial asset). This was due to the impact of contract consumption, partially offset increased mark-to-market gains for plain vanilla forward contracts and swaps as the EUR weakened slightly against the USD as of 31 March 2024.

Structured Euro contracts: The financial asset representing the cumulative fair value gains on structured forward contracts decreased by US$18.1 million to US$12.1 million as of 31 March 2024 (31 March 2023: US$30.2 million financial asset). Gains for structured forward contracts decreased mainly due to the consumption of contracts during the year.

The overall effect of these changes was to decrease the financial assets representing the cumulative fair value gains of Euro contracts by US$25.1 million to US$138.2 million as of 31 March 2024 (31 March 2023: US$163.3 million financial assets).

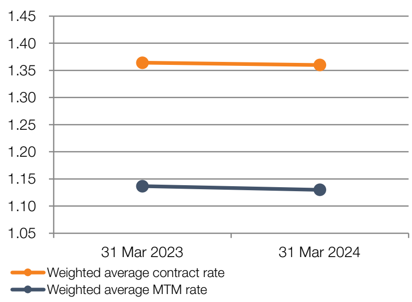
Renminbi contracts: The Group's plain vanilla contracts to buy the Renminbi ("RMB") create an economic hedge for production costs, other operating costs and capital expenditure denominated in RMB against the sources of revenue.

The financial asset representing cumulative fair value gains for plain vanilla contracts decreased by US$40.1 million to US$4.8 million as of 31 March 2024 (31 March 2023: US$44.9 million financial asset). This was mainly due to the weakening of the RMB against the USD during the year.

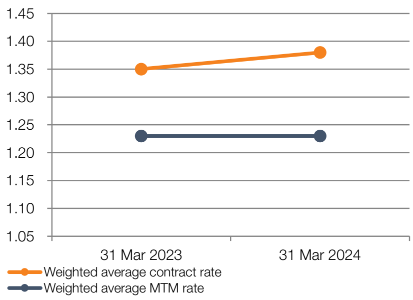
Other currency contracts: The Group's plain vanilla contracts to buy the Mexican Peso ("MXN"), the Polish Zloty ("PLN"), the Hungarian Forint ("HUF"), the Turkish Lira ("TRY"), the Israeli Shekel ("ILS") and the Serbian Dinar ("RSD") create an economic hedge for production costs, other operating costs and capital expenditure denominated in these currencies against their sources of revenue.

The financial asset representing cumulative fair value gains for plain vanilla contracts for other currencies increased by US$20.4 million to US$28.4 million. The increase came largely from mark-to-market gains on contracts for HUF, MXN and PLN.

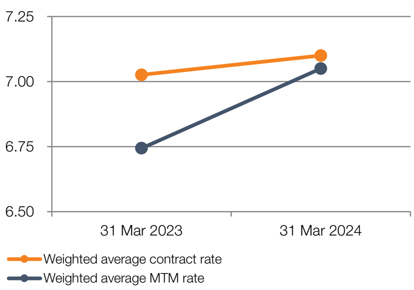
EUR – Plain vanilla forward



EUR – Structured forward



RMB – Plain vanilla forward



Estimated future cash flow: The final realized gain or loss for each contract will crystallize based on the prevailing spot rate at the date of maturity versus the contract rate and will impact cash flow at that time. In terms of estimating future cash flow, the contracts' rates at maturity compared to the exchange rates as of 31 March 2024 would result in approximately US$193 million aggregate cash flow benefit from plain vanilla forward foreign currency contracts and cross-currency interest rate swaps (31 March 2023: US$222 million) and US$13 million cash flow benefit from structured foreign currency contracts (31 March 2023: US$33 million).

Further information about the Group's forward foreign currency exchange contracts can be found in Notes 7 and 8 to the accounts

Raw Material Commodity Price Risk

The Group is exposed to commodity price risk, mainly from fluctuations in copper, steel, silver and aluminium prices.

This commodity price risk is managed by way of incorporating appropriate clauses in certain customer contracts to pass on changes in raw material costs, where and when possible. For other customers, the Group negotiates price increases, but there can be some time lag between the increase in price of the raw materials and passing such cost increases onto customers.

The residual price risk from copper, silver and aluminium is reduced by hedging through cash flow hedge contracts with maturity dates ranging from 1 to 12 months after 31 March 2024.

The residual price risk from steel is reduced through fixed price purchase contracts for steel from 1 to 6 months and cash flow hedge contracts for iron ore with maturity dates ranging from 1 to 36 months after 31 March 2024.

The net fair value of commodity contracts decreased by US$15.4 million, mainly due to the consumption of contracts.

Copper contracts: The financial asset representing cumulative fair value gains for plain vanilla copper contracts decreased by US$11.4 million to US$3.0 million as of 31 March 2024 (31 March 2023: US$14.4 million financial asset). Mark-to-market gains for copper contracts decreased largely due to the consumption of contracts.

Further information about the Group's raw material commodity contracts can be found in Note 7 to the accounts

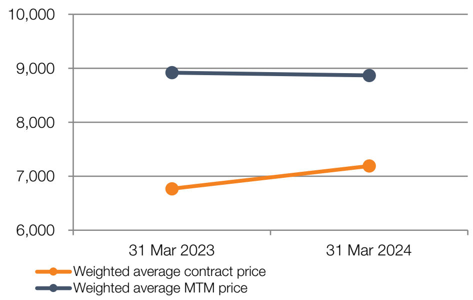
Spot prices of significant raw material commodities

US$ per metric ton	Spot prices as of 31 Mar 2024	Spot prices as of 31 Mar 2023	Increase / (decrease)
Copper	8,729	8,935	(2%)
Aluminium	2,270	2,337	(3%)
Iron ore	101.28	126.53	(20%)
Silver - US$ per ounce	24.54	23.89	3%

Net fair value of commodity contracts

US$ million	31 Mar 2024	31 Mar 2023	Change
Copper	3.0	14.4	(11.4)
Other commodities	0.9	4.9	(4.0)
Total	3.9	19.3	(15.4)

Copper – Plain vanilla forward



Counterparty Risk

To avoid the potential default of any of its counterparties on its forward contracts, the Group deals only with major financial institutions (i.e. the Group's principal bankers), with strong investment grade ratings, that the Group believes will satisfy their obligations under the contracts.

Risk Management

The Group identifies, mitigates and manages its exposure to risk and uncertainty through proactive oversight and robust business processes. Management and the Group's internal audit function monitor these business processes, testing them periodically to ensure their continued effectiveness.

Existing and emerging risks are analyzed and tracked on a quarterly basis by the Group's Enterprise Risk Management Steering Committee. This is chaired by the Group's Chief Executive and includes the Chief Financial Officer, the Chief Information Officer, the Chief Human Resources Officer, the Senior Vice Presidents of Supply Chain Services, Global Operations and Corporate Engineering, and the Group's leaders from the Environment, Health and Safety departments, Legal, Intellectual Property and Internal Audit. There are additional management committees that focus on specific risk areas to ensure that they are managed in a timely and sufficient manner.

The goals of this process are to:

- Identify emerging risks
- Assess and prioritize risks
- Ensure responsibility and ownership of risks
- Embed risk management into the Group's work processes and corporate culture
- Ensure the appropriate management of crises and incidents
- Strive for an optimal risk management approach that aligns with Johnson Electric's goals and resources

Key risks and uncertainties

Strategic risks	Commercial risks	Operational risks	Sustainability risks	Financial risks
Global economic and geopolitical environment, trade issues and industry dynamics	Major customers and products	Supply chain	Environment and climate change	Liquidity
Strategy and business plans	Intellectual property	Freight and logistics	Product sustainability	Interest rates
Competitive environment	Contract performance	Business interruption	People	Foreign currency exposure
Technology changes		Human resources	Trust and transparency	Commodity prices
Exposure to developing countries		Cybersecurity		Counterparty risk
		Taxation		
		Warranty and product liability		
		Energy		
		Fraud		

This list is not exhaustive as the nature, severity and frequency of risk changes over time due to the complexity of the Group's business environment and global operations. The Group may be exposed to new emerging risks or to other existing risks that are not significant now but that may become significant in the future.

The nature of these risks and the Group's policies for managing its exposure to them is set out below:

Strategic risks	How we respond
Global economic and geopolitical environment, trade issues and industry dynamics	
The Group's business is sensitive to the global economic and geopolitical environment. Several factors could impact demand for the Group's products and influence its financial condition, results of operations, asset values and liabilities, including: • **Instability in global environment**: Severe or prolonged instability in the global economic and geopolitical environment poses a significant risk. Events such as a global pandemic, or international conflict can disrupt markets and affect consumer behaviour • **Consumer behaviour shifts**: Market changes driven by shifts in consumer behaviour can directly impact the Group's performance • **Trade disputes and protectionism**: Global trade issues (in particular the ongoing trade dispute between the United States and the PRC) have far reaching implications. Industries in countries where the Group manufactures, sources or exports goods may be directly impacted. Actual and threatened trade protectionism due to trade disputes between nations could disrupt global trade and manufacturing supply chains • **Cyclical nature of industries**: The performance of the Group's Automotive and Industry Products Groups responds to industry-specific conditions. These sectors are cyclical and sensitive to factors such as consumer preferences, general economic conditions and the broader impact of trade issues	Johnson Electric employs a multifaceted strategy to proactively manage risks arising from the global economic and geopolitical environment, consumer behaviour shifts, trade issues and industry dynamics. In particular, the Group continually seeks to: • **Global presence**: Establish and strengthen its global footprint. This ensures that the Group is effectively positioned to respond over time to changing customer demands, production and transportation costs, and regulatory factors such as indirect taxes, tariffs and import duties • **Strategic growth**: Grow through both organic expansion and strategic acquisitions across all regions to mitigate the impact of an economic downturn in any particular region • **Diversification**: Diversify its customer and product portfolios. This involves internal development, joint ventures and targeted acquisitions. Through this, the Group reduces its vulnerability to adverse market changes within any particular industry • **Customer insights**: Evaluate end-customer behaviour and practices. This helps the Group stay agile and responsive, anticipating shifts in demand patterns and adjusting its strategies accordingly
Strategy and business plans	
The successful implementation of the Group's future business plans depends on several critical factors, some of which may be beyond the Group's control. In particular: • **Optimizing production capacity**: The Group's success requires the optimization of its production capacity and footprint • **Resource burden**: The growth of the Group places a significant burden on its management, operational and financial resources • **Capital expenditure and investment**: Many of the Group's businesses require ongoing investment for long-term growth	To mitigate risks to the successful implementation of the Group's strategy and business plans, Johnson Electric stipulates procedures and support for: • **Site oversight**: Close oversight of the construction of new sites and the expansion or closure of existing sites • **Capital expenditure review**: Rigorous review and approval of all capital expenditure • **Strategic evaluation**: Comprehensive appraisal before establishing joint ventures or acquiring new businesses. This evaluation considers commercial potential, alignment with the Group's strategy and product portfolio, and the identification and evaluation of potential assets and liabilities that will be acquired

Strategic risks	How we respond
Competitive environment The Group faces competition in its existing markets as well as in those markets into which it is trying to expand its business. The Group is under intense competitive price pressure as both large multinational and smaller niche competitors attempt to expand their market share or expand into new markets. Furthermore, volume fluctuations may occur due to competitive pressures faced by the Group's customers.	The Group seeks to maintain its competitiveness in its core markets and enhance its competitiveness in expansion markets through the following strategies: • **Cost-effective solutions**: Investing in developing cost-effective solutions to be the definitive supplier of motion solutions for customers • **Productivity and efficiency**: Continuously seeking and investing in productivity and efficiency improvements • **Operational agility**: Ensuring the operational footprint can respond quickly and cost-effectively • **Market insights**: Regular reviews of each market to understand competition, market dynamics, trends, development prospects, products and prices to identify potential problems and difficulties
Technology (and related regulatory) changes **Technological competitiveness**: The Group's product and manufacturing technologies and capabilities must continually demonstrate Johnson Electric's ability to innovate and be cost-effective. Failing to do so could lead to losing customers to competitors who adapt swiftly to technological changes or offer more technologically advanced products. Additionally, existing products and inventory may become obsolete. **Regulatory and standards changes**: The dynamic landscape of regulations and industry standards necessitates agility. Johnson Electric must be prepared to develop new or improved products and adopt enhanced manufacturing processes as requirements evolve. **Automotive market disruption:** The automotive market faces disruptive shifts due to rapidly rising demand for new energy vehicles. **Digitalization challenges**: Disruptive digitalization trends include: • **Increased automation and AI:** Manufacturing is embracing automation, artificial intelligence and data exchange to create the smart factory • **Implementation challenges**: Managing investments and ensuring reliability pose significant challenges • **Workforce adaptation:** As automation changes skill requirements and eliminates some positions, maintaining the integrity of production and managing workforce disruption become critical	The Group mitigates its risk from, and seeks opportunities to exploit technology and related regulatory changes through: • **Innovation and intellectual property**: Johnson Electric actively develops cost-effective solutions while maintaining technological competitiveness. By fostering innovation and creating intellectual property, the Group aims to be the definitive supplier of motion solutions to its customers • **Diversification**: To navigate the impact of technology and regulatory shifts, Johnson Electric diversifies its customer and product portfolios through internal development and acquisitions. This helps in the mitigation of adverse effects and the exploitation of favourable opportunities in specific industries • **Strategic planning and risk assessment**: Johnson Electric aligns its strategies with a technology roadmap that considers converging capabilities including robot process automation and cyber-physical systems, advanced analytics and artificial intelligence, and the internet of things • **Employee reskilling and awareness**: As technology evolves, Johnson Electric is reskilling its workforce. Ensuring employees acquire new skills helps maintain productivity and adaptability. Building awareness among employees about technology trends, regulatory changes, and their implications fosters a proactive mindset

Strategic risks	How we respond
Exposure to developing countries	
The Group's expansion of its manufacturing and sales into emerging markets exposes it to potential vulnerabilities arising from political, regulatory, social and economic fluctuations in various developing countries.	Risks from the Group's exposure to developing countries are mitigated by: • **Global footprint development**: Continued development and strengthening of its global footprint. By operating across multiple countries, the Group reduces reliance on any single nation. This approach ensures that the Group remains agile and adaptable • **Core values and ethical standards**: The Group's core values include a commitment to "Lead by example". Its code of conduct requires uncompromising standards of integrity, openness and fairness. Furthermore, the Group's comprehensive global policies and practices establish a robust management framework covering environmental stewardship, human rights, labour practices and health and safety protocols

Commercial risks	How we respond
Major customers and products	
The Group relies on sales to certain major customers, who contribute significantly to the Group's total revenue. Additionally, the Group relies on sales of certain major product lines. As a result, the Group could be adversely affected by declines in major customers and products and by fluctuations in the global automotive market.	The Group employs the following strategies to mitigate the risk of relying on major customers and products: • **Diversification of customer and product portfolios**: The Group actively diversifies its customer base and product portfolio. By pursuing internal development and strategic acquisitions, it reduces dependence on any single customer or product line. Consequently, no single customer contributes 10% or more to the Group's total sales • **Continuous innovation and new product introductions**: The Group maintains a consistent stream of new products to the market. This approach ensures resilience against shifts in customer preferences and market dynamics
Intellectual property	
The Group's success depends on its ability to safeguard and leverage its intellectual property. This includes enforcing patents, protecting trade secrets, and preserving know-how. Potential risks arising from this include the substantial cost of protecting its intellectual rights and the legal costs of defending against claims of infringement.	The Group mitigates these risks through: • **Preserving proprietary position**: Johnson Electric systematically collects, formalizes, registers and diligently safeguards its trade secrets and know-how • **Strategic patent filings**: Johnson Electric proactively files patent applications for technologies and process improvements that significantly impact its business development • **Enforcement measures**: When faced with infringement by competitors, the Group takes swift enforcement action • **Patent searches**: Prior to launching new products or processes, the Group conducts comprehensive patent searches. This helps it to avoid unintentionally infringing others' intellectual property rights

Commercial risks	How we respond
Contract performance	
The Group may incur losses arising from failure in contract performance or onerous contract terms.	Contract risks are mitigated by proactively managing customer relationships, including contract terms and conditions, in accordance with industry standards.

Operational risks	How we respond
Supply chain	
If the Group was to experience a prolonged shortage of raw materials or critical components, without being able to procure replacements for these items, its ability to adhere to production schedules could be compromised. Consequently, it could miss customer deliver deadlines and fail to meet their expectations. Inflationary pressures, material scarcities and unexpected disruptions in the supply of raw materials and components can increase the Group's costs.	To mitigate these supply chain risks, the Group adopts the following strategies: • **Supply chain resilience**: The Group ensures supply chain continuity, quality and reliability. By maintaining strong relationships with its suppliers, Johnson Electric enhances its ability to navigate disruptions effectively • **Strategic insourcing**: The Group proactively explores opportunities to insource the supply chain. This approach not only ensures a stable supply but also helps alleviate cost pressures
Freight and logistics	
The Group may need to ship products globally exposing it to freight and logistics risks including: • **Disruption to shipping schedules**: Unforeseen events or delays may impact the timely movement of goods • **Volatility in freight costs**: Fluctuations in transportation expenses • **Cargo damage**: Loss or damage to products during transit • **Import / export customs compliance risks**: Challenges related to adhering to customs regulations	To mitigate freight and logistics risks, the Group is: • **Strengthening in-region manufacturing capabilities**: Johnson Electric is developing its capabilities in specific regions to reduce lead-times, adapt to regional regulations, and reduce reliance on global supply chains • **Increasingly localizing supply chains**: Focusing on local suppliers and resources to streamline logistics and reduce global dependencies • **Optimizing incoterms for shipments to customers**: Streamlining contractual terms for efficient shipping • **Retaining safety stock within the region**: Maintaining buffer inventory to offset potential logistics disruptions • **Partnering with strategic carriers**: Collaborating with reliable transportation providers

Operational risks	How we respond
Business interruption Inherent risks and hazards could affect the Group's operations potentially leading to business disruption and interruption. These risks may or may not be under the Group's direct control. They include industrial accidents, equipment failures, fires, floods or other natural disasters, epidemics, strikes or other labour difficulties, disruption of transportation networks and markets. Consequent disruption to customers' businesses could potentially result in compensation claims and lawsuits.	The Group mitigates the risks of business interruption by: • **Regional footprint development**: Developing its footprint in each region, strengthening production facilities and diversifying the supply chain to increase the resilience of its operations and reduce reliance on any single site • **Labour relations**: Maintaining positive labour relationships to ensure smooth operations and minimize the impact of labour difficulties • **Effective communication**: Maintaining an up-to-date communication tree to enable rapid and flexible incident response
Human resources The Group's business success depends on attracting and retaining qualified personnel and on maintaining a stable workforce. Additionally, the Group is vulnerable to the diminishing availability of labour due to demographic shifts (such as declining birth rates and aging populations).	The Group mitigates its exposure to human resources risks by employing the following strategies: • **Talent attraction and retention**: Attracting and retaining key personnel including management • **Effective networks**: Building effective networks among employees and employee representatives, reacting to employees' concerns expressed in regular engagement surveys • **Staff turnover and succession planning**: Reducing the impact of unexpected staff turnover through succession planning and providing a positive work environment • **Operational streamlining**: Enhancing efficiency by automating processes and leveraging digital technology to be less dependent on manual workers
Cybersecurity The Group faces inherent vulnerabilities and risks within its digital footprint. This encompasses on-premises and cloud systems, applications, data, networks, and remote devices. As the digital ecosystem expands and evolves, new attack methods emerge, potentially increasing cyber risk exposure over time. Challenges include siloed vulnerability monitoring tools, alert overload, and designing reactive response strategies.	The Group mitigates its exposure to cyber risks by employing the following strategies: • **Information security protocols**: Diligently implementing security protocols through software and business processes including measures for virus, malware and intrusion protection, as well as identity and access management • **Employee awareness**: Actively building employee awareness regarding cybersecurity best practices • **Threat monitoring**: Vigilantly monitoring the threat landscape to promptly identify and address emerging security issues

Operational risks	How we respond
Taxation	
The Group may be subject to direct and indirect tax audits conducted by government authorities in all jurisdictions where it conducts business. These inherently involve ongoing uncertainty as to outcome. Adverse results or changes to tax laws in the various jurisdictions where the Group operates could potentially impact the Group's business, financial condition, results of operations and valuations of deferred tax assets.	The Group mitigates its exposure to tax risks by: • **Adherence to relevant tax laws and regulations**: Complying with applicable tax laws and regulations • **Professional guidance**: In cases where tax laws and regulations are evolving or unclear, the Group seeks professional guidance to navigate these complexities
Warranty and product liability	
The Group manufactures complex products, thereby exposing itself to potential warranty and product liability claims stemming from alleged or actual defects in these products. Associated risks arising from this include customer dissatisfaction and potential liabilities related to the cost of replacing faulty products, product recalls and legal proceedings.	Warranty and product liability risks are mitigated by: • **Continuous improvement**: Constantly refining engineering and manufacturing processes and upholding stringent quality standards. This approach aims to minimize the likelihood of quality issues • **Thorough product safety reviews**: Conducting product safety reviews to ensure that products are fail-safe and adhere to the highest market standards • **Strategic supply chain insourcing**: Actively exploring opportunities to insource component production thereby ensuring alignment with the Group's rigorous quality requirements
Energy	
Inflation, scarcities and disruptions in the energy market may lead to increased energy costs. Furthermore, energy scarcities and disruptions have the potential to interrupt the Group's supply chain and to its operations.	The Group mitigates its exposure to energy risks by: • **Energy intensity reduction**: Striving to reduce the energy intensity of its operations • **Renewable energy access**: Actively seeking to secure access to renewable energy sources, thereby preventing supply disruptions • **Regional footprint development**: Developing its presence in each region, bolstering production facilities and diversifying the supply chain to increase operational resilience and reduce reliance on any single site
Fraud	
Cyber fraud is increasing worldwide and continues to evolve in sophistication. Fraudsters may impersonate suppliers, Johnson Electric employees or customers in their attempts to obtain money by deception. Additionally, like all businesses, the Group remains susceptible to occupational fraud perpetrated by its employees.	The Group mitigates its exposure to risks of fraud by: • **Identity authentication**: Diligently authenticating the identity of customers, employees and suppliers • **Proactive oversight and robust business processes**: Within the Group's internal control framework, a clear delegation of authority governs the approval process for contracts, revenues, and expenditures and prohibits single-signature approvals. This framework includes a balanced mix of preventative and detective anti-fraud controls, subject to internal audit scrutiny

Sustainability risks	How we respond
Environment and climate change	
Johnson Electric must proactively address environment and climate change challenges to create a resilient and sustainable business model. • **Energy and climate**: The Group must balance energy-intensive production with carbon footprint reduction. Any failure to obtain sufficient renewable energy and curb emissions could contribute to climate change and also lead to loss of business • **Waste, water and emissions**: The Group's operations generate waste, consume water and emit pollutants which require management attention to minimize and mitigate potential environmental risks • **Supply chain sustainability**: Beyond its immediate operations, Johnson Electric relies on a global supply chain for raw materials and components. Any environmental violations or non-compliance by suppliers could directly impact Johnson Electric's reputation and operations • **Climate resilience**: Extreme weather events such as floods, storms, or heatwaves pose risks to production and supply chains • **Regulatory compliance**: Potential breaches of environmental laws could lead to fines and operational disruptions	Johnson Electric promises to protect the environment for future generations. In pursuit of this: • **Reducing CO_2 emissions**: The Group has set clear targets for, and is actively pursuing reduced CO_2 emissions, increased use of renewable energy and better energy efficiency in its own operations. Furthermore, the Group has taken steps to assess the carbon footprint of its value chain and intends to set targets for CO_2 reduction in this area • **Ecological impact minimization**: The Group monitors and reduces waste generation, water consumption, and emissions through site-specific programs to prevent waste going to landfill, reduce consumption, maximize recycling and enhance treatment facilities • **Supplier sustainability monitoring**: The Group evaluates the sustainability performance of its key suppliers • **Climate adaptation**: The Group is assessing vulnerabilities to climate change and extreme weather events and exploring potential adaptation measures to strengthen its climate resilience. By doing so, Johnson Electric aims to fortify its operations against the impacts of a changing climate and ensure long-term sustainability • **Environmental management system (EMS)**: The Group's EMS seamlessly incorporates legal requirements, enabling proactive handling of compliance matters and preventing violations. Additionally, all manufacturing sites within the Group are required to hold ISO 14001 certification
Product sustainability	
Electrification solutions for carbon emission reduction: Sustainability is a key trend driving demand, especially in relation to climate change mitigation. APG's customers require products that facilitate the electrification of the vehicle to remove carbon emissions from the tailpipe. IPG's customers require energy-efficient solutions for a variety of domestic and industry applications. **Challenges in sustainable production**: Some customers impose stringent sustainability requirements for production. These include reducing each product's carbon footprint, increasing the use of recycled materials, and adhering to quality and safety requirements. If the Group fails to meet these requirements, customers may exclude it from future business.	The Group mitigates sustainability risks in its products by: • **Zero- and low-carbon applications**: Offering products that directly target zero and low carbon applications, offer solutions for safety, health and well-being or lower barriers to equality • **Sustainable by design**: Designing environmentally friendly products and processes that minimize resource and energy consumption during manufacturing and use • **Sustainability assessments**: Implementing product carbon footprint and lifecycle assessments, actively working to reduce the carbon footprint and environmental impact of its products • **Compliance with standards**: Ensuring that its products comply with essential quality, health and safety standards

Sustainability risks	How we respond
People	
Meaningful work and equal opportunities: The Group recognizes that an engaged workforce is essential for sustained success. Its employees aspire to meaningful, sustainable work underpinned by equal employment opportunities. They seek an environment where they receive due respect, can nurture their potential, and have their health and safety safeguarded. **Digital transformation and skill acquisition**: As the Group undergoes digital transformation, employees recognize the need to adapt. They aim to acquire relevant skills to secure their livelihoods. **Consequences of breaches**: The Group acknowledges that breaches of employees' human and labour rights can have far-reaching consequences. These include reputation damage, loss of business, recruitment and retention challenges, legal and financial penalties and adverse impacts on the communities where the Group operates.	The Group seeks to foster a conducive working environment through: • **Embedding human and labour rights**: Actively promoting diversity and equal opportunity and ensuring that human and labour rights are integral to its business practices • **Compliance with labour laws**: Adhering to relevant labour laws and regulations, safeguarding employee rights • **Enhanced health and safety measures**: Meeting or exceeding requirements for employee health and safety, proactively protecting employee wellbeing • **Talent attraction and retention**: Robust training and development programs support talent acquisition and retention • **Regular employee engagement assessment**: Biennial assessment of employee engagement, implementing targeted follow-up actions across all sites • **Synergy between social impact and employee motivation**: Motivated and dedicated employees thrive in a culture of trust and respect, contributing to positive social impact
Trust and transparency	
The Group faces potential reputational damage and the risk of losing business, if its ethics or quality is called into question, or if it fails to consider the interests of its primary stakeholders. Non-compliance with relevant laws and regulations could result in fines or non-monetary penalties, further impacting the Group's reputation. Additionally, the Group's reputation could be at risk due to its exposure to environmental, social and ethical hazards within its supply chain.	To mitigate these reputational risks, the Group: • **Board and senior management composition**: Ensures that the Board and senior management team possess a balanced mix of skills, experience and diverse perspectives • **Alignment of values and strategy**: Harmonizes its values, strategy and organizational culture • **Setting a strong tone at the top:** Establishes a clear ethical tone, beginning with leadership, permeating all levels of the global organization, with feedback channels for addressing ethical concerns • **Stakeholder engagement**: Communicates its sustainability performance to stakeholders and involves them where applicable • **Legal and regulatory monitoring**: Ensures a timely response to changes in the legal and regulatory landscape • **Supplier qualification and monitoring**: Gives due consideration to cost, quality, safety, environmental protection, social responsibility and ethical behaviour when selecting suppliers and monitors the sustainability performance of its key suppliers

Financial risks	How we respond
Liquidity, interest rates, foreign currency exposure, commodity prices and counterparty risk	The Group mitigates its exposure to financial risks through a variety of measures including: • **Investment-grade credit ratings**: Ensuring its creditworthiness by maintaining investment grade credit ratings and an appropriate degree of leverage from long-term debt • **Liquidity management**: Ensuring that the combination of cash reserves, available credit lines and expected future operating cash flows is sufficient to satisfy current and planned cash needs • **Risk management strategies**: Applying appropriate strategies to manage interest rate fluctuations, foreign exchange rate movements, commodity price volatility, counterparty risks and customer credit and collection risks

Social Impact and Sustainability

Approach to sustainability

Johnson Electric strives to build a sustainability culture that empowers and enables every employee to make a positive impact in their day-to-day role.

Sustainability is closely entwined with Johnson Electric's values and goals as a business, as well as with the Group's passion for solving customers' problems. It starts from the top, with senior leaders who are deeply committed to driving change and keenly engaged in cultivating a strong sustainability culture across the Group. And it's brought to life through the actions of every employee across the Group's global footprint.

The Group's original roots as a family business means that it has always kept in mind the legacy its actions leave for the generations that follow. Johnson Electric seeks to create positive impact both through its products and the way it makes them; through the jobs it creates and the people who fill them; and through the trusted relationships the Group forges with the customers and communities it serves.

Business and sustainability framework

Johnson Electric's Business Framework articulates its vision, purpose and values, and connects these to its promises to customers, employees, local communities, the environment and shareholders. These promises are reflected in the Group's values [1]. Further guidance is provided by Johnson Electric Sustainability Framework which ensures full alignment with external frameworks and the Group's stakeholder materiality assessment.

1 The "MARBLE" values are shown on page 41

The Johnson Electric Sustainability Framework is structured into five key areas:

- Products – Johnson Electric aspires to be a key player in the transition towards a sustainable future while supporting economic growth. We are proud to partner with our customers to deliver product solutions that drive sustainability, and will continue to seek new breakthroughs in sustainable product innovation
- Environment – We promise to protect the environment for future generations. Our environmental strategy and policies aim to mitigate climate change risk, make sustainable use of natural resources including water and raw materials, prevent pollution and minimize waste
- Employees – We inspire our employees to grow and find fulfilment and meaning in the work they do. We aim to offer our people career development that rewards results, entrepreneurship and teamwork

- Communities – We promise to enrich our local communities. We seek to fulfil social needs in ways that benefit both Johnson Electric and local communities. All our employees are empowered to make a positive difference for people and planet

- Trust and Transparency – We believe that good corporate citizenship requires integrity, openness and fairness. We pursue high standards of corporate governance to protect and promote the interests of our stakeholders and to safeguard our reputation

Sustainability governance

Johnson Electric has developed a sustainability governance system that aims to empower every business unit and employee to make a positive difference in their day-to-day work. The Group's sustainability governance features clear targets, a well-defined division of roles and responsibilities, strong lines of accountability and robust processes.

The Board of Directors has overall responsibility for sustainability strategy and reporting. The Board has extended the authority of the **Audit Committee** to include the monitoring and reporting of corporate social responsibility issues.

Sustainability activities are led by the **Social Impact and Sustainability Committee**, which is chaired by an Executive Director and includes several Senior Vice Presidents and other management members with sustainability responsibilities. The committee meets monthly, and is responsible for developing Johnson Electric's sustainability culture, strategy, targets, and actions, by aligning the Group's business direction with its various stakeholders, including customers, employees, suppliers, investors and communities. The committee also oversees the allocation of funds to social impact and sustainability initiatives and directs the communication and reporting of social impact and sustainability initiatives to relevant stakeholders.

The Sustainability Department and the Communication Department both play an important role in assisting the committee.

Sustainability is well integrated across various facets of the Johnson Electric organization. All **business units and functions** are responsible for incorporating sustainability strategies, key performance indicators and goals into their strategic plans to meet Johnson Electric's overall sustainability direction and commitments.

Leaders at site level ensure that the global strategy is implemented at the local level. Together with each site's social impact and sustainability committee, they are accountable for the site-specific implementation, performance monitoring, management and reporting of sustainability activities.

Sustainable products

Johnson Electric partners with customers to deliver solutions that drive sustainability.

Johnson Electric's core purpose is to "improve the quality of life of everyone we touch through our innovative motion systems". This includes protecting the environment for future generations, a promise that is integral to the Group's MARBLE value of "be sustainable".

The Group's product designers and engineers are passionate about delivering "sustainability by design", creating innovative product solutions that contribute to the sustainability of the planet both in their use and their manufacture.

This plays a crucial role in helping Johnson Electric's customers achieve their own sustainability goals, including empowering their end consumers to embrace greener living.

Many of Johnson Electric's motion solutions perform critical functions in battery electric vehicles and other new energy vehicles, helping to drive a green transformation in the mobility industry. The Group's deep understanding and anticipation of customer needs makes it the ideal partner for automakers as they take on the historic challenge of replacing the internal combustion engine with sustainable alternatives.

Johnson Electric also excels at developing attractively priced products that feature high energy efficiency, low noise and long life cycles, suitable for domestic applications such as lawn mowers, power tools, window automation, air conditioning and smart meters, bringing comfort and sustainability into people's everyday lives.

To support this, the Group is continually finding ways to make its manufacturing processes more resource and energy efficient. This includes using life cycle assessment and product carbon footprint methodologies to fully capture, track and reduce its product's environmental impact from start to finish. The Group is also partnering with its suppliers to improve sustainability standards and practices across the supply chain.

The Group's vertical integration also helps customers to reduce their environmental footprint. Customers are increasingly asking for more complete motion subsystems, including motors, switches, gears and controlling electronics, rather than simply purchasing a motor. This reduces their costs, simplifies their logistics flow and reduces negative environmental impacts from transportation and packaging.

Johnson Electric's "Eco Motion" symbol applied on product packaging denotes products that are sustainable and energy efficient.

Product carbon footprint

Working closely with its customers, the Group has strengthened the research and development of products that are low-carbon and sustainable by design.

Johnson Electric has adopted a product carbon footprint ("PCF") and life cycle assessment ("LCA") approach to assess opportunities, prioritize, and make appropriate business decisions. This requires the Group to consider how raw materials were extracted; which resources are consumed in planning or designing the product; material and energy use during manufacturing, packaging, and distribution; impacts from using the product; and waste and pollution created throughout the process and at end-of-life.

Comprehensive training sessions have equipped the Group's staff-level employees and engineers with the knowledge and skills required to calculate product carbon footprints.

The Group's ambition is to develop all new products with optimized best-in-class LCA, PCF and environmental product declaration.

Johnson Electric's efforts in PCF reduction have been recognized with the "ESG Leading Enterprise 2023" and "Leading Environmental Initiative" awards organized by Bloomberg Businessweek (Chinese Edition).

Product quality and product safety

Johnson Electric is committed to being the safe choice for its customers and meeting or exceeding their requirements.

The Johnson Electric Product Development System combines engineering and manufacturing product quality planning methodologies to ensure the safe and flawless execution of new product launches.

From the initial conceptual design through to product design verification and validation, these methodologies include advanced product quality planning, V-model product development, quality function deployment, simulation-led product design, anticipation of failure modes and failure mode analysis, reliability simulation and testing, product validation and safe product launch procedures.

The Group's manufacturing facilities and in-house testing laboratories are compliant with relevant international standards as appropriate, allowing Johnson Electric to meet the ever-growing quality requirements of customers and industry regulators. The Group's products are also compliant with all mandatory health, safety and environmental protection requirements, as tested by recognized external testing laboratories and bodies.

For a comprehensive list of certifications by site, please refer to the Group's Sustainability Report.

Johnson Electric's global manufacturing footprint shares a uniform supply chain and common production quality system across the four continents in which we have factories. Meanwhile, its vertically integrated business model gives the Group the speed and agility to respond immediately to changes in customer and market demand, identify opportunities to reduce and eliminate waste, and drive the highest standards in product quality and process capability.

Through the Johnson Electric Production System, the Group is reducing process variation, waste and costs and targeting a Cpk of 2.0 for process capability performance, thus taking a systematic approach to increasing customer service levels. The Group also constantly invests in new process technologies, automation and process digitization to enhance the sustainability and efficiency of its manufacturing operations.

Over the past year, Johnson Electric has received many customer awards recognizing consistent good performance in quality, delivery, robust operating systems, material management and compliance with environmental system requirements. The Group's plants in Canada, China and Europe have received supplier quality excellence awards, recognizing Johnson Electric for its collaboration and quality performance.

Material management and use

Johnson Electric's manufacturing processes consume raw materials such as steel, copper, aluminium, and plastic resins. The Group mitigates the environmental impact related to this by:

- Using environmentally sustainable materials and renewable energy wherever possible
- Purchasing materials with recycled content wherever possible (without compromising product functionality)
- Reducing consumption of carbon-intensive materials
- Recovering scrap materials from production and reusing them wherever economically or technically feasible, and otherwise selling them for offsite recycling

The Group aims to maximize efficiency and minimize waste in its material use, with a focus on consuming less, reducing toxic chemicals and lowering environmental impact throughout the material's life cycle.

For example, the Group has reduced its consumption of packaging materials including plastic, cardboard and wood pallets through the use of returnable packaging for in-region shipments to certain customers in Asia, Europe and the Americas.

Relationships with customers

Johnson Electric has a world-class customer base of household names across multiple end-markets. The Group has over 400 automotive customers and over 1,100 non-automotive customers. No single customer contributes 10% or more to its total sales.

Johnson Electric promises to make customers successful with motion solutions that deliver more comfortable, safer and healthier products for end users. This commitment is reflected in the Group's vision, purpose and MARBLE values.

The Group fulfils this promise with solutions that delight the end user of a product while meeting the business needs of its direct customers. The Group's sales and engineering teams engage in intensive dialogue with customers to listen to their needs while sharing knowledge of Johnson Electric's products and capabilities. A disciplined development path with rigorous reviews and testing from concept to start of production ensures that the Group's products meet safety, quality and performance requirements at a competitive cost. Johnson Electric aims to be the "safe choice" solution.

A vertically integrated, flexible manufacturing footprint, comprising manufacturing and assembly facilities in 17 countries spanning 4 continents allows Johnson Electric to concentrate manufacturing for scale or manufacture close to customers, and enables a swift and agile response to changes in demand.

Johnson Electric is committed to ensuring fair competition. The Group does not sign or enter into agreements with competitors that harm customers, nor does it abuse a dominant position in the market to prevent others from competing.

Common topics of interest to customers include product price, performance and quality, as well as the business's performance, integrity and ethics, and sustainability strategy and performance. The Group utilizes a variety of channels to remain close to customers and communicate on these topics including:

- Frequent customer meetings, phone calls and emails
- Quarterly results announcements and the Interim, Annual and Sustainability Reports
- Customers' on-site visits and audits of our factories, sustainability targets, questionnaires and assessments
- The Johnson Electric website and social media channels

Environmental responsibility

We are deeply committed to protecting the environment for those who come after us, ensuring that our children and grandchildren have a healthy planet on which to thrive.

The Group's key environmental priorities are reducing carbon emissions, increasing renewable energy use and energy efficiency, cutting waste and pollution, and using natural resources sustainably. Collaboration with the Group's suppliers and customers is also critical to creating long-lasting positive impact.

Environmental policy and governance

Johnson Electric's Environment, Health and Safety ("EH&S") policy is a core element underpinning the Group's environmental management efforts. The policy drives overall corporate strategy, and ensures that environmental protection is:

- considered in all decisions the Group makes
- integrated in the design of new and modified facilities, products and processes
- subject to monitoring and continuous improvement

The Group's EH&S management system comprises a set of programs, procedures and standards that are common to all its sites. The Group has put in place the appropriate leadership, resources and organization to ensure excellence in implementation. The global EH&S management system equips each site and team to monitor, identify and quickly address EH&S issues according to a standard process that allows them to share the lessons learnt across the Group's global footprint. To support this, the Group has implemented a strong culture of EH&S monitoring, continuous improvement, problem solving and mutual learning.

Environmental performance is tracked against specific global and local environmental objectives and targets. Performance against environmental targets is linked to relevant employees' annual incentive pay. The senior leadership regularly reviews KPIs for all sites and the Group as a whole.

All (100%) of the Group's manufacturing sites have obtained ISO 14001 certification for their environmental management systems. Eleven of the Group's entities, including its largest sites in Shajing and Jiangmen, China, and Niš, Serbia, hold the ISO 50001 certification for energy management systems. These entities represent 52% of the Group's total energy consumption and 60% of its total carbon emissions.

Johnson Electric always seeks to adopt clean and environmentally sound technologies and industrial processes. To support this, a Green Plant Checklist has been developed. This offers a structured approach to identifying opportunities to improve environmental performance. Topics covered by the checklist include renewable energy, energy efficiency and peak demand reduction, water conservation, material conservation and recycling, waste reduction, indoor environmental quality, green processes and production, pollution controls and end-of-pipe treatments, ecology and nature conservation, as well as certifications for environmental and energy management systems.

In FY23/24, there were no significant instances of non-compliance with environmental laws and regulations.

Energy and climate

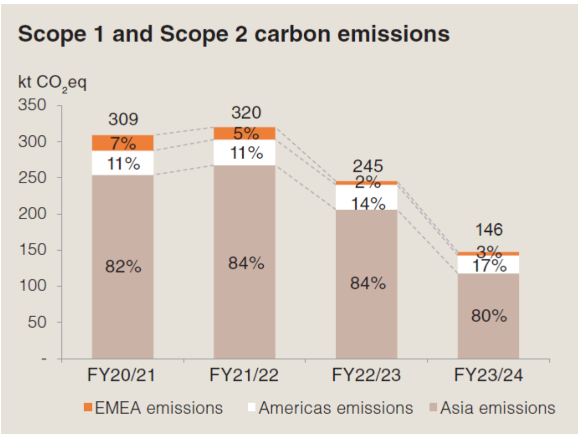
Energy and climate is a topic of key concern to Johnson Electric, its customers and other stakeholders. In shaping its low-carbon strategies and approach, the Group takes into account global initiatives including the United Nations Sustainable Development Goals, the Paris Agreement, the Science Based Targets initiative (SBTi) and the Greenhouse Gas Protocol. Crucially, the Group also aligns its approach with customers' strategies and supports them to achieve their own low-carbon goals.

The Group's energy and climate targets demonstrate its commitment to driving sustainable growth and taking climate action. These targets include:

- Using 100% renewable energy across all of its operations by 2025, as available and feasible for each site
- Reducing carbon emissions from its operations by 42% (Scope 1 & 2 *) by 2030 from a FY20/21 baseline, and reaching net-zero value chain global emissions by 2050
- Running a Scope 3 * carbon emission inventory and setting Scope 3 carbon emission reduction targets during FY24/25
- Reducing the intensity per sales of purchased energy consumption in its operations by 15% by 2030 (compared to baseline year FY19/20)

* Scope 1 carbon emissions covers emissions from sources that Johnson Electric owns or controls directly. Scope 2 carbon emissions are indirect emissions that the Group causes indirectly when the energy it purchases and uses is produced. Scope 3 carbon emissions are the emissions that the Group is indirectly responsible for, up and down its value chain

This year, Johnson Electric achieved a 53% reduction in Scope 1 and Scope 2 carbon emissions compared with its FY20/21 baseline. This means that the Group has already surpassed its near-term target of a 42% reduction from baseline by 2030.



Adhering to the guidelines set by the Science Based Targets initiative (SBTi), the Group is now calculating a new and more ambitious set of SBTi targets. To do this, it is currently in the process of finalizing its Scope 3 emissions inventories. Once its Scope 3 carbon emissions inventory is ready, the Group will develop new near-term and long-term emissions reduction targets for Scope 1, 2 and 3 emissions in line with the SBTi's criteria and submit the targets to the SBTi for validation.

Johnson Electric now uses 44% renewable energy (excluding grid mix renewable electricity), more than doubling from 22% last year. The Group prioritized sites with higher emission factors, with each region showing solid improvement in the percentage of renewable energy used. The Group's Asia operations moved from 24% to 55% renewables use, those in the Americas (Brazil, Argentina, the United States and Mexico) jumped significantly from 18% to 91%, while its Europe and Middle East sites maintained a similar percentage of renewable energy use as compared to last year. Countries using 100% renewable electricity include Brazil, the United States, France, Italy, Poland, Switzerland, Hungary, the United Kingdom, Mexico and Serbia.

In FY23/24, the Group's energy intensity per sales was 2% lower than the baseline of FY19/20.

Solar panels installed at the Zacatecas, Mexico plant generate approximately 1,286 MWh, annually, representing 11% of the site's electricity consumption. Solar panels at the Murten, Switzerland and Jiangmen and Hong Kong SAR, China sites also contribute to our commitment to sustainability and reducing our carbon footprint

Waste

Reducing waste is an important part of Johnson Electric's overall efforts to improve its environmental impact. To reduce waste at source, the Group seeks to limit its material consumption by:

- Designing compact, lightweight products that weigh less while delivering the same power output
- Minimizing waste from production processes
- Minimizing packaging and using returnable packaging where feasible

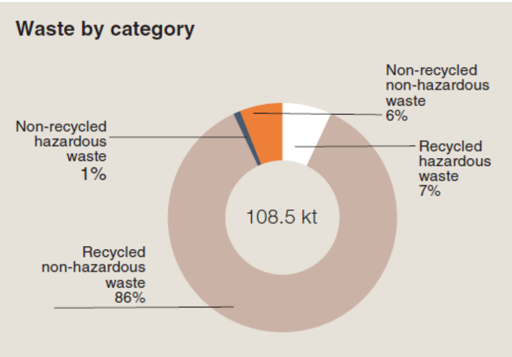
- Ensuring that Johnson Electric's electromechanical components deliver long life and reliability
- Implementing waste reduction projects to reduce general waste, especially cardboard and polystyrene packaging

The Group's manufacturing facilities are required to develop and continuously improve site-specific programs to prevent or minimize solid or hazardous waste generation.

Wherever economically and technically feasible, waste such as aluminium, coolant, epoxy powder and plastic from injection sprues and cores is recovered from manufacturing lines and reused directly in production processes. Recovered waste that cannot be reused directly in the Group's factories is sold for recycling.

The Group's targets for waste reduction include:

- Maintaining zero waste to landfill
- Reducing total waste intensity per sales generated by 10% by FY25/26 (from a FY20/21 baseline)
- Reducing hazardous waste intensity per sales generated by 20% by FY25/26 (from a FY20/21 baseline)



The Jiangmen, China manufacturing plant was recognized as a "Zero Waste Enterprise" by the Jiangmen Municipal Government.

In FY23/24:

- For the second successive year, the Group achieved its ambition to send zero waste to landfill *

  * "Zero waste to landfill" refers to at least 99% of generated waste being diverted away from landfill

- Waste intensity per sales was 28.4 t/US$ million in FY23/24, a reduction of 7% compared with the FY20/21 baseline
- Hazardous waste accounted for only 8% of total waste generated. Hazardous waste intensity reduced by 19% compared with the FY20/21 baseline. Hazardous waste was collected and treated by licensed vendors in compliance with regulatory requirements. This included oily wastewater, sewage treatment sludge and liquid waste containing copper or nickel solutions
- 93% of the Group's waste was recycled. The majority of this was material recovered from production including steel, copper, process plastic and packaging plastic

Water

Johnson Electric's operations do not consume significant quantities of water. Moreover, none of its major operations is located in countries with medium or high water stress. Nevertheless, the Group takes a responsible approach to water stewardship, seeking to maximize efficiency and minimize effluent.

The Group has set targets to:

- Reduce water withdrawal intensity per sales generated by 30% by FY25/26, from a FY20/21 baseline
- Reduce water consumption intensity per sales by 30% by FY25/26, from a FY20/21 baseline
- Zero significant instances of water related non-compliance with laws and regulations

In FY23/24, the Group achieved a 21% reduction in the intensity of its water withdrawal compared to its FY20/21 baseline. Water consumption intensity decreased by 19% compared to the FY20/21 baseline. This was a result of projects to reduce usage and to recycle and reuse process water. There were no significant instances of water related non-compliance with laws and regulations.

Emissions

The Group seeks to prevent pollution from its operations. Environmental risks are assessed before building new facilities, expanding sites or changing processes. Where emissions or wastewater generation do occur, appropriate treatment facilities are installed to mitigate possible pollution risks.

The Group's air emissions targets include:

- Classifying and monitoring emissions at all operating locations
- Zero significant instances of air emissions related non-compliance with laws and regulations
- Prioritizing air emissions reduction and elimination

In FY23/24, air emissions levels at all operating sites were below permitted emissions levels. The Group generated 39 tonnes of non-carbon dioxide emissions, 26% less than the previous year. Its non-carbon dioxide emissions are mainly volatile organic compounds ("VOCs") from glues used in product assembly and solvents used for parts cleaning, injection moulding and ink printing. Despite VOC emissions being below the permitted levels, the Group has taken steps to reduce VOC emissions by eliminating their use in some processes, substituting inks and cleaning solutions with alternatives that have lower VOC levels, and utilizing exhaust gas emission control systems.

The Group also has some particulate matter emissions from various powder processes. To reduce these emissions, it captures and reuses epoxy particulate matter and copper powder emitted from certain production processes.

Physical risks

Increased risk of flooding caused by extreme weather events and rising sea levels, and the impact on facilities and production

Impact	Mitigation
• Production disruption • Cost of damage to facilities	• Implement best practices in water damage prevention • Emergency preparedness procedures, regular emergency drills • Regular contact with authorities on potential risks and mitigation

Increased risk of extreme weather events and the impact on supply chains, production demands and facility infrastructure

Impact	Mitigation
• Business disruption caused by disruption to supply chain or facilities • Cost of damage to facilities • Increased risk of health and safety injury	• Business continuity planning for production and suppliers • Developing a manufacturing and supply chain footprint in each region, to increase the resilience of, and reduce reliance on, any single site • Emergency preparedness procedures, regular emergency drills • Enhance workplace systems (such as ventilation systems)

Transition risks

Increased global climate change and sustainability policy and stakeholder requirements, impacting business and operational costs

Impact	Mitigation
• Loss of competitive advantage • Not being able to quote for new projects • Loss of reputation • Increased operation costs for meeting requirements • Reduced access to green financing	• Setting targets for reducing carbon emissions from our operations, using 100% renewable energy, reducing energy intensity, and assessing the carbon footprint of our products • Green plant initiatives • Align with stakeholder requirements • Align with guidance from ESG rating agencies

Increased disruptive change in demand for new energy products, especially the structural shift away from the internal combustion engine towards hybrid and fully electric vehicles

Impact	Mitigation
• Strong negative business impact if not well aligned to product portfolio strategy	• Developing products that directly target zero and low carbon applications, and offering solutions for health, safety and well-being • Implementing product carbon footprint and life cycle assessments • Business opportunity to increase green products (in line with EU Taxonomy)

Employees

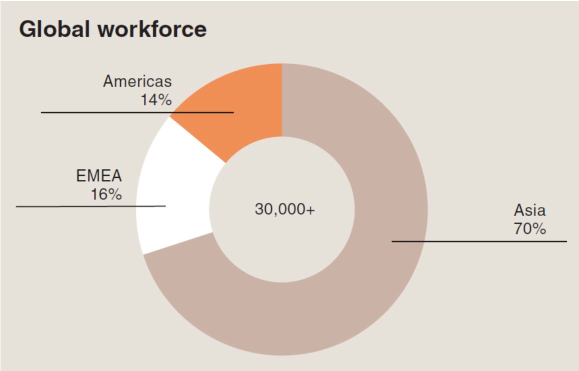
People are the foundation of Johnson Electric's success. It is the talent, diversity and hard work of the Group's employees that drives its sustainable innovation and business results.

Johnson Electric's people strategy seeks to attract and develop the right people, put them in the right jobs and provide them with the right environment to excel at what they do best – all with the vision of becoming "One Johnson around the world, a great company and a great place to work!"

In a fast-changing industry landscape, the Group makes sure its employees always have the latest tools and skills they need to adapt and deliver excellent performance. Its talent management processes offer a wealth of training and career development opportunities that allow employees to grow and flourish, and the Group is very proud that so many employees have chosen to stay loyal to Johnson Electric for decades.

As a global firm, collaboration across borders is an integral part of Johnson Electric's day-to-day work. The Group's global team is bound together by its shared "MARBLE" values. These have long served as the foundation of the "One Johnson" culture, creating a common identity for employees to operate as a global team, both in times of growth and times of adversity.

Above all, Johnson Electric works to protect the health, safety and wellbeing of every employee by implementing a strong safety prevention culture and abiding by strict health and safety standards in every one of its locations.



As of 31 March 2024, the Group's total global headcount stood at over 30,000 across Asia, EMEA and the Americas.

We are a truly global team bound together by our shared values. We recognize that the talent and diversity of our people drive business results.

We thrive on innovation and excel in execution. We are committed to making our customers successful and our world a better place.

We believe that hiring the right people and putting them in the right jobs maximizes the success of our people and the business.

Johnson Electric's MARBLE values

Make customers successful and end users delighted	Delivering what our customers need to delight their end users is the primary goal of Johnson Electric. We are committed to making our customers successful in *their* business, as the basis for long-term success in *our* business.
Attract and empower great people	Johnson Electric aims to offer its people career development that rewards results, enterprise, mentorship and teamwork. We achieve business results by empowering our people. We have employees from all around the world and recognize that our business thrives on the diversity of our people and their ideas.
Reach higher	Johnson Electric people set stretch goals for themselves to drive business growth and personal career fulfilment. We know from experience that bold thinking and bold action will bring about extraordinary results.
Be sustainable	Our business model must take into account long term social and environmental impacts of our own operations as well as the operations of our partners and suppliers. Our products should also contribute to the sustainability of the planet. We will reduce greenhouse gas emissions and energy consumption in our own business operations.
Lead by example	Johnson Electric believes that good corporate citizenship requires uncompromising standards of integrity, openness and fairness. We are committed to demonstrating leadership wherever we do business through the promotion of a safe, healthy and fair environment for our people.
Excel in execution with practical solutions	Johnson Electric's customers expect the highest standards of quality and performance. We work not only to meet those expectations but also to exceed them through continuous cycles of learning, shop-floor practicality and a "can do" mindset. We aim to put innovative ideas into practice quickly as a team and refuse to be stalled by complexity.

Health and safety

At Johnson Electric, we have built a strong safety culture by drawing on the Group's common values of caring, ownership, collaboration and accountability.

Safety starts with a personal decision: a decision to take care of ourselves and our team members. Everyone is responsible and accountable for the health, safety and wellbeing of the people working for them, and for considering safety in all aspects of their work. The Group expects every employee at every level to contribute to maintaining a safe and healthy work environment.

There is, and there will be, no compromise of safety in anything Johnson Electric does.

The Group's EH&S policy reflects Johnson Electric's purpose of improving the quality of life of everyone we touch. It stipulates a clear focus on safety responsibility and ownership at all levels, and covers all activities carried out by employees and contractors.

Under the policy, senior leaders and managers are responsible and accountable for providing a safe workplace, assessing risk, following and implementing safety standards and safe work procedures, ensuring that their team is properly trained, knows how to work safely and has the right conditions for doing so, and participating in risk assessments and monitoring health and safety performance and improvement.

Individual employees are responsible for adopting appropriate behaviours to ensure their safety and the safety of others, following safety procedures, assessing risks, identifying and communicating hazards and needed improvements, and acting in accordance with the policy.

Ergonomic risk assessment and manual handling training in Hirson, France

The EH&S policy also incorporates Johnson Electric's safety prevention culture principles, which include ownership, identification, communication, problem solving and a "look-across" approach to safety alerts issued by all sites.

The Group's EH&S policy is available in local languages in all sites, via the company internal communication portal and on the Johnson Electric website.

The Group's three-step health and safety cultural program encourages all employees to understand, adopt and implement its safety policies and culture.

The first step outlines and explains the EH&S policy, including how it links to the Group's Business Framework's purpose and promises.

The second step includes creating a positive and trusting workplace environment where all people may feel comfortable and empowered to speak about safety concerns and identify and communicate safety alerts (hazards and near-misses).

The third step focuses on problem solving: strengthening employees' ability to run safety incident investigations, perform root cause analysis, and implement corrective and preventive actions.

Training to support this cultural program is delivered through Johnson Electric's online training platform. In-person training sessions are offered to those without computer access. It is also included in orientation training for all new employees.

This is underpinned by the Group's EH&S management system, comprised of a set of common programs, procedures and standards that apply to all Johnson Electric sites. The system covers both employees and contractors.

It provides processes to identify and evaluate hazards and risks associated with the Group's product development and manufacturing processes. Furthermore, it establishes goals and objectives to address any significant hazards, risks and impacts, taking into account the feedback and concerns of employees, contractors, communities, customers, suppliers and other stakeholders. Ultimately, it ensures that Johnson Electric always treats its commitment to the environment and employee health and safety as an overriding priority.

A total of 38 of the Group's entities are certified with ISO 45001, representing 80% of its manufacturing sites and covering 92% of employees' hours worked.

In line with the Group's safety culture, its health and safety targets include:

- Zero fatalities
- Zero lost-time accidents (including achieving year-on-year reductions in the number of LTAs in pursuit of our ultimate target of zero LTAs)
- Recordable injuries ("REC"): continuously improve and reduce

In FY23/24, there were:

- Zero fatalities
- 105 lost-time accidents (recordable injuries with lost time of more than one working day). The annual LTA rate was 0.2 per 200,000 hours worked (industry average* 0.8 per 200,000 hours worked)

  The Group has revised the number of LTA cases in FY22/23, FY21/22 and FY20/21 as we have broadened the scope of our LTA reporting to encompass all incidents leading to lost workdays, not solely those of higher consequence. This ensures our LTA disclosures are in accordance with the Occupational Safety and Health Administration's (OSHA) guidelines, the predominant benchmark for global companies.

	Revised LTA after reclassification of cases	Previously reported LTA
FY22/23	93	40
FY21/22	89	47
FY20/21	70	53

- 85 recordable injuries. The annual RIF was 0.2 per 200,000 hours worked (industry average* 2.3 per 200,000 hours worked)

  * U.S. Bureau of Labor Statistics. Incidence rates of nonfatal occupational injuries and illnesses by industry and case types for motor and generator manufacturing (NAICS code 335312) 2022 industry averages, the most up-to-date information available at the time of producing this report

Although one accident is always too many, the Group's lost-time accident rate and recordable injury frequency remain very low compared to the industry average.

Talent attraction and retention

Johnson Electric aims to attract and develop the right people, put them in the right jobs and provide them with the right environment to excel at what they do best. The Group invests in the future of its people through a committed focus on learning and development.

The Group's Human Capital Committee meets monthly with Johnson Electric's most senior executives. Its mission is to cultivate the talent pipeline and continuously improve organizational effectiveness. These meetings cover:

- Talent and capability reviews
- Appointments to senior roles
- Succession planning for key positions
- Development of senior high-potential individuals through job rotation, job expansion, promotion, transfer and executive coaching
- All major training and development initiatives, including related KPIs
- Other key people initiatives

Managers at Johnson Electric are empowered to drive talent development in their teams. They are also expected to create individual development plans for each team member. The Group supports managers in this by offering psychometric assessments, 360° feedback, executive coaching and formal executive education programs.

Regular talent review and calibration is used to identify high-potential employees and better understand their career aspirations, development gaps and retention risk. Such employees are offered additional development opportunities and are included in Johnson Electric's talent pool. This talent pool is regularly reviewed when considering key appointments in organizational reviews. High-potential employees' individual development plans are drafted based on the results of individual 360° assessments.

To safeguard Johnson Electric's long-term success, the Group holds annual succession planning workshops for senior vice presidents and key positions. It monitors both the internal promotion rate and the number of senior positions with "ready now" and "ready soon" successors. Furthermore, to support the development of a global-local footprint, the Group is enhancing its regional talent acquisition capabilities.

A "JE Career Paths" initiative is available to employees in business units and engineering. It gives them a better understanding of available career pathways as well as areas that they may need to build upon when driving their own career development.

A "My Career in Motion" program enables employees to take greater accountability for their career growth and development, working in partnership with their managers and other employees. At the heart of this program is a formal self-nomination process that encourages employees to apply for open positions for which they are qualified. This helps promote equal opportunities for all staff to develop and fulfil their career aspirations with Johnson Electric.

A newly launched "Engineering International Assignment" initiative, which aims to promote cross-regional collaboration and knowledge sharing between Johnson Electric's engineering teams through special projects. To date, 15 engineers from across the organization have been placed on international assignments lasting between 12 to 24 months.

A "JE International Engineering Trainee Program" offers recent engineering graduates the opportunity to work at different Johnson Electric plants around the world, to develop our next generation of engineers. In this two-year program, participants first receive on-the-job training in their home country before spending a second year working in China and gaining valuable international career experience.

A "Leadership Essentials" program supports employees to progress into line manger positions by developing the critical skills and competencies they need to take on leadership roles.

The Group has in place a performance management process for all staff that aims to deliver fairness, equity and the global alignment of performance standards. It emphasizes development planning and desired behaviors in the annual goal-setting and performance review process. The Group also constantly stresses the importance of performance discussions to ensure employees receive recognition and constructive feedback to support their growth.

Staff and managers may also formally request feedback from anyone in the organization on themselves or their subordinates at any time during the performance cycle. This allows employees to proactively seek constructive feedback from those they work with closely. Linking this feedback to the Group's strategic goals has enabled tighter alignment across functional teams as well as cross-functional recognition of staff achievements in "town hall" meetings.

Training and development

Learning and professional development is a joint effort between Johnson Electric and its employees. Every time an employee grows through lifelong learning, Johnson Electric becomes more adaptable and competitive as a company. The Group helps employees to close gaps in their capabilities and skills by offering the requisite experience and training.

Johnson Electric recognizes that learning and development through on-the-job experience is the best foundation for future growth. In addition, the Group offers individual coaching and formal training that aims to fulfil functional needs and develop leadership talent.

The Johnson Electric Learning Institute sets the global direction for all employee learning, development and reskilling activities across the entire organization. Global learning steering committee meetings include representatives from all regions, who guide and shape policies and practices, and decide the focus of learning and development programs. A strong network of learning and development teams in major locations supports this, delivering local learning programs in response to business priorities and the talent requirements. The Group also organizes a Learning Month every year to help build a learning culture at Johnson Electric.

"This systematic on-the-job training program has enabled me to learn and practice on the shopfloor. All program participants are encouraged to generate and implement innovative solutions for automated production improvements. In one of my previous projects, my team achieved a cycle time improvement of over 40%. I appreciate this unforgettable learning experience and the progressive development opportunities offered to me at Johnson Electric."

Peidong Ouyang, Baccalaureate Program graduate and mentor, and Preventive Maintenance team leader in the Jiangmen, China site

The Group offers just-in-time classroom, webinar and eLearning programs to grow employees' technical and soft skills. The Group's Johnson Electric Baccalaureate program, which provides structured internal training to upskill technical workers to support the Group's digital transformation.

A "Leadership Essentials" curriculum provides training for managers using a variety of formats. Stretch assignments and international secondments provide employees with opportunities to gain global exposure and broaden their horizons.

A "Learning in Motion" global learning platform provides employees with more than 360 courses covering key business compliance skills and soft skill, allowing employees to learn anytime, anywhere, on any device, and at their own pace. A partnership with on-demand platform LinkedIn Learning also gives employees access to thousands of online courses taught by industry experts. The Group also offers apprenticeship programs at various operating sites, giving young people a route to gain technical training and work experience.

To build employees' digital capabilities, the Group continued to promote the "JE's Digital Transformation Champions" (JEDi) program. This encourages all employees to gain expertise in relevant digital applications, regardless of their role and function. Through active learning and by applying new knowledge to their day-to-day work, employees who join this program are expected to become a key driving force in Johnson Electric's digital transformation. As well as on-the-job learning, they receive sponsorship for training and exam costs, allowing them to develop valuable skills and access better career opportunities. This also equips them to mentor future JEDis.

Diversity, equity and inclusion

Johnson Electric understands that its business thrives on the diversity of its people and their ideas. The Group's employees are entitled to respectful and equal treatment in the workplace, independent of their age, gender, disability, marital status, race, national origin, or religion. The Group hires at competitive and fair levels based on role and experience, regardless of gender.

The Group is committed to providing a working environment free from any inappropriate behaviour and any kind of harassment based on personal characteristics or status. Threats or acts of harassment are prohibited and not tolerated. The Group investigates all complaints of harassment or discrimination raised through our whistle-blower hotline.

Johnson Electric's commitment to creating a diverse and inclusive working environment is also integrated into its MARBLE values and its diversity, equity and inclusion ("DE&I") policy. The Group also strive to ensure that its HR processes including recruitment, performance management, learning and development, and promotion decisions support its DE&I strategy.

The Group recognizes that people at different life stages may benefit from different working arrangements and promotes family-friendly leave policies and flexible working. A global "working from home" policy has been introduced to help employees better balance work and family responsibilities. The Group has also implemented a variety of family-friendly programs in its major countries of operations, including parental and care leave as well as childcare services and allowances.

Communication

The Group's goal is to maintain Johnson Electric's reputation as a trusted employer brand that embraces diversity and inclusion. Mutual trust is essential for inspiring employees to grow, act with ownership and find fulfilment in the work they do. To build trust, the Group goes to great lengths to keep all employees well informed and up to date with the latest company news and developments through open, transparent and two-way communication.

The Group's employee communication channels include:

- **One Johnson Global Celebration**, an annual event for all employees around the globe to celebrate teamwork and successes. This year, the event's global theme was "Creating Our Future Together", highlighting Johnson Electric's global commitment to collaborating with the Group's local communities around the world to create a shared future
- **"JE in Motion"**, an internal digital platform for communicating leadership messages and encouraging knowledge sharing and team collaboration among global employees and specific employee groups

- **Regular all-staff meetings** at each Johnson Electric major location to provide updates on business performance and developments on key projects
- **Online staff forums** to cascade key business initiatives and encourage active engagement and internal alignment
- **MARBLE Snapshot**, a regular biennial survey to measure employee engagement levels and compare them to external benchmarks. The survey provides a mechanism for confidential employee feedback and management follow-up, ensuring employees' voices are heard and responded to at both corporate and team levels
- **Employee recognition programs** to highlight and reward staff achievements. The monthly JEwel awards encourage the sharing of best practices. The Annual Chairman's Awards, meanwhile, celebrate outstanding performance and leadership across the four categories: technology advancement; solutions innovation; productivity improvements, automation and artificial intelligence; and social impact and community outreach
- **Local initiatives**, such as recreational and team building activities, held throughout the year to boost engagement, build social skills and promote recognition. Local teams have organized festive celebrations, outings, cultural excursions, appreciation days, parent-child activities and other events
- **Johnson Electric's corporate website and social media channels**, which serve as valuable touchpoints for building good connections and rapport with employees and external stakeholders alike, through news updates on corporate and employee engagement activities

Other means used to promote employee alignment with Johnson Electric's strategy and direction include emails and multimedia content shared with all employees, executives' messages, e-newsletters and global and local employee contests.

Labour rights

Johnson Electric is committed to respecting the labour and human rights of all its employees and to providing a safe workplace in which the dignity of every individual is respected. The Group's subsidiaries around the world set their labour standards in line with the Group's policy and local labour laws and regulations, so that employment conditions fully comply with Johnson Electric's commitments and applicable laws and regulations.

Johnson Electric adheres to the directives set by the International Labour Organization. Additionally, to ensure employees' human and labour rights are protected, the Group:

- Has issued a clear global policy with a mix of auditable preventative and detective controls for preventing child labour and forced labour for all our sites
- Has established a freedom of association and right of collective bargaining policy, which covers all employees in all legal entities and locations
- Provides all employees with a written offer letter or contract of employment that includes (at a minimum) working hours, reasonable notice period and termination provisions, methods and timing of salary or wage payments and overtime eligibility and terms. All overtime is voluntary
- Maintains a global compensation structure to ensure competitive that the Group offer competitive pay and benefits in every market in which it operates

  For entry-level positions, remuneration and benefits comply with and typically exceed the minimum legal limits for the country of employment. Annual incentive pay is an important component of compensation for more than 80% of staff-level employees, including all management staff and the executive management team. This is tied to the achievement of revenue, profitability, liquidity and sustainability goals.

  In addition, the Group's long-term share award scheme forms a critical part of the compensation package for senior executives, encouraging retention while aligning rewards to shareholder value. The scheme includes both time-vested restricted stock units as well as a high proportion of performance stock units which vest only if stringent financial conditions are achieved
- Does not make deductions from wages as a disciplinary measure
- Ensures that employees who are provided with company housing are free to come and go from their

housing units, subject to reasonable security considerations

- Recognizes the basic right of all employees to establish and join unions and employee representations in line with local laws and practice. Management will not discriminate based on lawful activities of trade unions and employee representatives. It also recognizes the right to collective bargaining with bodies established following local laws and practice. Globally, the vast majority of the Group's employees are represented by unions or employee representatives
- Encourages employees to freely voice their concerns and requests to their direct supervisor or their local human resources department in a culture of mutual respect

As part of its corporate governance, Johnson Electric constantly monitors compliance with these employment standards and relevant labour laws and regulations. As part of this:

- At any time, employees may report any breach of the Group's labour standards. Reports may be submitted anonymously via a whistle-blower hotline, accessible globally at any time by phone or email. A total of 11 cases were reported by employees in FY23/24. All such reports are investigated promptly and confidentially. If it is determined that there has been a violation, prompt action is taken to prevent reoccurrence, if necessary, including appropriate disciplinary action. Retaliation is not allowed
- Every year, as part of the annual corporate governance review of internal controls and risk management, regional and country human resources teams must acknowledge and certify their full compliance with the Group's human resources policies and relevant labour laws and regulations.

  The review also requires all managers and above, as well as other employees in sensitive positions, to certify that they have read and comply with the Johnson Electric Code of Ethics and Business Conduct. The Code guides every employee in the use of good judgment and ethical decision-making, ensuring employees uphold Johnson Electric's belief in conducting its business lawfully and ethically. In relation to labour and human rights, the Code includes specific requirements on preventing child labour and forced labour, ensuring equal employment opportunity, keeping open communication, ensuring a harassment-free workplace and preventing workplace violence and weapons
- Every two years, all employees with an email address are required to complete an eLearning course on the Code and its application in the workplace, including the protection of labour and human rights. On completing this training, they must demonstrate their knowledge by passing a test. Only then are they allowed to sign a declaration that they have read and comply with the Code
- All other employees will participate in a session led by their team manager where they will together review the key components of the Code of Ethics and Business Conduct. This multi-tiered approach helps to ensure all employees are appropriately trained in this highly important topic

To ensure that Johnson Electric's HR policies and procedures are compliant with legislative requirements and international standards, the Group conducted a social compliance and human rights audit with an external auditor in Hong Kong, the Group's global headquarters, in FY23/24. This audit confirmed that all policies and procedures related to human rights and employee health and safety comply with legal requirements, with no significant incidents of non-compliance identified during the audit.

Communities

The Group's social impact and community engagement activities are based on both a passion for science, technology and engineering, as well as a heartfelt desire to respond to humanitarian need.

All employees are encouraged and empowered to participate in volunteering programs and make a difference to their local communities. This includes contributing to technical education programs that aim to cultivate the next generation of rising STEM (science, technology, engineering and mathematics) stars, such as Johnson Electric Technical College and Junior Engineer, as well as environmental and social activities that care for people and planet, such as nature preservation and clean-up efforts, blood donation drives and fundraising for meaningful causes.

The Group's social impact activities are overseen by the Social Impact and Sustainability Committee, which includes key executives and influences all levels of the organization. This committee provides focus and support and ensures a structured approach to delivering social impact activities worldwide.

Technical education

Johnson Electric operates multiple flagship programs in several countries to promote and support technical education as part of its community engagement. These include the Johnson Electric Technical College and Junior Engineer programs.

The first Johnson Electric Technical College ("JETC") was established in 2004 in Shajing, China, offering students a three-year, fully funded and high-quality education and comprehensive technical training course within a supportive social environment that promotes self-discipline. The college moved to the Jiangmen campus in 2020, where students now enjoy modernized facilities. In 2023, JETC welcomed an inaugural cohort of 25 female students, helping to advance opportunities for women in China's engineering sector.

In 2016, a second JETC campus was opened in Zacatecas, Mexico, providing the same curriculum and development opportunities. As of 2024, this campus has trained 106 JETC students.

"I am a graduate of the fourth generation of JETC in Mexico. The values and discipline instilled in me during my time there are applied every day in my work, leading to continuous improvement. As a result, I was selected to travel to China for a new manufacturing project. This program represents a significant opportunity for both professional and personal growth. Thank you, JETC."

Claudia Castillo, Process Technician in Zacatecas, Mexico

JETC cooperates with local educational institutions to issue official secondary vocational school diplomas to graduates. All successful graduates are offered employment as technicians or mechanics in Johnson Electric's manufacturing or engineering departments.

The latest JETC campus was officially launched at the end of January 2024 in Chennai, India, marking another milestone in Johnson Electric's mission to invite young people from across the world to embrace career opportunities in engineering with the Group.

Since its inception, 1,546 students have graduated from the JETC program in China and Mexico. JETC provides the Group with a stream of well-educated future employees and gives back to society by providing a high-quality general and technical education to underprivileged youth.

In Serbia, meanwhile, using similar concepts to JETC, the Group works in partnership with a local technical high school, providing access to Johnson Electric's facilities and staff to assist students in receiving a high-quality technical education.

The Junior Engineer program is a simple but effective global community outreach program targets children aged 6 to 12 to encourage an early interest in STEM subjects by building a DIY toy kit powered by a Johnson Electric motor. Participating sites arrange local activities internally for employees' children or externally with local educational institutions wherever appropriate.

This year, Johnson Electric's new "J-Bot" toy car was welcomed by some 200 children in toy car assembly workshops held across the Group's global sites.

Junior Engineer activity in Hong Kong

Launched in 2021, the JEnerations program encourages all Johnson Electric employees around the globe to volunteer for social impact and community outreach activities that enrich local communities.

JENERATIONS

Local employees are empowered to identify beneficiaries and service partners and arrange voluntary activities based on local needs. Areas of focus include those that benefit children, the elderly and the underprivileged, those that support diversity and inclusion, and those that protect and restore the environment. Furthermore, employees are entitled to paid time off to participate in social impact activities scheduled outside office work hours.

This year, Johnson Electric has hosted more than 185 JEnerations events, ranging from charity walks in Hong Kong, volunteering at a children's rehabilitation centre and elderly centre in China; giving career advice to students at an employability event in the UK, and inviting students to visit a manufacturing plant in Italy and learn about its operations.

Social impact awards

In Hong Kong, Johnson Electric received the 5 Years+ Caring Company Award from the Hong Kong Council of Social Service, recognizing the Group's longstanding commitment to corporate social responsibility and its voluntary efforts to create a caring community in Hong Kong.

5 years+ 商界展關懷 caringcompany®
Awarded by The Hong Kong Council of Social Service
香港社會服務聯會頒發

Trust and Transparency

Openness, integrity and a heartfelt commitment to ethics and transparency lies at the very foundation of our Johnson Electric culture. A strong sense of shared ethics creates an environment of trust, collaboration and innovation, which is critical to fulfilling our purpose of improving the quality of life of everyone we touch.

Strong ethical conduct is a core expectation of every employee. This is woven into the MARBLE values that guide the Group's employees to fulfil its purpose and vision, helping Johnson Electric become the company it aspires to be. These core values ensure employees are working towards the same goals and are aligned with the Group's culture of integrity, openness and fairness.

Johnson Electric is committed to pursuing the highest ethical standards. In addition, Johnson Electric is increasingly taking steps to promote ethics and transparency beyond the footprint of its own organization and across its entire supply chain.

Finally, the Group continually strives to strengthen and optimize its corporate governance structure to guarantee strong lines of accountability and further enhance its culture of integrity.

Code of Ethics and Business Conduct

Endorsed by the Group's Chairman and Chief Executive, Dr. Patrick Wang, the Johnson Electric Code of Ethics and Business Conduct * (the "Code") guides all employees in all sites to use good judgment and ethical decision making in their business conduct and practices. In any violation of the Code occurs, the Group takes prompt action to avoid future violations. A whistle-blower hotline enables the anonymous reporting of breaches of the Code.

To ensure accessibility, the Group makes the Code available in the local language of each site and also make it available to download from www.johnsonelectric.com. The Group review and refresh the Code every two years.

Ethics training and declarations

The Group's ethics training and declaration program is designed to engage every employee at every Johnson Electric location. The program classifies employees into the following categories: at-risk employees, managers, and all other employees.

At-risk employees and managers must complete compulsory ethics training on induction into the workforce, make an annual declaration that they have complied with Code and are not aware of any violations by others, and take part in biennial training, delivered online in English and in the local language of each site. The Group also extends these requirements to all other staff-level employees with a Johnson Electric email account.

All other employees take part in biennial ethics training, delivered by their team leaders, in the local language of the site.

Internal control and risk management system

Johnson Electric assesses its exposure to risk, including risks related to corruption, on a Group-wide basis. This assessment considers the likely frequency of occurrence and potential magnitude of risk incidents. This assessment is reviewed annually and updated to reflect both emerging issues and the results of internal audit work during the year.

Exposure to risks is mitigated through proactive oversight and robust business processes. The internal control framework includes a mix of auditable preventative and detective controls, including business conduct and anti-fraud controls. It sets specified limits of authority and clear control responsibilities, and prohibits single-signature approval of contracts, customers, revenues, suppliers or expenditures (with strict monetary limits for gifts and entertainment).

Internal Audit Department

Johnson Electric's Internal Audit Department employs a risk-based approach to independently review and test the controls over various operations and activities. The key steps in this process include risk assessment, risk prioritization, approval of an annual audit plan, maintenance of independence and objectivity, control evaluation, compliance assessment, audit reporting and follow-up and monitoring. By adhering to this process, the Internal Audit Department maintains the highest standards of independence, objectivity, and rigor in its activities, reinforcing transparency and accountability.

Institute of Business Ethics

Johnson Electric is a member of the Institute of Business Ethics, and makes use of the Institute's tools, guidance and insights as it continues to enhance and reinforce its ethics culture.

Fair competition

Johnson Electric does not take part in agreements that harm customers such as price-fixing, bid-rigging or other anti-competitive practices. The Group's Code of Ethics and Business Conduct includes specific requirements relating to the prevention of unfair competition. Furthermore, the Group conducts annual reviews of each market segment in which it competes. These are designed to allow it to understand the basis of competition including how we engage in the market, competitors and their behaviours, market trends and development prospects, and potential problems and difficulties.

Commitments and targets

Johnson Electric is committed to conduct its business by lawful and ethical means. In support of this, the Group has set the following targets:

- Zero legal cases brought against Johnson Electric or its employees for corruption, anti-competitive behaviour, anti-trust, and monopoly practices
- Biennial ethics training for 100% of the workforce
- Annual Code of Ethics declarations from 100% of at-risk employees, managers and other staff-level employees with a Johnson Electric email account
- Systematic internal audit coverage under a comprehensive dynamic five-year strategy, allowing for effective auditing and risk management
- Investigation of 100% of whistle-blower reports received through the Group's hotline

Ethics performance

During FY23/24, 76% of the workforce participated in ethics training, which included essential anti-corruption modules. In FY22/23, the Group trained 17% of its workforce, including 100% of at-risk employees, managers and other staff-level employees with a Johnson Electric email account. Taken together, this means the Group has trained over 90% of its workforce over its two-year ethics training cycle.

100% of at-risk employees, managers and other staff-level employees with a Johnson Electric email account completed their annual declaration that they had read, understood and conformed with the requirements of the Code and were not aware of any potential violations of the Code by others, or reported such violations.

There were 7 confirmed incidents of fraud and corruption. Each of these incidents involved employees engaging in corrupt practices that were harmful to the company's interests. These included conflicts of interest, acceptance of kickbacks and misappropriation of company property. All employees involved in these incidents were dismissed or disciplined. Furthermore, 6 of the confirmed incidents led to the termination of relationships with suppliers due to violations related to corruption.

In FY23/24, and up to the date of approval of the Annual Report, there were:

- No significant instances of non-compliance with laws and regulations
- No regulatory action was brought against the Group regarding fair trade or competitive practices
- No monetary losses related to infringement of intellectual property rights

Data protection

Johnson Electric deploys information security management systems for the robust protection of its own data as well as customer, employee and partner data. Preventative control measures are implemented by the Group's security operations centre. The Group's incident response plan is designed to quickly detect, contain, eradicate, and recover from information security incidents. The Group tests this plan regularly and hold incident response drills ensure familiarity with the required procedures.

The Group performs due diligence reviews of vendors that handle sensitive data through a supply chain information security assessment process.

Employees can report potential phishing emails, suspicious activity or other information security concerns at any hour through an internal information security hotline. Reports may also be submitted by other interested parties by email to infosec@johnsonelectric.com.

Relationships with suppliers

Johnson Electric is a global manufacturer with multiple manufacturing locations that supply to numerous market segments in different geographic locations. Consequently, its supply chain is relatively complex, with more than 2,000 active suppliers.

The Group's engagement with suppliers is driven by its focus on "Innovation" and "Safe Choice". Robust supplier qualification procedures before ordering regular supplies from any new supplier ensure that the Group has the right supplier to source the right item. These procedures give due consideration to cost, quality, safety, environmental protection, ethical behaviour and social responsibility.

The Group is partnering with its suppliers, by extending its sustainability requirements to suppliers, providing training and creating processes and tools to progress on a joint sustainability journey.

Johnson Electric's sustainable procurement policy guides the Group's sourcing decisions and embodies its commitment to environmental, social and governance ("ESG") considerations. The policy requires any employee taking a sourcing decision to evaluate suppliers' sustainability performance alongside traditional criteria such as cost, quality, and delivery.

The policy defines specific ESG requirements for prospective suppliers and establishes ESG-related key performance indicators for Johnson Electric's purchasing teams. By integrating sustainability considerations into our procurement, the Group aim to promote responsible practices throughout our supply chain and contribute to a more sustainable future.

The Group's suppliers are contractually required to be certified under relevant international quality and environmental management standards. The Group's Purchase Terms and Conditions also require adherence to directives set by the International Labour Organization's "ILO Declaration on Fundamental Principles on Business and Human Rights at Work" and the United Nations' "UN Guiding Principles on Business and Human Rights". These set out principles of the freedom of association, right of collective bargaining, abolition of child labour and the elimination of forced or compulsory labour or discrimination at work.

This is supported by the Group's Supplier Code of Conduct. This includes requirements for the protection of human and labour rights, responsible materials sourcing, environmental stewardship, emergency response, and business integrity. It specifically prohibits offering of gifts, certificates, loans, hospitality, service or favour in an improper manner. A whistle-blower hotline enables the anonymous reporting of breaches of the Supplier Code. Suppliers are also required to comply with the US Foreign Corrupt Practices Act, the UK Bribery Act 2010 and the criminal law in their country of operations.

The Group has a Responsible Minerals Policy and requires suppliers to provide information on the presence of certain minerals including tin, tantalum, tungsten, gold, cobalt and mica in their products, and to provide data on the smelters and refiners in their respective supply chains. The Group uses this information to publish a Conflict Minerals Report and an Extended Minerals Report, consistent with industry standards for supply chain transparency. Suppliers are encouraged to also adopt similar due diligence processes to identify, mitigate and, where appropriate, remediate conflict mineral risks in their supply chains. The Group continuously gauges and calibrates suppliers' ability to meet the above requirements through its Supplier Performance Rating System. This includes annual risk assessments, supplier self-declarations, evaluated sustainability questionnaires and site visits. The Group will review future business and sourcing decisions with suppliers who do not engage with it in these efforts.

Sustainability ratings

The Company is a constituent of the Hang Seng Corporate Sustainability Benchmark Index. Its ESG ratings include:

	31 March 2024	31 March 2023
MSCI	A	BBB
EcoVadis	Silver	Bronze
CDP– climate change	B	C
Hong Kong Quality Assurance Agency	A+	A

Sustainability Report

For further information about Johnson Electric's sustainability policies, performance and activities, please refer to the Group's Sustainability Report, available for download from www.johnsonelectric.com.

Corporate Governance Report

Johnson Electric Holdings Limited ("Company", together with its subsidiaries, the "Group") 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 formalizing best practices of corporate governance.

Johnson Electric's Culture and Stakeholder Focus

The Company is committed to building a positive and strong corporate culture by promoting the values and aspirations contained in Johnson Electric's "MARBLE" statement of core values. The corporate values of "MARBLE" guide our employees to become the company we aspire to be and to fulfil our purpose and vision. There are six major strategic actions areas directed towards achieving our vision and purpose: 1) focus on serving customers whose products are aligned to key underlying trends, 2) invest in technology innovation, 3) build a resilient global manufacturing footprint, 4) align design and production processes with the industrial logic of advanced automation, 5) acquire selective businesses, and 6) develop and retain a diverse, talented and inclusive team of people. Various initiatives, measures and programs strengthening the Group's culture and improving employees' engagement, and achievements are also discussed in the Management's Discussion and Analysis of this announcement and Sustainability Report 2024.

The Group conducts a global "MARBLE Snapshot" survey of its employees every two years. Employee engagement and alignment with the "MARBLE" values are measured through the survey. Survey results are also compared to global manufacturing company benchmarks and country benchmarks where applicable. Appropriate follow-up actions are implemented in a timely manner to respond to the feedback from our employees.

Board of Directors

The board of directors of the Company ("Board") currently consists of two executive directors and ten non-executive directors (of whom seven are independent) ("Directors"). Madam Yik-Chun Wang Koo is the mother of Dr. Patrick Wang, Mrs. Winnie Mak Wang and Mr. Peter Wang. Mr. Austin Wang is the son of Dr. Patrick Wang.

The independent non-executive directors are all experienced individuals from a range of industries and geographies. Their mix of professional skills and experience is an important element in the proper functioning of the Board and in ensuring a high standard of objective debate and overall input to the decision-making process. The Board has received from each independent non-executive director a written confirmation of their independence and has satisfied itself of such independence up to the approval date of this report in accordance with the Rules Governing the Listing of Securities ("Listing Rules") on The Stock Exchange of Hong Kong Limited ("Stock Exchange").

On 6 March 2024, Mr. David Rosenthal was appointed as an independent non-executive director and a member of the remuneration committee of the Company. After obtaining the legal advice referred to in Rule 3.09D of the Listing Rules on 4 March 2024, he confirmed he understood his obligations as a director of the Company.

In accordance with Rule 13.51B(1) of the Listing Rules, the Company is required to disclose changes in information of Directors subsequent to the date of the Interim Report 2023. Mrs. Catherine Bradley stepped down as the non-executive director of abrdn plc but remained as the chair of Interactive Investor Limited, a wholly owned subsidiary of abrdn plc on 24 April 2024. Ms. Michelle Low was appointed as an independent non-executive director of ThaiNamthip Corporation Ltd. on 9 February 2024.

The Board at Work

The Board is accountable to shareholders for the activities and performance of the Group. Directors meet in person on a quarterly basis and on other occasions when a board-level decision on a particular matter is required. The Board has reserved for its decision or consideration matters covering corporate strategy, annual and interim results, directors' appointment, succession planning, risk management, environmental, social and governance reporting, major acquisitions, disposals and capital transactions and other significant operational and financial matters.

The Company seeks to provide its independent non-executive directors with extensive exposure and access to its operations and management. The board meeting agendas are structured to address the broad spectrum of key governance issues on a regular and systematic basis. One of the scheduled Board meetings focuses specifically on the annual corporate strategic plan and planning process which is intended to identify and assess the opportunities, challenges and key risks that are expected to have the greatest potential impact on the Group's future business performance. Forming part of the continuous professional development program for Directors, visits to the Group's principal operating facilities are arranged and relevant subject area experts are also invited to address the Board from time to time.

The Board recognizes the importance and benefits of conducting regular evaluations of its performance to ensure the effectiveness of its functioning. On an annual basis, a Board Effectiveness Survey is sent to each Director in order to enable the performance of the Board to be evaluated in a structured and candid manner. Responses to the survey are analyzed and discussed at the Board meeting. Suggestions made by the Directors have been implemented to further improve the performance of the Board.

Major corporate matters that are specifically delegated by the Board to management include the preparation of annual and interim accounts for board approval before public reporting, execution of business strategies and initiatives adopted by the Board, implementation of adequate systems of internal controls and risk management procedures, environment, social and governance assessments and compliance with relevant statutory requirements and rules and regulations.

Subject to retirement by rotation and re-election at an annual general meeting, non-executive directors are appointed for a term of three years with automatic renewal for further terms of three years per term. Under the Company's Bye-law 109(A), one-third of the directors except the director holding office as executive chairman, who have served longest on the Board since their last election, shall retire from office and be eligible for re-election at each annual general meeting. As such, except for the executive chairman, no director has a term of appointment longer than three years.

Committees

The monitoring and assessment of certain governance matters are delegated to four committees which operate under defined terms of reference and are required to report to the Board on a regular basis.

The composition of the committees during FY23/24 and up to the date of this report is set out in the table below.

Directors	Audit Committee	Remuneration Committee	Nomination and Corporate Governance Committee	Board Committee
Executive Directors				
Patrick Wang			M	M
Austin Wang				M
Non-Executive Directors				
Winnie Mak Wang		M		
Peter Wang	M			
Independent Non-Executive Directors				
Patrick Paul	C		M	
Michael Enright	M	M		
Joseph Yam		M		
Christopher Pratt	M	C		
Catherine Bradley		M	C	
Michelle Low	M			
David Rosenthal [1]		M		

C – Chairman
M – Member

Notes:
1. Mr. David Rosenthal was appointed as an Independent Non-Executive Director and a member of the Remuneration Committee of the Company with effect from 6 March 2024.

Audit Committee

The Audit Committee comprises four independent non-executive directors and one non-executive director who together have substantial experience in the fields of accounting, taxation, business, corporate governance and regulatory affairs. The current members are Mr. Patrick Paul (Committee Chairman), Prof. Michael Enright, Mr. Christopher Pratt, Ms. Michelle Low and Mr. Peter Wang.

The Committee is responsible for monitoring the financial reporting, accounting, risk management and internal control aspects of the Group's activities. It has full access to the Group's Global Head of Internal Audit to hear directly any concerns of the internal audit function that may have arisen during the course of the department's work. The Committee also monitors the appointment, function and remuneration of the Group's external auditor. The Committee's authority and duties are set out in the terms of reference which are available on the websites of the Group and HKEXnews.

Five committee meetings were held in FY23/24 to discuss and review relevant matters together with senior management and the independent auditor, including the following:

1. The FY22/23 annual results and interim results for FY23/24, to ensure that the related disclosures in the financial statements were complete, accurate and fair and complied with accounting standards, the Listing Rules and legal requirements, and to submit the same to the Board for approval;
2. The work done by the external auditor, the relevant fees and terms of engagement and appropriate actions required on any significant control weaknesses;
3. The external auditor's independence, including consideration of their provision of non-audit services;
4. The Internal Audit Department's staffing and team competencies, its internal audit plan and budget for approval, its report on work performed and the status of open issues for remedial action;
5. The overall adequacy and effectiveness of internal controls;
6. The Group's risk management activity, namely the processes by which risks are assessed and registered and by which such risks are addressed for mitigation and management;
7. The status and adequacy of the Group's insurance coverage;
8. The status of the Group's global tax position and any fiscal audits by the various jurisdictions;
9. Update on base erosion and profit shifting;
10. The status of litigation;
11. Update on implementation of IT modernization and cybersecurity controls;
12. Update on internal controls of the supply chain function; and
13. Update on the Group's environmental, social and governance status.

Remuneration Committee

The Remuneration Committee consists of five independent non-executive directors and one non-executive director. The current members are Mr. Christopher Pratt (Committee Chairman), Mr. Joseph Yam, Prof. Michael Enright, Mrs. Catherine Bradley, Mr. David Rosenthal and Mrs. Winnie Mak Wang.

The Committee determines the compensation structure and rewards for the Chief Executive and other executive directors and monitors the policies being applied in remunerating the senior management on behalf of the Board.

In addition, it has responsibility for reviewing and making appropriate recommendations to the Board on retirement plans and provisions and on management development and succession plans for executive directors and senior management. The Committee's authority and duties are set out in the terms of reference which are available on the websites of the Group and HKEXnews.

At Johnson Electric, remuneration and incentive schemes are linked to the achievement of annual and long term performance goals. By providing total compensation at competitive industry levels, for on-target performance, the Group seeks to attract, motivate and retain the key executives essential to its long term success. To this end, the Committee directs the management in the engagement of outside remuneration experts and stays abreast of remuneration practices among comparable companies around the world. Senior management incentive schemes include an equity component that is designed to align the long term interest of management with those of shareholders.

All global staff positions, including senior management, are governed by an evaluation methodology which takes into account management / technical know-how, problem solving and accountability. Individual senior management remuneration acknowledges scope of responsibilities, contribution and performance. The base salary takes into account factors such as contribution to the business, employee retention and market remuneration. Annual incentives, when payable, are performance-based and include Company and

Group financial objectives as well as individual objectives which may be non-financial. The Johnson Electric Restricted and Performance Stock Unit Plan for senior management provides for the grant of Johnson Electric Restricted Stock Units ("RSUs") and Performance Stock Units ("PSUs"). Vesting of these is subject to attainment of service milestones in the case of RSUs and, in the case of PSUs, the attainment over time of identified group wide financial goals. RSUs and PSUs are used to retain and motivate senior staff and are designed to maximize long term shareholder value.

In determining the level of remuneration and fees paid to non-executive directors for the Board approval, a review of current practices in comparable companies is regularly conducted with the aid of an independent consultant. Board remuneration consists of an annual retainer with additional fees payable for committee memberships. Executive directors are not eligible for any remuneration or fees for board activities.

The Remuneration Committee reviewed the respective remuneration policy for senior executives and non-executive directors over the short, medium and long term while addressing the goals of management development and retention and the enhancement of shareholder value.

No individual director or member of senior management team approves his or her own remuneration.

Three committee meetings were held in FY23/24. During the year, the Committee addressed the following:

1. Reviewed the status of the annual incentive plan;

2. Reviewed the status of the share award scheme including the company performance relative to the targets;

3. Reviewed succession planning of senior management;

4. Reviewed gender balance and diversity of the Group;

5. Reviewed senior executive peer group analysis and market trends and recommended compensation changes for individuals;

6. Reviewed benchmark data of remuneration for non-executive directors and recommended changes to the Board;

7. Reviewed and recommended the new share award scheme to the Board;

8. Reviewed and recommended the respective compensation policies for senior executives and non-executive directors;

9. Reviewed the key retirement plans;

10. Reviewed results of the employment engagement survey; and

11. Reviewed the terms of reference of the Committee.

Nomination and Corporate Governance Committee

The Nomination and Corporate Governance Committee comprises two independent non-executive directors and one executive director. The current members are Mrs. Catherine Bradley (Committee Chairman), Mr. Patrick Paul and Dr. Patrick Wang.

The Committee is responsible for the identification and evaluation of candidates for appointment or re-appointment as a director, as well as the development and maintenance of the Group's overall corporate governance policies and practices. The Committee's authority and duties are set out in the terms of reference which are available on the websites of the Group and HKEXnews.

Two committee meetings were held in FY23/24. The following is a summary of work performed by the Committee during the year:

1. Consideration and recommendation of the retiring directors and those who offered for re-election at the Annual General Meeting;
2. Consideration of the independence of all independent non-executive directors;
3. Review and approval of the corporate governance report and information for the Annual Report and the Interim Report;
4. Recommended the appointment of Director to the Board for approval;
5. Review of the Group's report on compliance with laws and regulations in the countries in which it operates;
6. Review of the continuous professional development of Directors and senior management;
7. Review of the structure, size and composition of the Board;
8. Review of the implementation and effectiveness of Board Diversity Policy;
9. Review of the implementation and effectiveness of Board independence mechanism;
10. Review of proposed amendments to Bye-laws in accordance with Listing Rules requirements;
11. Review the implementation and effectiveness of the shareholders' communication policy;
12. Review of terms of reference of the Committee;
13. Endorsed the amendments to the Code of Conduct for Securities Transactions by Directors; and
14. Consideration of suitable independent non-executive director candidates for joining the Company.

The business and operations of the Group are, in general, subject to regulations on trade sanctions and export controls, anti-corruption statutes and regulations, employment regulations and personal data and privacy regulations. In addition, the Listing Rules apply to the Company. The Group has established measures on risk management and corporate governance to ensure compliance with the applicable laws, regulations and rules which have significant impact on the Group.

Nomination of Candidates

The Board has formalized its existing practices into a Nomination Policy and adopted it in 2018. The Nomination Policy (which is available on the website of the Group), as administered by the Nomination and Corporate Governance Committee, sets out the criteria and procedures for identifying and nominating suitably qualified candidates for appointment to the Board. The selection criteria specified in the Policy include:

- The highest personal and professional ethics and integrity;
- Contribution to the Board in terms of qualifications, skills, business experience, independence and such other factors as the Committee may consider relevant;
- Commitment in respect of available time and relevant interests;
- Board succession planning considerations;
- Consideration of the requirement of the minimum number of independent non-executive directors; and
- Diversity in all its aspects as set out in the Board Diversity Policy (incorporating relevant provisions of the Listing Rules) adopted by the Board in 2013.

Board Diversity

In respect of the Board Diversity Policy, the Board is cognizant of the benefits of diversity and the Committee monitors implementation of this policy as part of the process of selecting and nominating candidates for appointment to the Board. Candidates are considered against the broad and diverse range of aspects specified in the Nomination Policy, which among other aspects also include gender, ethnicity and cultural background.

The diagrams below outline the composition, gender, age and tenure diversity of the Board.

Composition

- Independent Non-executive Directors: 7
- Non-executive Directors: 3
- Executive Directors: 2

Age

40-50:2 50-60:0 60-70:5 >70:5

Gender

Female: 4 Male: 8

Tenure of INEDs

0-5 years: 3 6-10 years: 1 >10 years: 3

As of 31 March 2024, female representation on the Board is 33%. The Board targets to maintain at least the current level of female representation and this target, along with other matters related to diversity, will be reviewed annually by the Committee.

Details of the Group's gender ratio and objectives for achieving gender diversity are set out in the Sustainability Report 2024 *.

* The Sustainability Report 2024 will be available on the websites of the Group and HKEXnews together with the Annual Report 2024.

The Board will continue to identify suitably qualified candidates to join the Board to promote and encourage diversity.

Board Independence

To ensure independent views and input are available to the Board, the following mechanisms were implemented. The Committee has reviewed the implementation and effectiveness of the mechanisms:

Board Composition	• 7 out of 12 of the Board members are independent non-executive directors which exceeds the Listing Rules requirement that at least one-third of the Board are independent non-executive directors. • The three committees, namely Audit Committee, Remuneration Committee and Nomination and Corporate Governance Committee under the Board have an independent non-executive director as the respective chairs.
Review Independence	• The Committee accesses the independence of all independent non-executive directors annually according to the criteria specified under the Listing Rules. • Members of the Committee will abstain from assessing his/her own independence. • Each of the independent non-executive directors has submitted a written annual confirmation of independence to the Board.
Appointment of Independent Non-executive Directors	• In identifying, nominating and appointing independent non-executive directors, the Committee will observe the selection criteria set out in the Nomination Policy and independence assessment criteria set out in the Listing Rules.
Non-executive Directors' Remuneration	• Fee(s) payable to independent non-executive directors are in form of cash for their role as Board member and committee(s) chairman/member as appropriate. • Independent non-executive directors are not entitled to equity-based and Group performance-related remuneration.
Independent Professional Advice	• Independent non-executive directors are entitled to seek independent professional advice from external advisers at the Company's expense to perform their responsibilities.

Board Committee

The Board Committee comprises two executive directors, Dr. Patrick Wang and Mr. Austin Wang. Its primary function is to undertake and supervise the day to day management and operating affairs of the Group. It exercises leadership and develops and keeps under review strategy and business development initiatives of the Group and supervises their implementation. The Committee's authority and duties are set out in the terms of reference and a summary of which are available on the Group's website.

Attendance of Directors at Various Meetings

The Board held four board meetings in FY23/24 and the average attendance rate was 93%. Details of the attendance of individual directors at board meetings, committee meetings and the annual general meeting during FY23/24 are set out in the table below:

	Number of meetings attended/held					
Directors	Board Meeting	Audit Committee Meeting	Remuneration Committee Meeting	Nomination and Corporate Governance Committee Meeting	Annual General Meeting	Continuous Professional Development [1]
Executive Directors						
Patrick Wang *(Chairman and Chief Executive)*	4/4	–	–	2/2	1/1	√
Austin Wang	4/4	–	–	–	1/1	√
Non-Executive Directors						
Yik-Chun Wang Koo *(Honorary Chairman)*	1/4	–	–	–	0/1	√
Winnie Mak Wang *(Vice-Chairman)*	4/4	–	3/3	–	1/1	√
Peter Wang	4/4	3/5	–	–	0/1	√
Independent Non-Executive Directors						
Patrick Paul	4/4	5/5	–	2/2	1/1	√
Michael Enright	4/4	5/5	2/3	–	0/1	√
Joseph Yam	4/4	–	3/3	–	1/1	√
Christopher Pratt	4/4	5/5	3/3	–	1/1	√
Catherine Bradley	4/4	–	2/3	2/2	1/1	√
Michelle Low	4/4	5/5	–	–	1/1	√
David Rosenthal [2]	1/1	–	–	–	–	√
Average attendance rate	93%	92%	86%	100%	72%	
Date of meetings	18/05/2023 15/09/2023 08/11/2023 06-07/03/2024	15/05/2023 26/07/2023 06/11/2023 22/01/2024 04/03/2024	16/05/2023 07/11/2023 05/03/2024	18/05/2023 06/03/2024	13/07/2023	

Notes:

1. This includes (i) briefings on Company's businesses, (ii) visiting the Group's facilities, (iii) seminars / conferences on economy / management / technology and (iv) reading regulatory / corporate governance or industry related updates.
2. Mr. David Rosenthal was appointed as an Independent Non-Executive Director and a member of the Remuneration Committee of the Company with effect from 6 March 2024.

Continuous Professional Development

On appointment to the Board, each Director receives an induction package covering the Group's businesses and operations, and the statutory and regulatory obligations of being a director to ensure sufficient awareness of responsibilities under the Listing Rules and other relevant regulatory requirements. Thereafter, the Company provides the Directors with regular updates relating to the Group's business and the business environment in which the Group operates.

All Directors have complied with the code provision in relation to continuous professional development. The Company continuously updates the Directors on the latest developments regarding the Listing Rules and other applicable regulatory requirements, to ensure compliance and enhance their awareness of good corporate governance practices.

Internal Control and Risk Management

The Board is responsible for ensuring that a sound and effective system of internal control and risk management is maintained within the Group and for reviewing its design and operational adequacy and effectiveness through the Audit Committee.

The internal control and risk management system, which includes a defined management structure with specified limits of authority and control responsibilities, is designed to (a) help the achievement of business objectives and safeguard the Group's assets; (b) ensure proper maintenance of accounting records and reliability of financial reporting; (c) ensure compliance with relevant legislation and regulations; and (d) identify, manage and mitigate key risks to the Group, including environmental, social and governance risks.

The internal control and risk management system is established to ensure reasonable, but not absolute, assurance against material misstatement or loss and to manage, but not to eliminate, risks of failure in achieving the Group's objectives.

Following a risk-based approach, the Group's Internal Audit Department independently reviews and tests the controls over various operations and activities and evaluates their adequacy, effectiveness and compliance. Audit findings and recommendations are reported to the Audit Committee, senior management and the external auditor. In addition, progress on audit recommendations implementation is followed up on a regular basis and discussed with the Audit Committee.

During its annual review, the Audit Committee also considers the adequacy of resources, qualifications and experience of staff of the Group's Internal Audit Department, accounting and financial reporting function and their training programs and budgets.

To supplement the above, under the Code of Ethics and Business Conduct, employees can report any ethical misconduct, impropriety or fraud cases within the Group to the Johnson Electric Whistle Blower Hotline anonymously, or in writing in confidence without the fear of recrimination. The Company also has an Anti-Bribery Policy in place for the Board and all employees setting out the standards of conduct and practices for certain kinds of payment, gifts, entertainment and political contributions.

Details of the Group's risk management are set out on pages 23 to 32 of this announcement.

Based on the results of evaluations and representations made by the management, the Group's Internal Audit Department and the external auditor in FY23/24, the Audit Committee is satisfied that:

- There is an ongoing process for identifying, evaluating and managing the significant risks faced by the Group that threaten the achievement of its business objectives; and
- An appropriate, effective and adequate system of internal control and risk management has been in place in FY23/24 and up to the date of approval of the Annual Report.

Auditor

The Company's independent external auditor is PricewaterhouseCoopers. The Audit Committee is responsible for considering the appointment of the external auditor and also reviews any non-audit services performed by the external auditor for the Group. In particular, the Committee will consider whether such non-audit services could lead to any potential material conflict of interest.

During FY23/24 and FY22/23, the services and associated remuneration provided to the Group by PricewaterhouseCoopers were as follows:

US$ million	FY23/24	FY22/23
Audit	3.00	2.79
Tax services	0.86	1.14
Other advisory services	0.08	0.32

Corporate Governance Code

During the year ended 31 March 2024, the Company complied with the code provisions set out in the Corporate Governance Code contained in Appendix C1 of the Listing Rules, except for the following:

Code Provision B.2.2

Code B.2.2 provides that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

Under the Company's Bye-law 109(A), the director holding office as 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.

Code Provision C.2.1

Code C.2.1 provides, inter alia, that the roles of chairman and chief executive 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 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 that Dr. Wang should hold both offices. The Board believes that it is able to effectively monitor and assess management in a manner that properly protects and promotes the interests of shareholders.

Shareholders' Rights

Convening a Special General Meeting

Pursuant to Section 74 of the Bermuda Companies Act 1981, shareholder(s) holding at the date of the deposit of the requisition not less than one-tenth of the paid-up capital of the Company carrying the right of voting at general meetings of the Company shall have the right to submit a written requisition requiring a special general meeting ("SGM") to be called by the Board. The written requisition (i) must state the purposes of the SGM, and (ii) must be signed by the requisitionists and deposited at the registered office of the Company for attention of the Company Secretary of the Company, and may consist of several documents in like form, each signed by one or more requisitionists. Such requisitions will be verified with the Company's share registrars and upon their confirmation that the requisition is proper and in order, the Company Secretary will ask the Board to convene a SGM by serving sufficient notice to all shareholders. On the contrary, if the requisition has been verified as not in order, the requisitionists will be advised of this outcome and accordingly, the SGM will not be convened as requested.

If the Board does not within 21 days from the date of the deposit of the requisition proceed duly to convene a SGM, the requisitionists or any of them representing more than one-half of the total voting rights of all of them may convene a SGM, but any SGM so convened shall not be held after expiration of three months from the said date of deposit of the requisition. A SGM convened by the requisitionists shall be convened in the same manner, as nearly as possible, as that in any SGM to be convened by the Board.

Putting Forward Proposals at General Meetings

Pursuant to Sections 79 and 80 of the Bermuda Companies Act 1981, either any number of shareholders representing not less than one-twentieth of the paid-up capital of the Company carrying the right of voting at general meetings of the Company, or not less than 100 shareholders, can request the Company in writing to (a) give to shareholders entitled to receive notice of the next annual general meeting notice of any resolution which may properly be moved and is intended to be moved at that meeting; and (b) circulate to shareholders entitled to have notice of any general meeting sent to them any statement of not more than 1,000 words with respect to the matter referred to in any proposed resolution or the business to be dealt with at that meeting. The requisition signed by all the requisitionists must be deposited at the registered office of the Company with a sum reasonably sufficient to meet the Company's relevant expenses and not less than six weeks before the meeting in case of a requisition requiring notice of a resolution or not less than one week before the meeting in case of any other requisition.

Proposing a Person for Election as a Director

The procedures for proposing candidate(s) for election as director(s) at a general meeting are set out in the Shareholder and Bondholder Information under the Investors section of the website of the Group.

Enquiries to the Board

Shareholders may send their enquiries and concerns, in written form, to the Board by addressing them to the Company Secretary at 12 Science Park East Avenue, 6/F., Hong Kong Science Park, Shatin, New Territories, Hong Kong. Shareholders may also make enquiries to the Board at the general meetings of the Company. In addition, shareholders can contact Computershare Hong Kong Investor Services Limited, the share registrar of the Company in Hong Kong, if they have any enquiries about their shareholdings and entitlements to dividend.

Constitutional Documents

During FY23/24, the Company's Bye-laws were amended and the new Bye-laws were adopted by the shareholders of the Company at the annual general meeting held on 13 July 2023. The main purpose of the amendments was to bring the Bye-laws in line with the core shareholder protection standards set out in Appendix 3 to the Listing Rules and enhance flexibility to the Company by allowing a general meeting to be held as hybrid meeting. Please refer to the circular of the Company dated 14 June 2023 for details of the amendments.

The consolidated version of the Company's constitutional documents is available on the respective websites of the Group and HKEXnews.

Model Code for Securities Transactions

The Company 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 31 March 2024.

Communications with Shareholders

A Shareholders Communication Policy is in place to promote the on-going dialogue with the shareholders of the Company through various communication channels set out in the policy and to facilitate investor engagement with the Company.

The Company uses a number of formal communication channels to account to shareholders for the performance of the Group. These include the annual report and accounts, the interim report, periodic announcements made through the Stock Exchange, as well as through the annual general meeting. Copies of relevant corporate and financial information are also made available through the Group's website: *www.johnsonelectric.com*. The Group's website is one of the principal channels of communication with shareholders and potential investors.

During the year, the Company aims to provide its shareholders and potential investors with high standards of disclosure and financial transparency. In order to provide effective disclosure to investors and potential investors and to ensure they all receive equal access to the same information at the same time, inside information is released by way of formal public announcements as required by the Listing Rules. The Company supplements and follows up such announcements through periodic presentations, investor road shows and conference calls to facilitate the communication between the Company, shareholders and international investment community.

The Company encourages shareholders to attend and express their views and comments at its annual general meeting. The Chairman of the Board will invite the chairmen and/or members of the committees of the Board as well as external auditor to attend the Company's annual general meeting in person or by electronic means to answer shareholders' questions.

The Board has adopted a set of Internal Control and Reporting Measures in respect of Inside Information which provides guidance to Directors and management in handling and disseminating inside information. The Media and Investor Communication Policy adopted by the Group sets out guidelines to all staff to ensure inside information of the Group is to be handled in compliance with the legal requirement.

The Nomination and Corporate Governance Committee is responsible for reviewing the implementation and effectiveness of the Shareholders Communication Policy. The Committee has reviewed and based on the above mentioned including the timely publication and update of the communication on the Group's website, the provision of opportunities to shareholders to communicate with the Directors and chairmen of committees, and the periodic presentations and calls with the investment community, the Committee is of the view that the Policy is appropriate and the implementation of the Policy is effective.

Report of the Directors

The Directors have pleasure in submitting their report together with the audited consolidated financial statements for the year ended 31 March 2024.

Principal Activities

The principal activity of the Company is investment holding.

Business Review

The business review of the Group for the year ended 31 March 2024 are provided in the Letter to Shareholders and Management's Discussion and Analysis sections respectively from pages 2 to 4 and pages 5 to 52 of this announcement.

Results and Dividends

The results of the Group for the year ended 31 March 2024 are set out in the consolidated income statement on page 81 of this announcement.

The Directors declared an interim dividend of 17 HK cents (2.18 US cents) per share, totaling US$20.1 million which was paid on 17 January 2024.

In line with the Company's dividend policy, the Board recommends a final dividend payment of 44 HK cents (5.64 US cents) per share. The final dividend will be payable on 4 September 2024 in cash with no scrip alternative.

Distributable Reserves

As of 31 March 2024, the distributable reserves of the Company available for distribution as dividends were US$1,922.0 million, comprising retained earnings of US$1,863.8 million and contributed surplus of US$58.2 million.

Under the Bermuda Companies Act 1981 (as amended), the contributed surplus shall not be distributed to the shareholders if there are reasonable grounds for believing that:

(i) The Company is, or would after the payment be, unable to pay its liabilities as they become due; or

(ii) The realizable value of the Company's assets would thereby be less than its liabilities.

Directors

The Directors during the year and up to the date of this report were:

Executive Directors
Patrick Wang *SBS, JP*
Austin Wang

Non-Executive Directors
Yik-Chun Wang Koo
Winnie Mak Wang
Peter Wang
Patrick Paul *CBE, FCA* *
Michael Enright *
Joseph Yam *GBM, GBS, JP* *
Christopher Pratt *CBE* *
Catherine Bradley *CBE* *
Michelle Low *
David Rosenthal * (appointed on 6 March 2024)

* *Independent Non-Executive Director*

In accordance with Bye-law 100 of the Company's Bye-laws, Mr. David Rosenthal who was appointed as a director during the year, shall hold office until the forthcoming Annual General Meeting and, being eligible, offer himself for re-election.

In accordance with Bye-law 109(A) of the Company's Bye-laws, Mr. Austin Wang and Mr. Peter Wang shall retire from office by rotation and being eligible, offer themselves for re-election. Mr. Joseph Yam shall retire but will not stand for re-election.

None of the directors proposed for re-election at the forthcoming Annual General Meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

Directors' Interests in Transactions, Arrangements and Contracts

No transactions, arrangements and contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a Director of the Company or an entity connected with the Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Donations

During the year, the Group made donations of US$0.4 million (FY22/23: US$0.4 million).

Share Capital

Details of the movements in share capital of the Company during FY23/24 are set out in Note 19 to the accounts. Shares of the Company were issued during the year on election of scrip in lieu of cash dividend for the 2023 final dividend and 2023 interim dividend pursuant to the Company's scrip dividend scheme. Details are set out in the Note 27 to the accounts.

Bonds

Details of the Company's US$300 million 4.125% p.a. Bonds due 2024 are set out in Note 14 to the accounts.

Disclosure of Interests

Directors

As of 31 March 2024, the interests of each Director and Chief Executive of the Company in the shares of the Company or any of the Company's associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept under Section 352 of the SFO were as follows:

	Shares of HK$0.05 each of the Company			
Name	Personal Interests	Other Interests		Approximate % of shareholding
Yik-Chun Wang Koo	-	532,889,010	(Notes 1 & 2)	57.029
Patrick Wang	4,763,423	-	(Note 3)	0.509
Winnie Mak Wang	947,415	-	(Note 4)	0.101
Austin Wang	1,296,667	-	(Note 5)	0.138
Peter Wang	-	28,780,782	(Notes 6)	3.080
Patrick Paul	32,750	-		0.003
Michael Enright	15,250	-		0.001
Joseph Yam	11,750	-		0.001
Christopher Pratt	56,000	-		0.005
Catherine Bradley	6,500	-		0.000

Notes:
1. These shares were held, directly or indirectly, by the trustees of various trusts associated with the Wang family.
2. Duplications of shareholdings occurred among and between the parties shown below under Substantial Shareholders.
3. The interest comprises 2,394,178 underlying shares in respect of the awarded shares granted, which remained unvested, under the Johnson Electric Restricted and Performance Stock Unit Plan.
4. The interest comprises 153,669 underlying shares in respect of the awarded shares granted, which remained unvested, under the Johnson Electric Restricted and Performance Stock Unit Plan.
5. The interest comprises 798,059 underlying shares in respect of the awarded shares granted, which remained unvested, under the Johnson Electric Restricted and Performance Stock Unit Plan.
6. These shares were held under a trust of which Peter Wang was a beneficiary.

Save as disclosed above, the register maintained by the Company pursuant to Section 352 of the SFO recorded no other interests or short positions of the Directors and Chief Executive in the shares, underlying shares in, or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO).

Apart from the shares awarded pursuant to the Stock Unit Plan as described in the Report of the Directors, none of the Directors and Chief Executive (including their spouses and children under 18 years of age) had any interests in, or had been granted, or exercised, any rights to subscribe for shares of the Company or its associated corporations required to be disclosed pursuant to the SFO.

Substantial Shareholders

As of 31 March 2024, the shareholders' interests being 5% or more of the Company's issued share capital as shown in the register of substantial shareholders maintained under Section 336 of the SFO or as otherwise notified to the Company and the Stock Exchange are set out below:

Name	Capacity	Numbers of shares held	Approximate % of shareholding
Yik-Chun Wang Koo	Beneficiary of family trusts	532,889,010 (Notes 1 & 2)	57.02
Deltec Bank & Trust Limited	Trustee	221,760,000 (Note 1)	23.73
HSBC International Trustee Limited	Trustee	217,070,710 (Note 1 & 3)	23.23
Winibest Company Limited	Beneficial owner	217,743,364 (Note 4)	23.30
Federal Trust Company Limited	Trustee	122,166,428 (Note 1)	13.07
Merriland Overseas Limited	Interest of controlled Corporation	61,896,046 (Note 5)	6.62

Notes:

1. The shares in which Deltec Bank & Trust Limited was interested, 217,743,364 of the shares in which HSBC International Trustee Limited was interested and 93,385,646 of the shares in which Federal Trust Company Limited was interested were held, directly or indirectly, by them as trustees of various trusts associated with the Wang family and were included in the shares in which Yik-Chun Wang Koo was interested as referred to above under Directors' Disclosure of Interests.
2. The shares in which Yik-Chun Wang Koo was interested as referred to above formed part of the shares referred to in Note 1.
3. The number of shares held is based on the Corporate Substantial Shareholder Notice filed with the Stock Exchange on 11 September 2023.
4. The interests of Winibest Company Limited in the Company formed part of the interests in the Company held by HSBC International Trustee Limited.
5. The interests of Merriland Overseas Limited in the Company formed part of the interests in the Company held by Federal Trust Company Limited.

Save as disclosed herein, as of 31 March 2024, the register maintained by the Company pursuant to Section 336 of the SFO recorded no other persons had any interests or short positions in the shares and underlying shares of the Company.

Share Award Scheme

A new Restricted and Performance Stock Unit Plan ("2023 Stock Unit Plan") was approved by the shareholders on 13 July 2023. The Restricted and Performance Stock Unit Plan which was adopted on 9 July 2015 ("2015 Stock Unit Plan") was terminated by the shareholders on 13 July 2023 and no further grants of share awards under the 2015 Stock Unit Plan could be made afterwards. Unvested share awards granted under the 2015 Stock Unit Plan continue to be valid subject to the provisions of the 2015 Stock Unit Plan which together with 2023 Stock Unit Plan are collectively as "Stock Unit Plan". The Board may grant time-vested units (Restricted Stock Units ("RSU")) and performance-vested units (Performance Stock Units ("PSU")) or cash payment in lieu of shares to such eligible employees and directors as the Board may select at its absolute discretion under the 2023 Stock Unit Plan.

The purpose of the Stock Unit Plan is to align management with ownership. The Stock Unit Plan helps to attract skilled and experienced personnel, incentivize them to remain with the Group and to motivate them to strive for the future development and expansion of the Group.

The following is a summary of the 2023 Stock Unit Plan:

1. Participants

The participants of the 2023 Stock Unit Plan are the Directors, the directors of the Company's subsidiaries and the employees of the Group who the Board considers, in its sole and absolute discretion, have contributed or will contribute to the Group ("Participants").

2. Awards

A contingent right to receive either fully paid ordinary shares of the Company or a cash payment, in either case is awarded pursuant to the 2023 Stock Unit Plan ("Awards").

3. Term

Subject to any early termination of the 2023 Stock Unit Plan in accordance with the 2023 Stock Unit Plan, the 2023 Stock Unit Plan shall be valid and effective for a term of 10 years commencing from the date of adoption of the 2023 Stock Unit Plan ("Term").

4. Eligibility

The Board may, at its discretion, invite directors and employees of the Group, who the Board considers, in its sole and absolute discretion, have contributed or will contribute to the Group, to participate in the 2023 Stock Unit Plan.

5. Administration

The 2023 Stock Unit Plan shall be subject to the administration of the remuneration committee and the Board. The Company may appoint a professional trustee to assist with the administration and vesting of Awards granted.

6. Grant of Awards

The Board may, at any time during the Term, at its sole and absolute discretion, make an offer of the grant of an Award ("Grant") to any Participant as the Board may in its sole and absolute discretion select, subject to the terms of the 2023 Stock Unit Plan.

Any offer of the Grant to any Director, chief executive or substantial shareholder of the Company, or any of their respective associates, shall be subject to the prior approval of the independent non-executive Directors (excluding any independent non-executive Director who is the proposed grantee of the grant in question) of the Company and all grants to connected persons shall be subject to compliance with the requirements of the Listing Rules.

7. Vesting of Awards

Subject to the terms of the 2023 Stock Unit Plan, the Board may determine from time to time such vesting conditions or vesting periods for an Award to be vested. For the purpose of satisfying the grant of Awards, the Board shall determine whether the Company shall, at its sole and absolute discretion, (a) allot and issue new shares (by using the general mandate to issue and allot shares for grantees who are not connected persons); and/or (b) direct and procure the trustee of the 2023 Stock Unit Plan appointed by the Company to acquire through on-market purchases of shares; and/or (c) pay or procure the payment of a cash payment.

8. Maximum Number of Shares to be Granted

The total number of shares that may underlie the Awards granted pursuant to the 2023 Stock Unit Plan and any other equity-based incentive awards granted under any other equity-based incentive schemes of the Company shall not exceed 10% of the aggregate number of shares of the Company in issue as of the date of adoption of the 2023 Stock Unit Plan ("Scheme Mandate Limit").

The Scheme Mandate Limit may be renewed subject to prior approval of the shareholders of the Company but, in any event, the total number of shares that may underlie the Awards granted following the new approval date under the limit as renewed must not exceed 10% of the aggregate number of shares of the Company in issue as of the new approval date. Shares underlying the Awards granted pursuant to the 2023 Stock Unit Plan (including those outstanding, cancelled or vested Awards) prior to the new approval date will not be counted for the purpose of determining the maximum aggregate number of shares that may underlie the Awards granted following the new approval date under the limit as renewed. For the avoidance of doubt, shares issued prior to the new approval date pursuant to the vesting of Awards granted pursuant to the 2023 Stock Unit Plan will be counted for the purpose of determining the aggregate number of shares in issue as of the new approval date.

9. Maximum Entitlement of Each Participant

Where any grant of Awards to a grantee would result in the shares issued and to be issued in respect of all options, awards and Awards granted to such grantee (excluding any options, awards and Awards lapsed in accordance with the terms of the 2023 Stock Unit Plan or the other share schemes of the Company) in the 12-month period up to and including the date of such grant representing in aggregate over 1% of the shares in issue, such grant must be separately approved by shareholders in general meeting with such grantee and his close associates (or associates if the grantee is a connected person) abstaining from voting.

Where any grant of Awards to an independent non-executive Director or a substantial shareholder of the Company or any of his associates would result in the shares issued and to be issued in respect of all options, awards and Awards granted (excluding any options, awards and Awards lapsed in accordance with the terms of the 2023 Stock Unit Plan or the other share schemes of the Company) to such grantee in the 12-month period up to and including the date of such grant, representing in aggregate over 0.1% of the shares in issue, such further grant of Awards must be approved by the shareholders in the Company's general meeting with such grantee, his associates, and all core connected persons of the Company abstaining from voting in favour at such general meeting.

10. Dividends and Voting Rights

The Awards do not carry any right to vote at general meetings. A grantee shall not be entitled to any dividends or distributions in respect of any shares underlying the Awards granted until such shares have been allotted and issued or transferred (as the case may be) to the grantee.

11. Transferability

Subject to the terms of the 2023 Stock Unit Plan, an Award shall be personal to the grantee and shall not be assignable or transferable. A grantee shall not in any way sell, transfer, charge, mortgage, encumber or create any interests in favour of any third party over or in relation to any Award.

12. Alteration

The Board may alter any of the terms of the 2023 Stock Unit Plan at any time provided that any changes to the authority of the Board in relation to any alteration of the terms of the 2023 Stock Unit Plan shall not be made without the prior approval of shareholders of the Company in general meeting or any alterations to the terms and conditions of the 2023 Stock Unit Plan which are of a material nature or are related to the matters set out in Rule 17.03 of the Listing Rules to the advantage of the Participants must be approved by the shareholders of the Company in general meeting, except where the alterations or changes take effect automatically under the existing terms of the 2023 Stock Unit Plan.

13. Termination

The Company by ordinary resolution in general meeting or the Board may at any time terminate the 2023 Stock Unit Plan and, in such event, no further Awards may be granted but in all other respects the terms of the 2023 Stock Unit Plan shall remain in full force and effect in respect of Awards which are granted during the Term and which remain unvested immediately prior to the termination.

During the year ended 31 March 2024, the Company purchased 6,508,500 shares of the Company at a cost of HK$67.89 million in connection with the Stock Unit Plan. The highest and the lowest purchase price paid per share were HK$12.22 and HK$9.00, respectively.

Details of the interests of the Directors, three top paid senior management (excluding two Executive Directors) and other selected employees in the Stock Unit Plan are set out below.

Name	Award Date (dd/mm/yyyy)	Award Type	Award Units	Number of unvested units held as of 1 April 2023	Granted during the year	Vested in shares during the year	Vested in cash during the year	Lapsed during the year	Number of unvested units held as of 31 March 2024	Vesting Date (dd/mm/yyyy)	Closing price of the shares before the vesting date
Directors											
Patrick Wang	01/06/2020	RSU	423,280	423,280	-	359,788	63,492	-	-	01/06/2023	HK$9.60
	01/06/2021	RSU	184,403	184,403	-	-	-	-	184,403	01/06/2024	
	01/06/2022	RSU	388,036	388,036	-	-	-	-	388,036	01/06/2025	
	01/06/2023	RSU	385,233	-	385,233	-	-	-	385,233	01/06/2026	
	01/06/2020	PSU	282,187	282,187	-	179,894	31,746	70,547	-	01/06/2023	HK$9.60
	01/06/2021	PSU	276,604	276,604	-	-	-	-	276,604	01/06/2024	
	01/06/2022	PSU	582,053	582,053	-	-	-	-	582,053	01/06/2025	
	01/06/2023	PSU	577,849	-	577,849	-	-	-	577,849	01/06/2026	
Winnie Mak Wang	01/06/2020	RSU	141,094	141,094	-	119,930	21,164	-	-	01/06/2023	HK$9.60
	01/06/2021	RSU	61,468	61,468	-	-	-	-	61,468	01/06/2024	
	01/06/2020	PSU	94,062	94,062	-	59,965	10,582	23,515	-	01/06/2023	HK$9.60
	01/06/2021	PSU	92,201	92,201	-	-	-	-	92,201	01/06/2024	
Austin Wang	01/06/2020	RSU	141,094	141,094	-	119,930	21,164	-	-	01/06/2023	HK$9.60
	01/06/2021	RSU	61,468	61,468	-	-	-	-	61,468	01/06/2024	
	01/06/2022	RSU	129,345	129,345	-	-	-	-	129,345	01/06/2025	
	01/06/2023	RSU	128,411	-	128,411	-	-	-	128,411	01/06/2026	
	01/06/2020	PSU	94,062	94,062	-	59,965	10,582	23,515	-	01/06/2023	HK$9.60
	01/06/2021	PSU	92,201	92,201	-	-	-	-	92,201	01/06/2024	
	01/06/2022	PSU	194,018	194,018	-	-	-	-	194,018	01/06/2025	
	01/06/2023	PSU	192,616	-	192,616	-	-	-	192,616	01/06/2026	

Name	Award Date (dd/mm/yyyy)	Award Type	Award Units	Number of unvested units held as of 1 April 2023	Granted during the year	Vested in shares during the year	Vested in cash during the year	Lapsed during the year	Number of unvested units held as of 31 March 2024	Vesting Date (dd/mm/yyyy)	Closing price of the shares before the vesting date
Three Top Paid Senior Management (excluding two Executive Directors)											
	01/06/2018	RSU	250,000	250,000	-	212,500	37,500	-	-	01/06/2023	HK$9.60
	01/06/2020	RSU	467,373	467,373	-	397,267	70,106	-	-	01/06/2023	HK$9.60
	01/06/2021	RSU	203,612	203,612	-	-	-	-	203,612	01/06/2024	
	01/06/2022	RSU	428,456	428,456	-	-	-	-	428,456	01/06/2025	
	01/06/2023	RSU	585,876	-	585,876	-	-	-	585,876	01/06/2026	
	01/06/2020	PSU	311,580	311,580	-	198,633	35,053	77,894	-	01/06/2023	HK$9.60
	01/06/2021	PSU	305,416	305,416	-	-	-	-	305,416	01/06/2024	
	01/06/2022	PSU	642,684	642,684	-	-	-	-	642,684	01/06/2025	
	01/06/2023	PSU	638,041	-	638,041	-	-	-	638,041	01/06/2026	
Other Selected Employees											
	01/06/2018	RSU	110,000	110,000	-	80,000	30,000	-	-	01/06/2023	HK$9.60
	01/06/2020	RSU	2,198,112	1,482,651	-	1,129,646	323,611	29,394	-	01/06/2023	HK$9.60
	01/09/2020	RSU	684,248	587,804	-	502,197	57,435	28,172	-	01/06/2023	HK$9.60
	25/01/2021	RSU	72,926	72,926	-	61,987	10,939	-	-	01/06/2023	HK$9.60
	25/01/2021	RSU	121,544	121,544	-	-	-	-	121,544	01/12/2025	
	01/06/2021	RSU	1,575,690	1,259,899	-	-	-	61,931	1,197,968	01/06/2024	
	01/06/2021	RSU	9,604	9,604	-	6,723	2,881	-	-	04/10/2023	HK$9.15
	01/06/2021	RSU	26,892	26,892	-	22,859	4,033	-	-	30/11/2023	HK$12.08
	01/06/2021	RSU	1,921	1,921	-	1,921	-	-	-	22/01/2024	HK$10.76
	01/06/2021	RSU	960	960	-	960	-	-	-	13/03/2024	HK$10.84
	01/06/2021	RSU	768	768	-	768	-	-	-	20/03/2024	HK$11.06
	01/06/2021	RSU	10,757	10,757	-	10,757	-	-	-	16/08/2023	HK$10.32
	01/06/2021	RSU	1,153	1,153	-	1,153	-	-	-	03/07/2023	HK$10.02
	15/06/2021	RSU	116,030	116,030	-	98,625	17,405	-	-	01/06/2023	HK$9.60
	15/06/2021	RSU	71,403	71,403	-	-	-	-	71,403	01/06/2024	
	01/06/2022	RSU	3,355,693	3,303,956	-	-	-	179,869	3,124,087	01/06/2025	
	01/06/2022	RSU	52,546	52,546	-	44,664	7,882	-	-	30/11/2023	HK$12.08
	01/06/2022	RSU	22,636	22,636	-	22,636	-	-	-	16/08/2023	HK$10.32
	30/09/2022	RSU	66,794	66,794	-	-	-	-	66,794	30/09/2025	
	01/01/2023	RSU	5,000	5,000	-	5,000	-	-	-	31/12/2023	HK$12.40
	01/06/2023	RSU	2,906,424	-	2,906,424	-	-	137,881	2,768,543	01/06/2026	
	13/07/2023	RSU	36,311	-	36,311	-	-	-	36,311	01/06/2026	
	09/11/2023	RSU	60,837	-	60,837	-	-	-	60,837	01/06/2026	
	01/06/2020	PSU	1,067,604	716,047	-	420,284	116,759	179,004	-	01/06/2023	HK$9.60
	25/01/2021	PSU	48,617	48,617	-	30,994	5,469	12,154	-	01/06/2023	HK$9.60
	01/06/2021	PSU	1,204,374	936,991	-	-	-	16,135	920,856	01/06/2024	
	01/06/2021	PSU	16,135	16,135	-	16,135	-	-	-	16/08/2023	HK$10.32
	01/06/2022	PSU	2,371,868	2,107,518	-	-	-	33,953	2,073,565	01/06/2025	
	01/06/2022	PSU	33,953	33,953	-	33,953	-	-	-	16/08/2023	HK$10.32
	01/06/2023	PSU	2,195,829	-	2,195,829	-	-	33,708	2,162,121	01/06/2026	

Notes:

(1) The closing price of the shares, immediately before the date on which the awards were granted are shown as below:

Date of grant	Closing price of shares immediately before the date of grant HK$
01/06/2023	9.60
13/07/2023	10.70
09/11/2023	10.14

(2) The PSU is subject to a performance target so as to achieve the purpose of the Stock Unit Plan. The performance target shall be based on the performance of the grantee and/or group profitability, cumulative or annual earnings per share, revenue or revenue growth, total shareholder returns or such other measures, and/or such other performance target to be determined by the Board to align with the strategic direction of the Company, in its absolute discretion, which shall be set out in the relevant notice of grant in relation to the grant of Awards issued to each grantee.

Movements in the number of unvested units granted as of the date of this report under the Stock Unit Plan on a combined basis are as follows:

	Number of unvested units granted (thousands)			% of total number of issued shares
	RSU	PSU	Total	
Unvested units granted, as of 31 March 2023	10,205	6,826	17,031	1.83%
Units granted to Directors and employees during the year	4,103	3,604	7,707	0.82%
Shares vested to Directors and employees during the year	(3,867)	(1,210)	(5,077)	0.54%
Forfeited during the year	(437)	(470)	(907)	0.10%
Unvested units granted, as of 31 March 2024 and as of the date of this report	10,004	8,750	18,754	2.01%

As of the date of this report, the number of unvested units granted under the Stock Unit Plan are as follows:

	Number of unvested units granted (thousands)			% of total number of issued shares
Vesting period	RSU	PSU	Total	
FY24/25	1,781	1,687	3,468	0.37%
FY25/26	4,258	3,492	7,750	0.83%
FY26/27	3,965	3,571	7,536	0.81%
Unvested units granted, as of the date of this report	10,004	8,750	18,754	2.01%

The total number of shares available for grant under the 2015 Stock Unit Plan as of 1 April 2023 was 45,731,282 shares. As of 13 July 2023, the total number of shares available for grant under the 2015 Stock Unit Plan was 38,121,003, on which date, the 2015 Stock Unit Plan was terminated. On 13 July 2023, the 2023 Stock Unit Plan was adopted pursuant to which the total number of shares available for grant was 92,868,709 shares. Total 97,148 share awards were granted under the 2023 Stock Unit Plan during the year ended 31 March 2024, hence the total number of shares available for grant was 92,771,561 shares, representing approximately 9.93% of the issued share capital of the Company as of the date of this announcement.

Apart from the Stock Unit Plan mentioned above, there were no other arrangements to which the Company or its subsidiaries was a party to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Purchase, Sale or Redemption of Listed Securities

Save as disclosed in Note 19 to the accounts and other than for satisfying the shares granted under the Company's Share Award Scheme, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares during the year ended 31 March 2024.

Johnson Electric Group Ten-Year Summary

A summary of the results and of the assets and liabilities of the Group for the previous ten financial years are set out on pages 152 to 153.

Pre-emptive Rights

No pre-emptive rights exist under the laws of Bermuda in relation to issues of new shares by the Company.

Major Suppliers and Customers

During the year, the Group purchased less than 30% of its goods and services from its five largest suppliers and sold less than 30% of its goods and services to its five largest customers.

Management Contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or existed during the year.

Related Party Transactions

None of these material related party transactions constitutes a discloseable connected transaction as defined under the Listing Rules.

Equity-Linked Agreements

Other than the Share Award Scheme of the Company as disclosed, no equity-linked agreements were entered into by the Company during the year or subsisted at the end of the year.

Particulars of the Share Award Scheme are set out in Note 19 to the accounts.

Permitted Indemnity Provision

During the financial year and up to the date of this report, subject to the applicable laws, the directors of the Company and its subsidiaries are entitled to be indemnified pursuant to the provisions in force for the benefit of directors against liabilities incurred in the execution and discharge of their duties in accordance with the respective articles of associations or constitutional documents of the Company and its subsidiaries.

Public Float

Based on the information that is publicly available to the Company and within the knowledge of the Directors of the Company, as of the date of this report, there is sufficient public float of more than 25% of the Company's issued shares as required under the Listing Rules.

Corporate Governance

Principal corporate governance practices as adopted by the Company are set out in the Corporate Governance Report on pages 53 to 66.

Disclosure under Rule 13.21 of the Listing Rules

On 15 August 2023, the Company (as guarantor) entered into a facilities agreement ("Facilities Agreement") with, among others, certain financial institutions (as original lenders) in relation to the facilities up to a maximum amount of US$400 million comprising of a US$200 million term loan facility and a US$200 million revolving credit facility to be made available to Johnson Electric Industrial Manufactory, Limited, a wholly-owned subsidiary of the Company, for financing the general working capital of the Group and refinancing the existing indebtedness of the Group. The final repayment date is 60 months from the first utilization date.

Announcement regarding the entering into the Facilities Agreement was made on 15 August 2023, disclosing that if the Wang Family (as defined therein) ceases to be the single largest shareholder of the Company, the loans under the Facilities Agreement may become immediately due.

Auditor

The financial statements have been audited by PricewaterhouseCoopers, who retire and, being eligible, offer themselves for re-appointment.

Dividend

Dividend Policy

Johnson Electric seeks to provide shareholders with stable and sustainable dividends that form a meaningful contribution to long-term "total shareholder return". Among the factors that the Board considers in determining the amount of dividends paid in any financial year are current and projected net profits, current and projected free cash flow (net of capital expenditure), and the maintenance of a prudent capital structure to fund organic growth.

After a thorough review of its financial status and anticipated capital needs, the Board has concluded that the company will discontinue offering a scrip alternative for the dividend. This change will take effect starting with the final dividend for the fiscal year 23/24.

Final Dividend

The Board will recommend at the Annual General Meeting to be held on 12 July 2024 (Friday) a final dividend of 44 HK cents equivalent to 5.64 US cents per share (2023: 34 HK cents or 4.36 US cents) payable on 4 September 2024 (Wednesday) in cash with no scrip alternative to persons who are registered shareholders of the Company on 23 July 2024 (Tuesday).

Closing Register of Shareholders

Attending Annual General Meeting

The Register of Shareholders of the Company will be closed from 9 July 2024 (Tuesday) to 12 July 2024 (Friday) inclusive, during which no transfer of shares will be registered.

In order to qualify for attending and voting at the Annual General Meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company's share 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 share registrar in Bermuda) for registration, not later than 4:30 p.m. on 8 July 2024 (Monday).

Final Dividend

The Register of Shareholders of the Company will be closed from 19 July 2024 (Friday) to 23 July 2024 (Tuesday) 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 share 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 share registrar in Bermuda) for registration, not later than 4:30 p.m. on 18 July 2024 (Thursday). Shares of the Company will be traded ex-dividend as from 17 July 2024 (Wednesday).

Consolidated Balance Sheet

As of 31 March 2024

	Note	2024 US$'000	2023 US$'000
Non-current assets			
Property, plant and equipment	3	**1,513,402**	1,631,070
Investment property	4	**17,221**	18,340
Intangible assets	5	**183,611**	216,105
Investments in associate and joint venture	6	**6,335**	6,023
Other financial assets	7	**106,348**	173,023
Financial assets at fair value through profit and loss	8	**32,155**	48,807
Defined benefit pension plan assets	16	**18,758**	17,555
Deferred income tax assets	18	**89,049**	76,937
Other non-current assets	3	**21,818**	19,833
Government Green Bonds at amortized cost		**-**	5,081
		1,988,697	2,212,774
Current assets			
Inventories	9	**551,480**	588,997
Trade and other receivables	10	**773,199**	808,248
Other financial assets	7	**68,994**	54,406
Financial assets at fair value through profit and loss	8	**13,076**	19,411
Income tax recoverable		**11,230**	9,090
Government Green Bonds at amortized cost		**4,933**	-
Time deposits with maturities over three months	11	**60,000**	-
Cash and cash equivalents	11	**749,859**	408,664
		2,232,771	1,888,816
Current liabilities			
Trade and other payables	12	**724,133**	771,291
Current income tax liabilities		**40,026**	40,651
Other financial liabilities	7	**8,147**	8,818
Borrowings	14	**308,529**	106,880
Lease liabilities	15	**18,852**	27,665
Retirement benefit obligations	16	**1,014**	951
Provisions and other liabilities	17	**45,870**	25,155
		1,146,571	981,411
Net current assets		**1,086,200**	907,405
Total assets less current liabilities		**3,074,897**	3,120,179

	Note	2024 US$'000	2023 US$'000
Non-current liabilities			
Trade and other payables	12	**43,048**	44,808
Other financial liabilities	7	**4,003**	13,318
Borrowings	14	**252,275**	367,144
Lease liabilities	15	**54,989**	65,732
Deferred income tax liabilities	18	**78,809**	98,608
Retirement benefit obligations	16	**35,535**	26,257
Provisions and other liabilities	17	**9,571**	8,921
		478,230	624,788
NET ASSETS		**2,596,667**	2,495,391
Equity			
Share capital - ordinary shares (at par value)	19	**6,026**	5,989
Shares held for share award scheme (at purchase cost)	19	**(17,413)**	(20,479)
Share premium	19	**88,963**	72,204
Reserves	20	**2,474,433**	2,389,224
		2,552,009	2,446,938
Non-controlling interests		**44,658**	48,453
TOTAL EQUITY		**2,596,667**	2,495,391

Consolidated Income Statement

For the year ended 31 March 2024

	Note	2024 US$'000	2023 US$'000
Sales	2	**3,814,213**	3,646,119
Cost of goods sold		**(2,963,493)**	(2,930,208)
Gross profit		**850,720**	715,911
Other (expenses) / income, net	21	**(13,397)**	41,052
Selling and administrative expenses	22	**(541,794)**	(556,427)
Restructuring and other related costs	23	**(10,207)**	(1,822)
Operating profit		**285,322**	198,714
Share of (losses) of associate and joint venture	6	**(2,609)**	(1,607)
Finance income	24	**19,992**	5,605
Finance costs	24	**(31,560)**	(21,677)
Profit before income tax		**271,145**	181,035
Income tax expense	18	**(38,806)**	(19,770)
Profit for the year		**232,339**	161,265
Profit attributable to non-controlling interests		**(3,110)**	(3,460)
Profit attributable to shareholders		**229,229**	157,805
Basic earnings per share for profit attributable to the shareholders for the year (expressed in US cents per share)	26	**24.83**	17.42
Diluted earnings per share for profit attributable to the shareholders for the year (expressed in US cents per share)	26	**24.71**	17.33

Please see Note 27 for details of dividend.

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2024

	Note	2024 US$'000	2023 US$'000
Profit for the year		**232,339**	161,265
Other comprehensive income / (expenses)			
Items that will not be recycled to profit and loss:			
Defined benefit plans			
– remeasurements	16 & 20	**(8,825)**	15,416
– deferred income tax effect	18 & 20	**1,509**	(1,596)
Long service payment			
– remeasurements	16 & 20	**(1,000)**	(1,185)
– deferred income tax effect	18 & 20	**(16)**	47
Hedging instruments for transactions resulting in the recognition in inventories and subsequently recognized in the income statement upon consumption			
– raw material commodity contracts			
– fair value (losses), net	20	**(3,061)**	(22,325)
– transferred to inventory and subsequently recognized in the income statement	7(e) & 20	**(16,176)**	(26,771)
– deferred income tax effect	20	**3,174**	8,101
Hyperinflation adjustments		**(2,746)**	-
Currency translations of subsidiaries		**(1,267)**	-
Total items that will not be recycled to profit and loss directly		**(28,408)**	(28,313)
Items that will be recycled to profit and loss:			
Hedging instruments			
– forward foreign currency exchange contracts			
– fair value (losses) / gains, net	20	**(21,531)**	941
– transferred to the income statement	20	**(6,606)**	(11,730)
– deferred income tax effect	20	**5,855**	1,752
– net investment hedge			
– fair value gains, net	20	**9,299**	4,149
Hyperinflation adjustments		**4,990**	-
Currency translations of subsidiaries		**(33,429)**	(122,658)
Currency translations of associate and joint venture	20	**(79)**	(211)
Total items that will be recycled to profit and loss directly		**(41,501)**	(127,757)
Other comprehensive (expenses) for the year, net of tax		**(69,909)**	(156,070)
Total comprehensive income for the year, net of tax		**162,430**	5,195
Total comprehensive income attributable to:			
Shareholders		**160,587**	8,911
Non-controlling interests			
Share of profits for the year		**3,110**	3,460
Currency translations		**(1,267)**	(7,176)
		162,430	5,195

Consolidated Statement of Changes in Equity

For the year ended 31 March 2024

	Note	Attributable to shareholders of the Company: Share capital and share premium US$'000	Other reserves * US$'000	Retained earnings US$'000	Total US$'000	Non-controlling interests US$'000	Total equity US$'000
As of 31 March 2023		57,714	72,490	2,316,734	2,446,938	48,453	2,495,391
Profit for the year		-	-	229,229	229,229	3,110	232,339
Other comprehensive income / (expenses):							
Hedging instruments							
– raw material commodity contracts							
– fair value losses, net	20	-	(3,061)	-	(3,061)	-	(3,061)
– transferred to inventory and subsequently recognized in the income statement	7(e) & 20	-	(16,176)	-	(16,176)	-	(16,176)
– deferred income tax effect	20	-	3,174	-	3,174	-	3,174
– forward foreign currency exchange contracts							
– fair value losses, net	20	-	(21,531)	-	(21,531)	-	(21,531)
– transferred to the income statement	20	-	(6,606)	-	(6,606)	-	(6,606)
– deferred income tax effect	20	-	5,855	-	5,855	-	5,855
– net investment hedge							
– fair value gains, net	20	-	9,299	-	9,299	-	9,299
Defined benefit plans							
– remeasurements	16 & 20	-	-	(8,825)	(8,825)	-	(8,825)
– deferred income tax effect	18 & 20	-	-	1,509	1,509	-	1,509
Long service payment							
– remeasurements	16 & 20	-	-	(1,000)	(1,000)	-	(1,000)
– deferred income tax effect	18 & 20	-	-	(16)	(16)	-	(16)
Hyperinflation adjustments		-	4,990	(2,746)	2,244	-	2,244
Currency translations of subsidiaries	20	-	(33,429)	-	(33,429)	(1,267)	(34,696)
Currency translations of associate and joint venture	20	-	(79)	-	(79)	-	(79)
Total comprehensive income / (expenses) for FY23/24		-	(57,564)	218,151	160,587	1,843	162,430
Transactions with shareholders:							
Appropriation of retained earnings to statutory reserve	20	-	4,938	(4,938)	-	-	-
Share award scheme							
– shares vested	20	20,854	(20,854)	-	-	-	-
– value of employee services	20	-	5,662	-	5,662	-	5,662
– purchase of shares	19	(8,705)	-	-	(8,705)	-	(8,705)
Dividends paid to non-controlling interests		-	-	-	-	(5,638)	(5,638)
FY22/23 final dividend paid							
– cash paid	20	-	-	(37,431)	(37,431)	-	(37,431)
– shares issued in respect of scrip dividend	20	2,891	-	(2,891)	-	-	-
– scrip dividend for shares held for share award scheme	20	(245)	-	245	-	-	-
FY23/24 interim dividend paid							
– cash paid	20	-	-	(15,042)	(15,042)	-	(15,042)
– shares issued in respect of scrip dividend	20	5,222	-	(5,222)	-	-	-
– scrip dividend for shares held for share award scheme	20	(155)	-	155	-	-	-
Total transactions with shareholders		19,862	(10,254)	(65,124)	(55,516)	(5,638)	(61,154)
As of 31 March 2024		**77,576 ****	**4,672**	**2,469,761**	**2,552,009**	**44,658**	**2,596,667**

* Other reserves mainly represent capital reserve, exchange reserve, share-based employee compensation reserve, hedging reserve, property revaluation reserve, statutory reserve, reserve arising from shares vested for share award scheme and goodwill on consolidation

** The total of US$77.6 million comprised share capital of US$6.0 million, share premium of US$89.0 million and shares held for share award scheme of US$(17.4) million

Consolidated Statement of Changes in Equity

For the year ended 31 March 2023

		Attributable to shareholders of the Company					
	Note	Share capital and share premium US$'000	Other reserves * US$'000	Retained earnings US$'000	Total US$'000	Non-controlling interests US$'000	Total equity US$'000
As of 31 March 2022		24,741	161,273	2,230,271	2,416,285	85,429	2,501,714
Profit for the year		-	-	157,805	157,805	3,460	161,265
Other comprehensive income / (expenses):							
Hedging instruments							
– raw material commodity contracts							
– fair value losses, net	20	-	(22,325)	-	(22,325)	-	(22,325)
– transferred to inventory and subsequently recognized in the income statement	7(e) & 20	-	(26,771)	-	(26,771)	-	(26,771)
– deferred income tax effect	20	-	8,101	-	8,101	-	8,101
– forward foreign currency exchange contracts							
– fair value gains, net	20	-	941	-	941	-	941
– transferred to the income statement	20	-	(11,730)	-	(11,730)	-	(11,730)
– deferred income tax effect	20	-	1,752	-	1,752	-	1,752
– net investment hedge							
– fair value gains, net	20	-	4,149	-	4,149	-	4,149
Defined benefit plans							
– remeasurements	16 & 20	-	-	15,416	15,416	-	15,416
– deferred income tax effect	18 & 20	-	-	(1,596)	(1,596)	-	(1,596)
Long service payment							
– remeasurements	16 & 20	-	-	(1,185)	(1,185)	-	(1,185)
– deferred income tax effect	18 & 20	-	-	47	47	-	47
Currency translations of subsidiaries	20	-	(115,482)	-	(115,482)	(7,176)	(122,658)
Currency translations of associate and joint venture	20	-	(211)	-	(211)	-	(211)
Total comprehensive income / (expenses) for FY22/23		-	(161,576)	170,487	8,911	(3,716)	5,195
Hyperinflation adjustments		-	2,737	(1,581)	1,156	-	1,156
Transactions with shareholders:							
Appropriation of retained earnings to statutory reserve	20	-	1,950	(1,950)	-	-	-
Share award scheme							
– shares vested	20	6,703	(6,703)	-	-	-	-
– value of employee services	20	-	2,618	-	2,618	-	2,618
– purchase of shares	19	(603)	-	-	(603)	-	(603)
Acquisition of non-controlling interests		-	72,191	(41,196)	30,995	(30,995)	-
Non-controlling interest arising on business combination		-	-	-	-	4,017	4,017
Dividends paid to non-controlling interests		-	-	-	-	(6,282)	(6,282)
FY21/22 final dividend paid							
– cash paid	20	-	-	(7,188)	(7,188)	-	(7,188)
– shares issued in respect of scrip dividend	20	12,437	-	(12,437)	-	-	-
– scrip dividend for shares held for share award scheme	20	(157)	-	157	-	-	-
FY22/23 interim dividend paid							
– cash paid	20	-	-	(5,236)	(5,236)	-	(5,236)
– shares issued in respect of scrip dividend	20	14,767	-	(14,767)	-	-	-
– scrip dividend for shares held for share award scheme	20	(174)	-	174	-	-	-
Total transactions with shareholders		32,973	70,056	(82,443)	20,586	(33,260)	(12,674)
As of 31 March 2023		57,714	72,490	2,316,734	2,446,938	48,453	2,495,391

* Other reserves mainly represent capital reserve, exchange reserve, share-based employee compensation reserve, hedging reserve, property revaluation reserve, statutory reserve, reserve arising from put option written to a non-controlling interest and goodwill on consolidation

Consolidated Cash Flow Statement

For the year ended 31 March 2024

	Note	2024 US$'000	2023 US$'000
Cash flows from operating activities			
Earnings before interest, tax, depreciation and amortization	29	**560,202**	472,867
Other non-cash items	29	**44,318**	(16,383)
Change in working capital	29	**70,259**	27,525
Cash generated from operations	29	**674,779**	484,009
Interest paid		**(30,440)**	(22,253)
Income taxes paid		**(62,456)**	(29,264)
Net cash generated from operating activities		**581,883**	432,492
Investing activities			
Purchase of property, plant and equipment		**(184,917)**	(226,562)
Proceeds from disposal of property, plant and equipment	29	**6,660**	5,125
Capitalized expenditure of engineering development	5 & 25	**(1,237)**	(1,881)
Finance income received		**19,992**	5,605
		(159,502)	(217,713)
Business combination		**-**	(20,327)
Investment in joint venture		**(3,000)**	(1,500)
Purchase of financial assets at fair value through profit and loss		**(3,000)**	(1,260)
Proceeds from sale of financial assets at fair value through profit and loss		**97**	-
Increase in time deposits with maturities over three months		**(60,000)**	-
Net cash used in investing activities		**(225,405)**	(240,800)

	Note	**2024 US$'000**	2023 US$'000
Financing activities			
Acquisition of non-controlling interests		**-**	(50,810)
Principal element of lease payments	15	**(26,750)**	(29,064)
Proceeds from borrowings		**194,377**	73,603
Repayments of borrowings		**(106,681)**	(84,793)
Dividends paid to shareholders		**(52,473)**	(12,424)
Purchase of shares for share award scheme		**(8,705)**	(603)
Dividends paid to non-controlling interests		**(5,638)**	(6,282)
Net cash used in financing activities		**(5,870)**	(110,373)
Net increase in cash and cash equivalents		**350,608**	81,319
Cash and cash equivalents at beginning of the year		**408,664**	345,404
Currency translations on cash and cash equivalents		**(9,413)**	(18,059)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		**749,859**	408,664

The reconciliation of liabilities arising from financing activities is as follows:

	Borrowings (current) US$'000	Borrowings (non-current) US$'000	Lease liabilities US$'000	Total US$'000
As of 31 March 2023	106,880	367,144	93,397	567,421
Currency translations	(200)	(1,819)	(2,341)	(4,360)
Cash flows				
– inflow from financing activities	-	194,377	-	194,377
– outflow from financing activities	(100,000)	(6,681)	(26,750)	(133,431)
– outflow from operating activities	(12,375)	-	(3,331)	(15,706)
Non-cash changes				
– new leases / extensions / modifications, net of terminations	-	-	9,354	9,354
– finance costs	13,059	419	3,512	16,990
– reclassification	301,165	(301,165)	-	-
As of 31 March 2024	308,529	252,275	73,841	634,645

Notes to the Consolidated Financial Statements

1. General Information and Basis of Preparation

1.1 General information

The principal operations of Johnson Electric Holdings Limited (the "Company") and its subsidiaries (together, "the Group") are the manufacture and sale of motion systems. The Group has manufacturing plants and sales operations throughout the world.

Johnson Electric Holdings Limited, the parent holding company, is a limited liability company incorporated in Bermuda. The address of its registered office is Victoria Place, 5th Floor, 31 Victoria Street, Hamilton HM 10, Bermuda. The shares of the Company are listed on the Stock Exchange of Hong Kong.

These consolidated financial statements are presented in US Dollars, unless otherwise stated and have been approved for issue by the Board of Directors on 16 May 2024. They have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRS"). The consolidated financial statements have been prepared on a historical cost basis, except for investment property that has been measured at fair value, financial assets and financial liabilities at fair value through profit and loss (including derivative instruments), and the application of hyperinflationary accounting at the Group's subsidiary in Argentina.

1.2 Basis of preparation

The material accounting policies applied in the preparation of these consolidated financial statements are set out in corresponding notes. In FY23/24, the Group adopted new, revised standards and interpretations of HKFRS effective for the first time in FY23/24.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements.

1. General Information and Basis of Preparation *(Cont'd)*

1.3 Exchange rates

The following table summarizes the exchange rates which are frequently used in the consolidated financial statements.

		Closing rate		Average rate for the year	
		2024	2023	**2024**	2023
1 foreign currency unit to USD:					
Swiss Franc	CHF	**1.107**	1.095	**1.129**	1.047
Euro	EUR	**1.083**	1.091	**1.085**	1.041
British Pound	GBP	**1.264**	1.239	**1.257**	1.205
1 USD to foreign currency:					
Brazilian Real	BRL	**4.978**	5.097	**4.931**	5.149
Canadian Dollar	CAD	**1.357**	1.352	**1.348**	1.322
Renminbi	RMB	**7.095**	6.888	**7.109**	6.845
Hong Kong Dollar	HKD	**7.824**	7.850	**7.824**	7.839
Hungarian Forint	HUF	**364.964**	348.432	**352.113**	380.228
Israeli Shekel	ILS	**3.684**	3.598	**3.717**	3.439
Indian Rupee	INR	**83.333**	82.305	**82.781**	80.321
Japanese Yen	JPY	**151.286**	132.626	**144.300**	135.318
South Korean Won	KRW	**1,351.351**	1,298.701	**1,315.789**	1,298.701
Mexican Peso	MXN	**16.532**	18.093	**17.322**	19.670
Polish Zloty	PLN	**3.986**	4.286	**4.098**	4.519
Serbian Dinar	RSD	**108.696**	107.527	**107.527**	112.360
Turkish Lira	TRY	**32.258**	19.172	**26.151**	17.696

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. Given the integrated nature of our business model, the Group has a single operating segment.

The Group's management assesses the performance of its operating segment based on the measure of operating profit, excluding items which are not directly related to the segment performance. These include non-operating income / (expenses) such as rental income, fair value gains / (losses) on investment property, gains / (losses) on disposals of fixed assets and investments, fair value gains / (losses) on put option written to a non-controlling interest, unrealized gains / (losses) on currency hedges, monetary assets and liabilities and structured foreign currency contracts and subsidies and other income.

The reconciliation of the operating profit presented to management to the consolidated income statement was as follows:

	2024 **US$'000**	2023 US$'000
Operating profit presented to management	**298,719**	157,662
Other (expenses) / income, net (Note 21)	**(13,397)**	41,052
Operating profit per consolidated income statement	**285,322**	198,714

Sales

The Group recognizes sales when control of product is transferred at a point in time on delivery of product to the customer and the transfer of the title and the risks of loss under the standard international commercial terms applicable to the contract.

Johnson Electric is one of the world's largest providers of motors, solenoids, micro-switches, flexible printed circuits and microelectronics. The Group has the following business units aligned with the broad markets they serve: Automotive Products Group ("APG") and Industry Products Group ("IPG").

APG provides custom motors, actuators, switches, and motion sub-system solutions for all critical automotive motion related functions. IPG provides motion products and customized solutions for various commercial and industrial applications.

Sales from external customers by business unit were as follows:

	2024 **US$'000**	2023 US$'000
Automotive Products Group	**3,210,175**	2,913,724
Industry Products Group	**604,038**	732,395
	3,814,213	3,646,119

2. Segment Information *(Cont'd)*

APG accounted for 84% of the Group's total sales in FY23/24 (FY22/23: 80%). Within this, the cooling fan business, including the "Gate" brand, primarily engaged in the manufacture and sale of condenser radiator fan modules for OEM and Tier 1 customers, accounted for 17% of the Group's business (FY22/23: 17%).

Sales by geography

Sales to external customers by region of destination were as follows:

	2024 US$'000	2023 US$'000
North America *	**1,211,846**	1,177,799
Europe, Middle East and Africa **	**1,189,078**	1,109,237
People's Republic of China ("PRC")	**959,567**	949,297
Asia-Pacific (excluding PRC)	**388,741**	348,399
South America	**64,981**	61,387
	3,814,213	3,646,119

* Included in North America were sales to external customers in the USA of US$969.6 million for FY23/24 (FY22/23: US$929.7 million)

** Included in Europe, Middle East and Africa were sales to external customers in Germany of US$252.5 million, Czech Republic of US$174.9 million and France of US$131.0 million for FY23/24 (FY22/23: US$224.4 million, US$150.7 million and US$128.5 million respectively)

No single external customer contributed 10% or more of the total Group sales.

Segment assets

For FY23/24, the additions to non-current segment assets were US$181.2 million (FY22/23: US$217.1 million excluding the additions from acquisitions).

	2024 US$'000	2023 US$'000
Additions to property, plant and equipment – owned assets	**164,671**	220,898
Additions / extensions / modifications to property, plant and equipment – right-of-use assets	**10,355**	14,836
Additions to intangible assets	**1,237**	1,881
Addition to investment in joint venture	**3,000**	1,500
Addition / (reduction) to other non-current assets	**1,985**	(22,060)
Additions to non-current segment assets	**181,248**	217,055

2. Segment Information *(Cont'd)*

The non-current segment assets (representing property, plant and equipment, investment property, intangible assets, investments in associate and joint venture, other non-current assets) by geographic location as of 31 March 2024 and 31 March 2023 were as follows:

	2024 US$'000	2023 US$'000
Hong Kong ("HK") / PRC	**923,008**	1,001,484
Canada	**324,006**	358,000
Switzerland	**112,375**	116,781
Serbia	**87,581**	93,339
Others	**295,417**	321,767
	1,742,387	1,891,371

Accounting policy

Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group. Revenue from the sales of goods is recognized when performance obligations under the terms of a contract are satisfied, which generally occurs with the transfer of control of the Group's products.

Customers are invoiced according to the agreed billing schedule set out in the customer contracts. If consideration is received from customers in advance of transferring goods promised in a contract, a contract liability is recognized, see Note 13.

No significant financing component exists as the period between payments for goods by the customers and transfer of goods is within 1 year.

The Group's obligation to warranty and claims is recognized as a provision.

3. Property, Plant and Equipment

	Freehold land, leasehold land and buildings US$'000	Machinery and equipment US$'000	Assets under construction US$'000	Moulds and tools US$'000	Other assets ** US$'000	Right-of-use assets US$'000	Total US$'000
FY23/24							
As of 31 March 2023							
Cost	620,872	1,882,928	193,672	552,740	206,827	213,596	3,670,635
Accumulated depreciation and impairment	(191,173)	(1,134,550)	-	(459,108)	(161,489)	(93,245)	(2,039,565)
Net book amount, as of 31 March 2023	429,699	748,378	193,672	93,632	45,338	120,351	1,631,070
Currency translations	(6,172)	(13,907)	(2,938)	(1,751)	(514)	(3,138)	(28,420)
Additions – owned assets	3,798	42,439	94,911	15,525	7,998	-	164,671
Additions – right-of-use assets	-	-	-	-	-	3,879	3,879
Extension / modification of leases	-	-	-	-	-	6,476	6,476
Transfer	11,699	87,813	(137,813)	31,655	6,646	-	-
Disposals / termination of leases	(126)	(369)	-	(222)	(167)	(4,231)	(5,115)
Impairment charges (Note 25 & 29)	(277)	(12,056)	(1,829)	(782)	(211)	-	(15,155)
Depreciation (Note 25)	(19,311)	(138,113)	-	(44,290)	(13,882)	(28,408)	(244,004)
As of 31 March 2024	**419,310** *	**714,185**	**146,003**	**93,767**	**45,208**	**94,929**	**1,513,402**
As of 31 March 2024							
Cost	614,675	1,926,990	147,832	548,426	210,629	190,809	3,639,361
Accumulated depreciation and impairment	(195,365)	(1,212,805)	(1,829)	(454,659)	(165,421)	(95,880)	(2,125,959)
Net book amount	**419,310**	**714,185**	**146,003**	**93,767**	**45,208**	**94,929**	**1,513,402**

* As of 31 March 2024, freehold land, leasehold land and buildings included US$3.7 million for the leasehold land portion of buildings located in Hong Kong. The Group also has freehold land located in Europe, North America and South America

** Other assets comprise computers, furniture and fixtures, motor vehicles and an aircraft. Where such assets require some degree of assembly or installation, they are first recorded in assets under construction and are then transferred to other assets once they are ready for use

In FY23/24, impairment charges of US$15.2 million (FY22/23: US$2.0 million) were mainly due to restructuring activities, termination of customer projects and asset obsolescence mainly due to relocation of manufacturing to a new plant for the Group’s China operations.

3. Property, Plant and Equipment *(Cont'd)*

	Freehold land, leasehold land and buildings US$'000	Machinery and equipment US$'000	Assets under construction US$'000	Moulds and tools US$'000	Other assets ** US$'000	Right-of-use assets US$'000	Total US$'000
FY22/23							
As of 31 March 2022							
Cost	605,817	1,869,209	277,667	555,857	202,981	230,165	3,741,696
Accumulated depreciation and impairment	(190,783)	(1,114,089)	-	(448,802)	(156,737)	(75,500)	(1,985,911)
Net book amount, as of 31 March 2022	415,034	755,120	277,667	107,055	46,244	154,665	1,755,785
Currency translations	(24,507)	(46,678)	(16,800)	(6,503)	(1,675)	(10,837)	(107,000)
Business combination	20	337	34	-	122	118	631
Additions – owned assets	7,501	62,194	125,173	16,551	9,479	-	220,898
Additions – right-of-use assets	-	-	-	-	-	4,519	4,519
Extension / modification of leases	-	-	-	-	-	10,317	10,317
Transfer	50,207	111,517	(192,402)	25,998	3,896	784	-
Disposals / termination of leases	(129)	(731)	-	(64)	(42)	(9,957)	(10,923)
Impairment charges (Note 25 & 29)	-	(1,873)	-	(137)	-	-	(2,010)
Depreciation (Note 25)	(18,427)	(131,508)	-	(49,268)	(12,686)	(29,258)	(241,147)
As of 31 March 2023	429,699 *	748,378	193,672	93,632	45,338	120,351	1,631,070

* As of 31 March 2023, freehold land, leasehold land and buildings included US$3.9 million for the leasehold land portion of buildings located in Hong Kong

** Other assets comprise computers, furniture and fixtures, motor vehicles and an aircraft

3. Property, Plant and Equipment *(Cont'd)*

Right-of-use assets

Property, plant and equipment includes the following amounts relating to right-of-use assets:

	Land use rights US$'000	Leasehold buildings US$'000	Machinery, equipment and other assets * US$'000	Total US$'000
FY23/24				
As of 31 March 2023	33,545	81,969	4,837	120,351
Currency translations	(942)	(2,161)	(35)	(3,138)
Additions – right-of-use assets	-	1,260	2,619	3,879
Extension / modification of leases	-	5,457	1,019	6,476
Termination of leases	(3,307)	(874)	(50)	(4,231)
Depreciation	(867)	(25,047)	(2,494)	(28,408)
As of 31 March 2024	**28,429**	**60,604**	**5,896**	**94,929**
FY22/23				
As of 31 March 2022	36,263	113,410	4,992	154,665
Currency translations	(2,667)	(8,047)	(123)	(10,837)
Business combination	-	-	118	118
Additions – right-of-use assets	103	2,262	2,154	4,519
Extension / modification of leases	-	10,060	257	10,317
Transfer from assets under construction	784	-	-	784
Termination of leases	-	(9,811)	(146)	(9,957)
Depreciation	(938)	(25,905)	(2,415)	(29,258)
As of 31 March 2023	33,545	81,969	4,837	120,351

* Other assets comprise office equipment and motor vehicles

Purchase deposits for machinery and construction of factory included in **other non-current assets** in the balance sheet were US$14.1 million (31 March 2023: US$12.0 million). The amount will be transferred to property, plant and equipment on receipt of the assets. The other non-current assets by nature as of 31 March 2024 and 31 March 2023 were as follows:

	2024 US$'000	2023 US$'000
Purchase deposits for machinery and construction of factory	**14,139**	12,015
Deferred contract costs (Note 13)	**3,843**	3,899
Other deposits and prepayments	**3,836**	3,919
Total other non-current assets	**21,818**	19,833

3. Property, Plant and Equipment *(Cont'd)*

Accounting policy

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Freehold land is not amortized. No depreciation is provided for assets under construction.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its estimated recoverable amount if this is lower.

The Group begins depreciating an item of property, plant and equipment when it is available for use. Depreciation of property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Leasehold land	Shorter of lease term or useful life
Buildings on leasehold land	Shorter of lease term or useful life
Buildings on freehold land	10 to 50 years
Machinery and equipment	6 to 12 years
Moulds and tools	2 to 6 years
Furniture and fixtures and computers	3 to 10 years
Motor vehicles	3 to 7 years
Aircraft	18 years

Interest expense directly attributable to the acquisition and construction of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use, is capitalized until the assets are ready for their intended use.

Right-of-use assets

Leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Right-of-use assets are initially measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

4. Investment Property

	2024 US$'000	2023 US$'000
At beginning of the year	**18,340**	18,999
Currency translations	**(283)**	(792)
Fair value (losses) / gains	**(836)**	133
At end of the year	**17,221**	18,340

The Group's investment property portfolio in HK/PRC was valued on an open market basis as of 31 March 2024. The appraisals were performed by independent, professionally qualified valuers, Chung, Chan & Associates, Chartered Surveyors.

For the year ended 31 March 2024, the Group's investment properties generated rental income of US$1.1 million (31 March 2023: US$1.3 million) and incurred direct operating expenses of US$0.2 million (31 March 2023: US$0.3 million).

As of 31 March 2024, the Group's investment property portfolio has tenancies expiring in the period from May 2024 to June 2027 (31 March 2023: from April 2023 to June 2027).

Accounting policy

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the companies in the Group, is classified as investment property.

Investment property is measured initially at its cost, including related transaction costs. After initial recognition, investment property is carried at fair value. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. These valuations are reviewed annually determined by external appraisers. Changes in fair values are recognized in the income statement within "Other (expenses) / income, net".

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

If an item of property, plant and equipment becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is recognized in equity. If a fair value gain reverses a previous impairment loss which was charged to the income statement, the gain is recognized in the income statement. Any balance of the decrease is recognized as an expense in the income statement.

5. Intangible Assets

	Technology, patents and engineering development US$'000	Brands US$'000	Client relationships US$'000	Total US$'000
FY23/24				
As of 31 March 2023				
Cost	259,475	108,243	362,830	730,548
Accumulated amortization and impairment	(230,880)	(78,463)	(205,100)	(514,443)
Net book amount, as of 31 March 2023	28,595	29,780	157,730	216,105
Currency translations	(118)	(85)	(1,031)	(1,234)
Capitalization of engineering development costs (Note 25)	1,237	-	-	1,237
Amortization (Note 25 & 29)	(10,369)	(4,091)	(18,037)	(32,497)
As of 31 March 2024	**19,345**	**25,604**	**138,662**	**183,611**
As of 31 March 2024				
Cost	258,572	108,780	362,289	729,641
Accumulated amortization and impairment	(239,227)	(83,176)	(223,627)	(546,030)
Net book amount	**19,345**	**25,604**	**138,662**	**183,611**
FY22/23				
As of 31 March 2022				
Cost	256,971	108,394	351,370	716,735
Accumulated amortization and impairment	(219,346)	(74,423)	(193,084)	(486,853)
Net book amount, as of 31 March 2022	37,625	33,971	158,286	229,882
Currency translations	(1,044)	(2,307)	(8,181)	(11,532)
Business combination	3,243	2,197	24,843	30,283
Capitalization of engineering development costs (Note 25)	1,881	-	-	1,881
Amortization (Note 25 & 29)	(13,110)	(4,081)	(17,218)	(34,409)
As of 31 March 2023	28,595	29,780	157,730	216,105

5. Intangible Assets *(Cont'd)*

Total intangible assets as of 31 March 2024 and 31 March 2023 were denominated in the following underlying currencies:

	2024 US$'000	2023 US$'000
In CAD	**107,184**	127,155
In EUR	**57,929**	67,283
In KRW	**12,257**	14,201
In USD	**4,108**	4,927
In GBP	**2,133**	2,539
Total intangible assets	**183,611**	216,105

As of 31 March 2024 and 31 March 2023, all the intangible assets have a definite useful life.

Impairment tests for intangible assets
In accordance with the Group's accounting policy on asset impairment, intangible assets with a definite life are tested if there are indicators of potential impairment. In FY23/24, the Group considered there is no indicator of potential impairment.

Accounting policy

(a) Research and development costs
Research and development costs are expensed as incurred and are only recognized as an intangible asset where the technical feasibility and intention of completing the product under development has been demonstrated and the resources are available to do so, costs are identifiable, can be reliably measured and there is an ability to sell or use the asset that will generate probable future economic benefits. Research and development costs that do not meet the above criteria are expensed as incurred.

(b) Other intangible assets
Patents, technology, brands and client relationships that are acquired by the Group are stated in the balance sheet at fair value at the date of acquisition less accumulated amortization and impairment losses.

Amortization is calculated using the straight-line method to allocate the cost over the estimated useful life. The amortization charge was included in "Selling and administrative expenses" in the consolidated income statement. The estimated useful life for amortization purpose is:

Technology, patents and engineering development	4 to 15 years
Brands	10 to 15 years
Client relationships	15 years

6. Investments in Associate and Joint Venture

	2024 US$'000	2023 US$'000
At beginning of the year	**6,023**	6,310
Currency translations	**(79)**	(211)
Investment in joint venture	**3,000**	1,500
Share of (losses) of associate and joint venture	**(2,609)**	(1,607)
Share of tax income of associate and joint venture	**-**	31
At end of the year	**6,335**	6,023

The Group's investment in associate represents the 49% equity interest in Shenzhen SMART Micromotor Co Ltd ("SMART").

The Group's investment in joint venture represents the 49.9% equity interest in AI Qualisense 2021 Ltd. ("Qualisense") (formerly: Lean AI Technologies Ltd.). Qualisense was formed by the Group and Cortica Ltd., an Israeli autonomous artificial intelligence ("AI") technology company in October 2021. Qualisense focuses on providing AI-driven unsupervised quality assurance software in the manufacturing automation process.

Set out below are the summarized financial information for the Group's associate and joint venture which are accounted for using the equity method.

	2024			2023		
	(Associate) SMART US$'000	(Joint venture) Qualisense US$'000	Group US$'000	(Associate) SMART US$'000	(Joint venture) Qualisense US$'000	Group US$'000
Summarized income statement						
Sales	6,152	186	6,338	6,479	-	6,479
Expenses	(5,780)	(5,768)	(11,548)	(6,097)	(3,588)	(9,685)
Profit / (loss) before income tax	372	(5,582)	(5,210)	382	(3,588)	(3,206)
Income tax income	-	-	-	62	-	62
Total comprehensive income / (expenses)	372	(5,582)	(5,210)	444	(3,588)	(3,144)

6. Investments in Associate and Joint Venture *(Cont'd)*

Accounting policy

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associate are accounted for using the equity method of accounting.

Investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. The investment in joint arrangement of the Group is a joint venture. Interests in joint ventures are accounted for using the equity method.

Under the equity method, the investment is initially recognized at cost and the carrying amount is increased or decreased to recognize the investor's share of the profit and loss of the investee after the date of acquisition less dividends received. The Group's investment in associates and joint ventures includes goodwill identified on acquisition.

If the ownership interest in an associate and joint venture is reduced but significant influence is retained, only a proportionate share of the amounts previously recognized in other comprehensive income is reclassified to profit and loss where appropriate.

The Group's share of post-acquisition profits or losses is recognized in the income statement and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate and joint venture equals or exceeds its interest in the associate and joint venture, including any other long-term unsecured receivables, the Group does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

Unrealized gains on transactions between the Group and its associate and joint venture are eliminated to the extent of the Group's interest in the associate and joint venture. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associate and joint venture have been changed where necessary to ensure consistency with the policies adopted by the Group.

7. Other Financial Assets and Liabilities

	2024 Assets US$'000	2024 (Liabilities) US$'000	2024 Net US$'000	2023 Assets US$'000	2023 (Liabilities) US$'000	2023 Net US$'000
Cash flow hedge						
– raw material commodity contracts (Note a (i))	**4,093**	**(168)**	**3,925**	19,402	(116)	19,286
– forward foreign currency exchange contracts (Note a (ii))	**119,748**	**(9,637)**	**110,111**	152,159	(13,345)	138,814
Net investment hedge (Note b)						
– forward foreign currency exchange contracts and cross-currency interest rate swaps	**14,179**	**-**	**14,179**	12,692	(2,519)	10,173
Fair value hedge (Note c)						
– forward foreign currency exchange contracts	**37,322**	**-**	**37,322**	43,176	-	43,176
Held for trading (Note d)	**-**	**(2,345)**	**(2,345)**	-	(6,156)	(6,156)
Total (Note f)	**175,342**	**(12,150)**	**163,192**	227,429	(22,136)	205,293
Current portion	**68,994**	**(8,147)**	**60,847**	54,406	(8,818)	45,588
Non-current portion	**106,348**	**(4,003)**	**102,345**	173,023	(13,318)	159,705
Total	**175,342**	**(12,150)**	**163,192**	227,429	(22,136)	205,293

Note:

(a) Cash flow hedge

(i) Raw material commodity contracts

Copper, silver, aluminium and iron ore forward commodity contracts as per the table on the following page are designated as cash flow hedges. Gains and losses initially recognized in the hedging reserve will be transferred to the balance sheet within inventories and subsequently recognized in the income statement in the period or periods in which the underlying hedged copper, silver, aluminium and steel (by iron ore contracts) volumes are consumed and sold.

7. Other Financial Assets and Liabilities *(Cont'd)*

(a) Cash flow hedge *(Cont'd)*

(i) Raw material commodity contracts *(Cont'd)*

As of 31 March 2024, the Group had the following outstanding contracts:

	Notional amount	Weighted average contract price (US$)	Spot price (US$)	Mark-to-market price (US$)	Remaining maturities range (months)	Settlement value in USD equivalent (US$ million)	Estimated future cash flow (US$ million)	Assets, net carrying value (US$'000)
Cash flow hedge contracts								
Copper	1,800 metric ton	7,190	8,729	8,868	1 – 12	12.9	2.8	3,020
Silver	35,000 oz	21.99	24.54	25.35	1 – 7	0.8	0.1	118
Aluminium	350 metric ton	2,243	2,270	2,339	1 – 8	0.8	-	33
Iron ore	96,000 metric ton	86.12	101.28	93.98	1 – 36	8.3	1.4	754
Total						22.8	4.3	3,925

The weighted average contract price is a ratio defined as notional amount / settlement value.

The mark-to-market rate is the current fair value for the settlement of a forward contract, as provided by the counterparties (the Group's principal bankers).

Estimated future cash flow is calculated based on the contracts' price / rate at maturity compared to the spot price / exchange rate for the agreements as of 31 March 2024.

(ii) Forward foreign currency exchange contracts

The EUR, MXN, PLN, RMB, ILS, TRY and HUF forward foreign currency exchange contracts as per the table on the following page are designated as cash flow hedges, to match the underlying cash flows of the business and comprised:

- Sell EUR contracts to create an economic hedge for EUR denominated export sales into USD
- Buy MXN, PLN, RMB, ILS, TRY and HUF contracts to create an economic hedge for production costs, other operating costs and capital expenditure denominated in these currencies against their sources of revenue

Gains and losses initially recognized in the hedging reserve will be recognized in the income statement in the period or periods in which the underlying hedged transactions occur (cash realization).

7. Other Financial Assets and Liabilities *(Cont'd)*

(a) Cash flow hedge *(Cont'd)*

(ii) Forward foreign currency exchange contracts *(Cont'd)*

As of 31 March 2024, the Group had the following outstanding contracts:

	Settlement currency	Notional value (million)	Weighted average contract rate	Spot rate	Mark-to-market rate	Remaining maturities range (months)	Settlement value in USD equivalent (US$ million)	Estimated future cash flow (US$ million)	Assets / (liabilities), net carrying value (US$'000)
Cash flow hedge contracts									
Sell EUR forward *	USD	EUR 319.6	1.36	1.08	1.13	1 – 54	434.9	88.9	74,553
Buy MXN forward	USD	MXN 1,644.0	27.60	16.53	18.64	1 – 51	59.6	39.9	28,616
Buy PLN forward	EUR	PLN 215.8	5.00	4.32	4.44	1 – 31	46.7	7.4	5,911
Buy RMB forward	USD	RMB 4,613.0	7.10	7.09	7.05	1 – 43	650.0	0.2	4,764
Buy ILS forward	USD	ILS 9.2	3.64	3.68	3.65	1 – 11	2.5	-	(2)
Buy TRY forward	EUR	TRY 5.0	28.79	34.93	36.32	1 – 3	0.2	-	(39)
Buy HUF forward	EUR	HUF 11,063.2	361.14	395.18	406.37	1 – 26	33.2	(2.9)	(3,692)
Total							1,227.1	133.5	110,111

* The EUR to USD is stated in the inverse order

In FY23/24, the decrease in fair value of US$44.1 million for raw material commodity derivatives and forward foreign currency exchange contracts designated as cash flow hedges approximated the fair value movement of the underlying hedged items. There was no hedge ineffectiveness during the year (FY22/23: nil).

As of 31 March 2024, the pre-tax fair value gains recognized in cash flow hedge reserve were US$116.7 million (31 March 2023: US$164.0 million).

(b) Net investment hedge

The Group hedges its net investment in its European operations to protect itself from exposure to future changes in currency exchange rates. The EUR forward foreign currency exchange contracts and EUR cross-currency interest rate swaps as per the table on the following page are designated as net investment hedges. Gains and losses recognized in the exchange reserve will be released from equity to profit and loss on the disposal or partial disposal of the foreign operations.

7. Other Financial Assets and Liabilities *(Cont'd)*

(b) Net investment hedge *(Cont'd)*

As of 31 March 2024, the Group had the following outstanding contracts:

	Settlement currency	Notional value (million)	Weighted average contract rate	Spot rate	Mark-to-market rate	Remaining maturities range (months)	Settlement value in USD equivalent (US$ million)	Estimated future cash flow (US$ million)	Assets, net carrying value (US$'000)
Net investment hedge contracts									
Sell EUR forward *	USD	EUR 20.0	1.30	1.08	1.10	9	26.0	4.4	4,066
Cross-currency interest rate swaps * (pay EUR, receive USD)	USD	EUR 242.6	1.13	1.08	1.09	4	275.2	11.2	10,113
Total							301.2	15.6	14,179

* The EUR to USD is stated in the inverse order

As of 31 March 2024, the carrying amount of net assets denominated in EUR were US$678.3 million in USD equivalent.

In FY23/24, the fair value movement of derivatives approximated the fair value movement of the hedged item. There was no hedge ineffectiveness during the year (FY22/23: nil).

(c) Fair value hedge

The EUR forward foreign currency exchange contracts as per the table below are designated as fair value hedges to hedge the currency risk from EUR of intragroup monetary balances and results in exchange gains or losses which are not fully eliminated on consolidation. Gains and losses are recognized in the income statement.

As of 31 March 2024, the Group had the following outstanding contracts:

	Settlement currency	Notional value (million)	Weighted average contract rate	Spot rate	Mark-to-market rate	Remaining maturities range (months)	Settlement value in USD equivalent (US$ million)	Estimated future cash flow (US$ million)	Assets, net carrying value (US$'000)
Fair value hedge contracts									
Sell EUR forward *	USD	EUR 145.2	1.40	1.08	1.14	1 – 49	203.5	46.2	37,322

* The EUR and USD is stated in the inverse order

As of 31 March 2024, the carrying amount of intragroup net receivables denominated in EUR (the hedged item) was US$203.5 million. In FY23/24, hedge ineffectiveness of US$0.1 million was credited to profit and loss in "Other (expenses) / income, net" (FY22/23: US$2.9 million credited to profit and loss).

7. Other Financial Assets and Liabilities *(Cont'd)*

(d) Held for trading

The ineffective portion of HUF forward foreign currency exchange contracts (resulting from the shutdown of a manufacturing facility in Hungary) was designated as held for trading. Fair value gains and losses on the forward contracts are immediately recognized in the income statement.

As of 31 March 2024, the ineffective portion of the outstanding contracts was:

	Settlement currency	Notional value (million)	Weighted average contract rate	Spot rate	Mark-to-market rate	Remaining maturities range (months)	Settlement value in USD equivalent (US$ million)	Estimated future cash flow (US$ million)	(Liabilities), net carrying value (US$'000)
Held for trading contracts									
Buy HUF forward	EUR	HUF 6,919.2	359.01	395.18	404.47	1 – 24	20.9	(1.9)	(2,345)

(e) The income statement effect from raw material commodity and foreign currency exchange contracts (excluding structured contracts, see Note 8) and the cross-currency interest rate swaps recognized in FY23/24 was a net gain of US$23.6 million (FY22/23: net gain of US$55.8 million).

Benefit / (expense)	**2024 US$'000**	2023 US$'000
Cost of goods sold includes:		
Effect of raw material commodity contracts	**16,176**	26,771
Effect of forward foreign currency exchange contracts	**(5,203)**	(1,409)
Effect on cost of goods sold	**10,973**	25,362
Other (expenses) / income, net includes:		
Effect of unrealized forward foreign currency exchange contracts (Note 21)	**(2,392)**	6,902
Selling and administrative expenses includes:		
Effect of forward foreign currency exchange contracts (Note 22)	**18,473**	18,864
Finance costs includes:		
Cross-currency interest rate swaps	**(3,499)**	4,659
Effect of other financial assets and liabilities in consolidated income statement, net gain	**23,555**	55,787

7. Other Financial Assets and Liabilities *(Cont'd)*

(f) The maximum exposure of other financial assets to credit risk at the reporting date was the fair value in the balance sheet.

(g) Net cash generated from operating activities due to the realized hedge contracts was US$27.4 million (FY22/23: US$47.2 million).

(h) Estimate of future cash flow
In terms of estimating future cash flow, the contracts' price / rate at maturity compared to the spot price / exchange rate for the commodity and currency agreements as of 31 March 2024 would result in approximately US$198 million cash flow benefit (31 March 2023: US$244 million).

(i) As of 31 March 2024, the balance in the exchange reserve for continuing hedges that are accounted for as a net investment hedge was US$76.1 million (31 March 2023: US$66.8 million).

(j) The Group applies a hedge ratio of 1:1 and determines the existence of economic relationship between the hedged items and the hedging instruments by reviewing their critical terms. As a result, the Group concludes that the hedged items and the hedging instruments are sufficient aligned. Certain ineffectiveness can arise during the hedging process. The main source of ineffectiveness in these hedging relationships are changes in the timing of the forecast transactions.

Accounting policy

(a) Other financial assets and liabilities related to hedging activities
Other financial assets and liabilities are forward and swap contracts related to hedging activities.

Hedging instruments are initially recognized at fair value on the date a contract is entered into and are subsequently remeasured at their fair value. The method of recognizing the resulting gain or loss depends on the nature of the item being hedged:

- Hedges of a particular risk associated with a recognized asset or liability or a highly probable forecast transaction (cash flow hedge); or
- Hedges of a net investment in a foreign operation (net investment hedge); or
- Hedges of the fair value of recognized assets or liabilities or a firm commitment (fair value hedge).

The Group documents, at the inception of the transaction, the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the hedging instruments that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

Hedge effectiveness is determined at the inception of the hedge relationship and through periodic prospective effectiveness assessments to ensure that an economic relationship exists between the hedged item and hedging instrument. When the Group enters into hedge relationships where the critical terms of the hedging instrument match exactly with the terms of the hedged item, a qualitative assessment of effectiveness is performed.

7. Other Financial Assets and Liabilities *(Cont'd)*

Accounting policy *(Cont'd)*

(a) Other financial assets and liabilities related to hedging activities *(Cont'd)*

(i) Cash flow hedge

A cash flow hedge of the Group hedges a particular risk associated with a highly probable forecast transaction. The effective portion of changes in the fair value of financial instruments designated and qualified as cash flow hedges are recognized in hedging reserve within equity.

Ineffectiveness is recognized on a cash flow hedge where the cumulative change in the value of the hedging instrument exceeds on an absolute basis the change in value of the hedged item attributable to the hedged risk.

When a hedging instrument expires, or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, the amount that has been accumulated in the cash flow hedge reserve,

- shall remain in the cash flow hedge reserve until the future cash flows occur if the hedged future cash flows are still expected to occur;
- shall be immediately reclassified from the cash flow hedge reserve to profit or loss as a reclassification adjustment if the hedged future cash flows are no longer expected to occur.

(ii) Net investment hedge

A net investment hedge of the Group hedges net investments in foreign operations. Any unrealized and realized gain or loss of the hedging instrument is recognized in other comprehensive income within exchange reserve.

Gains and losses accumulated in equity are recycled to income statement when the foreign operation is partially disposed of or sold.

(iii) Fair value hedge

A fair value hedge of the Group hedges the intercompany loan balances. Unrealized and realized gain or loss of the hedging instrument is recognized in the income statement to offset the loss or gain on the revaluation of loans attributable to the risk being hedged.

(b) Financial instruments held for trading that do not qualify for hedge accounting

Financial instruments designated as held for trading do not qualify for hedge accounting and are accounted for at fair value through profit and loss. Changes in the fair value of these financial instruments are recognized immediately in the income statement.

The full fair value of a hedging financial instrument is classified as a non-current asset or liability when the remaining maturity of the hedge item is more than 12 months and is classified as a current asset or liability when the remaining maturing of the hedge item is less than 12 months.

8. Financial Assets at Fair Value through Profit and Loss

	2024 US$'000	2023 US$'000
Investments (Note a)	**33,155**	38,010
Structured foreign currency contracts (Note b)	**12,076**	30,208
Total (Note c)	**45,231**	68,218
Current portion	**13,076**	19,411
Non-current portion	**32,155**	48,807
Total	**45,231**	68,218

Note:

(a) Investments
The Group's investments comprise investments in an autonomous driving start-up company focusing on the China market, a venture capital fund with a diversified portfolio, an autonomous artificial intelligence technology company in Israel and an artificial intelligence processor company in the United States. The change in fair value is reflected in Note 21 "Other (expenses) / income, net".

(b) Structured foreign currency contracts (economic hedge)
The Group assesses its hedging position requirements based on the estimated future exposures of the underlying transactions and the potential fluctuation of the foreign currencies.

In FY17/18, the Group entered into structured foreign currency contracts for economic hedging purposes, for mitigating potential future risks from changes in currency exchange rates. These structured contracts achieved exchange rates that were not available at the time using plain vanilla contracts. These contracts have option features written to the counterparty banks, which potentially reduce the notional value to be delivered. Therefore, they do not qualify for hedge accounting under HKFRS 9. Consequently, the unrealized mark-to-market adjustments flow through the income statement in each accounting year and will eventually reverse on settlement at the various option expiration dates. The final realized gain or loss for each contract will crystallize based on the prevailing spot rate at the date of maturity versus the contract rate. The weighted average contract rates are shown on the next page.

The Group considers these contracts as economic hedges, since the contracts are able to mitigate the risk of foreign exchange movements in underlying transactions and assets. The maximum deliverable amounts of the structured foreign currency contracts are not expected to exceed the Group's future needs.

8. Financial Assets at Fair Value through Profit and Loss *(Cont'd)*

(b) Structured foreign currency contracts (economic hedge) *(Cont'd)*

As of 31 March 2024, the Group only had EUR structured foreign currency contracts. The Group's exposure to EUR cash flows over the remaining maturity periods is summarized below:

	Sell EUR (EUR million)
Hedged amount – by plain vanilla contracts	319.6
Economic hedge – by structured forward contracts	
– minimum possible hedge	22.7
– maximum possible hedge	42.4
Percentage of currency exposure hedged *	
– by plain vanilla contracts	30%
– by plain vanilla and structured forward – minimum	32%
– by plain vanilla and structured forward – maximum	34%

* The percentage of currency exposure hedged is calculated as the hedged amount over the estimated currency exposure in the respective periods

In FY23/24, net gains on structured foreign currency contracts increased net profit by US$2.8 million, net of tax (pre-tax US$3.2 million gains) (FY22/23: gains increased net profit by US$11.1 million, pre-tax US$12.6 million). Please see Note 21 and Note 22.

As of 31 March 2024, the Group had the following outstanding structured foreign currency contracts:

	Settlement currency	Notional value – minimum (million)	Notional value – maximum (million)	Range of contract rates	Weighted average contract rate	Mark-to-market rate	Remaining maturities range (months)	Estimated future cash flow (US$ million)	Assets, net carrying value (US$'000)
Structured foreign currency contracts (With option features: Reduction of notional amount)									
Sell EUR (for sales) *	USD	EUR 22.7	EUR 42.4	1.34 – 1.39	1.36	1.21	1 – 5	6.4	6,218
Sell EUR (for net investment) *	USD	EUR 20.0	EUR 40.0	1.39 – 1.40	1.40	1.25	9	6.3	5,858
Total								12.7	12,076

* The EUR to USD is stated in the inverse order

8. Financial Assets at Fair Value through Profit and Loss *(Cont'd)*

(b) Structured foreign currency contracts (economic hedge) *(Cont'd)*

Sensitivity

As of 31 March 2024, a 1% change in the exchange rate for EUR against USD will have the following impact to the Group's income statement:

EUR contracts	Profit before income tax increase / (decrease)
Increase by 1%	US$(0.4) million
Decrease by 1%	US$0.4 million

Due to the non-linear characteristics of these structured foreign exchange contracts, the incremental fair value change due to the fluctuation of the foreign currency will decrease (i.e. the fair value change of a 2% change in exchange rate is less than twice of 1% change in exchange rate).

Estimate of future cash flow

In terms of estimating future cash flow, the structured contract rates at maturity compared to exchange rates as of 31 March 2024 would give rise to a cash flow benefit of approximately US$13 million (assuming minimum delivery for EUR contracts depending on the contract delivery rate) (31 March 2023: US$33 million).

(c) The maximum exposure of these investments to credit risk at the reporting date was their fair value in the balance sheet.

9. Inventories

	2024 US$'000	2023 US$'000
Raw materials	**336,035**	367,711
Finished goods	**215,445**	221,286
	551,480	588,997

Accounting policy

Inventories are stated at the lower of actual cost on first-in-first-out basis (FIFO) or net realizable value. Cost comprises materials, direct labour and an appropriate proportion of all production overhead expenditure. The value calculated approximates the weighted-average actual cost. Net realizable value is the estimated selling price in the ordinary course of business, less applicable selling expenses.

10. Trade and Other Receivables

	2024 US$'000	2023 US$'000
Trade receivables – gross *	**658,365**	705,522
Less: impairment of trade receivables	**(4,210)**	(3,188)
Trade receivables – net	**654,155**	702,334
Prepayments and other receivables	**119,044**	105,914
	773,199	808,248

* The balance included bank acceptance drafts from customers amounting to US$25.0 million (31 March 2023: US$42.5 million). The maturity dates of the drafts all fall within 6 months of the balance sheet date

All trade and other receivables were due within one year from the end of the reporting period. Therefore, the fair value of the Group's trade and other receivables was approximately equal to the carrying value.

10. Trade and Other Receivables *(Cont'd)*

Customer credit risk, aging and impairment of gross trade receivables

(a) The Group normally grants credit terms ranging from 30 to 120 days to its trade customers. No significant element of financing is deemed present as the sales are made with a credit term which is consistent with market practice. The Group's obligation to repair or replace faulty products under the standard warranty terms is recognized as a provision, see Note 17. The Group has a policy in place to evaluate customer credit risk by considering their current financial position, past payment history, common credit-risk characteristics, and the macroeconomic factor and economic environment in which the customers operate. Management monitors overdue amounts to identify and resolve collection issues. Trade receivables are written off when there is no reasonable expectation of recovery. Indicators of no reasonable expectation of recovery include the failure of a debtor to commit to a repayment plan.

There was no concentration of credit risk with respect to trade receivables, as the Group has a large number of customers and no single customer represents more than 10% or more of trade receivables.

(b) The impairment of trade receivables is estimated using the forward-looking expected credit loss method and considering the aging of gross trade receivables based on due date.

The aging of gross trade receivables and estimated impairment by due date was as follows:

	Gross carrying amount US$'000	Impairment of trade receivables US$'000	Trade receivables – net US$'000
As of 31 March 2024			
Current	615,883	(709)	**615,174**
1 – 30 days overdue	25,026	(12)	**25,014**
31 – 90 days overdue	8,689	(51)	**8,638**
Over 90 days overdue	8,767	(3,438)	**5,329**
Total	658,365	(4,210)	**654,155**
As of 31 March 2023			
Current	665,447	(50)	665,397
1 – 30 days overdue	21,730	(14)	21,716
31 – 90 days overdue	7,821	(22)	7,799
Over 90 days overdue	10,524	(3,102)	7,422
Total	705,522	(3,188)	702,334

No significant changes to estimation techniques or assumptions on expected credit losses were made during the year.

10. Trade and Other Receivables *(Cont'd)*

(c) The aging of gross trade receivables based on invoice date was as follows:

	2024 US$'000	2023 US$'000
0 – 30 days	**344,938**	408,357
31 – 90 days	**282,068**	266,047
Over 90 days	**31,359**	31,118
Total	**658,365**	705,522

The carrying amount of the Group's gross trade receivables was denominated in the following currencies:

	2024 US$'000	2023 US$'000
USD	**259,092**	271,168
RMB	**181,681**	203,127
EUR	**149,426**	159,027
CAD	**43,605**	42,371
Others	**24,561**	29,829
Total	**658,365**	705,522

Movements on the impairment of trade receivables were as follows:

	2024 US$'000	2023 US$'000
At beginning of the year	**3,188**	2,441
Currency translations	**(28)**	(7)
Receivables written off during the year as uncollectible	**(546)**	(183)
Impairment of trade receivables / bad debt expense (Note 25)	**1,596**	937
At end of the year	**4,210**	3,188

The maximum exposure to credit risk at the reporting date is the fair value of the receivables mentioned above.

10. Trade and Other Receivables *(Cont'd)*

Accounting policy

Trade and other receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment.

The Group applies the simplified approach permitted by HKFRS 9, which requires the recognition of lifetime expected losses for trade receivables and contract assets from initial recognition of such assets. The expected loss rates are based on the sales over a period of 5 years and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the GDP and the unemployment rate of the countries in which it sells its goods and services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors. At every reporting date, the Group reviews and adjusts its historically observed default rates based on current conditions and changes in the future forecasts. A provision for impairment of trade and other receivables is determined using the forward-looking expected credit loss method; that is, the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the original effective interest rate. The impairment charge is recognized within "Selling and administrative expenses" in the income statement. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries are credited in the income statement.

11. Cash, cash equivalents and time deposits

	2024 US$'000	2023 US$'000
Cash at bank and in hand	**394,683**	266,272
Short term bank deposits	**355,176**	142,392
Total cash and cash equivalents	**749,859**	408,664
Time deposits with maturities over 3 months	**60,000**	-
Total cash, cash equivalents and time deposits	**809,859**	408,664

The carrying amounts of the Group's cash, cash equivalents and time deposits are denominated in the following currencies:

	2024 US$'000	2023 US$'000
USD	**422,631**	117,396
EUR	**145,588**	104,177
RMB	**131,804**	114,337
KRW	**49,290**	44,222
CAD	**25,164**	2,289
Others	**35,382**	26,243
Total cash, cash equivalents and time deposits	**809,859**	408,664

Accounting policy

Cash and cash equivalents comprise cash in hand and demand deposits with banks that are readily convertible into known amounts of cash that are subject to an insignificant risk of change in value, with original maturities of three months or less.

12. Trade and Other Payables

	2024 US$'000	2023 US$'000
Trade payables	**384,497**	393,766
Accrual for property, plant and equipment and other production consumables	**124,853**	148,222
Accrued payroll and other staff related costs	**122,757**	118,492
Contract liabilities (Note 13)	**33,629**	35,536
Deferred income *	**30,213**	34,095
Other creditors and accrued charges	**71,232**	85,988
	767,181	816,099
Current portion	**724,133**	771,291
Non-current portion	**43,048**	44,808

* Mainly comprised of government grants

The fair value of the Group’s trade payables was approximately equal to the carrying value. The aging analysis of trade payables based on invoice date was as follows:

	2024 US$'000	2023 US$'000
0 – 60 days	**266,278**	276,754
61 – 90 days	**68,002**	53,918
Over 90 days	**50,217**	63,094
Total	**384,497**	393,766

The carrying amount of the Group’s trade payables was denominated in the following currencies:

	2024 US$'000	2023 US$'000
RMB	**178,679**	162,887
USD	**96,683**	115,315
EUR	**76,772**	81,154
CAD	**9,256**	8,098
HKD	**8,145**	9,375
Others	**14,962**	16,937
Total	**384,497**	393,766

12. Trade and Other Payables *(Cont'd)*

Accounting policy

Trade and other payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method. Trade and other payables with obligations to pay within 12 months are classified as current liabilities. Trade and other payables with obligations to pay for at least 12 months after the end of reporting period are classified as non-current liabilities.

The Group recognize charges for profit sharing and bonus plans due wholly within twelve months after balance sheet date when it has a legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

Judgemental accruals and provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made.

13. Contract Balances

Contract assets relate to the deferred contract costs incurred to obtain the customer contract. These costs are subsequently amortized in the consolidated income statement over the expected contract period. The Group assesses the carrying value of each contract asset annually and recognizes an expected credit loss if the carrying value exceeds the amounts of consideration that the Group expects to receive from the contract.

Contract liabilities primarily relate to consideration received from customers in advance of transferring goods promised in a contract. Recognition of this income is therefore deferred until the contractual performance obligation is satisfied.

The total contract assets and liabilities are included in various non-current and current balance sheet accounts as shown below:

	2024 US$'000	2023 US$'000
Deferred contract costs included in:		
Trade and other receivables	**1,658**	1,583
Other non-current assets (Note 3)	**3,843**	3,899
Total deferred contract costs	**5,501**	5,482
Contract liabilities balances included in:		
Trade and other payables – current	**(18,036)**	(20,960)
Trade and other payables – non-current	**(15,593)**	(14,576)
Total contract liabilities (Note 12)	**(33,629)**	(35,536)

In FY23/24, US$16.7 million (FY22/23: US$16.4 million) included in the contract liability balance at the previous year end date was recognized in profit and loss.

14. Borrowings

	2024			2023		
	Current US$'000	**Non-current US$'000**	**Total US$'000**	Current US$'000	Non-current US$'000	Total US$'000
Bonds (Note a)	**301,834**	**-**	**301,834**	-	301,165	301,165
Syndicated loan (Note b)	**-**	**194,796**	**194,796**	-	-	-
Loan from Export Development Canada ("EDC") (Note c)	**-**	**-**	**-**	99,984	-	99,984
Loan from The Hongkong and Shanghai Banking Corporation Limited ("HSBC") (Note d)	**6,695**	**53,561**	**60,256**	6,896	62,061	68,957
Other borrowings	**-**	**3,918**	**3,918**	-	3,918	3,918
Total borrowings	**308,529**	**252,275**	**560,804**	106,880	367,144	474,024

Note:

(a) Bonds (US$300 million, 4.125% due July 2024)
On 30 January 2019, the Company issued bonds in an aggregate principal amount of US$300 million. The bonds are listed on the Stock Exchange of Hong Kong by way of debt issues to professional investors under Chapter 37 of the Listing Rules. The bonds bear a fixed interest rate of 4.125% per annum, payable semi-annually. The issue price of the bonds was 99.402% of the principal amount of the bonds and they mature on 30 July 2024. The effective interest rate of the bonds is 4.36% including all transaction costs.

The Company used the net proceeds from the issue for general corporate purposes, refinancing and to extend its debt maturity profile.

The market value of the bonds was 99.4% of the face value of the bonds as of 31 March 2024 (31 March 2023: 98.5% of the face value of the bonds).

(b) Syndicated loan
In August 2023, the Group entered into a US$400 million facilities agreement for financing the general working capital of the Group and refinancing the existing indebtedness of the Group, comprising a US$200 million term loan facility and a US$200 million revolving credit facility.

The term loan was drawn down during the year, and as of 31 March 2024, the carrying value, net of amortized costs, was US$194.8 million. The revolving credit facility remains unutilized.

(c) Loan from EDC
The principal amount of US$100.0 million was drawn down in June 2018. The loan was repaid in full at the maturity date of 6 June 2023. A new US$100.0 million facility was drawn down on 2 May 2024.

(d) Loan from HSBC
The Group received a RMB475 million three-year credit facility from HSBC to refinance the loan from The Export-Import Bank of China in FY22/23. The first repayment was made in May 2023, with further repayments every six months until November 2025.

14. Borrowings *(Cont'd)*

The maturity of borrowings was as follows:

	Bank borrowings		Bonds and other borrowings	
	2024 **US$'000**	2023 US$'000	**2024** **US$'000**	2023 US$'000
Less than 1 year	**6,695**	6,896	**301,834**	99,984
1 – 2 years	**53,561**	6,896	**3,918**	303,516
2 – 5 years	**194,796**	55,165	**-**	1,567
	255,052	68,957	**305,752**	405,067

As of 31 March 2024, the interest rate charged on the significant outstanding balances ranged from 3.0% to 6.6% per annum (31 March 2023: 3.2% to 4.1% per annum) and the weighted average effective interest rate of the borrowings including the impact of interest rate swaps (see Note 7(b)) was approximately 5.7% (31 March 2023: 4.5%). Interest expense is disclosed in Note 24.

Johnson Electric subscribes to both Moody's Investors Service and S&P Global Ratings to provide independent long-term credit ratings. As of 31 March 2024, the Group maintained investment grade ratings with a stable outlook from both agencies. These ratings reflect the Group's solid market position, resilience and prudent financial leverage.

The fair value of borrowings, other than the bonds due July 2024, approximately equals their carrying amount.

The carrying amounts of the borrowings were denominated in the following currencies:

	2024 **US$'000**	2023 US$'000
USD	**500,548**	405,067
RMB	**60,256**	68,957
Total borrowings	**560,804**	474,024

Accounting policy

Borrowings / bonds are initially recognized at fair value, net of transaction costs incurred and are subsequently stated at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the income statement over the period of the borrowings / bonds using the effective interest method.

Borrowings / bonds are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the end of reporting period.

15. Lease Liabilities

	2024 US$'000	2023 US$'000
At beginning of the year	**93,397**	127,527
Currency translations	**(2,341)**	(8,999)
Business combination	**-**	118
New leases / extensions / modifications	**10,299**	14,733
Termination of leases	**(945)**	(10,399)
Finance costs	**3,512**	4,362
Principal element of lease payments	**(26,750)**	(29,064)
Interest element of lease payments	**(3,331)**	(4,881)
At end of the year	**73,841**	93,397
Current portion	**18,852**	27,665
Non-current portion	**54,989**	65,732

The remaining contractual undiscounted cash outflow of the Group's lease liabilities as of 31 March 2024 and 31 March 2023 was as follows:

	2024 US$'000	2023 US$'000
Less than 1 year	**20,738**	30,399
1 – 2 years	**15,841**	15,927
2 – 5 years	**32,667**	35,401
Over 5 years	**13,433**	23,496
	82,679	105,223

The income statement shows the following amounts included in cost of goods sold and selling and administrative expenses relating to leases which are not shown above as leases are as follows:

	2024 US$'000	2023 US$'000
Expense relating to short-term leases	**2,433**	1,525
Expense relating to leases of low-value assets	**31**	52
Expense relating to variable lease payments	**2,311**	2,365
	4,775	3,942

15. Lease Liabilities *(Cont'd)*

Extension and termination options are included in a number of leases across the Group. These terms are used to maximize operational flexibility in terms of managing contracts. The majority of extension and termination of options held are exercisable only by the Group and not by the respective lessor.

Accounting policy

Leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option, and
- leases payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received, and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less without a purchase option. Leases of low-value assets are leases with total lease payments lower than US$5,000.

16. Retirement Benefit Obligations

	Defined benefit pension plans US$'000	Defined contribution pension plans and long service payment US$'000	Total US$'000
FY23/24			
As of 31 March 2023	4,917	4,736	9,653
Currency translations	(737)	(706)	(1,443)
Charges	4,529	10,829	15,358
Utilizations	(5,203)	(10,399)	(15,602)
Remeasurements (Note 20) *	8,825	1,000	9,825
As of 31 March 2024	**12,331** **	**5,460**	**17,791**
Retirement benefit obligations:			
Current portion	590	424	1,014
Non-current portion	30,499	5,036	35,535
Defined benefit pension plan assets:			
Non-current portion	(18,758)	-	(18,758)
As of 31 March 2024	**12,331**	**5,460**	**17,791**
FY22/23			
As of 31 March 2022	23,498	3,530	27,028
Currency translations	(1,123)	(322)	(1,445)
Charges	3,648	9,469	13,117
Utilizations	(5,690)	(9,126)	(14,816)
Remeasurements (Note 20) *	(15,416)	1,185	(14,231)
As of 31 March 2023	4,917 **	4,736	9,653
Retirement benefit obligations:			
Current portion	567	384	951
Non-current portion	21,905	4,352	26,257
Defined benefit pension plan assets:			
Non-current portion	(17,555)	-	(17,555)
As of 31 March 2023	4,917	4,736	9,653

* Remeasurements represent actuarial (gains) and losses. In FY23/24, the actuarial losses of US$8.8 million mainly arose from changes in financial assumptions

** The retirement benefit plans are located in the United Kingdom, Canada, Switzerland, Israel, South Korea, Germany, Italy and France. Net obligations of US$12.3 million (31 March 2023: US$4.9 million) comprised the gross present value of obligations of US$202.7 million (31 March 2023: US$193.0 million) less the fair value of plan assets of US$190.4 million (31 March 2023: US$188.1 million)

16. Retirement Benefit Obligations *(Cont'd)*

16.1 Defined benefit pension plans

The Group operates defined benefit pension plans in various countries, providing benefits to members in the form of a guaranteed level of pension payable for life. These defined benefit plans are valued by independent external actuaries using the projected unit credit method. The main actuaries are listed below and the latest actuarial valuation was completed as of 31 March 2024.

Country of pension plan	Firm	Qualifications of valuers
United Kingdom	Quantum Actuarial LLP	Fellow of the Institute and Faculty of Actuaries
Canada	Robertson Eadie & Associates Ltd.	Fellow of the Canadian Institute of Actuaries
Switzerland	Mercer Switzerland Inc.	Members of the Swiss Association of Actuaries
Israel	Alan Dubin F.S.A. Ltd.	Fellow, Israel Association of Actuaries
South Korea	Hyundai Motor Securities	Fellow, the Institute of Actuaries of Korea
Germany	Mercer Deutschland GmbH	Fellow, The German Association of Actuaries
Italy	Deloitte Consulting SB Srl - Italy	Fellow of the Italian Register of Actuaries
France	Quatrem	Fellow, The French Actuarial Profession

The Group's defined benefit pension plans provide pensions to employees after meeting specific retirement ages or periods of service. Pensions are based on specific pension rates applied to each participating employee's years of service. The assets of funded plans are held independently of the Group's assets in separate trustee administered funds.

The amounts recognized in the balance sheet were determined as follows:

	2024 US$'000	2023 US$'000
Present value of obligations that are funded	**192,327**	175,770
Present value of obligations that are unfunded	**10,369**	17,241
Gross present value of obligations	**202,696**	193,011
Less : Fair value of plan (assets)	**(190,365)**	(188,094)
Total retirement benefit obligations - net liability	**12,331**	4,917
Represented by:		
Defined benefit pension plan (assets)	**(18,758)**	(17,555)
Retirement benefit obligations	**31,089**	22,472

16. Retirement Benefit Obligations *(Cont'd)*

16.1 Defined benefit pension plans *(Cont'd)*

The movement of the retirement benefit obligations was as follows:

	Present value of obligations US$'000	Fair value of plan (assets) US$'000	Total net liability US$'000
FY23/24			
As of 31 March 2023	193,011	(188,094)	4,917
Current service cost	4,444	-	4,444
Interest cost / (income)	5,887	(5,715) *	172
Past service cost	(87)	-	(87)
Net cost / (income) to the income statement (Note 25)	10,244	(5,715)	4,529
Remeasurements:			
– losses from change in demographic assumptions	759	-	759
– losses from change in financial assumptions	10,162	-	10,162
– experience (gains) / losses	(275)	716	441
– return on plan assets, excluding amounts included in interest income	-	(2,537)	(2,537)
Losses / (gains) recognized in equity (Note 20)	10,646	(1,821)	8,825
Currency translations	1,195	(1,932)	(737)
Contributions by plan participants	3,169	(3,169)	-
Contributions by employer	-	(3,697)	(3,697)
Benefits paid	(15,569)	14,063	(1,506)
As of 31 March 2024	**202,696**	**(190,365)**	**12,331**
FY22/23			
As of 31 March 2022	231,040	(207,542)	23,498
Current service cost	4,633	-	4,633
Interest cost / (income)	4,531	(3,422) *	1,109
Past service cost	(2,094)	-	(2,094)
Net cost / (income) to the income statement (Note 25)	7,070	(3,422)	3,648
Remeasurements:			
– losses from change in demographic assumptions	225	-	225
– (gains) from change in financial assumptions	(28,963)	-	(28,963)
– experience losses	849	38	887
– return on plan assets, excluding amounts included in interest income	-	12,435	12,435
(Gains) / losses recognized in equity (Note 20)	(27,889)	12,473	(15,416)
Currency translations	(5,375)	4,252	(1,123)
Contributions by plan participants	2,986	(2,986)	-
Contributions by employer	-	(3,492)	(3,492)
Benefits paid	(14,821)	12,623	(2,198)
As of 31 March 2023	193,011	(188,094)	4,917

* The interest income on plan assets was calculated at the discount rates shown on the next page

16. Retirement Benefit Obligations *(Cont'd)*

16.1 Defined benefit pension plans *(Cont'd)*

Through its defined benefit pension plans, the Group is exposed to a number of risks: asset volatility, inflation risks and life expectancy risk. As the plan liabilities are calculated using a discount rate set with reference to corporate bond yields, if plan assets underperform this yield, this will create a deficit. Some of the Group's pension obligations are linked to salary inflation, and higher inflation will lead to higher liabilities. The plans' obligations are to provide benefits for the lives of members, so increases in life expectancy will increase the plans' liabilities.

The principal actuarial assumptions used for the pension valuation were as follows:

	2024 Percentage	2023 Percentage
Discount rate	**1.5% – 5.4%**	2.3% – 5.6%
Inflation rate (long-term forecast)	**1.1% – 3.7%**	1.3% – 3.8%

Sensitivity analysis

The sensitivity of the defined benefit obligations to changes in the weighted principal assumptions are:

	Impact on defined benefit obligations	
	Increase in assumption	Decrease in assumption
Discount rate – change by 0.5%	Decrease by 4.7%	Increase by 5.4%
Inflation rate (long-term forecast) – change by 0.5%	Increase by 0.6%	Decrease by 0.6%

This is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability recognized in the balance sheet.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous year.

The discount rates of major pension plans were as follows:

	2024 Percentage	2023 Percentage
United Kingdom	**4.8%**	4.7%
Canada	**4.9%**	4.9%
Switzerland	**1.5%**	2.3%
South Korea	**5.4%**	5.6%

16. Retirement Benefit Obligations *(Cont'd)*

16.1 Defined benefit pension plans *(Cont'd)*

The weighted average duration of the defined benefit obligations is 13.3 years (31 March 2023: 12.9 years).

The expected maturity of undiscounted pension benefits as of 31 March 2024 and 31 March 2023 was:

	2024 US$'000	2023 US$'000
Less than 1 year	**11,489**	11,442
1 – 2 years	**12,670**	12,402
2 – 5 years	**31,724**	33,226
Over 5 years	**248,604**	246,129
	304,487	303,199

Plan assets

Plan assets comprised the following:

	2024		2023	
	US$'000	**Percentage**	US$'000	Percentage
Quoted				
Equities				
Europe	**12,721**	**6%**	11,770	6%
Global	**30,614**	**16%**	31,073	17%
Bonds				
Asia	**2,102**	**1%**	2,142	1%
Europe	**12,818**	**7%**	12,345	7%
Americas	**17,438**	**9%**	16,302	9%
Global	**17,353**	**9%**	16,882	9%
Others				
Europe	**36,251**	**19%**	29,932	15%
Americas	**3,039**	**2%**	-	0%
	132,336	**69%**	120,446	64%
Unquoted				
Property investment – Europe	**18,142**	**10%**	27,943	15%
Others – Europe	**39,887**	**21%**	39,705	21%
	58,029	**31%**	67,648	36%
	190,365	**100%**	188,094	100%

16. Retirement Benefit Obligations *(Cont'd)*

16.1 Defined benefit pension plans *(Cont'd)*

Plan assets *(Cont'd)*

The Group's defined benefit pension plans had total assets of US$190.4 million and total obligations of US$202.7 million as of 31 March 2024 (31 March 2023: US$188.1 million and US$193.0 million respectively). This represents a funding level of 94% in aggregate as of 31 March 2024 (31 March 2023: 97%).

The plan asset mix is established through consideration of many factors including assumptions of tolerance for fluctuations in market values, portfolio diversification and the targeted long-term rate of return for the assets. Foreign exchange risk is inherent in the asset mix policy and foreign currency fluctuations may significantly affect the return on the assets held by the trustees of the funds.

The Group ensures that the investment positions are managed within an asset-liability matching framework that has been developed to achieve long-term investments that are in line with the obligations under the pension schemes. Within this framework, the Group's asset-liability matching objective is to match assets to the pension obligations with maturities that match the benefit payments as they fall due and in the appropriate currency.

The Group's main defined benefit pension plans are in the United Kingdom, Canada and Switzerland, which accounted for 98% of the pension assets and 89% of the pension liabilities respectively (31 March 2023: 98% of the plan assets and 89% of the pension liabilities). The Group also operates defined benefit schemes in Israel, South Korea, Germany, Italy and France. The funding levels of the Group's pension schemes as of 31 March 2024 are set out below.

The Group's defined benefit pension plans in the United Kingdom and Canada reported funding levels of 162% and 119% respectively. The surplus is mainly due to favourable investment performance. The Swiss and Israeli schemes had a funding level of 92% and 86% respectively. The deficit arises in part as a result of local funding rules, according to which funding obligations with respect to active employees are satisfied through regular contributions.

The schemes in South Korea and Germany are immaterial to the Group and have a lower funding level of 18% and 15% respectively as benefits to certain employees are funded whilst benefits to other employees enrolled in the schemes are unfunded, as allowed under local regulations. The defined benefit plans in Italy and France are unfunded, as allowed under local regulations.

The Group expects to make contributions of US$4.5 million to post-employment benefit plans for FY24/25 (FY23/24: US$4.5 million).

16. Retirement Benefit Obligations *(Cont'd)*

16.2 Defined contribution pension plans

The charge to the income statement for all defined contribution plans for FY23/24 was US$9.8 million (FY22/23: US$8.4 million). All forfeited contributions can be used to reduce employer's contributions.

The Group's Hong Kong and Canadian schemes accounted for 70% of total contributions in FY23/24 (FY22/23: 82%).

- The largest defined contribution schemes are in Hong Kong where the Group operates two defined contribution schemes. These comply with all the respective requirements under the Occupational Retirement Schemes Ordinance ("ORSO") and the Mandatory Provident Fund ("MPF") Ordinance. All scheme assets are held separately from the Group in independently administered funds. Contributions to the MPF Scheme follow the MPF Ordinance while contributions made by the employer to the ORSO Scheme range between 5% and 12% of basic salary depending on level and years of service. If employees leave the ORSO scheme prior to the contributions fully vesting, these may be forfeited and the charge to income statement reduced accordingly. No forfeited contributions were available in FY23/24 and FY22/23 to reduce the employer's contributions. There were no forfeited contributions as of 31 March 2024 (31 March 2023: nil).

- In Canada, employees are eligible for defined contribution plan after one year of service, governed by the Income Tax Act (Canada) and Pension Benefits Act (Ontario). The employer's base contribution is 3% of employee's earnings. The employer can match additional contributions from the employee up to 3% of their earnings, for a total of 6%. No forfeited contributions were available in FY23/24 and FY22/23 to reduce the employer's contributions. There were no forfeited contributions as of 31 March 2024 (31 March 2023: nil).

The Group also operates other defined contribution pension schemes, available to certain employees in the United States, the United Kingdom, the Netherlands, Turkey, and Singapore.

- In the United States, contributions to the defined contribution plan are made in accordance with Subsection 401(k) of the Internal Revenue Code. The employer's contribution matches 100% of the first 1% and 50% of the next 5% of employee's contribution. Matched contributions are capped at 6% of the employee's contribution, giving an employer maximum contribution of 3.5%. The employer's contribution is fully vested with the employee after two years of service. During the year, forfeited contributions of US$0.05 million (FY22/23: US$0.06 million) under the plans were used to reduce the employer's contributions. As of 31 March 2024, the employer had US$0.11 million forfeited contributions available to reduce its contributions in future years (31 March 2023: US$0.06 million).

- For the United Kingdom, both the employer and employee must make at least 4% contributions, which are fully vested. In the Netherlands, contributions are age based and range from 3.2% to 18.84% of annual salary. In the Turkish plan, the employer contributes a base of TRY743.9 (US$23.1) per employee per month and then matches employee contributions up to a maximum of 1.5% of monthly gross salary. Singapore Central Provident Fund employer contributions are 17% of salary, but lower after age 55. No forfeited contributions were available in FY23/24 (FY22/23: nil) and no forfeited contributions as of 31 March 2024 (31 March 2023: nil) to reduce the employer's contributions in any of these schemes.

16. Retirement Benefit Obligations *(Cont'd)*

Accounting policy

Group companies operate various pension schemes. The schemes are generally funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations. The Group has both defined benefit and defined contribution plans.

(a) Defined benefit plan

Defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. The Group's long service payment is a kind of defined benefit plan.

The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

Past-service costs are recognized immediately in the income statement.

(b) Defined contribution plan

For defined contribution plans, the Group and the employees pay fixed contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. Contributions are recognized as employee compensation when they are due and are reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions.

17. Provisions and Other Liabilities

	Legal and warranty US$'000	Restructuring and severance US$'000	Reinstatement cost of right-of-use assets US$'000	Total US$'000
FY23/24				
As of 31 March 2023	32,362	716	998	34,076
Currency translations	(140)	(17)	(26)	(183)
Charged / (credited) to income statement				
– additional provisions	30,958	7,201	-	38,159
– unused amounts reversed	(3,046)	-	-	(3,046)
– finance costs	-	-	19	19
Utilizations	(12,412)	(1,172)	-	(13,584)
As of 31 March 2024	**47,722**	**6,728**	**991**	**55,441**
Current portion	39,142	6,728	-	45,870
Non-current portion	8,580	-	991	9,571
As of 31 March 2024	**47,722**	**6,728**	**991**	**55,441**
FY22/23				
As of 31 March 2022	31,409	4,498	1,090	36,997
Currency translations	(516)	(276)	(55)	(847)
Business combination	67	-	-	67
Charged / (credited) to income statement				
– additional provisions	15,919	1,822	-	17,741
– unused amounts reversed	(3,397)	-	-	(3,397)
– finance costs	-	-	(37)	(37)
Utilizations	(11,120)	(5,328)	-	(16,448)
As of 31 March 2023	32,362	716	998	34,076
Current portion	24,439	716	-	25,155
Non-current portion	7,923	-	998	8,921
As of 31 March 2023	32,362	716	998	34,076

18. Taxation

18.1 Income tax expense

The amount of taxation in the consolidated income statement represents:

	2024 US$'000	2023 US$'000
Current income tax		
Charges for the year	**60,491**	45,907
Reductions of tax for prior years	**(109)**	(135)
	60,382	45,772
Deferred income tax (Note 18.2)	**(21,576)**	(26,002)
Total income tax expense	**38,806**	19,770
Effective tax rate	**14.3%**	10.9%

Tax has been provided at the applicable rates on the estimated assessable profit in the respective countries of operations for the year. The overall global effective tax rate for FY23/24 was 14.3% (FY22/23: 10.9%). The Group's effective tax rate differed from the statutory tax rate of Hong Kong of 16.5% (FY22/23: 16.5%) as follows:

	2024		2023	
		US$'000		US$'000
Profit before income tax		**271,145**		181,035
Tax charged at Hong Kong profits tax rate	**16.5%**	**44,739**	16.5%	29,871
Effect of different tax rates in other countries				
– countries with taxable profit	**2.7%**	**7,217**	3.7%	6,779
– countries with taxable loss	**(0.8%)**	**(2,109)**	(2.5%)	(4,615)
Additions / (reductions) of tax for prior years				
– current and deferred	**0.1%**	**336**	(0.3%)	(484)
Withholding tax	**4.9%**	**13,263**	7.0%	12,626
Effect of income, net of expenses, not subject to tax	**(7.8%)**	**(21,165)**	(13.1%)	(23,718)
Effect of permanent and temporary differences, tax losses and other taxes	**(1.3%)**	**(3,475)**	(0.4%)	(689)
Total income tax expense	**14.3%**	**38,806**	10.9%	19,770

18. Taxation *(Cont'd)*

18.2 Deferred income tax

Deferred tax assets and liabilities are offset when the deferred income taxes relate to the same fiscal authority and when there is a legally enforceable right to offset current tax assets against current tax liabilities. Income tax expense is discussed in Note 18.1.

The following amounts, determined after appropriate offsetting within a tax jurisdiction, are shown in the consolidated balance sheet:

	2024 **US$'000**	2023 US$'000
Deferred income tax assets	**89,049**	76,937
Deferred income tax liabilities	**(78,809)**	(98,608)
Deferred income tax assets / (liabilities), net	**10,240**	(21,671)

The gross differences between book and tax accounting, before netting were as follows:

	2024 **US$'000**	(As restated) 2023 US$'000
Gross deferred income tax assets	**150,753**	135,606
Gross deferred income tax liabilities	**(140,513)**	(157,277)
Deferred income tax assets / (liabilities), net	**10,240**	(21,671)

The Group adopted HKAS 12 (amendment) "Income taxes: Deferred tax related to assets and liabilities arising from a single transaction" in FY23/24. The amendment requires deferred tax to be recognized on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. They typically apply to transactions such as leases as lessees and decommissioning obligations and requires the recognition of additional deferred tax assets and liabilities. On adoption of this amendment, the Group's gross deferred tax assets and liabilities before netting as of 1 April 2023 had been restated with no impact on the balance sheet.

18. Taxation *(Cont'd)*

18.2 Deferred income tax *(Cont'd)*

The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, was as follows:

	Provisions US$'000	Tax depreciation US$'000	Tax losses US$'000	Fair value (gains) / losses US$'000	Others US$'000	Total US$'000
FY23/24						
Deferred income tax assets						
As of 31 March 2023	26,120	37,471	37,329	884	17,759	119,563
Adoption of HKAS 12 (amendment)	-	16,043	-	-	-	16,043
As of 1 April 2023	26,120	53,514	37,329	884	17,759	135,606
Currency translations	(332)	(837)	(248)	(1)	(180)	(1,598)
Credited / (charged) to income statement	4,485	6,403	(2,130)	(482)	6,608	14,884
Credited to equity	-	-	-	697	1,164	1,861
Assets as of 31 March 2024	30,273	59,080	34,951	1,098	25,351	150,753
Deferred income tax (liabilities)						
As of 31 March 2023	(505)	(9,156)	-	(88,234)	(43,339)	(141,234)
Adoption of HKAS 12 (amendment)	-	(16,043)	-	-	-	(16,043)
As of 1 April 2023	(505)	(25,199)	-	(88,234)	(43,339)	(157,277)
Currency translations	24	536	-	393	458	1,411
Credited / (charged) to income statement	(48)	2,848	-	7,641	(3,749)	6,692
Credited to equity	-	-	-	8,332	329	8,661
(Liabilities) as of 31 March 2024	(529)	(21,815)	-	(71,868)	(46,301)	(140,513)
Deferred income tax assets / (liabilities), net as of 31 March 2024	**29,744**	**37,265**	**34,951**	**(70,770)**	**(20,950)**	**10,240**
FY22/23						
Deferred income tax assets						
As of 31 March 2022	26,391	34,035	17,199	815	19,726	98,166
Adoption of HKAS 12 (amendment)	-	23,869	-	-	-	23,869
As of 1 April 2022	26,391	57,904	17,199	815	19,726	122,035
Currency translations	(693)	(2,330)	(1,015)	(31)	(780)	(4,849)
Credited / (charged) to income statement	422	(2,060)	21,145	(72)	702	20,137
Credited / (charged) to equity	-	-	-	172	(1,889)	(1,717)
Assets as of 31 March 2023	26,120	53,514	37,329	884	17,759	135,606
Deferred income tax (liabilities)						
As of 31 March 2022	(684)	(9,182)	-	(98,253)	(35,805)	(143,924)
Adoption of HKAS 12 (amendment)	-	(23,869)	-	-	-	(23,869)
As of 1 April 2022	(684)	(33,051)	-	(98,253)	(35,805)	(167,793)
Currency translations	33	227	-	2,573	887	3,720
Business combination	-	-	-	(9,062)	(28)	(9,090)
Credited / (charged) to income statement	146	7,625	-	6,827	(8,733)	5,865
Credited to equity	-	-	-	9,681	340	10,021
(Liabilities) as of 31 March 2023	(505)	(25,199)	-	(88,234)	(43,339)	(157,277)
Deferred income tax assets / (liabilities), net as of 31 March 2023	25,615	28,315	37,329	(87,350)	(25,580)	(21,671)

Deferred income tax liabilities of US$2.6 million (FY22/23: US$2.2 million) have not been recognized in respect of the withholding or other tax payable on the unremitted profits of certain subsidiaries where the Company controls the dividend policy and it has been determined that these undistributed profits will not be distributed in the foreseeable future.

18. Taxation *(Cont'd)*

18.2 Deferred income tax *(Cont'd)*

The movement table on the previous page describes the component parts of the deferred income tax assets and liabilities shown on the balance sheet.

Provisions:
Certain tax authorities do not allow provisions as deductions against current taxable profit until utilized, which gives rise to a different basis for calculating accounting and taxable profit.

Tax depreciation:
This represents the difference between the rate of depreciation which is charged against accounting profit and the accelerated rate of depreciation which is charged against taxable profit.

Tax losses:
This represents the value of current tax losses that can be offset against future taxable profits to reduce future taxation charges. As of 31 March 2024, certain Group subsidiaries had accumulated net operating losses carried forward of US$237.5 million (31 March 2023: US$231.4 million) to offset future taxable income.

Fair value (gains) / losses:
The extent to which a change in value resulting from the reassessment of an asset's carrying value is not treated as current year taxable income until realized.

Others:
This mainly represents other temporary differences arising from taxation on profit distributions from foreign subsidiaries, unrealized profits on unsold inventory from intragroup sales, tax credits available to offset future tax payments, temporary differences arising from deduction of expenses and the capitalization of engineering development costs.

18. Taxation *(Cont'd)*

18.2 Deferred income tax *(Cont'd)*

The recoverability of the deferred tax assets and liabilities was as follows:

	2024 US$'000	(As restated) 2023 US$'000
Deferred income tax assets:		
Deferred income tax assets to be recovered after more than twelve months	**112,438**	102,704
Deferred income tax assets to be recovered within twelve months	**38,315**	32,902
Deferred income tax assets	**150,753**	135,606
Deferred income tax liabilities:		
Deferred income tax liabilities to be settled after more than twelve months	**(120,065)**	(133,022)
Deferred income tax liabilities to be settled within twelve months	**(20,448)**	(24,255)
Deferred income tax liabilities	**(140,513)**	(157,277)
Deferred income tax assets / (liabilities), net	**10,240**	(21,671)

The movement on the deferred income tax account, net was as follows:

	2024 US$'000	2023 US$'000
At beginning of the year, net (liabilities)	**(21,671)**	(45,758)
Currency translations	**(187)**	(1,129)
Business combination	**-**	(9,090)
Credited to income statement (Note 18.1)	**21,576**	26,002
Credited to equity	**10,522**	8,304
At end of the year, net assets / (liabilities)	**10,240**	(21,671)

18. Taxation *(Cont'd)*

18.2 Deferred income tax *(Cont'd)*

The deferred income tax credited / (charged) to equity in FY23/24 and FY22/23 was as follows:

	2024 **US$'000**	2023 US$'000
Fair value change of hedging instruments	**9,029**	9,853
Remeasurements of defined benefit plans (Note 20)	**1,509**	(1,596)
Remeasurements of long service payment (Note 20)	**(16)**	47
	10,522	8,304

Deferred income tax assets are recognized for tax losses carried forward to the extent that it is probable that future taxable profit or temporary differences will be available against which the unused tax losses can be utilized.

The movement in the Group's unrecognized tax losses for FY23/24 and FY22/23 is presented below:

	2024 **US$'000**	2023 US$'000
At beginning of the year	**84,168**	118,234
Currency translations	**(3,646)**	(4,926)
(Utilized / recognized) during the year	**(2,294)**	(33,241)
Addition for tax positions of prior years	**7,946**	4,101
At end of the year	**86,174**	84,168

Deferred income tax assets in respect of tax losses amounting to US$86.2 million (FY22/23: US$84.2 million) have not been recognized primarily due to the uncertainty over the availability of future profit generation to recover such losses before their expiry or temporary differences in the legal entities where such losses were incurred.

18. Taxation *(Cont'd)*

18.2 Deferred income tax *(Cont'd)*

The aging of unrecognized tax losses by expiry date is as follows:

	2024 **US$'000**	2023 US$'000
Less than 1 year	**551**	-
1 – 2 years	**5,779**	6,007
2 – 5 years	**9,367**	27,018
5 – 20 years	**-**	978
Unlimited	**70,477**	50,165
	86,174	84,168

Deferred income tax assets amounting to US$2.7 million (FY22/23: US$3.3 million) have not been recognized with respect to other deductible temporary differences for which no taxable profit or temporary differences will be available to offset the deductible temporary difference.

Accounting policy

The tax expense for the period comprises current and deferred tax. Tax is recognized in the income statement, except to the extent that it relates to items recognized in comprehensive income or directly in equity. In this case, the tax is also recognized in comprehensive income or directly in equity.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company's subsidiaries, associate and joint venture operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The Group measures its tax balances either based on the most likely amount or expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit and loss at the time of such a transaction. Deferred income tax is determined using tax rates enacted or substantively enacted at the balance sheet date or expected to be applied in future. Deferred tax related to assets and liabilities arising from a single transaction which on initial recognition gives rise to equal amounts of taxable and deductible temporary differences requires the separate recognition of the related deferred tax assets and liabilities.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

The deferred tax liability in relation to investment property that is measured at fair value is determined assuming the property will be recovered entirely through use.

Deferred income tax liability is recognized in respect of the undistributed profits of subsidiaries which is expected to be distributed in the foreseeable future.

19. Share Capital

	Share capital – ordinary shares (thousands)	Shares held for share award scheme (thousands)	Total shares (thousands)
FY23/24			
As of 31 March 2023	928,687	(8,086)	920,601
Shares purchased by trustee for share award scheme	-	(6,509)	(6,509)
Shares vested to Directors and employees for share award scheme	-	4,199	4,199
Shares issued in lieu of cash dividends	5,725	-	5,725
Scrip dividend for shares held for share award scheme	-	(290)	(290)
As of 31 March 2024	**934,412**	**(10,686)**	**923,726**
FY22/23			
As of 31 March 2022	906,003	(11,106)	894,897
Shares purchased by trustee for share award scheme	-	(529)	(529)
Shares vested to Directors and employees for share award scheme	-	3,825	3,825
Shares issued in lieu of cash dividends	22,684	-	22,684
Scrip dividend for shares held for share award scheme	-	(276)	(276)
As of 31 March 2023	928,687	(8,086)	920,601

As of 31 March 2024, the total authorized number of ordinary shares was 1,760.0 million (31 March 2023: 1,760.0 million) with a par value of HK$0.05 per share (31 March 2023: HK$0.05 per share). All issued shares were fully paid.

19. Share Capital *(Cont'd)*

	Share capital – ordinary shares US$'000	Shares held for share award scheme US$'000	Share premium US$'000	Total US$'000
FY23/24				
As of 31 March 2023	5,989	(20,479)	72,204	57,714
Shares purchased by trustee for share award scheme	-	(8,705)	-	(8,705)
Shares vested to Directors and employees for share award scheme	-	12,171	8,683	20,854
Shares issued in lieu of cash dividends	37	-	8,076	8,113
Scrip dividend for shares held for share award scheme	-	(400)	-	(400)
As of 31 March 2024	**6,026**	**(17,413)**	**88,963**	**77,576**
FY22/23				
As of 31 March 2022	5,844	(30,733)	49,630	24,741
Shares purchased by trustee for share award scheme	-	(603)	-	(603)
Shares vested to Directors and employees for share award scheme	-	11,188	(4,485)	6,703
Shares issued in lieu of cash dividends	145	-	27,059	27,204
Scrip dividend for shares held for share award scheme	-	(331)	-	(331)
As of 31 March 2023	5,989	(20,479)	72,204	57,714

Scrip dividend

During the year, 5.7 million shares were issued to shareholders who elected to receive shares in lieu of cash dividends pursuant to the scrip dividend scheme in relation to the final dividend of FY22/23 and interim dividend of FY23/24. For the final dividend of FY22/23, the Group's scrip price was the average closing price in the period during 18 to 24 July 2023 discounted by 4% on the average price – the actual scrip price was HK$10.45 (US$1.34). The date of allotment of the scrip shares was 6 September 2023. For the interim dividend of FY23/24, the Group's scrip price was the average closing price in the period during 29 November 2023 to 5 December 2023 discounted by 4% on the average price – the actual scrip price was HK$11.46 (US$1.47). The date of allotment of the scrip shares was 17 January 2024.

Cancellation of issued capital

A general mandate was approved and given to the Board by shareholders at the Company's AGM held on 13 July 2023 empowering the Board to repurchase shares up to 10% (92.9 million shares) of the aggregate nominal amount of the issued share capital of the Company. This mandate which had also existed in the previous year was extended to the next 12-month period. No shares were purchased in FY23/24 for cancellation (FY22/23: nil).

19. Share Capital *(Cont'd)*

Share award scheme

A new Restricted and Performance Stock Unit Plan ("2023 Stock Unit Plan") was approved by the shareholders on 13 July 2023. The Restricted and Performance Stock Unit Plan which was adopted on 9 July 2015 ("2015 Stock Unit Plan") was terminated by the shareholders on 13 July 2023 and no further grants of share awards under the 2015 Stock Unit Plan could be made afterwards. Unvested share awards granted under the 2015 Stock Unit Plan continue to be valid subject to the provisions of the 2015 Stock Unit Plan which together with 2023 Stock Unit Plan are collectively as "Stock Unit Plan". The Board may grant time-vested units (Restricted Stock Units ("RSU")) and performance-vested units (Performance Stock Units ("PSU")) or cash payment in lieu of shares to such eligible employees and directors as the Board may select at its absolute discretion under the 2023 Stock Unit Plan.

Senior management of the Group receive annual grants of RSUs and PSUs, typically on 1 June of the year. According to current granting policy, RSUs typically vest after three years. PSUs vest after three years, subject to achievement of performance conditions over a three-year performance period. The measure for grants since FY19/20 is the three-year cumulative earnings per share.

If the primary condition is met in full, then the entire grant of PSUs will vest at the end of the vesting period. If the primary performance condition is not met, then the secondary performance conditions are considered. The secondary performance conditions consist of a series of one-year earnings per share targets for the Group set at the beginning of each year of the three-year performance period. Partial vesting occurs if one or more of the one-year targets is met.

Movements in the number of unvested units granted were as follows:

	Number of unvested units granted (thousands)		
	RSU	PSU	Total
FY23/24			
Unvested units granted, as of 31 March 2023	10,205	6,826	17,031
Units granted to Directors and employees during the year	4,103	3,604	7,707
Units vested to Directors and employees during the year	(3,867)	(1,210)	(5,077)
Forfeited during the year	(437)	(470)	(907)
Unvested units granted, as of 31 March 2024	**10,004**	**8,750**	**18,754**
FY22/23			
Unvested units granted, as of 31 March 2022	10,455	6,075	16,530
Units granted to Directors and employees during the year	4,663	3,824	8,487
Units vested to Directors and employees during the year	(3,993)	(590)	(4,583)
Forfeited during the year	(920)	(2,483)	(3,403)
Unvested units granted, as of 31 March 2023	10,205	6,826	17,031

The weighted average fair value of the unvested units granted during the year was HK$9.50 (US$1.22) (FY22/23: HK$10.52 (US$1.35)).

The weighted average closing price of the shares immediately before the dates on which the awards were vested during the year is HK$9.65 (US$1.24) (FY22/23: HK$10.42 (US$1.34)).

In FY23/24, the Company did not issue any new shares under this program, and the program is currently operated through purchasing existing shares from the market.

19. Share Capital *(Cont'd)*

The total fair value of unvested units at the date of grant was US$7.9 million (FY22/23: US$10.1 million). As the Directors and employees are not entitled to dividends or dividend equivalents between the grant date and the vesting date, the grant date valuation of the rights to shares were reduced by the present value of dividends expected to be paid during the vesting period (interim dividend of HK cents 17 and final dividend of HK cents 34 for each year), discounted by the local currency government bond yields on the corresponding grant dates with tenor equal to the vesting periods (fair value of unvested units granted on 1 June 2023 was discounted using 3.6%).

As of 31 March 2024, the number of unvested units outstanding under the Stock Unit Plan was as follows:

	Number of unvested units granted (thousands)		
Vesting year *	RSU	PSU	Total
FY24/25	1,781	1,687	3,468
FY25/26	4,258	3,492	7,750
FY26/27	3,965	3,571	7,536
Total unvested units granted	**10,004**	**8,750**	**18,754**

* Shares are typically vested on 1 June of the year

Accounting policy

(a) Share capital
Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any group company purchases the Company's equity share capital, the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity until the shares are vested, cancelled or reissued. Where such shares are subsequently sold or reissued, any consideration received (net of any directly attributable incremental transaction costs and the related income tax effects) is included in equity attributable to the Company's shareholders.

(b) Share-based compensation
The Group operates a share-based compensation plan, settled by equity or cash, under which the entity receives services from employees as consideration for equity instruments of the Group. The fair value of such employee services is recognized as an expense. The total amount to be expensed is determined by reference to the fair value of the shares granted.

For share-based compensation settled by equity, shares granted to eligible employees for their services are charged as an expense based on the share price at the grant date. For cash settled share-based transaction, at the end of each reporting period and at the date of settlement, the Group re-measures the fair value of the incentive plan payable with any changes in fair value charged as an expense.

Non-market vesting conditions are included in assumptions about the number of shares expected to vest. The total expense is recognized over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting period, the entity revises its estimates of the number of shares that are expected to vest. Any impact of the revision to original estimates are recognized in the income statement, with a corresponding adjustment to equity.

The grant by the Company of shares over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognized over the vesting period, with a credit to equity in the parent entity accounts.

20. Reserves

	Note	Capital reserve US$'000	Goodwill on consolidation US$'000	Exchange reserve US$'000	Share-based employee compensation reserve US$'000	Hedging reserve US$'000	Miscellaneous reserves * US$'000	Retained earnings US$'000	Total US$'000
As of 31 March 2023		17,338	(233,885)	86,723	10,324	133,851	58,139	2,316,734	2,389,224
Profit for the year		-	-	-	-	-	-	229,229	229,229
Other comprehensive income / (expenses):									
Hedging instruments									
– raw material commodity contracts									
– fair value losses, net		-	-	-	-	(3,061)	-	-	(3,061)
– transferred to inventory and subsequently recognized in the income statement	7(e)	-	-	-	-	(16,176)	-	-	(16,176)
– deferred income tax effect		-	-	-	-	3,174	-	-	3,174
– forward foreign currency exchange contracts									
– fair value losses, net		-	-	-	-	(21,531)	-	-	(21,531)
– transferred to the income statement		-	-	-	-	(6,606)	-	-	(6,606)
– deferred income tax effect		-	-	-	-	5,855	-	-	5,855
– net investment hedge									
– fair value gains, net		-	-	9,299	-	-	-	-	9,299
Defined benefit plans									
– remeasurements	16	-	-	-	-	-	-	(8,825)	(8,825)
– deferred income tax effect	18	-	-	-	-	-	-	1,509	1,509
Long service payment									
– remeasurements	16	-	-	-	-	-	-	(1,000)	(1,000)
– deferred income tax effect	18	-	-	-	-	-	-	(16)	(16)
Hyperinflation adjustments		-	-	4,990	-	-	-	(2,746)	2,244
Currency translations of subsidiaries		-	-	(33,469)	-	40	-	-	(33,429)
Currency translations of associate and joint venture		-	-	(79)	-	-	-	-	(79)
Total comprehensive income / (expenses) for FY23/24		-	-	(19,259)	-	(38,305)	-	218,151	160,587
Transactions with shareholders:									
Appropriation of retained earnings to statutory reserve		-	-	-	-	-	4,938	(4,938)	-
Share award scheme									
– shares vested		-	-	-	(7,268)	-	(13,586)	-	(20,854)
– value of employee services		-	-	-	5,662	-	-	-	5,662
FY22/23 final dividend paid									
– cash paid		-	-	-	-	-	-	(37,431)	(37,431)
– shares issued in respect of scrip dividend		-	-	-	-	-	-	(2,891)	(2,891)
– scrip dividend for shares held for share award scheme		-	-	-	-	-	-	245	245
FY23/24 interim dividend paid									
– cash paid		-	-	-	-	-	-	(15,042)	(15,042)
– shares issued in respect of scrip dividend		-	-	-	-	-	-	(5,222)	(5,222)
– scrip dividend for shares held for share award scheme		-	-	-	-	-	-	155	155
Total transactions with shareholders		-	-	-	(1,606)	-	(8,648)	(65,124)	(75,378)
As of 31 March 2024		**17,338**	**(233,885)**	**67,464**	**8,718**	**95,546**	**49,491**	**2,469,761**	**2,474,433**
Final dividend proposed	27	-	-	-	-	-	-	51,947	51,947
Others		17,338	(233,885)	67,464	8,718	95,546	49,491	2,417,814	2,422,486
As of 31 March 2024		**17,338**	**(233,885)**	**67,464**	**8,718**	**95,546**	**49,491**	**2,469,761**	**2,474,433**

* Miscellaneous reserves mainly represent property revaluation reserve, statutory reserve and reserve arising from shares vested for share award scheme

20. Reserves *(Cont'd)*

	Note	Capital reserve US$'000	Goodwill on consolidation US$'000	Exchange reserve US$'000	Share-based employee compensation reserve US$'000	Hedging reserve US$'000	Miscellaneous reserves * US$'000	Retained earnings US$'000	Total US$'000
As of 31 March 2022		17,338	(233,885)	196,278	14,409	183,150	(16,017)	2,230,271	2,391,544
Profit for the year		-	-	-	-	-	-	157,805	157,805
Other comprehensive income / (expenses):									
Hedging instruments									
– raw material commodity contracts									
– fair value losses, net		-	-	-	-	(22,325)	-	-	(22,325)
– transferred to inventory and subsequently recognized in the income statement	7(e)	-	-	-	-	(26,771)	-	-	(26,771)
– deferred income tax effect		-	-	-	-	8,101	-	-	8,101
– forward foreign currency exchange contracts									
– fair value gains, net		-	-	-	-	941	-	-	941
– transferred to the income statement		-	-	-	-	(11,730)	-	-	(11,730)
– deferred income tax effect		-	-	-	-	1,752	-	-	1,752
– net investment hedge									
– fair value gains, net		-	-	4,149	-	-	-	-	4,149
Defined benefit plans									
– remeasurements	16	-	-	-	-	-	-	15,416	15,416
– deferred income tax effect	18	-	-	-	-	-	-	(1,596)	(1,596)
Long service payment									
– remeasurements	16	-	-	-	-	-	-	(1,185)	(1,185)
– deferred income tax effect	18	-	-	-	-	-	-	47	47
Currency translations of subsidiaries		-	-	(116,215)	-	733	-	-	(115,482)
Currency translations of associate and joint venture		-	-	(211)	-	-	-	-	(211)
Total comprehensive income / (expenses) for FY22/23		-	-	(112,277)	-	(49,299)	-	170,487	8,911
Hyperinflation adjustments		-	-	2,722	-	-	15	(1,581)	1,156
Transactions with shareholders:									
Appropriation of retained earnings to statutory reserve		-	-	-	-	-	1,950	(1,950)	-
Share award scheme									
– shares vested		-	-	-	(6,703)	-	-	-	(6,703)
– value of employee services		-	-	-	2,618	-	-	-	2,618
Acquisition of non-controlling interests		-	-	-	-	-	72,191	(41,196)	30,995
FY21/22 final dividend paid									
– cash paid		-	-	-	-	-	-	(7,188)	(7,188)
– shares issued in respect of scrip dividend		-	-	-	-	-	-	(12,437)	(12,437)
– scrip dividend for shares held for share award scheme		-	-	-	-	-	-	157	157
FY22/23 interim dividend paid									
– cash paid		-	-	-	-	-	-	(5,236)	(5,236)
– shares issued in respect of scrip dividend		-	-	-	-	-	-	(14,767)	(14,767)
– scrip dividend for shares held for share award scheme		-	-	-	-	-	-	174	174
Total transactions with shareholders		-	-	-	(4,085)	-	74,141	(82,443)	(12,387)
As of 31 March 2023		17,338	(233,885)	86,723	10,324	133,851	58,139	2,316,734	2,389,224
Final dividend proposed	27	-	-	-	-	-	-	39,874	39,874
Others		17,338	(233,885)	86,723	10,324	133,851	58,139	2,276,860	2,349,350
As of 31 March 2023		17,338	(233,885)	86,723	10,324	133,851	58,139	2,316,734	2,389,224

* Miscellaneous reserves mainly represent property revaluation reserve, statutory reserve and reserve arising from put option written to a non-controlling interest

21. Other (Expenses) / Income, net

	2024 US$'000	2023 US$'000
Gross rental income from investment property	**1,143**	1,274
Net (losses) / gains on financial assets at fair value through profit and loss	**(7,758)**	187
Fair value gains on put option written to a non-controlling interest	**-**	2,894
Gains on disposal of property, plant and equipment	**2,490**	4,601
Fair value (losses) / gains on investment property	**(836)**	133
Unrealized net (losses) / gains on other financial assets and liabilities (Note 7(e))	**(2,392)**	6,902
Unrealized net gains from revaluation of monetary assets and liabilities	**3,128**	13,439
Unrealized net (losses) on structured foreign currency contracts	**(18,133)**	(7,145)
Subsidies and other income	**8,961**	18,767
Other (expenses) / income, net	**(13,397)**	41,052

Subsidies and other income mainly comprised government grants for the capital investments and funding for technology and economic development.

Accounting policy

(a) Rental income

Rental income is recognized on a straight-line basis over the period of the lease.

(b) Government grants

Grants from the government are recognized at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to future operating costs are recognized in the income statement over the period necessary to match them with the costs that they are intended to compensate. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in income statement in the period in which they become receivable.

Government grants relating to assets are included in liabilities as deferred government grants and are credited to the income statement on a straight–line basis over the expected lives of the related assets.

22. Selling and Administrative Expenses

	2024 US$'000	2023 US$'000
Selling expenses	**115,991**	146,923
Administrative expenses	**430,827**	410,199
Legal and warranty	**27,912**	12,522
Net (gains) on realization of other financial assets and liabilities (Note 7(e))	**(18,473)**	(18,864)
Net losses on realization of monetary assets and liabilities	**6,855**	25,370
Net (gains) on realization of structured foreign currency exchange contracts	**(21,318)**	(19,723)
Selling and administrative expenses	**541,794**	556,427

23. Restructuring and Other Related Costs

	2024 US$'000	2023 US$'000
Restructuring costs	**7,058**	1,805
Impairment of property, plant and equipment	**2,584**	-
Other related costs	**565**	17
Restructuring and other related costs	**10,207**	1,822

Note: The restructuring and other related costs primarily consisted of severance payments in relation to initiatives to simplify the manufacturing footprint in Europe

24. Finance Income / (Costs), net

	2024 US$'000	2023 US$'000
Interest income	**19,992**	5,605
Interest expense on:		
Borrowings	**(15,131)**	(5,055)
Lease liabilities	**(3,512)**	(4,362)
Bonds	**(13,044)**	(13,015)
	(31,687)	(22,432)
Interest expense capitalized *	**127**	755
Total interest expense	**(31,560)**	(21,677)
Net finance (costs) (Note 29)	**(11,568)**	(16,072)

* Interest expense has been capitalized in property, plant and equipment at major new production sites at an average effective interest rate of 5.6% per annum including the impact of interest rate swaps (FY22/23: 3.7% per annum)

Borrowings are discussed in Note 14.

Accounting policy

Interest income is recognized when it is earned on a time-proportion basis using the effective interest method.

25. Expenses by Nature

Operating profit was stated after crediting and charging the following:

	2024 US$'000	2023 US$'000
Depreciation		
Depreciation of property, plant and equipment (Note 3)	**244,004**	241,147
Less: amounts capitalized in assets under construction	**(1,621)**	(1,403)
Net depreciation (Note 29)	**242,383**	239,744
Engineering expenditure		
Engineering expenditure *	**159,702**	174,947
Less: capitalization of engineering development costs (Note 5)	**(1,237)**	(1,881)
Net engineering expenditure	**158,465**	173,066
Employee compensation		
Wages, salaries and other benefits	**910,355**	888,739
Share-based payments	**7,079**	4,991
Social security costs	**115,692**	108,805
Pension costs – defined benefit plans (Note 16.1)	**4,529**	3,648
Pension costs – defined contribution plans (Note 16.2)	**9,794**	8,431
	1,047,449	1,014,614
Less: amounts capitalized in assets under construction	**(7,756)**	(4,046)
	1,039,693	1,010,568
Other items:		
Cost of goods sold **	**2,963,493**	2,930,208
Auditors' remuneration	**2,998**	2,793
Amortization of intangible assets (Note 5 & 29)	**32,497**	34,409
Impairment of inventories	**13,017**	7,836
Reversal of impairment of inventories	**(6,018)**	(4,622)
Impairment of property, plant and equipment (Note 3 & 29)	**15,155**	2,010
Impairment of trade receivables / bad debt expense (Note 10)	**1,596**	937

In FY23/24, the Group did not receive any subsidies related to the Covid-19 pandemic (FY22/23: US$2.1 million. These were offset against relevant costs in the income statement including employee compensation which represents the majority of the subsidies).

* Engineering expenditure as a percentage of sales was 4.2% in FY23/24 (FY22/23: 4.8%)

** Cost of goods sold comprised materials, direct labour costs (including their social costs) and production overheads

26. Earnings Per Share

Basic earnings per share

Basic earnings per share was calculated by dividing the profit attributable to shareholders by the weighted average number of ordinary shares in issue during the year excluding ordinary shares purchased by the Company for share award scheme.

	2024	2023
Profit attributable to shareholders (thousands US Dollar)	**229,229**	157,805
Weighted average number of ordinary shares in issue (thousands)	**923,268**	905,892
Basic earnings per share (US cents per share)	**24.83**	17.42
Basic earnings per share (HK cents per share)	**194.26**	136.55

Diluted earnings per share

Diluted earnings per share was calculated by adjusting the weighted average number of ordinary shares as per basic earnings per share, to include the weighted average number of all the dilutive potential ordinary shares.

	2024	2023
Profit attributable to shareholders (thousands US Dollar)	**229,229**	157,805
Weighted average number of ordinary shares issued and outstanding (thousands)	**923,268**	905,892
Adjustments for incentive shares granted		
– share award scheme - Restricted Stock Units	**4,502**	3,617
– share award scheme - Performance Stock Units	**-**	947
Weighted average number of ordinary shares (diluted) (thousands)	**927,770**	910,456
Diluted earnings per share (US cents per share)	**24.71**	17.33
Diluted earnings per share (HK cents per share)	**193.31**	135.87

27. Dividends

	2024 US$'000	2023 US$'000
Interim, of 17 HK cents (2.18 US cents) per share, paid in January 2024 (FY22/23: 17 HK cents or 2.18 US cents)	**20,058**	19,671
Final, proposed, of 44 HK cents (5.64 US cents) per share, to be paid in September 2024 (FY22/23: 34 HK cents or 4.36 US cents) (Note 20)	**51,947** *	39,874
	72,005	59,545

* Proposed dividend is calculated based on the total number of shares as of 31 March 2024. The final dividend will be payable on 4 September 2024 in cash with no scrip alternative to persons who are registered shareholders of the Company on 23 July 2024

Scrip dividend elections were offered to all shareholders. Shareholders accounting for approximately 7% and 26% of total issued shares elected for scrip dividends of FY22/23 final and FY23/24 interim dividends respectively. Total share costs of the scrip shares were HK$63.4 million (US$8.1 million). Dividends for shares held by share award scheme of US$0.4 million were deducted from the total dividends.

At a meeting held on 16 May 2024 the Directors recommended a final dividend of 44 HK cents (5.64 US cents) per share to be paid out in September 2024 in cash with no scrip alternative. The recommended final dividend will be reflected as an appropriation of retained earnings for FY24/25.

Dividends for the periods FY14/15 through FY23/24 are shown in the table below:

	Interim HK cents per share	Final HK cents per share	Total HK cents per share	Total dividend US$'000
FY14/15	14.0	34.0	48.0	53,290
FY15/16	15.0	34.0	49.0	54,117
FY16/17	16.0	34.0	50.0	55,323
FY17/18	17.0	34.0	51.0	56,123
FY18/19	17.0	34.0	51.0	56,594
FY19/20	17.0	-	17.0	19,297
FY20/21	17.0	34.0	51.0	58,582
FY21/22	17.0	17.0	34.0	38,969
FY22/23	17.0	34.0	51.0	59,545
FY23/24	17.0	44.0	61.0	72,005

Accounting policy

Dividend distribution to the Company's shareholders is recognized as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

28. Commitments

28.1 Capital commitments

	2024 US$'000	2023 US$'000
Capital commitments, contracted but not provided for:		
Property, plant and equipment	**39,825**	40,566

28.2 Lease commitments

The future aggregate minimum lease payments of leases included short-term leases with a term of 12 months or less, leases of low-value assets and leases with variable lease payments are as follows:

	2024 US$'000	2023 US$'000
Less than 1 year	**1,476**	1,114
1 – 5 year	**208**	471
	1,684	1,585

28.3 Non-cancellable operating leases

The Group's future aggregate minimum lease rental receivables under non-cancellable operating leases as of 31 March 2024 and 31 March 2023 were as follows:

	2024 US$'000	2023 US$'000
Less than 1 year	**1,194**	1,237
1 – 2 year	**1,187**	1,229
2 – 3 year	**1,249**	1,222
3 – 4 year	**317**	1,287
4 – 5 year	**-**	327
	3,947	5,302

Accounting policy

Lease income from operating leases where the Group is a lessor is recognized in income on a straight-line basis over lease term (Note 3 and 4). The respective leased assets are included in the consolidated balance sheet based on their natures.

29. Cash Generated from Operations

	2024 US$'000	2023 US$'000
Profit before income tax	**271,145**	181,035
Add: Depreciation of property, plant and equipment (Note 25)	**242,383**	239,744
Amortization of intangible assets (Note 5 & 25)	**32,497**	34,409
Net finance costs (Note 24)	**11,568**	16,072
Dividend receipts from associate and joint venture less share of losses	**2,609**	1,607
EBITDA*	**560,202**	472,867
Other non-cash items		
(Gains) on disposal of property, plant and equipment	**(2,490)**	(4,601)
Impairment of property, plant and equipment (Note 3 & 25)	**15,155**	2,010
Net losses / (gains) on financial assets at fair value through profit and loss	**7,758**	(187)
Fair value (gains) on put option written to a non-controlling interest	**-**	(2,894)
Share-based payments	**5,662**	2,618
Fair value losses / (gains) on investment property	**836**	(133)
Unrealized currency losses / (gains)	**17,397**	(13,196)
	44,318	(16,383)
EBITDA * net of other non-cash items	**604,520**	456,484
Change in working capital		
Decrease in inventories	**33,061**	39,077
Decrease in trade and other receivables	**28,669**	4,541
Increase in other non-current assets	**(59)**	(395)
Decrease in trade and other payables	**(13,005)**	(8,110)
Decrease in retirement benefit obligations **	**(244)**	(1,699)
Increase / (decrease) in provisions and other liabilities	**21,529**	(2,104)
Change in other financial assets and liabilities	**308**	(3,785)
	70,259	27,525
Cash generated from operations	**674,779**	484,009

* EBITDA: Earnings before interest, taxes, depreciation and amortization

** Net of defined benefit pension plan assets

In the cash flow statement, proceeds from disposal of property, plant and equipment comprise:

	2024 US$'000	2023 US$'000
Net book amount	**4,170**	524
Gains on disposal of property, plant and equipment (Note 21)	**2,490**	4,601
Proceeds from disposal of property, plant and equipment	**6,660**	5,125

Johnson Electric Group Ten-Year Summary

US$ million	2024	2023	2022
Consolidated income statement			
Sales	**3,814.2**	3,646.1	3,446.1
Earnings before interest and tax (EBIT) [1]	**282.7**	197.1	187.2
Profit / (loss) before income tax	**271.1**	181.0	170.1
Income tax expense	**(38.8)**	(19.7)	(17.9)
Profit / (loss) for the year	**232.3**	161.3	152.2
Non-controlling interests	**(3.1)**	(3.5)	(5.8)
Profit / (loss) attributable to shareholders	**229.2**	157.8	146.4
Consolidated balance sheet			
Fixed assets	**1,530.6**	1,649.4	1,774.8
Goodwill and intangible assets	**183.6**	216.1	229.9
Cash, cash equivalents and time deposits	**809.9**	408.7	345.4
Other current and non-current assets	**1,697.4**	1,827.4	1,988.7
Total assets	**4,221.5**	4,101.6	4,338.8
Equity attributable to shareholders	**2,552.0**	2,446.9	2,416.3
Non-controlling interests	**44.7**	48.5	85.4
Total equity	**2,596.7**	2,495.4	2,501.7
Total debt [2]	**560.8**	474.0	490.8
Other current and non-current liabilities	**1,064.0**	1,132.2	1,346.3
Total equity and liabilities	**4,221.5**	4,101.6	4,338.8
Per share data [3]			
Basic earnings per share (US cents)	**24.8**	17.4	16.4
Dividend per share (US cents)	**7.8**	6.5	4.4
Closing stock price (HKD)	**10.8**	8.9	10.8
Other information			
Free cash in / (out) flow from operations [4]	**422.4**	214.8	(132.4)
Earnings before interest, tax and amortization (EBITA) [5]	**342.8**	220.1	243.8
EBITA to sales %	**9.0%**	6.0%	7.1%
Earnings before interest, tax, depreciation and amortization (EBITDA) [5]	**587.8**	461.5	492.2
EBITDA to sales%	**15.4%**	12.7%	14.3%
Capital expenditure (CAPEX)	**184.9**	226.6	316.4
CAPEX to sales %	**4.8%**	6.2%	9.2%
Market capitalization	**1,294.6**	1,052.9	1,239.4
Enterprise value (EV)	**1,090.2**	1,166.7	1,470.2
Ratios			
Return on average total equity % [6]	**9.1%**	6.5%	6.3%
Total debt to capital %	**18%**	16%	16%
Free cash in / (out) flow from operations to gross debt %	**63%**	36%	(20%)
Gross debt to EBITDA (times) [5]	**1.1**	1.3	1.3
EV / EBITDA [5]	**1.9**	2.5	3.0
Interest coverage (times) [5 & 7]	**10.8**	9.8	11.9

1 Earnings before interest and tax (EBIT) is defined as operating profit plus share of profits / (losses) of associates and joint venture
2 Total debt calculated as borrowings plus bonds
3 Per share data had been adjusted to reflect the impact of a 1 for 4 share consolidation on 15 July 2014
4 Net interest received, net capital expenditure and capitalization of engineering development costs are included in free cash in / (out) flow from operations
5 We adjusted EBITA and EBITDA to exclude the impairment of goodwill and other intangible assets and significant non-cash, divested items and restructuring and other related costs. Where a business is acquired part way through the year, we adjusted EBITA and EBITDA to include 12 months for that year on a pro forma basis. EBITDA for FY14/15 to FY18/19 included a corresponding adjustment to annual lease expense on the effect of adoption of HKFRS 16 in FY19/20
6 Return on average total equity is calculated as profit for the year divided by average total equity during the year
7 Interest coverage (times) is calculated as adjusted EBITA (see note 5) divided by gross interest expense, adjusted to exclude notional interest on a put option and to include capitalized interest

2021	2020	2019	2018	2017	2016	2015
3,156.2	3,070.5	3,280.4	3,236.6	2,776.1	2,235.9	2,136.1
258.8	(454.9)	344.4	336.3	300.3	209.8	243.5
248.4	(471.7)	327.9	322.8	290.3	206.6	249.0
(29.2)	(15.2)	(38.3)	(48.6)	(43.8)	(23.9)	(29.2)
219.2	(486.9)	289.6	274.2	246.5	182.7	219.8
(7.2)	(6.8)	(8.3)	(10.2)	(8.6)	(10.0)	(8.9)
212.0	(493.7)	281.3	264.0	237.9	172.7	210.9
1,548.5	1,405.0	1,351.4	1,214.6	892.8	759.0	492.6
245.0	246.1	1,109.7	1,178.6	1,076.7	1,083.4	595.6
539.5	384.4	340.0	168.9	127.7	193.3	773.2
1,685.4	1,424.9	1,476.9	1,440.1	1,257.5	1,113.7	986.6
4,018.4	3,460.4	4,278.0	4,002.2	3,354.7	3,149.4	2,848.0
2,224.6	1,828.2	2,487.2	2,298.4	1,992.2	1,842.6	1,862.3
83.4	73.5	71.3	67.4	32.8	42.2	38.6
2,308.0	1,901.7	2,558.5	2,365.8	2,025.0	1,884.8	1,900.9
426.2	415.5	685.7	492.2	384.0	422.5	291.3
1,284.2	1,143.2	1,033.8	1,144.2	945.7	842.1	655.8
4,018.4	3,460.4	4,278.0	4,002.2	3,354.7	3,149.4	2,848.0
23.8	(55.8)	32.5	30.6	27.7	20.1	24.1
6.5	2.2	6.5	6.5	6.4	6.3	6.2
20.9	12.2	18.2	29.5	23.2	24.0	27.3
171.1	258.4	73.5	104.5	176.2	86.0	170.8
335.5	284.5	332.9	402.3	345.3	283.0	284.7
10.6%	9.3%	10.1%	12.4%	12.4%	12.7%	13.3%
555.0	488.8	517.6	569.7	478.1	390.3	373.6
17.6%	15.9%	15.8%	17.6%	17.2%	17.5%	17.5%
263.6	282.1	391.4	305.8	240.2	186.2	119.9
8.4%	9.2%	11.9%	9.4%	8.7%	8.3%	5.6%
2,398.5	1,401.2	2,019.2	3,236.1	2,565.6	2,643.3	3,032.5
2,368.6	1,505.8	2,436.2	3,626.7	2,854.7	2,914.7	2,589.3
10.4%	(21.8%)	11.8%	12.5%	12.6%	9.7%	12.0%
16%	18%	21%	17%	16%	18%	13%
33%	48%	9%	17%	35%	16%	43%
0.9	1.1	1.6	1.1	1.1	1.4	1.1
4.3	3.1	4.7	6.4	6.0	7.5	6.9
24.2	13.9	17.7	29.7	31.1	30.1	33.7

Corporate and Shareholder Information

Johnson Electric Holdings Limited
(Incorporated in Bermuda with limited liability)

Corporate Information

Board of Directors

Executive Directors

Patrick Shui-Chung WANG *SBS, JP*
Chairman and Chief Executive
Austin Jesse WANG

Non-Executive Directors

WANG KOO Yik-Chun
Honorary Chairman
MAK WANG Wing-Yee Winnie
Vice-Chairman
Peter Kin-Chung WANG
Patrick Blackwell PAUL *CBE, FCA* *
Michael John ENRIGHT *
Joseph Chi-Kwong YAM *GBM, GBS, JP* *
Christopher Dale PRATT *CBE* *
Catherine Annick Caroline BRADLEY *CBE* *
Michelle Mei-Shuen LOW *
David Alan ROSENTHAL *

* *Independent Non-Executive Director*

Company Secretary

Lai-Chu CHENG

Auditor

PricewaterhouseCoopers
Certified Public Accountants
Registered Public Interest Entity Auditor

Share Registrars and Transfer Offices

Principal Registrar:
MUFG Fund Services (Bermuda) Limited
4th Floor North, Cedar House
41 Cedar Avenue
Hamilton HM 12
Bermuda

Share Registrar in Hong Kong:
Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wan Chai, Hong Kong

Registered Office

Victoria Place, 5th Floor
31 Victoria Street
Hamilton HM 10
Bermuda

Hong Kong Head Office

12 Science Park East Avenue, 6/F
Hong Kong Science Park
Shatin, New Territories
Hong Kong
Tel : (852) 2663 6688
Fax : (852) 2897 2054
Website : www.johnsonelectric.com

Principal Bankers

Bank of China (Hong Kong) Limited
BNP Paribas
Citibank, N.A.
Commerzbank AG
Hang Seng Bank Limited
JPMorgan Chase Bank, N.A.
Mizuho Bank, Ltd.
MUFG Bank, Ltd.
Standard Chartered Bank
The Hongkong and Shanghai Banking Corporation Limited

Rating Agencies

Moody's Investors Service
S&P Global Ratings

Listing Information

Share Listing

The Company's shares are listed on The Stock Exchange of Hong Kong Limited

Stock Code

The Stock Exchange of Hong Kong Limited	: 179
Bloomberg	: 179:HK
Reuters	: 0179.HK

Shareholders' Calendar

Annual General Meeting (AGM)

12 July 2024 (Fri)

Register of Shareholders

Closure of Register (both dates inclusive)
For attending AGM: 9 – 12 July 2024 (Tue – Fri)
For final dividend: 19 – 23 July 2024 (Fri – Tue)

Dividends (per Share)

Interim Dividend	: 17 HK cents
Paid on	: 17 January 2024 (Wed)
Final Dividend	: 44 HK cents
Payable on	: 4 September 2024 (Wed)

Review of Annual Results

The Company's annual results for the year ended 31 March 2024 has been reviewed by the Audit Committee.

Board of Directors

As of the date of this announcement, the Board comprises Patrick Shui-Chung WANG, Austin Jesse WANG, being the Executive Directors, and WANG KOO Yik-Chun, MAK WANG Wing-Yee Winnie, Peter Kin-Chung WANG, being the Non-Executive Directors, and Patrick Blackwell PAUL, Michael John ENRIGHT, Joseph Chi-Kwong YAM, Christopher Dale PRATT, Catherine Annick Caroline BRADLEY, Michelle Mei-Shuen LOW and David Alan ROSENTHAL being the Independent Non-Executive Directors.

On behalf of the Board

Patrick Shui-Chung WANG *SBS, JP*
Chairman and Chief Executive

Hong Kong, 16 May 2024

Johnson Electric is one of the constituent stocks on the Hang Seng Composite SmallCap Index under the Hang Seng Composite Index, the Hang Seng Corporate Sustainability Benchmark Index and the S&P Europe Pacific Asia Composite (EPAC) SmallCap Index. For further information, please visit www.johnsonelectric.com.