JOHNSON ELECTRIC HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock code: 179)

INTERIM RESULTS ANNOUNCEMENT FOR THE PERIOD OF SIX MONTHS ENDED 30TH SEPTEMBER 2005

HIGHLIGHTS

- Turnover up 9% to US$626 million
- Operating profit down 19% to US$62 million
- Decline in operating profitability primarily due to unprecedented increases in raw material prices – particularly copper and steel
- Net profit attributable to shareholders down 24% to US$53 million
- Earnings per share down 24% to 1.44 U.S. cents per share
- Interim dividend of 4.5 HK cents per share (0.58 U.S. cents per share)
- Acquisitions of Saia-Burgess and Parlex Corporation completed

The Directors announce that the unaudited consolidated profit attributable to shareholders for the six months ended 30th September 2005 was US$52,857,000, a decrease of 24% over the corresponding period in 2004.

FINANCIAL RESULTS

The unaudited condensed consolidated profit and loss account for the six months ended 30th September 2005 together with comparative figures for the corresponding period in 2004 is set out below:

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Note	**2005** *US$'000*	Restated 2004 *US$'000*
Turnover	*2*	**626,393**	576,364
Cost of sales		**(467,933)**	(397,730)
Gross profit		**158,460**	178,634
Other gains, net		**5,191**	1,871
Selling and administrative expenses		**(102,013)**	(94,079)
Restructuring costs/provisions		**–**	(9,992)
Operating profit	*3*	**61,638**	76,434
Finance costs		**(38)**	(133)
Share of profits less losses of jointly controlled entities/associated companies		**1,629**	2,355
Profit before taxation		**63,229**	78,656
Taxation	*4*	**(10,269)**	(9,283)
Profit for the period		**52,960**	69,373
Attributable to:			
Equity holders of the Company		**52,857**	69,275
Minority interest		**103**	98
		52,960	69,373
Interim dividend	*5*	**21,195**	21,195
Earnings per share for profit attributable to the equity holders of the Company during the period (expressed in US cents per share)			
Basic	*6*	**1.44**	1.89
Diluted	*6*	**1.44**	N/A

CONDENSED CONSOLIDATED BALANCE SHEET

	Note	2005 US$'000	Restated 2004 US$'000
ASSETS			
Non-current assets			
Intangible assets		**46,522**	43,335
Property, plant and equipment		**242,268**	244,115
Investment properties		**9,825**	8,356
Leasehold land		**26,180**	27,877
Jointly controlled entities		**15,909**	14,921
Associated companies		**32**	3,193
Available-for-sale financial assets		**7,256**	–
Investment securities		**–**	5,818
Investment in finance leases		**156**	426
Deferred tax assets		**28,285**	30,689
		376,433	378,730
Current assets			
Stocks and work in progress		**169,502**	160,771
Trade and other receivables	*7*	**305,982**	278,028
Other investments		**–**	58,813
Other financial assets at fair value through profit or loss		**45,070**	–
Tax recoverable		**3,534**	9,168
Bank balances and cash		**173,661**	176,321
		697,749	683,101
Current liabilities			
Trade and other payables	*8*	**186,274**	182,093
Current portion of long term loans		**148**	92
Tax payable		**11,709**	4,466
Bank loans and overdrafts		**12,812**	12,878
		210,943	199,529
Net current assets		**486,806**	483,572
Total assets less current liabilities		**863,239**	862,302
Non-current liabilities			
Long term loans		**2,665**	3,018
Other provisions		**16,063**	16,649
Deferred tax liabilities		**16,292**	23,268
		35,020	42,935
NET ASSETS		**828,219**	819,367
EQUITY			
Share capital		**5,925**	5,925
Reserves		**790,987**	760,524
Proposed dividends		**21,195**	51,810
		818,107	818,259
Minority interests		**10,112**	1,108
TOTAL EQUITY		**828,219**	819,367

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	2005 *US$'000*	Restated 2004 *US$'000*
At 1st April, as previously reported as equity	**819,850**	734,117
At 1st April, as previously reported as minority interest	**1,108**	5
Increase in expenses in respect of leasehold land	**(215)**	(340)
Increase in deferred tax liability	**(1,376)**	(1,439)
At 1st April, as restated	**819,367**	732,343
Opening adjustment for the adoption of HKAS 39	**2,776**	–
Opening adjustment for the adoption of HKFRS 3	**1,864**	–
Fair value losses, net of tax: available-for-sale financial assets	**(832)**	–
Adjustment arising on translation of foreign subsidiaries, associated companies and jointly controlled entities	**(4,861)**	787
Net income/(expense) recognised directly in equity	**(1,053)**	787
Profit for the period	**52,960**	69,373
Total recognised income for the period	**51,907**	70,160
Employees share option scheme: value of employee services	**(146)**	269
Minority interest – business combinations	**8,901**	–
Final dividend paid	**(51,810)**	(42,390)
	(43,055)	(42,121)
At 30th September	**828,219**	760,382

Note:

1. **Principal accounting policies**

This unaudited condensed consolidated financial information is prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants and Appendix 16 of the Listing Rules of The Stock Exchange of Hong Kong Limited.

This condensed consolidated financial information should be read in conjunction with the 2004/05 annual financial statements.

The accounting policies and methods of computation used in the preparation of this condensed consolidated financial information are consistent with those used in the annual financial statements for the year ended 31st March 2005 except that the Group has changed certain of its accounting policies following its adoption of new/revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards ("new HKFRS") which are effective for accounting periods commencing on or after 1st January 2005 and have not been early adopted by the Group for the preparation of the 2005 annual accounts. The applicable new HKFRSs adopted in these condensed interim accounts are set out below and the comparatives have been stated in accordance with the relevant requirements.

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after Balance Sheet Date
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 28	Investments in Associates
HKAS 31	Investments in Joint Ventures
HKAS 32	Financial Instruments: Disclosures and Presentation
HKAS 33	Earnings per Share
HKAS 36	Impairment of Assets
HKAS 38	Intangible Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 40	Investment Property
HKAS-Int 12	Scope of HKAS – Int 12 Consolidation – Special Purpose Entities
HKAS-Int 15	Operating Leases – Incentives
HKAS-Int 21	Income Taxes – Recovery of Revalued Non-Depreciable Assets
HKFRS 2	Share-based Payments
HKFRS 3	Business Combinations

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

– HKAS 1 has affected the presentation of minority interest, investment properties, share of net after-tax results of associates and jointly controlled entities and other disclosures.

– HKASs 2, 7, 8, 10, 16, 23, 27, 28, 31, 33 and HKAS-Ints 15 had no material effect on the Group's policies.

– HKAS 21 had no material effect on the Group's policy. The functional currency of each of the consolidated entities has been re-evaluated based on the guidance to the revised standard. All the Group entities have the same functional currency as the presentation currency for respective entity financial statements.

– HKAS 24 has affected the identification of related parties and some other related-party disclosures.

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

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

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

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

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

The adoption of HKFRS 3, HKAS 36 and HKAS 38 results in a change in the accounting policy for goodwill. Until 31st March 2005, goodwill was:

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

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

In accordance with the provisions of HKFRS 3:

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

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

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

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

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

	Year ended 31st March 2005		Six months ended 30th September 2005					Six months ended 30th September 2004	
	HKAS 17	HKFRS 2	HKAS 17	HKAS 32 & 39	HKAS 40	HKFRS 2	HKFRS 3	HKAS 17	HKFRS 2
Decrease in cost of sales	–	–	–	794	–	–	–	–	–
Increase in other gains, net	–	–	–	–	1,469	–	–	–	–
(Increase)/decrease in selling and administrative expenses	(123)	(544)	(150)	110	–	146	–	(61)	(269)
Decrease in amortisation on goodwill	–	–	–	–	–	–	852	–	–

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

	30th September 2005					1st April 2005	31st March 2005			
	HKAS 1	HKAS 17	HKAS 32 & 39	HKAS 40	HKRFS 2	HKFRS 3, HKAS 36 & 38	HKAS 1	HKAS 17	HKAS-Int 21	HKRFS 2
Increase in intangible assets	–	–	–	–	–	1,864	–	–	–	–
Decrease in property, plant and equipment	(9,825)	(26,545)	–	–	–	–	(8,356)	(28,092)	–	–
Increase in investment properties	9,825	–	–	–	–	–	8,356	–	–	–
Increase in leasehold land	–	26,180	–	–	–	–	–	27,877	–	–
Increase in available-for-sale financial assets	–	–	7,256	–	–	–	–	–	–	–
Increase in trade and other receivables	–	–	93	–	–	–	–	–	–	–
Increase in other financial assets through profit or loss	–	–	45,070	–	–	–	–	–	–	–
Increase in bank loans and overdrafts	–	–	93	–	–	–	–	–	–	–
Increase in deferred tax liability	–	–	–	–	–	–	–	–	1,376	–
Increase in other reserve	–	–	93	–	–	–	–	–	–	–
Increase in share option reserve	–	–	–	–	745	–	–	–	–	891
Decrease in investment property revaluation reserve	–	–	–	(6,487)	–	–	–	–	(1,376)	–
Increase/(decrease) in retained earnings	–	(365)	1,851	6,487	(745)	1,864	–	(215)	–	(891)

2. **Segment information**

The Group is principally engaged in the manufacture of motors and trading of motor and motor-related electromechanical components and materials. Revenues recognised during the period are as follows:

Primary reporting format – geographical segments

	Six months ended 30th September			
	Turnover		**Operating profit/(loss)**	
	2005	2004	**2005**	2004
	US$'000	*US$'000*	***US$'000***	*US$'000*
Geographical area by manufacturing locations				
Asia	**462,935**	401,981	**61,862**	86,940
Europe	**142,891**	133,351	**748**	1,036
America	**20,567**	41,032	**(972)**	(11,542)
	626,393	576,364	**61,638**	76,434

	2005	2004
	US$'000	*US$'000*
Turnover by geographical destinations of customers		
Asia	**243,086**	206,226
America	**153,923**	157,286
Europe	**229,384**	212,852
	626,393	576,364

Secondary reporting format – business segments

	2005	2004
	US$'000	*US$'000*
Turnover by business segments		
Manufacturing	**594,441**	576,364
Trading	**31,952**	–
	626,393	576,364

3. **Depreciation and amortisation**

During the period, depreciation of US$21,545,000 (2004: US$22,129,000) and amortisation of US$1,164,000 (2004: US$1,845,000) were charged in respect of the Group's property, plant and equipment and intangible assets respectively.

4. **Taxation**

Hong Kong profits tax has been provided at the rate of 17.5% (2004: 17.5%) on the estimated assessable profit for the period. Overseas tax has been provided at the applicable rate on the estimated assessable profit for the period.

	2005	2004
	US$'000	*US$'000*
Current taxation		
Hong Kong profits tax	**4,181**	6,297
Overseas taxation	**11,028**	2,310
	15,209	8,607
Deferred taxation	**(4,940)**	676
	10,269	9,283

5. **Interim dividend**

The interim dividends of US$0.58 per share are based on the existing 3,673,788,920 shares in issue (2004: interim dividends of US$0.58 per share each).

6. **Earnings per share**

The calculations of basic and fully diluted earnings per share are based on the Group's profit attributable to shareholders of US$52,857,000 (2004 restated: US$69,275,000).

The basic earnings per share is based on 3,673,788,920 (2004: 3,673,788,920) shares in issue during the period.

There is no significant impact on the fully diluted earnings per share if all outstanding options are deemed to be issued at no consideration.

7. **Trade and other receivables**

The Group allows an average credit period ranging from 30 to 90 days to its trade customers. The trade and other receivables included trade receivables of US$250,321,000 (31st March 2005: US$230,935,000). The ageing analysis of trade receivables was as follows:

	0-60 days	**61-90 days**	**Over 90 days**	**Total**
	US$'000	*US$'000*	*US$'000*	*US$'000*
Balance at 30th September, 2005	**185,634**	**37,312**	**27,375**	**250,321**
Balance at 31st March, 2005	162,647	36,254	32,034	230,935

8. **Trade and other payables**

The trade and other payables included trade payables of US$126,255,000 (31st March 2005: US$128,255,000). The ageing analysis of trade payables was as follows:

	0-60 days	**61-90 days**	**Over 90 days**	**Total**
	US$'000	*US$'000*	*US$'000*	*US$'000*
Balance at 30th September, 2005	**87,037**	**14,625**	**24,593**	**126,255**
Balance at 31st March, 2005	91,124	15,888	21,243	128,255

CHAIRMAN'S STATEMENT

Overview of Financial Results

For the six months period ended 30th September 2005, Johnson Electric achieved record sales of US$626 million, an increase of 9% over the comparable period in 2004.

Modest growth was recorded in most business units with the main exceptions being power tools and audio-visual motor application products which experienced weaker sales due to softer demand and sustained pricing pressure. In addition, total sales benefited from the further development of the Group's trading operations which contributed approximately US$32 million in sales during the period.

Profitability, however, was severely affected by quite unprecedented increases in raw material prices – particularly for copper and steel which are two of the primary materials for the Group's micromotor products. Compared to the same period in 2004, average copper and steel prices increased by 27% and 22%, respectively. As a direct consequence, gross profits declined by 11% to US$158 million.

Selling, General and Administrative expenses were maintained at approximately 16% of sales. Operating profits amounted to US$62 million – a decrease of 19% compared to the prior half-year which also included a charge of US$10 million for overseas plant restructuring costs and provisions.

The consolidated profit attributable to shareholders for the first half of the financial year declined by 24% to US$53 million or 1.44 US cents per share.

Interim Dividend

The Directors have today declared an interim dividend of 4.5 HK cents, equivalent to 0.58 US cents per share (2004: 4.5 HK cents or 0.58 US cents per share) payable on 5th January 2006 to shareholders registered on 30th December 2005.

Recent Acquisitions and Business Improvement Initiatives
In the period under review, Johnson Electric announced two acquisitions that are expected to add substantially to the Group's product range, capabilities, and long-term growth potential.

In August 2005, the Group made an offer to acquire Saia-Burgess Electronics Holding AG, a leading supplier of stepper motors, switches, actuators and electronic controllers, for approximately CHF696 million (US$530 million at current exchange rates). The company, which had sales of CHF568 million for the 2004 calendar year, is based in Murten, Switzerland, with production and sales locations in Europe, North America, Africa and Asia. In October 2005, Saia-Burgess also completed the acquisition of CEI Company, Limited which had annual revenues of approximately CHF60 million.

Financial completion of the Saia-Burgess acquisition occurred on 17th November 2005 and a major initiative is presently underway to integrate the two companies in as efficient and effective manner as possible. Already, a number of opportunities for potential cost savings in the areas of components sourcing, supply chain optimization, and overhead reduction have been identified. Over time, there is also considerable revenue synergy potential from new product development opportunities in motion sub-systems and in the provision of higher value-added solutions.

Also in November 2005, Johnson Electric Capital, the Group's direct investment arm, completed the acquisition of Parlex Corporation, a leading global producer of flexible interconnect products. The business has annual revenues of approximately US$100 million and has manufacturing facilities in China, the USA, and the United Kingdom. Johnson Electric expects to be able to assist Parlex in strengthening its manufacturing platform in China, as well as opening-up new business opportunities given the extensive overlap between the customer base of the two companies and the increasing role that electronics and electronic assemblies play in the motor systems that Johnson Electric produces.

In the core micromotors business, the focus remains on driving for continuous improvement in operations and quality, and in developing innovative new products for customers. Further progress has been achieved in transitioning components sourcing to China, streamlining fulfillment processes, and increasing "flow-shipping" to customers globally. Unfortunately, the benefits of many of these initiatives during the period under review have been outweighed by the effects of exceptionally high commodity prices.

Prospects
During the course of November, the Group has completed two significant acquisitions which the board is confident will generate substantial additions to shareholder value in the future.

Recent weakness in global automotive demand may have a dampening effect on sales in the Automotive Motors Group in the near-term, but current sales projections for the core business point towards a similar or slightly improved rate of growth for the full year compared to that achieved in the first half, excluding the impact of recent acquisitions.

While high materials prices will continue to be challenging, management is confident that the Group's operating cost base is being managed in an aggressive and effective manner.

At the full-year stage, we also expect to be able to provide shareholders with a comprehensive review of the progress and results associated with recent acquisitions that represent important elements in the Group's long-term value creation strategy.

CLOSING REGISTER OF MEMBERS
The Register of Members of the Company will be closed from 28th December 2005 to 30th December 2005 (both days inclusive), during which period no transfer of shares will be registered.

In order to qualify for the interim dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong (not the Registrars in Bermuda), not later than 4:00 p.m. on 23rd December 2005.

MANAGEMENT'S DISCUSSION AND ANALYSIS (INCLUDING FINANCIAL REVIEW)

RESULTS OVERVIEW

Total group sales for the half-year ended 30th September 2005 were US$626 million, an increase of 8.7% over US$576 million in the same period last year. This increase reflected the combined impact of the group's incremental new business gains and the sales contribution of US$32 million from its new trading business.

As reported in the last annual report, the new trading business known as Johnson Electric Trading Limited commenced operations during the last financial year, with a goal to build a sourcing platform in China to supply our global customers with a wide range of motor and motor related electromechanical components and materials that are not currently manufactured by the group. Excluding the trading business, group sales amounted to US$594 million.

Overall sales to Europe were US$229 million (36.6% of total sales) growing by 7.8%. Sales to the America were US$154 million (24.6% of total sales), a decrease of 2.1%; and sales to Asia were US$243 million (38.8% of total sales), and an increase of 17.8%.

Gross Profit

Gross profit as a percentage of sales decreased from 31.0% to 25.3% due mainly to the continued increases in global steel and copper input prices and the relatively difficult end-market conditions that constrained increases in end-product selling prices. For the first half of the 2005-06 financial year, the Group's weighted average cost of steel increased by 22% and the average London spot price of copper increased by 27%.

Excluding the margin contribution of US$1.8 million from the trading business, the gross profit as a percentage to sales amounted to 26.4%. Sales of scrap materials were taken into account in the determination of the cost of materials consumed.

Other Gains

Other gains increased from US$1.9 million to US$5.2 million and as a percentage of sales has increased to 0.8% from 0.3%. This improvement was mainly due to the increase of interest income and a gain on the revaluation of investment properties.

Selling and Administrative Expenses ("SG&A")

Overall SG&A expenses increased 8.4% to US$102.0 million or 16.3% as a percentage of sales. The increase was partially due to higher claims and provisions for product warranty of US$2.5 million and an increase in freight and shipping costs of US$2 million. The increase also reflected the full impact of additional SG&A expenses in the new trading business and in Nanomotion Ltd, which was acquired in October 2004, amounting to US$4.4 million.

Operating Profit

Operating profit was US$61.6 million, a decrease of US$14.8 million or 19.4%. Excluding the previous year's restructuring costs/provisions, the decrease was US$24.8 million or 28.7%. The decrease was mainly due to a decrease of US$20.2 million in gross profit, an increase of US$7.9 million in selling and administrative expenses and partially offset by an increase of US$3.3 million in other gains.

Share of Profits less Losses of Jointly Controlled Entities/Associated Companies

The group's share of profits less losses of jointly controlled entities/associated companies decreased to US$1.6 million from US$2.4 million in the previous year mainly due to the reduced profitability of Ri-Yong, a joint venture based in Shanghai, which experienced weaker market conditions in the China automotive sector.

Taxation

Taxes on profit increased 10.6% to US$10.3 million, compared to US$9.3 million in the same period in last year.

Profit Attributable to Equity Holders of the Company

Net profit attributable to equity holders for the six months ended 30th September 2005 amounted to US$52.9 million compared to US$69.3 million in the same period in the prior financial year. Earnings per share was 1.4 U.S. cents (2004-05: 1.9 U.S. cents).

SEGMENTAL ANALYSIS

Automotive Motors Group

Overall sales revenue for the Automotive Motors Group was US$319 million for the six-month period ending 30th September 2005, excluding starter motor sales to the lawn care and marine markets which were transferred to the Commercial Motors Group in April 2005. It represented a 5% increase for the same products over the same period of the previous year and accounted for 51% of Johnson Electric's total group sales.

Sales of the Body Instrumentation Business Unit, which manufactures micro-motors for doorlock actuators, windshield washer pumps, mirror and headlamp adjusters amounted to US$79 million. This strong sales performance was unchanged over the same period last year due to the fact that the previous year's sales had been influenced by high, new-project ramp-up volumes, which have since normalized.

The Powertrain Management Business Unit recorded a 9% improvement in same period sales to US$31 million from US$29 million. Sales of fuel system and engine management motor products continued to benefit from the increased penetration of electronic throttle control in European vehicles and market share gains at existing customers.

Engine cooling fan sales of the Powertrain Cooling Business Unit increased by 8% to US$131 million due to higher volumes of products launched last year and the increased penetration of electronic speed control units on cooling fan modules.

The Body Climate Business Unit, supplying windowlift, seat adjusting and HVAC motors, saw sales improve 4% from last year to US$54 million. Gains in all product segments offset reductions in brushless HVAC motor sales which continue to affect the product mix of this business unit.

The Chassis Braking Business Unit posted half-year sales of US$24 million, up 10% from the same period of the previous year. Wiper motors, transfer case actuators and electronic parking brake motor products continue to drive improved sales, while motors for anti-lock braking systems declined due to market share losses by our customer in this segment.

Commercial Motors Group

Total sales revenue for the Commercial Motors Group increased US$2 million, or 1% to US$275 million compared to the same period in the prior half-year.

The Power Tools Business Unit saw revenues decrease 10% to US$84 million. Sales of starter motors to the lawn care and outboard marine markets decreased 15%. This was due to the rationalization of low volume/spare parts business and inventory build up in North America as the result of a long winter. For traditional power tools sales, sales to AC applications including grinders, drills, sanders and saws remained flat while sales to DC applications including drills, screwdrivers and saws decreased 13.5% as a result of increased competition at the low-end of this market.

Sales of the Home Appliance Business Unit increased 19% to US$101 million with unit volume growth of 6%. The increase reflected a strong performance due to the continuation of introduction of higher value clothes washing and dish washing applications to the American and European markets, and the strong demand for blender and floor care motor products. The growth momentum in this Business Unit is expected to be sustained by new product launches to selected applications and customers.

Sales to the Business Equipment and Personal Products sectors increased 3% to US$52 million, with unit volume down 10%. Increased sales in the health care segment helped to offset the impact of a decrease in unit volumes elsewhere. In business equipment, sales increased by 7% with volumes up 2%. In personal products, sales decreased by a modest rate of 2% over the period as a result of lower volume sales of shaver and hair clipper motors.

Sales to the Audio Visual sector decreased 12% from US$44 million to US$39 million as a result of the group's strategic decision to focus on higher margin segments in view of the highly competitive nature of the industry.

FINANCIAL POSITION AND LIQUIDITY

Cash Flow

The Group's main source of liquidity continued to be net cash from operating activities. Net cash provided by operating activities amounted to US$51.6 million, a reduction of 34.0% as compared to the same period last year mainly due to a decrease in profit before tax and a reduction in trade payables.

The working capital position remained healthy. Based on moving annual total sales, the trade receivables were increased from 64 to 69 days. The current ratio remained at a healthy level of 3.3 times. The sales-to-stocks ratio was 7.4 turns, as compared to 8.3 turns in the same period last year.

Net cash used in investing activities increased slightly to US$35.3 million, compared to US$34.6 million for the corresponding period last year. Total cash and cash equivalents decreased 21.4% to US$199.4 million, compared to US$253.7 million as at 30th September 2004.

Liquidity and Financial Resources

The Group's liquidity and financial resources continued to be strong. As at 30th September 2005, the Group's total cash and other investments decreased 7.0% to US$218.7 million, compared to US$235.1 million one year ago. Total debt decreased to US$15.6 million. Hence, taking into account total cash and cash equivalents, the Group had no net debt at the end of the half-year period under review.

For day-to-day liquidity management and maintaining flexibility in funding, the Group also has access to significant uncommitted short-term borrowing facilities provided by its relationship banks.

At the present time, funding requirements for future capital expenditures are expected to be met by internal cash flows. The recently announced acquisitions of Saia-Burgess Electronics Holding AG and Parlex Corporation will be financed by a combination of internal funds and external borrowings.

On 25th August 2005, the Group arranged a bridging loan facility of CHF700 million with Citibank, N.A. Hong Kong Branch to finance the acquisition of Saia-Burgess Electronics Holding AG.

FINANCIAL MANAGEMENT AND TREASURY POLICY

The financial risk management of the Group is the responsibility of Group's treasury function at the corporate centre based in Hong Kong, which is controlled by policies approved by senior management.

Except as disclosed in this interim report, the current information in relation to foreign currency risk, and cash and debt management, has not changed materially from the information disclosed in the most recent published annual report for the year 2004-05.

For this half-year period, of the micromotor sales from Hong Kong/China (not including Johnson Electric Automotive, Inc.), 77% were in US dollars; 11% in Euros for certain sales to Europe; and 12% in Japanese Yen for certain sales to Japan.

HUMAN RESOURCES AND ENVIRONMENTAL, HEALTH & SAFETY

The Johnson Electric Group employed approximately 33,000 full-time employees, including contract-manufacturing labour, as of 30th September 2005. The Group provides competitive remuneration packages and various types of benefit schemes that are appropriate to the local labour markets.

The Group operates a number of defined contribution retirement schemes which are available to certain groups of employees in Hong Kong and the USA. Incentive schemes composed of annual and long-term incentives are provided to selected managers and senior executives on the basis of performance measured by metrics such as cash value added, along with various complementary financial and key operating performance measures.

JENESIS, the Group's flagship leadership development programme, has continued to develop future leaders for the Group and operates in both English and Putonghua versions. In June of 2005, the Group launched a program of Senior Management Development Seminars.

The Group maintains a long-standing commitment to environmental and health and safety and to being a responsible corporate citizen. Current initiatives include working towards ISO14000 registration of the Group's main manufacturing facility in Shajing, Guangdong Province. The Group's key sites in Europe and North America are already ISO14000 registered.

CORPORATE GOVERNANCE

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

Code on Corporate Governance Practices

During the six months ended 30th September 2005, the Company had complied with the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), except for the following deviations:

Code Provision A.2.1

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

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

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

Code Provision A.4.1 and A.4.2

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

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

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

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

Model Code for Securities Transactions

The Group has adopted procedures governing directors' securities transactions in compliance with the Model Code as set out in Appendix 10 of the Listing Rules. Specific confirmation has been obtained from all directors to confirm compliance with the Model Code throughout the six months ended 30th September 2005. No incident of non-compliance was noted by the Company to date in 2005/2006.

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

Audit Committee
The Audit Committee is comprised of three independent non-executive directors who together have substantial experience in the fields of accounting, business, corporate governance and regulatory affairs. The current members are Mr. Patrick Paul (Chairman), Prof. Michael Enright and Mrs. Laura Cha.

The committee is responsible for monitoring the reporting, accounting, financial and control aspects of the executive management's activities. It has full access to the Group's chief internal auditor to hear directly any concerns of the internal audit department that may have arisen during the course of the department's work.

The committee also monitors the appointment and function of the group's external auditor.

Remuneration Committee
The Remuneration Committee is comprised of two independent non-executive directors (including the Committee Chairman) and one executive director. The current members are Mr. Arkadi Kuhlmann (Chairman), Mr. Oscar Bernardes and Ms. Winnie Wang.

The committee determines the compensation structure and rewards for the Chief Executive Officer and other executive directors and monitors the policies being applied in remunerating other senior executives in the Group. In addition, it has responsibility for reviewing and making appropriate recommendations to the board on management development and succession plans for executive directors and senior management levels.

The fundamental policy underlying Johnson Electric's remuneration and incentive schemes is to link total compensation for senior management with the achievement of annual and long-term performance goals. By providing total compensation at competitive industry levels for delivering on-target performance, the company seeks to attract, motivate and retain key executives essential to its long-term success. Senior management incentive schemes include an equity component that is designed to align the long-term interest of management with those of shareholders.

Nomination and Corporate Governance Committee
The Nomination and Corporate Governance Committee is comprised of two independent non-executive directors (including the Committee Chairman) and one executive director. The current members are Mr. Peter Edwards (Chairman), Mr. Patrick Paul and Dr. Patrick Wang.

The committee is responsible for the identification and evaluation of candidates for appointment or reappointment as a director, as well as the development and maintenance of the group's overall corporate governance policies and practices.

Board Committee
The Board Committee is comprised of two executive directors, Dr. Patrick Wang and Ms. Winnie 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.

Review of Interim Results
The Company's interim report for the six months ended 30th September 2005 has been reviewed by the Audit Committee and the auditors of the Company, PricewaterhouseCoopers.

PURCHASE, SALE OR REDEMPTION OF SHARES
The Company has not redeemed any of its shares during the period. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the period.

PUBLICATION OF RESULTS ANNOUNCEMENT AND INTERIM REPORT
This interim results announcement is published on the websites of the Company (http://www.johnsonelectric.com) and The Stock Exchange of Hong Kong Limited (http://www.hkex.com.hk). The Interim Report 2005 will be despatched to the shareholders and posted on the above websites on or about 22nd December 2005.

BOARD OF DIRECTORS

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

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

Hong Kong, 5th December 2005

Website: http://www.johnsonelectric.com

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