JOHNSON ELECTRIC

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 2006

HIGHLIGHTS

- Turnover up 68% to US$1,052 million
- EBITDA up 68% to US$142 million
- Operating profit up 56% to US$96 million
- Net profit attributable to shareholders up 22% to US$65 million
- Earnings per share up 22% to 1.76 US cents per share
- Interim dividend of 4.5 HK cents per share (0.58 US cents per share)
- Borrowings reduced by US$80 million to US$628 million

The Directors announce that the unaudited consolidated profit attributable to shareholders for the six months ended 30th September 2006 was US$64,746,000, an increase of 22% over the corresponding period in 2005.

FINANCIAL RESULTS

The unaudited condensed consolidated profit and loss account for the six months ended 30th September 2006 together with comparative figures for the corresponding period in 2005 is set out below:

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Note	**2006**	2005
		US$'000	US$'000
Sales	2	**1,052,324**	626,393
Cost of goods sold		**(774,446)**	(467,933)
Gross profit		**277,878**	158,460
Other gains, net		**6,239**	5,191
Selling and administrative expenses		**(182,805)**	(102,013)
Restructuring costs / provisions		**(5,082)**	-
Operating profit	3	**96,230**	61,638
Finance costs		**(15,159)**	(38)
Share of profits less losses of jointly controlled entities / associated companies		**169**	1,629
Profit before income tax		**81,240**	63,229
Income tax expenses	4	**(15,030)**	(10,269)
Profit for the period		**66,210**	52,960
Attributable to:			
Equity holders of the Company		**64,746**	52,857
Minority interests		**1,464**	103
		66,210	52,960
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	**1.76**	1.44
Diluted	6	**1.76**	1.44

CONDENSED CONSOLIDATED BALANCE SHEET

	Note	**Unaudited 30th September 2006 US$'000**	Audited 31st March 2006 US$'000
ASSETS			
Non-current assets			
Properties, plant and equipment		**388,706**	378,543
Investment properties		**17,202**	17,202
Leasehold land and land use rights		**25,291**	25,355
Intangibles		**656,302**	631,592
Jointly controlled entities		**895**	16,494
Associated companies		**2,521**	2,271
Deferred income tax assets		**28,628**	32,662
Available-for-sale financial assets		**6,193**	5,294
Investments in finance leases		**-**	152
		1,125,738	1,109,565
Current assets			
Stocks and work in progress		**295,024**	233,379
Trade and other receivables	7	**460,589**	418,177
Derivative financial instruments		**17,157**	7,989
Other financial assets at fair value through profit or loss		**1,838**	2,707
Income tax recoverable		**2,534**	3,716
Bank balances and cash		**152,596**	238,510
		929,738	904,478
Current liabilities			
Trade and other payables	8	**333,997**	287,688
Current income tax liabilities		**19,742**	18,349
Derivative financial instruments		**12,700**	579
Borrowings		**71,723**	184,920
Provisions and other liabilities		**8,816**	12,542
		446,978	504,078
NET CURRENT ASSETS		**482,760**	400,400
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,608,498**	1,509,965
Non-current liabilities			
Borrowings		**556,546**	523,193
Deferred income tax liabilities		**86,050**	88,069
Provisions and other liabilities		**47,498**	42,899
		690,094	654,161
NET ASSETS		**918,404**	855,804
EQUITY			
Share capital		**82,062**	81,412
Reserves		**790,659**	724,093
Proposed dividends		**21,195**	40,035
		893,916	845,540
Minority interests		**24,488**	10,264
TOTAL EQUITY		**918,404**	855,804

CONDENSED CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE

	2006	2005
	US$'000	US$'000
Fair value gains/(losses) on available-for-sale financial assets	**1,291**	(832)
Fair value gains on hedging instruments	**5,219**	-
Deferred tax effect on fair value gains in hedging instruments	**(894)**	-
Actuarial losses of defined benefit plan	**(3,254)**	-
Deferred tax effect on actuarial losses of defined benefit plan	**128**	-
Adjustment arising on translation of foreign subsidiaries, associated companies and jointly controlled entities	**21,181**	(4,861)
Net income/(loss) recognised directly in equity	**23,671**	(5,693)
Profit for the period	**66,210**	52,960
Total recognised income for the period	**89,881**	47,267
Attributable to:		
Equity holders of the Company	**87,814**	47,164
Minority interests	**2,067**	103
	89,881	47,267

Note:

1. Principal accounting policies

This unaudited condensed consolidated interim 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.

The accounting policies and methods of computation used in the preparation of this condensed consolidated interim financial information are consistent with those used in the annual financial statements for the year ended 31st March 2006, except that the Group adopted all the new standards, amendments to standards and interpretations (new/revised HKFRSs) which are effective for accounting periods commencing on 1st April 2006. The adoption of these new/revised HKFRSs did not have material financial impact to the result of the Group.

2. Segment information

The Group is principally engaged in the manufacture, sale, and trading of motors, electromechanical components and materials. Revenues recognised during the six months ended 30th September are as follows:

Primary reporting format - geographical segments; based on the geographic segment in which the Group has its manufacturing operations

	Sales		Operating profit/(loss)	
	2006	2005	**2006**	2005
	US$'000	US$'000	**US$'000**	US$'000
Asia	**582,980**	462,935	**88,956**	61,862
Americas	**123,333**	20,567	**(1,728)**	(972)
Europe	**346,011**	142,891	**9,002**	748
	1,052,324	626,393	**96,230**	61,638

	2006	2005
	US$'000	US$'000
Sales analysed by the Region from which the customer order originated		
Asia	**354,530**	243,086
Americas	**258,362**	153,923
Europe	**439,432**	229,384
	1,052,324	626,393

Secondary reporting format - business segments based on the Group's principal activities

	2006	2005
	US$'000	US$'000
Sales		
Manufacturing and sales	**1,002,275**	594,441
Trading	**50,049**	31,952
	1,052,324	626,393

3. Depreciation and amortisation

During the period, depreciation of US$36,778,000 (2005 : US$21,545,000) and amortisation of US$8,859,000 (2005: US$1,164,000) were charged in respect of the Group's properties, plant and equipment and intangible assets and leasehold land and land use rights respectively.

4. Income tax expenses

Hong Kong profits tax has been provided at the rate of 17.5% (2005: 17.5%) on the estimated assessable profit for the period. Overseas tax has been provided at the applicable rate on the estimated assessable profit in respective countries of operations for the six months ended 30th September.

	2006	2005
	US$'000	US$'000
Current taxation		
Hong Kong profits tax	**7,558**	4,181
Overseas taxation	**9,551**	11,028
	17,109	15,209
Deferred income tax	**(2,079)**	(4,940)
	15,030	10,269

5. Interim dividend

The interim dividends of 0.58 US cents per share are based on the existing 3,673,788,920 (30th September 2005: 3,673,788,920) shares in issue (30th September 2005: interim dividends of 0.58 US cents 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$64,746,000 (2005: US$52,857,000).

The basic earnings per share is based on the weighted average of 3,671,775,805 (2005: 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 normally grants credit for a period ranging from 30 to 90 days to its trade customers. The trade and other receivables include gross trade receivables of US$409,879,000 (31st March 2006 : US$375,558,000). The ageing analysis of gross 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, 2006	**303,154**	**40,340**	**66,385**	**409,879**
Balance at 31st March, 2006	284,475	41,226	49,857	375,558

8. Trade and other payables

The trade and other payables include trade payables of US$197,807,000 (31st March 2006 : US$194,925,000). 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, 2006	**151,657**	**19,333**	**26,817**	**197,807**
Balance at 31st March, 2006	151,055	15,652	28,218	194,925

CHAIRMAN'S STATEMENT

Overview of Financial Results

For the six months period ended 30th September 2006, Johnson Electric achieved record sales of US$1,052 million, an increase of 68% over the comparable period in 2005.

The significant increase in turnover was primarily due to the acquisitions of Saia-Burgess Electronics and Parlex Corporation which were completed in November 2005. In addition, the sales of two of the Group's automotive component operations in China are now consolidated following an increase in shareholdings that have converted these former joint venture and associated businesses into majority-held subsidiaries. Excluding the effects of these acquisitions and investments, sales increased by approximately 6.5% compared to the same period a year earlier.

Johnson Electric's micromotor operations performed satisfactorily in a challenging market environment typified by high commodity costs and ongoing competitive price pressures in several market segments. The Group's rapidly growing trading arm also made progress in expanding its customer base for sourced precision parts in China and its specialty metals activities benefited from high material prices and solid demand.

The recently acquired Saia-Burgess Electronics business performed in line with our expectations during the period. Parlex, on the other hand, achieved revenue growth slightly ahead of target, but the implementation of its extensive restructuring program is taking somewhat longer than planned and one-time costs and charges are delaying its expected progress to sustained profitability.

Excluding the recently acquired businesses, gross margins improved by over two percentage points as a result of the combined positive effects of higher price realisation, product mix changes, and hedging strategies – which were partially offset by higher material prices and direct labour expenses. Including acquired businesses, total Group gross margins improved by 1.1% to 26.4%.

After taking into account the amortisation charges of US$9 million related primarily to intangible assets arising out of the acquisitions of Saia-Burgess Electronics and Parlex and the restructuring charges and provisions of US$5 million related to the closure of plants in Dalian, PRC and Cranston, USA, the Group's operating profits increased by 56% to US$96 million.

The Group incurred financing charges of US$15 million on the debt raised to complete recent acquisitions and on associated working capital. During the period, strong operating cash flows enabled the Group to reduce its outstanding borrowings by US$80 million to US$628 million.

The consolidated profit attributable to shareholders for the first half of the financial year increased by 22% to US$65 million or 1.76 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 (2005: 4.5 HK cents or 0.58 US cents per share) payable on 4th January 2007 to shareholders registered on 29th December 2006.

Solid Progress in Integrating Recent Acquisitions

We continue to make solid progress in integrating Saia-Burgess Electronics into the overall Johnson Electric Group. A key element of this has involved the reorganization of the Group into two primary divisions: Automotive Products Group ('APG') and Industry Products Group ('IPG').

In APG, we have brought together Johnson Electric's existing strengths in micromotors and Saia-Burgess' leading-edge technology in actuators and switches to create the clear market leader in precision motor and motion systems for the automotive industry. To ensure that this superior market position is supported by the lowest cost base in the industry, APG's management is working to leverage the Group's component manufacturing and sourcing capabilities in China, as well as streamlining and consolidating selected production activities where applicable. This includes the consolidation of Saia-Burgess's Guangzhou operations into Johnson Electric's main manufacturing operation in Shajing.

In IPG, we have combined Johnson Electric's non-automotive micromotor operations with the switches and actuator operations of Saia-Burgess' Industry division. Again, we believe that this combination is unrivalled in our competitive arena, offering commercial and industrial customers the broadest range of motion systems solutions available from any single supplier. The present focus of business improvement efforts in this division is on reducing costs and response times in the switches operations and on building on the strength of Saia-Burgess' sales network in Europe to penetrate new customers for our combined product offering.

The value creation potential of the Group's other recent acquisition – Parlex Corporation – is dependent on the successful turnaround of a previously loss-making business in a rapidly growing market for flexible interconnect solutions. As noted earlier, at this stage Parlex is still mid-way through a significant restructuring of its global operations involving a consolidation of its production activities in North America and the transfer to and build-up of manufacturing capacity in China.

By successfully bringing together the technology and expertise of Johnson Electric, Saia-Burgess Electronics, and Parlex into one organization, the Group is well placed to deliver innovative motion systems which differentiate us as a supplier and which provide opportunities for enhanced pricing and profitability.

Prospects

We anticipate making further progress in strengthening the enlarged Johnson Electric Group's market position in the second half of the financial year – especially as various recent integration and consolidation initiatives begin to deliver their expected economic benefits.

However, at the same time the Group is also facing the combined negative effects of somewhat softer demand in some of its major markets and further volatility in raw material input prices. Consequently, we are cautious about the outlook for near-term sales growth and the opportunity for margin expansion.

In the medium to longer term, we remain highly confident that the Group's unique low-cost operating model combined with the broadest range of motor and motion systems products available in the industry places Johnson Electric in a strong position from which to deliver sustained profitable growth over time.

Patrick Shui-Chung Wang
Chairman and Chief Executive

Hong Kong, 4th December 2006

CLOSING REGISTER OF SHAREHOLDERS

The Register of Shareholders of the Company will be closed from Wednesday, 27th December 2006 to Friday, 29th December 2006, both dates inclusive, during which 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 at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong (not the Registrar in Bermuda) for registration, not later than 4:00 p.m. on Friday, 22nd December 2006.

MANAGEMENT'S DISCUSSION AND ANALYSIS
(INCLUDING FINANCIAL REVIEW)

RESULTS OVERVIEW

Sales

Total Group sales for the half-year ended 30th September 2006 were US$1,052 million, an increase of 68% over US$626 million in the same period last year.

The significant increase in sales was primarily due to the acquisitions of Saia-Burgess and Parlex in November 2005, together with the consolidation of Shanghai Ri Yong and China Autoparts, Inc. following an increase in shareholdings that have converted these former joint venture and associated businesses into majority-held subsidiaries ("acquisitions"). The total sales contributed by these entities amounted to US$385 million in the first half of this year and, excluding this impact, the Group's underlying sales grew by 6.5%.

Overall, sales to Europe were US$439 million (42% of total sales), an increase of 92%; sales to Asia were US$355 million (34% of total sales), an increase of 46%; and sales to the Americas were US$258 million (24% of total sales), an increase of 68%.

Gross Profit

Gross profit of US$277.9 million was 26.4% of sales, strengthening from 25.3% a year ago. Lower steel costs together with price increases for some products and customers contributed to this improved performance but higher copper costs in the period served to restrict further strengthening in margins.

Margin contribution by the acquisitions for the period was US$94.0 million, being 24.4% of sales in those businesses.

Other Gains

Other gains increased from US$5.2 million to US$6.2 million mainly due to an increase in rental income from investment properties.

Selling and Administrative Expenses ("SG&A")

SG&A of US$182.8 million increased by US$80.8 million compared to the same period last year. As a percentage of sales SG&A amounted to 17.4% compared to 16.3% a year ago, reflecting mainly the relatively higher SG&A rate in the former Saia-Burgess operations.

Of the total SG&A, the acquisitions account for US$71.6 million. This included a charge for US$7.8 million for the amortization of intangibles assets for the six month period.

Further, additional warranty and bad debt provisions were established during the period amounting to US$8.5 million.

Restructuring Costs/Provisions

The Group recorded a US$5.1 million restructuring charge in the period which relates to the shutdown of the plants in Dalian, PRC and Cranston, USA.

Operating Profit

Operating profit was US$96.2 million, an increase of US$34.6 million or 56.1% from last year. Excluding restructuring costs and the additional amortization of intangible assets arising from the acquisitions, the underlying increase was US$47.5 million or 77.1%.

Operating profit contributed by the acquisitions for the period was US$19.4 million, after accounting for a charge of US$7.8 million for the six month amortization of intangible assets in the acquisitions and a charge of US$3.0 million for restructuring in Parlex.

Finance Costs

Interest expense for the period amounted to US$15.2 million. The amount represents the finance costs incurred on the US$525.0 million bank loan to fund the Saia-Burgess acquisition and on the loans for the Group's day to day operational requirements.

The Group used a portion of its cash on hand to reduce borrowings close to the end of the six month period.

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$0.2 million from US$1.6 million a year ago. Shanghai Ri Yong and China Autoparts, Inc. which were included here a year ago, are now consolidated in the Group's results because of the increased level of ownership in each company.

Income Tax Expenses

The effective tax rate for the period was 18.5%, compared to 16.2% for the prior period. The effective tax rate for the current period reflects the inclusion of the profits and tax charge of the former Saia-Burgess business which was acquired in November 2005, together with the impact of the tax treatment related to interest on loans for the acquisition. The effective tax rate in the same period a year ago was higher than the norm for Johnson Electric because of certain overseas taxation related charges in that period.

Profit Attributable to Shareholders

Profit attributable to shareholders for the period increased 22% to US$64.7 million and earnings per share increased equally to 1.76 U.S. cents.

BUSINESS PERFORMANCE

We manage the Group's activities through three business divisions: Automotive Products Group, Industry Products Group, and Other Businesses.

Automotive Products Group ("APG")

APG is the combination of what were previously Johnson Electric's "AMG" business and Saia-Burgess' Automotive business. Sales revenue for the APG was US$520.5 million for the six-month period ending 30th September 2006, accounting for 49% of Johnson Electric Group's consolidated revenues.

The integration of the pre-existing Johnson Electric activities with those of Saia-Burgess is progressing in a satisfactory manner and synergies are being identified in a number of markets and applications including climate control, door locks, mirror actuators and tailgate assemblies.

Motors

APG's motor sales, comprised mainly of the pre-existing micromotor business of Johnson Electric, amounted to US$355.2 million for the six-month period ended 30th September 2006, representing a US$35.8 million or 11% increase over the same period last year.

Of the total increase, US$25.1 million resulted from the inclusion of the sales of Shanghai Ri Yong (our former jointly controlled entity which was not consolidated last year). Excluding the additional sales contributed by Ri Yong, the sales increase in the Motors segment was US$10.7 million, or 3.4%.

The Powertrain Cooling business, including Ri Yong's contribution in the current period, recorded sales of US$169.3 million, a 17% improvement compared to last year, while growth experienced in other units such as Body Climate and Powertrain Management was offset by a drop in sales for Chassis Braking unit.

The motors business has been challenged by weakness in the North American Automotive market where high gasoline prices and cost reduction programs by OEM's have negatively impacted demand. In contrast, new programs with European customers have helped to secure new business there and, in the Asian market, especially in China and Korea, we have seen some increase in demand both from existing and new customers.

The business was impacted by the increase in raw material prices during the period but this was offset by overall cost management, benefits from prior-period restructuring activities and modest price increases for certain products and customers.

Actuators, Switches, Solenoids and Sensors

This segment, comprised mainly of the former Saia-Burgess automotive business, generated sales for the six months ended 30th September 2006 of US$165.2 million, of which US$118.8 million came from the sale of Actuators.

This business segment also encountered weak demand in North America. However, this was mitigated by gains derived from the successful launching of new projects by some of our key customers.

Industry Products Group (“IPG”)

Total sales revenue for the IPG was US$375.5 million for the six-month period ending 30th September 2006, accounting for 36% of the Group’s consolidated revenues.

The integration of the pre-existing Johnson Electric activities with those of Saia-Burgess is progressing in a satisfactory manner and synergies are being identified in a number of markets and applications including beverage and vending machines and various infrastructure systems.

Motors

The IPG motor business, comprised mainly of the pre-existing micromotor business of Johnson Electric, provides tailored motor solutions to global customers in the Power Tools, Home Appliances, Business Equipment, Personal Products and Audio-Visual markets. Total sales for the period amounted to US$286.9 million, an increase of US$11.8 million, or 4.3%, over the same period a year ago.

The sales increase for the period was generated mainly from the Power Tools and the Business Equipment and Personal Products sectors.

Sales by the Business Equipment and Personal Products business unit increased by US$10.7 million, or 21%, to US$62.3 million, driven mainly by the strength of new product introductions in printing systems and gearbox applications.

Sales by the Power Tools Business Unit increased by US$3.3 million, or 4%, to US$87.1 million, driven mainly by successes with a number of leading professional power tool companies where the focus has been on developing new products.

Sales of the Home Appliance Business Unit remained flat at US$100.3 million, while the Audio-Visual sector experienced a drop of US$1.4 million to US$37.2 million.

Actuators, Switches, Solenoids and Sensors

This segment of the IPG business represents mainly the former actuator and switches operations of Saia-Burgess’ Industry Division. Sales for the period were US$88.6 million.

Switches and sensors sales amounted to US$40.7 million for the period. During the last six months, the manufacturing operations of this business unit have been undergoing restructuring and consolidation with the aim of improving its longer-term operational efficiency.

Sales of Actuators and Solenoids contributed US$25.9 million and US$22.0 million respectively during the period.

Other Businesses

The Other Businesses category includes the operations of Johnson Electric Capital, Johnson Electric Trading, Parlex, and Controls (formerly of Saia-Burgess).

Overall sales revenue for the Other Businesses was US$156.3 million for the six-month period ending 30th September 2006 and this category now accounts for 15% of the total Johnson Electric Group sales. Compared to a year ago, this category has increased its sales by US$124.4 million in the six month period.

Johnson Electric Trading was established in 2004-2005 to build a sourcing platform in China to supply global customers with a wide range of motor and motor-related electro-mechanical components that are not currently manufactured within Johnson Electric, and specialty materials. For the six-month period ending 30th September 2006, sales were US$50 million, representing an increase of US$18.1 million, or 56%, over the same period last year.

Parlex, a flexible printed circuit board manufacturer, contributed sales of US$63.2 million during the six month period to September 2006. The business is benefiting from the increasing trend in electronic and electrical products towards greater complexity, miniaturization and portability.

Controls, a successful niche player in the European programmable controls industry, also performed ahead of target during the period and achieved sales of US$30.9 million.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's financial resources and liquidity remained strong throughout the period.

The Group used a portion of its cash on hand to partially repay working capital loans in the period. Accordingly, at 30th September 2006, the bank balances and cash (comprising cash and other financial assets at fair value through profit or loss) had decreased by US$86.8 million from the position at 31st March 2006 to US$154.4 million at 30th September 2006.

The Group's borrowings decreased to US$628.3 million from US$708.1 million as at 31st March 2006.

Net borrowings (total borrowings net of cash and other financial assets at fair value through profit or loss) at 30th September 2006 was US$473.8 million and the Group's debt:equity ratio (calculated on the total borrowings net of cash and other financial assets at fair value through profit or loss to total equity) was 52%.

Interest expense of US$15.2 million was incurred on the bank loans for the acquisition of the Saia-Burgess and on the loans to fund the Group's operational requirements. The Group interest coverage ratio (profit before tax and interest expense divided by interest expense) is 6.4 times.

CORPORATE GOVERNANCE

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

During the six months ended 30th September 2006, Mr. Arkadi Kuhlmann, an Independent Non-Executive Director and the Chairman of the Remuneration Committee of the Company, resigned on 30th September 2006. Prof. Michael Enright, an existing Independent Non-Executive Director of the Company, was appointed to replace Mr. Arkadi Kuhlmann as the Chairman of the Remuneration Committee on 1st October 2006. Save for the above, the composition of the board committees remains the same as set out in the Corporate Governance Report in the Company's Annual Report 2006.

Corporate governance practices adopted by the Company during the six months ended 30th September 2006 are in line with those practices set out in the Corporate Governance Report.

Code on Corporate Governance Practices

During the six months ended 30th September 2006, the Company had complied with the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), except for the following deviations:

Code Provision A.2.1

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

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

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

Code Provision A.4.1 and A.4.2

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

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

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

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

Model Code for Securities Transactions

The Group has adopted procedures governing directors' securities transactions in compliance with the Model Code as set out in Appendix 10 of the Listing Rules. Specific confirmation has been obtained from all directors to confirm compliance with the Model Code throughout the six months ended 30th September 2006. No incident of non-compliance was noted by the Company to date in 2006/07.

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 Internal Audit Director 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. The committee's authority and duties are set out in written terms of reference and are posted on the Company's website.

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 Prof. Michael Enright (Chairman), Mr. Oscar Bernardes and Ms. Winnie 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 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 committee's authority and duties are set out in written terms of reference and are available on the Company's website.

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. The committee's authority and duties are set out in written terms of reference and are posted on the Company's website.

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 2006 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 (www.johnsonelectric.com) and the Stock Exchange (www.hkex.com.hk). The Company's Interim Report 2006 will be despatched to the shareholders and available on the same websites on or about 21st December 2006.

BOARD OF DIRECTORS

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

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

Hong Kong, 4th December 2006

Website: www.johnsonelectric.com

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