Johnson Electric Holdings Limited

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

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2011

HIGHLIGHTS

- Group sales US$1,118 million – up 8% compared to the first half of prior financial year
- EBITDA up 1% to US$167 million
- Profit attributable to shareholders up 9% to a record US$102 million or 2.78 US cents per share on a fully diluted basis
- Total debt to capital ratio of 15% and cash reserves of US$344 million as of 30th September 2011
- Interim dividend of 3 HK cents per share (0.38 US cents per share)

The Directors announce that the unaudited consolidated profit attributable to shareholders for the six months ended 30th September 2011 was US$101.6 million, an increase of US$8.7 million from US$92.9 million for the same period last year.

FINANCIAL RESULTS

The unaudited condensed consolidated income statement for the six months ended 30th September 2011 together with comparative figures for the corresponding period ended 30th September 2010 is set out below:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30th September 2011

	Note	Unaudited Six months ended 30th September 2011 US$'000	 2010 US$'000
Sales	2	**1,118,067**	1,030,641
Cost of goods sold		**(814,452)**	(734,719)
Gross profit		**303,615**	295,922
Other income and gains/(losses)		**2,780**	(42)
Selling and administrative expenses		**(187,726)**	(171,895)
Operating profit	3	**118,669**	123,985
Finance income		**2,952**	1,745
Finance costs		**(4,227)**	(5,702)
Share of profits of associate		**234**	91
Profit before income tax		**117,628**	120,119
Income tax expenses	4	**(16,144)**	(21,992)
Profit for the period		**101,484**	98,127
Add: Loss/(profit) attributable to non-controlling interests		**142**	(5,244)
Profit attributable to owners		**101,626**	92,883
Basic earnings per share for profit attributable to the owners during the period (expressed in US Cents per share)	6	**2.79**	2.54
Diluted earnings per share for profit attributable to the owners during the period (expressed in US Cents per share)	6	**2.78**	2.54

The Board has declared an interim dividend of 0.38 US Cents per share (first half of FY2010/11: 0.39 US Cents) equivalent to US$13.8 million (first half of FY2010/11: US$14.2 million), details are set out in Note 5.

CONDENSED CONSOLIDATED BALANCE SHEET

As of 30th September 2011

	Note	**Unaudited 30th September 2011 US$'000**	Audited 31st March 2011 US$'000
Assets			
Non-current assets			
Properties, plant and equipment		**364,179**	403,985
Investment properties		**41,338**	44,142
Land use rights		**4,749**	9,346
Intangibles		**776,664**	774,688
Investment in associate		**2,212**	1,926
Deferred income tax assets		**40,248**	35,957
Available-for-sale financial assets		**6,840**	1,956
Other financial assets at fair value through profit and loss		**4,347**	4,499
Other financial assets		**1,097**	-
Receivables		**12,115**	-
Deposits		**8,038**	8,113
		1,261,827	1,284,612
Current assets			
Inventories		**252,076**	252,763
Trade and other receivables	7	**389,470**	421,735
Non-current asset held for sale		**2,378**	9,967
Other financial assets		**8,144**	9,534
Income tax recoverable		**4,069**	3,899
Other financial assets at fair value through profit and loss		**3,471**	5,148
Cash and deposits		**344,080**	354,715
		1,003,688	1,057,761
Current liabilities			
Trade and other payables	8	**370,426**	414,522
Current income tax liabilities		**34,459**	27,932
Other financial liabilities		**26,992**	393
Borrowings		**139,937**	134,248
Provisions and other liabilities		**22,055**	16,783
		593,869	593,878
Net current assets		**409,819**	463,883
Total assets less current liabilities		**1,671,646**	1,748,495

CONDENSED CONSOLIDATED BALANCE SHEET

	Note	**Unaudited 30th September 2011 US$'000**	Audited 31st March 2011 US$'000
Non-current liabilities			
Other financial liabilities		**6,292**	-
Borrowings		**109,846**	179,458
Deferred income tax liabilities		**77,726**	78,160
Provisions and other liabilities		**70,810**	68,585
		264,674	326,203
NET ASSETS		**1,406,972**	1,422,292
Equity			
Share capital and share premium		**46,440**	69,970
Reserves		**1,323,476**	1,263,947
Proposed dividends	5	**13,819**	28,285
		1,383,735	1,362,202
Non-controlling interests		**23,237**	60,090
TOTAL EQUITY		**1,406,972**	1,422,292

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30th September 2011

	Unaudited Six months ended 30th September	
	2011	2010
	US$'000	US$'000
Profit for the period	**101,484**	98,127
Other comprehensive income/(expenses):		
Available-for-sale financial assets		
– fair value losses	**(113)**	-
– release of reserves upon disposal	**(3)**	-
Hedging instruments		
– fair value (losses)/gains	**(29,267)**	3,204
– deferred income tax effect on fair value (losses)/gains	**2,664**	(238)
– transferred to income statement	**(6,712)**	(865)
Defined benefit plans		
– actuarial losses	**(10,581)**	(12,802)
– deferred income tax effect on actuarial losses	**1,361**	1,595
Currency translation of foreign subsidiaries and associate	**15,328**	54,262
Other comprehensive (expenses)/income for the period, net of tax	**(27,323)**	45,156
Total comprehensive income for the period, net of tax	**74,161**	143,283
Total comprehensive income attributable to:		
Owners	**73,252**	136,939
Non-controlling interests		
Share of (losses)/profits for the period	**(142)**	5,244
Currency translation of foreign subsidiaries	**1,051**	1,100
	74,161	143,283

NOTES:

1. BASIS OF PREPARATION AND 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 ("HKICPA") 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 2011, except that the Group adopted all new standards, amendments to standards and interpretations of HKFRS which are effective for the accounting period commencing 1st April 2011.

Except for the revised disclosure to the accounts as stated below, the adoption of these new/revised HKFRS did not have a material impact on the condensed consolidated interim financial information of the Group.

New and amended standards adopted by the Group

Amendment to HKAS 34 "Interim financial reporting" is effective for annual periods beginning on or after 1st January 2011. It emphasises the existing disclosure principles in HKAS 34 and adds further guidance to illustrate how to apply these principles. Greater emphasis has been placed on the disclosure principles for significant events and transactions. Additional requirements cover disclosure of changes to fair value measurement (if significant) and the need to update relevant information from the most recent annual report. The change in accounting policy only results in additional disclosures.

2. SEGMENT INFORMATION

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

The Group had two operating segments - Manufacturing and Trading in prior years. The trading operating segment, which was principally engaged in trading of goods and materials not manufactured by the Group, was wound down in the prior financial year ended 31st March 2011. Therefore the Group had one single operating segment in the six months period ended 30th September 2011.

The Group's management assesses the performance of the operating segments based on the measure of operating profit. The measure excludes items which are not directly related to the segment performance including non-operating income/(expenses) such as interest income and expense, rental income, fair value gains/(losses) on investment property and gains/(losses) on disposal of investment properties, land use rights, properties, plant and equipment and investments.

2. SEGMENT INFORMATION *(Cont'd)*

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

	Six months ended 30th September	
	2011	2010
	US$'000	US$'000
Operating profit presented to management	117,399	125,134
Rental income	2,028	2,383
Losses on investments, net	(172)	(322)
Gains/(losses) on disposal of investment properties, land use rights, properties, plant and equipment	796	(205)
Fair value gains on investment properties	70	-
Fair value gains/(losses) on other financial assets/liabilities	58	(1,898)
Miscellaneous expenses	(1,510)	(1,107)
Operating profit per consolidated income statement	118,669	123,985

Revenue from external customers is analysed by product applications as follows:

	Six months ended 30th September	
	2011	2010
	US$'000	US$'000
Automotive Products Group ("APG")	646,893	539,667
Industry Products Group ("IPG")	399,973	414,235
Other Businesses	50,191	38,192
Divested business	21,010	38,547
	1,118,067	1,030,641

2. SEGMENT INFORMATION *(Cont'd)*

Geographical information disclosure

Revenue from external customers by country for the six months ended 30th September 2011 is as follows:

	Six months ended 30th September	
	2011	2010
	US$'000	US$'000
Hong Kong / People's Republic of China ("HK/PRC")	310,896	315,493
United States of America ("USA")	205,833	195,706
Germany	201,167	165,692
France	65,495	59,601
Italy	49,067	44,921
Others	285,609	249,228
	1,118,067	1,030,641

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

The Powertrain Cooling business is primarily engaged in the manufacture and sale of cooling fan modules for OEM and Tier 1 customers. Revenues for this business unit, comprised 18% of the total revenues of the Group during the first half of FY2011/12.

For the first half of FY2011/12, the additions to non-current assets (other than deferred tax assets, available-for-sale financial assets, other financial assets at fair value through profit and loss and other financial assets) were US$43.0 million (for the first half of FY2010/11: US$42.1 million).

As of 30th September 2011, excluding goodwill held centrally, the total of non-current assets (other than deferred tax assets, available-for-sale financial assets, other financial assets at fair value through profit and loss and other financial assets) located in HK/PRC was US$312.8 million (31st March 2011: US$342.6 million) and the total of these non-current assets located in other countries was US$375.3 million (31st March 2011: US$387.1 million).

3. EXPENSES BY NATURE

Operating profit is stated after crediting and charging the following:

	Six months ended 30th September	
	2011	2010
	US$'000	US$'000
Depreciation		
Depreciation of properties, plant and equipment	35,881	32,283
Less: amounts capitalised in assets under construction	(213)	(132)
	35,668	32,151
Impairment of properties, plant and equipment		
– Included in selling and administrative expenses and cost of goods sold	191	3,283
	191	3,283
Other items:		
Cost of goods sold*	814,452	734,719
Amortisation of land use rights	257	244
Amortisation of intangibles	12,787	9,247
Staff costs (direct and indirect labour plus staff costs included within selling and administrative expenses)	294,469	248,589

** Note: Cost of goods sold includes materials, direct labour costs (including their social costs) and production overheads.*

4. INCOME TAX EXPENSES

Hong Kong profits tax has been provided at the rate of 16.5% (first half of FY2010/11: 16.5%) on the estimated assessable profit for the period. Overseas tax has been provided at the applicable rates on the estimated assessable profit in the respective countries of operations for the period. The overall global effective tax rate for the six months ended 30th September 2011 was 13.7% (first half of FY2010/11: 18.3%).

	Six months ended 30th September	
	2011	2010
	US$'000	US$'000
Current income tax		
Hong Kong profits tax	(6,800)	(8,884)
Overseas taxation	(11,802)	(15,318)
(Under)/over provisions in prior years	(332)	984
	(18,934)	(23,218)
Deferred income tax	2,790	1,226
Total income tax expenses	**(16,144)**	(21,992)
Effective tax rate	13.7%	18.3%

5. INTERIM DIVIDENDS

	Six months ended 30th September 2011 US$'000	2010 US$'000
Interim, of 0.38 US Cents (3 HK Cents) per share (first half of FY2010/11: 0.39 US Cents (3 HK Cents) per share)	13,819	14,203
	13,819	14,203

6. EARNINGS PER SHARE

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to owners by the weighted average number of ordinary shares in issue during the period.

	Six months ended 30th September 2011	2010
Profit attributable to owners (thousands US Dollar)	101,626	92,883
Weighted average number of ordinary shares in issue (thousands)	3,642,800	3,663,083
Basic earnings per share (US Cents per share)	**2.79**	2.54
Basic earnings per share (HK Cents per share)	**21.72**	19.71

6. EARNINGS PER SHARE *(Cont'd)*

Diluted earnings per share

For the purpose of calculating diluted EPS, the number of ordinary shares is the weighted average number of ordinary shares calculated as per basic EPS, plus the weighted average number of all the dilutive potential ordinary shares.

	Six months ended 30th September 2011	2010
Weighted average number of ordinary shares in issue (thousands)	3,642,800	3,663,083
Adjustments for restricted shares units granted:		
– Long-Term Incentive Share Scheme (Time vesting)	8,721	-
– Long-Term Incentive Share Scheme (Performance earned)	488	-
Weighted average number of ordinary shares (diluted) (thousands)	3,652,009	3,663,083
Diluted earnings per share (US Cents per share)	**2.78**	2.54
Diluted earnings per share (HK Cents per share)	**21.66**	19.71

7. TRADE AND OTHER RECEIVABLES

	30th September 2011 US$'000	31st March 2011 US$'000
Trade receivables – gross	336,871	362,856
Less: provision for impairment of receivables	(2,075)	(4,090)
Trade receivables – net	334,796	358,766
Prepayments and other receivables	54,674	62,969
	389,470	421,735

All trade and other receivables are repayable within one year. Accordingly, the fair value of the Group's trade and other receivables was approximately the same as the carrying value.

7. TRADE AND OTHER RECEIVABLES *(Cont'd)*

Aging of gross trade receivables

The Group normally grants credit terms ranging from 30 to 90 days to its trade customers. The aging of gross trade receivables based on overdue date was as follows:

	30th September 2011 US$'000	31st March 2011 US$'000
Current	314,656	328,334
1–60 days	18,139	26,122
61–90 days	1,505	2,039
Over 90 days	2,571	6,361
Total	336,871	362,856

All overdue balances are reviewed by management and the provision is considered to be adequate.

8. TRADE AND OTHER PAYABLES

	30th September 2011 US$'000	31st March 2011 US$'000
Trade payables	224,641	244,824
Accrued expenses and sundry payables	145,785	169,698
	370,426	414,522

The fair value of the Group's trade and other payables was approximately the carrying value. The aging analysis of trade payables based on invoice date was as follows:

	30th September 2011 US$'000	31st March 2011 US$'000
0–60 days	161,137	177,446
61–90 days	39,057	44,522
Over 90 days	24,447	22,856
Total	224,641	244,824

9. CAPITAL COMMITMENTS

	30th September 2011 US$'000	31st March 2011 US$'000
Capital commitments for properties, plant and equipment		
Authorised but not contracted for	3,340	6,226
Contracted but not yet accrued	7,224	18,403
	10,564	24,629

CHAIRMAN'S STATEMENT

Overview of Financial Results

Johnson Electric performed well in the six month period ended 30th September 2011. The Group achieved healthy year-on-year improvements in sales and earnings – and withstood the strong headwinds of a weak global macro-economic environment and an increase in input costs.

Group sales for the first half of the 2011/12 financial year totaled US$1,118 million, an increase of 8% over the first half of the prior financial year. Profit attributable to shareholders increased by 9% to a record US$102 million or 2.78 US cents per share on a fully diluted basis.

These results should be viewed in the context of not only the relatively challenging operating conditions of the period, but also bearing in mind that the prior year's first half results were boosted by customers restocking as markets rebounded in the aftermath of the 2008/09 financial crisis.

In terms of total sales, the positive performance in the first half reflected the combination of an overall improvement in product pricing and volume growth, plus foreign currency exchange rate changes (notably the Euro versus the US Dollar) compared to prevailing levels of a year earlier. Partly offsetting these beneficial factors on the top line was the reduction of Johnson Electric's shareholding in a non-core business, such that its sales and profits since 31st July 2011 are no longer consolidated into the Group accounts.

The Automotive Products Group ("APG"), which contributed 58% of total sales in the period, delivered a stellar performance. Global production of light vehicles has held up relatively well during 2011 due to sustained demand in most developing countries as well as quite buoyant sales in North America. Western European markets have been weak but luxury car manufacturers have benefitted from strong export sales. China, for example, has imported an average of more than 80,000 cars a month this year (three times 2009 levels) with the vast majority of these manufactured in Europe. APG itself has outperformed the industry by increasing sales by 20% – with double-digit percentage sales gains in each of the key regions of Europe, North America and Asia.

The Industry Products Group ("IPG"), on the other hand, fared comparatively less well during the period with sales lower by 3%. Depressed housing markets, high unemployment and subdued consumer sentiment in several western economies resulted in lower demand for some motor product applications. These include home appliances, power tools, lawn and garden equipment and ink-jet printers. We have also been prepared to exit some segments where the economics are unfavourable. In the short term, this tends to result in reduced sales but over time we expect IPG's product mix to transition to a larger proportion of higher value-adding motion subsystems that offer more attractive and sustainable returns.

On the cost side, the business faced an array of tough inflationary conditions including higher average raw material costs and sharp increases in labour rates in China. And, given our substantial business operations in Switzerland and China, the strengthening of the Swiss Franc and Renminbi against the US Dollar also had a negative impact on our cost base. We were able to offset a significant part of these cost increases through pricing and volume increases, as well as a number of efficiency improvement initiatives. However, these positive effects were insufficient to avoid a reduction in operating margins when compared to the particularly strong performance levels of the prior year's first half period (though compared to the second half, margins improved slightly). Management is continuing to work diligently to ensure that the business is focused on market segments where we are competitively advantaged over the longer term and at the same time eliminating waste and unnecessary costs.

The Group incurred lower financing costs and a reduced effective tax rate – and as a consequence was able to deliver a 9% increase in profit attributable to shareholders. Earnings per share also benefitted from share repurchases by the Company which during the current financial year have amounted to 1.5% of issued share capital.

The Group's overall financial condition remains robust with consistently strong operating cash flow. As at 30th September 2011, the Group's total debt to capital ratio stood at 15% with cash reserves of US$344 million.

Interim Dividend

The Directors have today declared an interim dividend of 3 HK cents, equivalent to 0.38 US cents per share (2010 interim: 3 HK cents per share) payable on 5th January 2012 to shareholders registered on 21st December 2011.

Transforming the Business to Sustain Long-Term Success

Johnson Electric is operating in a world that has been buffeted by momentous economic forces in the past few years. The full impact of these forces on many international manufacturing businesses is still to be seen, but certain imperatives are becoming clear.

Firstly, to succeed globally companies need to operate globally. From the manufacturer's perspective, a global footprint provides the flexibility and local contextual insight that can provide a critical edge over competitors – and at the same time provides a natural hedge against foreign currency movements. From the customer's perspective, the unacceptable risk of having an entire supply chain dependent on a component sourced from a single factory on the other side of the world has been all too apparent in the wake of recent natural disasters in Japan and Thailand.

It has been a journey that began over a decade ago, but Johnson Electric today is well down the path of developing the most responsive global production and fulfillment footprint in our industry. Whilst China remains an important platform from which we continue to derive significant scale and cost advantages, we have established world-class engineering and production facilities in a dozen countries spanning Asia, the Middle East, Europe, North America and South America. We are constantly reviewing how to shape and balance this footprint to serve our customers, enhance productivity and manage risk.

Secondly, businesses that do not innovate usually find it impossible to maintain growth except by expanding in markets that are becoming increasingly commoditised. This is a trap that we are committed to avoiding and consequently we are requiring our business leaders to have a clear understanding of how they can achieve and sustain acceptable financial returns through a differentiated product offering – or be prepared to exit the segment. Indeed, the most fundamental objective of our corporate strategy today is to transform Johnson Electric into a company defined in terms of its technology leadership and product innovation.

In our motor actuators business unit, for example, we have focused its engineering and commercial talent to gain deeper insight into the most critical attributes required of specific product applications. As a result, its profitability and growth trajectory have improved greatly. Among several innovative products already launched by this business unit is a sophisticated diverter valve for domestic boilers. This consists of a motion subsystem with patented designs that significantly reduces the energy consumption of the water heating system and replaces traditional brass-based diverters with an entirely lead-free alternative.

We are driving similarly innovative product design and development strategies across all of our businesses today, with particular focus on niche segments demanding unique and customised electro-mechanical solutions. Increasingly this means offering a motion product or subsystem comprising of a motor, gears, electronics and sometimes switches and flexible circuits too. Johnson Electric stands alone in our industry in terms of this breadth and depth of technology offerings.

A third imperative for global manufacturing businesses looking to the future is the recognition that the largest sources of incremental growth in the world economy are most likely to be found in developing nations. Already roughly 20% of Johnson Electric's sales output is destined for developing markets and we expect these revenues to continue to grow as we strengthen our sales coverage and penetration in these geographies. Nonetheless, we also hold the view that the more "mature" economies of Europe and North America offer significant long term attractions for our business when one considers the enormous changes in regulation and consumer tastes that are driving the need for products that are more "Green" (i.e. reduce fossil fuel consumption or lower emissions) and more "Intelligent" (i.e. offering users greater flexibility, functionality and ease of use).

Outlook and Current Trading Conditions

While I am satisfied with the performance of the business in the first half and highly confident with the strategic direction we are taking, the near-term outlook is difficult to gauge.

No one in business can draw comfort from the turmoil caused by the European sovereign debt crisis or the gridlock in the US political system that is failing to tackle that country's high unemployment rate. Combine those two factors with an expected slowdown in the PRC economy and it is not surprising that most economists are projecting global industrial output and trade to remain subdued for some time to come.

We have observed a slight softening in our own order book in recent weeks, but as yet there is no indication of any dramatic fall-off from the average sales levels of the first half of the financial year. However, we would also note that the second half normally experiences a degree of seasonality in production (especially in December and at the Chinese Lunar New Year) that typically results in somewhat lower underlying sales compared to the first half.

In the current operating environment, the onus is on us as managers to invest prudently, contain costs and focus resources on carefully selected market segments that offer above average growth prospects and attractive and defensible financial returns.

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

Patrick Shui-Chung Wang
Chairman and Chief Executive

Hong Kong, 24th November 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

OVERVIEW – FINANCIAL HIGHLIGHTS

US$ million	First half of FY2011/12	First half of FY2010/11
Sales	1,118.1	1,030.6
Operating profit	118.7	124.0
Operating margin%	*10.6%*	*12.0%*
Profit attributable to shareholders	101.6	92.9
Diluted earnings per share (US Cents)	2.78	2.54
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	167.4	165.6
Free cash flow from operations [1]	75.0	86.9

US$ million	30th Sep 2011	31st Mar 2011
Cash	344.1	354.7
Total debt (borrowings)	(249.8)	(313.7)
Net cash	94.3	41.0
Total equity	1,407.0	1,422.3
Market capitalisation at balance sheet date [2]	1,821.7	2,134.4
Enterprise value (market capitalisation + total debt - cash)	1,727.4	2,093.4
Enterprise value to EBITDA [3]	5.3	6.5

Credit Quality - Financial Ratios [3]	30th Sep 2011	31st Mar 2011
Free cash flow from operations to debt	63%	54%
Total debt to EBITDA	0.8	1.0
Total debt to capital (total equity + debt)	15%	18%
Interest coverage (EBIT [4] / interest expense)	20.1	18.2

1 *Net cash generated from operating activities plus interest received, less CAPEX net of proceeds from disposal of fixed assets*
2 *Market capitalisation is calculated by multiplying the outstanding number of shares with the closing share price (HK$3.94 as of 30th September 2011 and HK$4.56 as of 31st March 2011) converted at the closing exchange rate*
3 *Financial ratios utilising EBITDA, EBIT, interest expense and free cash flow from operations using the last twelve months' results*
4 *Earnings before interest and taxes (EBIT) is defined as operating profit plus share of profits from associate*

- **First half record results for EBITDA, profit attributable to shareholders and earnings per share**.
- Robust sales growth experienced across all regions in our Automotive business. Industry sales declined marginally.
- Decline in operating margin to 10.6% versus 12.0% last year was due to cost inflation for raw material commodities and wages in China. This was offset significantly by higher volumes, new products and selective price increases.
- Increase in EBITDA to US$167.4 million.
- Profit attributable to shareholders improved by US$8.7 million, primarily due to the reduction in net interest expense and a lower effective tax rate.
- The Board has declared an interim dividend of US$13.8 million for FY2011/12, maintaining last year's rate at 3 HK Cents (equivalent to 0.38 US Cents) per share.

- Credit quality – financial ratios strengthened in the first half of FY2011/12, consistent with the Company's philosophy of maintaining a strong balance sheet.
- 41.6 million shares were repurchased at a total cost of US$21.8 million and cancelled in the first half of FY2011/12. These share repurchases are a constructive element in the prudent management of the Company's overall capital structure and in enhancing returns to shareholders over time. Also, the Company purchased 5.5 million shares for US$2.6 million which will be utilised for granting shares to eligible employees under the Long-Term Incentive Share Scheme. See page 35 for further details on share purchases.

SALES AND PROFITABILITY

Johnson Electric is one of the world's largest providers of motors, solenoids, micro-switches, flexible printed circuits and control systems. The Group has an annual production capacity of over one billion units and manufactures products in more than a dozen countries on four continents.

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

SALES REVIEW

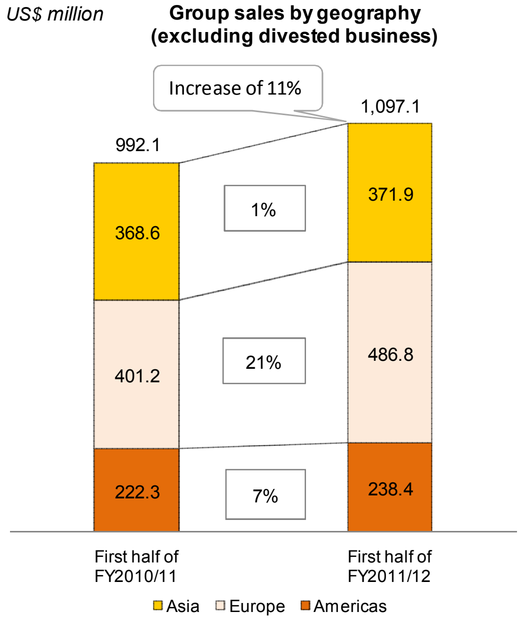
US$ million	First half of FY2011/12	%	First half of FY2010/11	%	Increase/(decrease)	%	Sales growth at constant exchange rates %
Automotive Products Group ("APG")	646.9	57.9%	539.7	52.4%	107.2	20%	13%
Industry Products Group ("IPG")	400.0	35.8%	414.2	40.2%	(14.2)	(3%)	(6%)
Other Businesses*	50.2	4.4%	38.2	3.7%	12.0	31%	15%
SUBTOTAL	**1,097.1**	**98.1%**	**992.1**	**96.3%**	**105.0**	**11%**	**6%**
Divested business	21.0	1.9%	38.5	3.7%	(17.5)	(45%)	(48%)
TOTAL SALES	**1,118.1**	**100.0%**	**1,030.6**	**100.0%**	**87.5**	**8%**	**4%**

** includes sales of US$1.2 million of Trading business for the first half of FY2010/11*

Group sales in the first half of FY2011/12 were US$1,118.1 million. Excluding the divestiture of a controlling stake in a subsidiary, sales grew by US$105.0 million (11%) to US$1,097.1 million compared to US$992.1 million for the same period last year.

Key changes are explained below:

- Excluding currency effects and the divested business, sales grew by 6% compared to the same period last year. This was mainly due to sales growth in the Group's Automotive business across the regions. Growth in the Industry business in Europe was more than offset by a decline in Asia and the Americas.
- To further enhance synergies, the operations of Parlex, our printed circuit board and interconnect solution provider, were integrated into IPG. Sales have been reclassified accordingly.
- With the aim of focusing on its core technologies, the Group divested its controlling stake in a non-core business, lowering its shareholding to 17% from the previously held stake of 52%. Consequently, only four months' sales of US$21.0 million are incorporated in the Group results (i.e. up to the date of deconsolidation).
- The Group has wound down the Trading business.

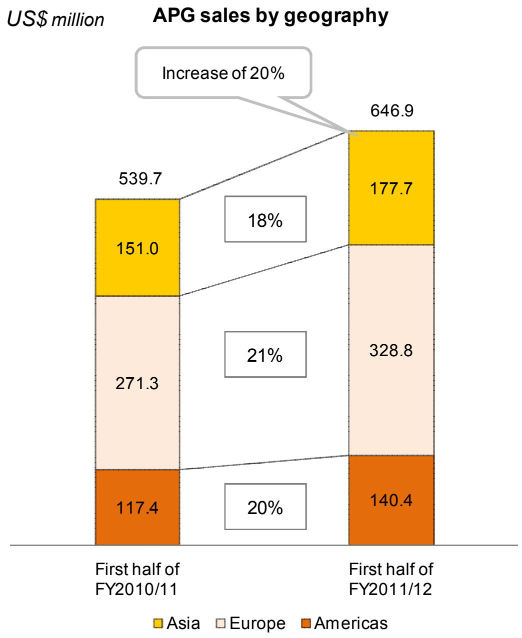


Excluding currency effects, sales growth for the first half of FY2011/12 vs. same period last year:
Overall 6%, Asia (2%), Europe 13%, Americas 4%

AUTOMOTIVE PRODUCTS GROUP

Sales for the first half of FY2011/12 were US$646.9 million; an increase of 20% from US$539.7 million for the same period last year.

The beneficial effect of a stronger Euro and Renminbi to the US Dollar contributed a 7% increase in sales. China's continued emergence as one of the largest automotive markets as well as the continuing recovery in the automotive export market in Europe, especially for luxury vehicles, significantly contributed to the growth of this division. Moreover, sales grew as a higher proportion of vehicles are being equipped with our products that improve fuel efficiency, emissions, safety and passenger convenience. Additionally, we benefitted from our focus on targeted customers as their market share grew.



Excluding currency effects, sales growth for the first half of FY2011/12 vs. same period last year:
Overall 13%, Asia 13%, Europe 11%, Americas 19%

- We maintained strong growth momentum in China and the rest of Asia in vehicle segments benefitting from our products designed for safety, comfort and fuel efficiency. This was because of the success of our recent product launches for engine air and fuel management, geared motor drive products tailored to individual window lift applications and headlamp adjusters.

- In Europe, we capitalised on growth opportunities with products designed to address stringent emission regulations and fuel efficiency norms. We also gained market share with products such as geared motor drive systems for window lifts and power lift gates. Additionally, despite flat domestic demand for vehicles in Germany, exports of luxury vehicles drove sales growth.

- In the Americas, our customers gained market share as they were little impacted by the natural disaster in Japan. In addition, there has been a resurgence in demand for trucks and sport utility vehicles. Also, we had increased sales for applications such as seat adjusters and cooling fan modules in North America. Additionally, we continued our expansion into South American markets.

- The Powertrain Cooling business is primarily engaged in the manufacture and sale of cooling fan modules for OEM and Tier 1 customers and forms a significant part of our overall business. Sales for this business unit were up 22% in the first half of FY2011/12, mainly due to an increase in vehicle sales as well as recent product launches on new vehicle platforms.

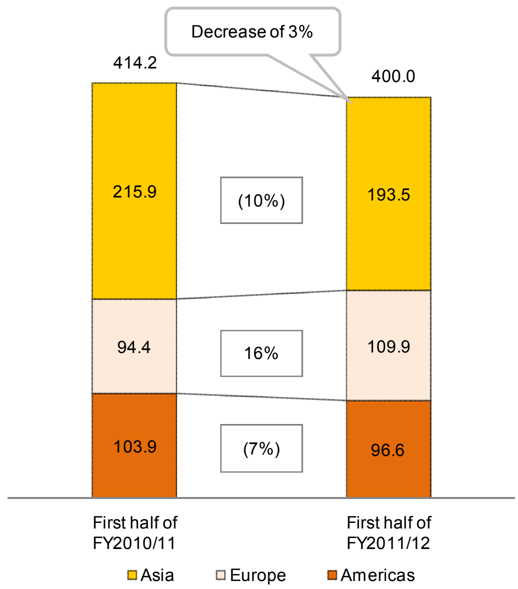
- The first half of FY2011/12 saw continued cost pressure from purchased commodities and China wage inflation. In order to mitigate the impact of such changes, we continue to reorganise our portfolio to focus on products that deliver value to our customers as well as optimise our manufacturing footprint.

- We also continue to invest in research and development of products that improve safety, fuel efficiency and reduce emissions. Additionally, we are pursuing opportunities in India and Brazil, by leveraging the Group's core competency of global innovation tailored for local markets.

INDUSTRY PRODUCTS GROUP

- Sales for the first half of FY2011/12 were US$400.0 million, a decrease of 3% from US$414.2 million for the same period last year. This was mainly because the prior year benefitted from the restocking of inventory subsequent to the 2008 to 2009 recession. Additionally, weak housing market conditions continued to affect the home appliances market segment. Our exit from some low margin markets also negatively impacted sales. These factors were partially offset by strong sales growth in the gaming and entertainment market as well as the successful introduction of new product platforms in Europe.
- In Europe, we grew sales across many of our product lines. In particular, sales for our leading edge Heating, Ventilation and Air-Conditioning (HVAC) and gas metering products grew as we delivered improvements in functionality and efficiency to our customers in this market segment. We also launched new HVAC products for boiler applications.
- Sales in Asia decreased primarily due to our exit from low margin markets as well as the one-time benefit of restocking of inventory levels in the first half of FY2009/10. These factors particularly impacted the power tools, food & beverages, floor care, personal care and business machines market segments. These declines were partially offset by increase in sales of products for the gaming and entertainment market.
- Sales in the Americas declined for the reasons mentioned above and affected the power tools, lawn and garden, medical biosensors and office automation market segments.
- In order to mitigate the impact of market softness in Asia and Americas, the division remains focused on developing and launching differentiated, energy-efficient products to fulfil consumer demand for products that offer reduced noise and weight with increased power. We also continue to develop our presence in emerging markets.

US$ million **IPG sales by geography**



Excluding currency effects, sales declined for the first half of FY2011/12 vs. same period last year:
Overall (6%), Asia (11%), Europe 10%, Americas (7%)

OTHER BUSINESSES

Other businesses mainly comprised Saia-Burgess Controls.

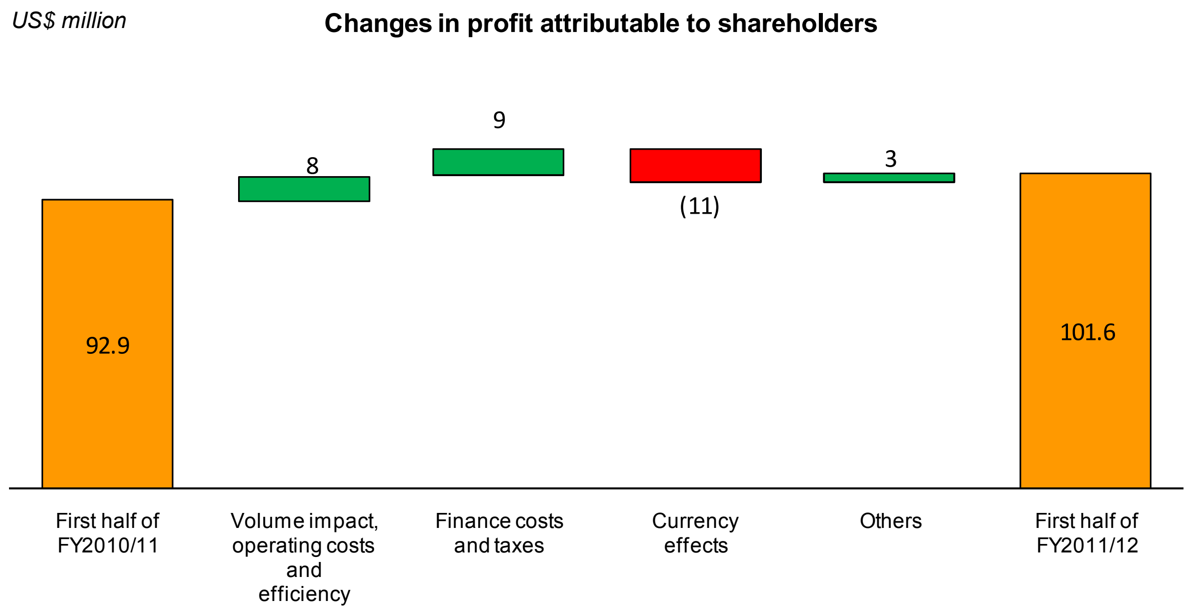
- Sales for Controls were strong for the first half of FY2011/12 at US$50.2 million, compared to US$37.0 million for the same period last year. The infrastructure automation segment saw strong growth across the whole of Europe. We also benefitted from the recovery in the machine industry. Other growth areas included Human Machine Interface products (HMI) and energy meters.

FINANCIAL REPORT

ANALYSIS OF PROFIT & LOSS

US$ million	First half of FY2011/12	First half of FY2010/11	Increase/ (decrease) in profit
Sales	1,118.1	1,030.6	87.5
Gross profit	303.6	295.9	7.7
Gross margin %	*27.2%*	*28.7%*	*(1.5%)*
Other income and gains/(losses)	2.8	-	2.8
Selling and administrative expenses ("S&A")	(187.7)	(171.9)	(15.8)
S&A %	*16.8%*	*16.7%*	*(0.1%)*
Operating profit	118.7	124.0	(5.3)
Operating margin %	*10.6%*	*12.0%*	*(1.4%)*
Finance costs, net	(1.3)	(3.9)	2.6
Share of profits of associate	0.2	-	0.2
Profit before income taxes	117.6	120.1	(2.5)
Income tax expenses	(16.1)	(22.0)	5.9
Effective tax rate	*13.7%*	*18.3%*	*4.6%*
Profit for the period	101.5	98.1	3.4
Non-controlling interests	0.1	(5.2)	5.3
Profit attributable to shareholders	101.6	92.9	8.7

PROFIT ATTRIBUTABLE TO SHAREHOLDERS



Note: Numbers do not add across due to the effect of rounding

The profit attributable to shareholders increased to US$101.6 million for the first half of FY2011/12, up US$8.7 million compared to the same period last year. As shown in the chart on previous page, this increase in profitability was primarily a result of:

- **Volume impact, operating costs and efficiency**: Increases in raw material commodity prices and wage costs in China had a significant adverse impact on profitability. This was offset by various initiatives taken by management to mitigate the inflation effect. These actions included price increases, efficiency and productivity improvements, quality improvements and customer assistance recoveries.

  The Group also made a prospective change to the estimated remaining useful life of client relationships (purchased intangible assets resulting from the Saia-Burgess and Parlex acquisitions). The estimated remaining useful life was reduced from a range of 15 to 20 years to 10 years. The impact of this change was an increase in amortisation expense (non-cash charge) of US$1.2 million for the first half of FY2011/12.

- **Finance costs and taxes** decreased by about US$9 million compared to the same period last year. This was largely the result of a reduced effective tax rate (ETR) of 13.7% as compared to 18.3% for the same period last year. The lower ETR was primarily due to improved operating profits in certain entities that are able to utilise their tax net operating losses brought forward. Interest expense was reduced as the Group replaced higher cost debt with tax efficient, lower cost debt.

- **Currency effects**: The majority of our engineering, manufacturing and supply chain operations are located in China and Switzerland. The strengthening of the Renminbi and the Swiss Franc against the US Dollar adversely affected our operating costs. The increase in cost was partially offset by a stronger Euro which favourably impacted operating income. The net effect of these currency movements reduced operating profit by about US$11 million.

- **Others**: The first half of FY2010/11 included the loss on exiting the interest rate swap and fair value losses on the ineffective portion of Euro hedging contracts. Also, we recorded a non-recurring gain on disposal of certain fixed assets in the first half of FY2011/12.

ANALYSIS OF CASH FLOW

Simplified Cash Flow

US$ million	First half of FY2011/12	First half of FY2010/11	Change
Operating profit	118.7	124.0	(5.3)
Depreciation and amortisation	48.7	41.6	7.1
EBITDA	**167.4**	**165.6**	**1.8**
Other non cash items in profit before taxes	0.7	4.5	(3.8)
Working capital change	(48.2)	(33.9)	(14.3)
Interest paid	(3.6)	(4.9)	1.3
Income taxes paid	(13.7)	(9.6)	(4.1)
Net cash generated from operating activities	**102.6**	**121.7**	**(19.1)**
Capital expenditure	(42.9)	(38.9)	(4.0)
Proceeds from disposal of fixed assets	12.3	2.4	9.9
Interest received	3.0	1.7	1.3
Free cash flow from operations	**75.0**	**86.9**	**(11.9)**

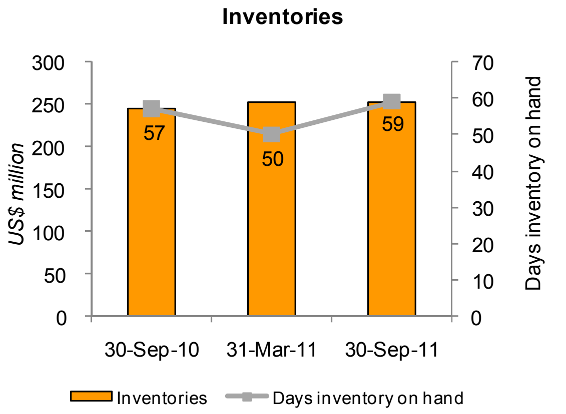
Free cash flow from operations was US$75.0 million in the first half of FY2011/12, down US$11.9 million from US$86.9 million for the same period last year. This was largely due to increased investments in working capital, which are further explained in the following section.

Working Capital Change

		Non-operating items					
US$ million	31st Mar 2011	Currency translation	Divestiture of a controlling stake in a subsidiary	Pension	Hedging	Increase/ (decrease) in working capital	30th Sep 2011
Inventories	252.8	(1.9)	(11.2)	-	-	12.4	252.1
Trade and other receivables [1]	421.7	(0.6)	(22.0)	-	-	2.5	401.6
Deposits - non-current	8.1	-	(2.5)	-	-	2.4	8.0
Trade and other payables	(414.5)	0.1	17.5	-	-	26.5	(370.4)
Provisions and other liabilities [1]	(85.4)	1.1	0.4	(10.6)	-	1.6	(92.9)
Other financial assets/ (liabilities), net [1]	9.1	0.1	-	-	(36.0)	2.8	(24.0)
Total working capital per balance sheet	191.8	(1.2)	(17.8)	(10.6)	(36.0)	**48.2** [2]	174.4

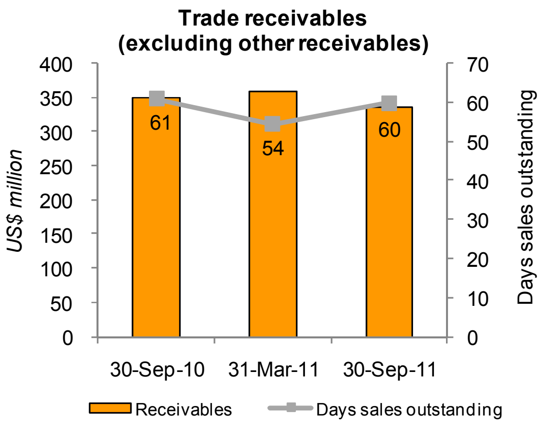
1 *Current and non-current*
2 *Denotes the working capital change in the first half of FY2011/12 as reflected in the cash flow above*

- **Inventories** decreased slightly by US$0.7 million in the first half of FY2011/12, from US$252.8 million as of 31st March 2011 to US$252.1 million as of 30th September 2011. Excluding the currency effects and the divestiture of a controlling stake in a subsidiary, inventories increased by US$12.4 million.



- Days inventory on hand increased from 50 days as of 31st March 2011 to 59 days as of 30th September 2011, partly due to seasonal growth in inventory levels.

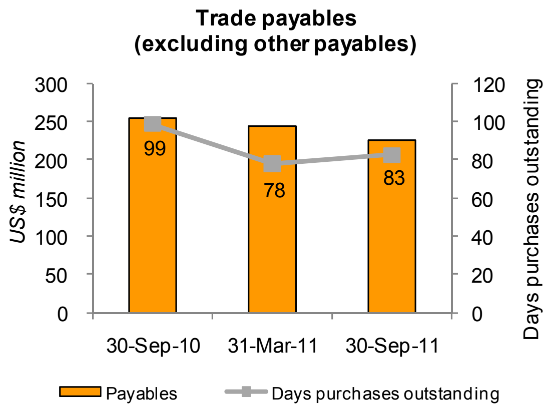
- **Trade and other receivables** decreased by US$20.1 million in the first half of FY2011/12, from US$421.7 million as of 31st March 2011 to US$401.6 million as of 30th September 2011, mainly due to the divestiture of a controlling stake in a subsidiary.



- Days sales outstanding (DSO) increased from 54 days as of 31st March 2011 to 60 days as of 30th September 2011. As compared to 30th September 2010, DSO was essentially flat. We continue our focus on tight credit policy and close monitoring of our credit exposure.

- The Group's receivables are of high quality. Amounts overdue greater than 30 days were less than 2% of gross trade receivables as of 30th September 2011.

- **Trade and other payables** decreased to US$370.4 million as of 30th September 2011. Compared to 31st March 2011, trade and other payables decreased by US$44.1 million from US$414.5 million. Excluding currency effects and the divestiture of a controlling stake in a subsidiary:
  - Trade payables decreased by US$10.4 million due to the seasonality of summer vacation.
  - Other payables decreased by US$16.1 million. This was mainly due to the effect of lower accruals for fixed assets resulting from completion of new plant and capacity enhancements for new products, especially for the automotive business. Also, there was six months of incentive compensation accruals as of 30th September 2011, compared to twelve months' accruals as of 31st March 2011.



- Days purchases outstanding increased from 78 days as of 31st March 2011 to 83 days as of 30th September 2011.

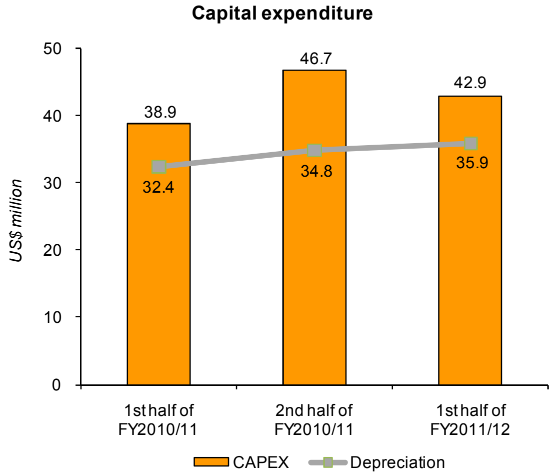
- **Provisions and other liabilities** increased by US$7.5 million to US$92.9 million as of 30th September 2011 compared to US$85.4 million as of 31st March 2011. This was mainly as a result of a non-cash actuarial revaluation of pension plan liabilities.

- **Other financial assets / (liabilities)** increased by US$33.1 million from a net financial asset of US$9.1 million as of 31st March 2011 to a net financial liability of US$24.0 million as of 30th September 2011. This was mainly due to mark-to-market valuations for forward contracts entered to hedge copper consumption. The spot price of copper fell 24% from US$9,408 per metric ton as of 31st March 2011 to US$7,158 per metric ton as of 30th September 2011. The total amount of outstanding copper hedging contracts as of 30th September 2011 was US$121.3 million with maturity dates ranging from 1 month to 24 months. These non-cash movements were recognised directly in the hedging reserve within equity.

Interest paid decreased by US$1.3 million from US$4.9 million for the first half of FY2010/11 to US$3.6 million for the first half of FY2011/12. This was the result of the repayment of higher cost debt during the period and in the second half of FY2010/11.

Income taxes paid, net of refunds, increased by US$4.1 million from US$9.6 million for the first half of FY2010/11 to US$13.7 million for the first half of FY2011/12 due to the combined effects of one-time refunds received in the first half of FY2010/11 and tax payments relating to FY2010/11 paid in the first half of FY2011/12.

Capital expenditure was US$42.9 million in the first half of FY2011/12, an increase of US$4.0 million from US$38.9 million for the same period last year. We continue to invest in capital for long term technology development, manufacturing capacity expansion and productivity improvements.



Proceeds from disposal of fixed assets was US$12.3 million in the first half of FY2011/12, an increase of US$9.9 million from US$2.4 million for the same period last year. The increase was due to the disposal of certain non-core real estate assets during the period.

Interest received in the first half of FY2011/12 was US$3.0 million, an increase of US$1.3 million from US$1.7 million for the same period last year. This was due to higher amount of deposits held in Renminbi.

Other cash flows

US$ million	First half of FY2011/12	First half of FY2010/11	Change
Free cash flow from operations	**75.0**	**86.9**	**(11.9)**
Other investing activities	1.5	(0.4)	1.9
Proceeds from divestiture of a controlling stake in a subsidiary, net of cash divested	16.8 [1]	-	16.8
Currency swap unwound	-	(35.1)	35.1
Dividend paid	(28.3)	(23.7)	(4.6)
Purchase of shares	(24.4) [2]	(4.6)	(19.8)
Other financing activities	-	(2.4)	2.4
Total cash flow, excluding change in borrowings	**40.6**	**20.7**	**19.9**
New borrowings	40.9 [3]	-	40.9
Repayment of borrowings	(94.3) [3]	(5.4)	(88.9)
Cash generated	**(12.8)**	**15.3**	**(28.1)**
Exchange gains on cash	2.2	3.4	(1.2)
Net movement in cash	**(10.6)** [4]	**18.7**	**(29.3)**

Reconciliation of cash and borrowings balances	**Cash**	**Debt (borrowings)**	**Net Cash** [5]
As of 31st March 2011	354.7	313.7	41.0
Divestiture of a controlling stake in a subsidiary	(3.3)	(9.6)	6.3
Other (decrease)/increase	(7.3)	(54.3) [3]	47.0
	(10.6) [4]	(63.9)	53.3
As of 30th September 2011	**344.1**	**249.8**	**94.3**

1 *The proceeds of divestiture of a controlling stake in a subsidiary of US$16.8 million consist of cash consideration of US$20.1 million, net of cash divested US$3.3 million. Debt of US$9.6 million owed by the divested subsidiary has been deconsolidated*

2 *This represents shares repurchased for cancellation for US$21.8 million and subsequently cancelled and shares purchased for US$2.6 million for use in the Long-Term Incentive Share Scheme*

3 *The change in borrowings of US$54.3 million represents new borrowings of US$40.9 million, repayment of borrowings of US$94.3 million, amortised upfront fee of US$0.7 million and an unrealised exchange gain of US$1.6 million*

4 *Net movement in cash of US$10.6 million represents US$7.3 million utilised for Operating, Investing and Financing activities during the first half of FY2011/12 and a decrease of US$3.3 million on the divestiture of a controlling stake in a subsidiary*

5 *Net cash is defined as cash minus debt (borrowings)*

The Group generated US$40.6 million cash in the first half of FY2011/12 excluding the change in borrowings and exchange gains. This represents an increase of US$19.9 million from US$20.7 million for the same period last year.

Cash generation was impacted by the following:

- **Other investing activities** increased by US$1.9 million. This was because:
  - In the first half of FY2011/12, a yield-to-maturity deposit matured realising US$1.5 million.
  - In the first half of FY2010/11, we paid US$0.4 million to acquire shares from non-controlling shareholders in a subsidiary.

- In the first half of FY2011/12, the Group received a net cash consideration of US$16.8 million (i.e. receipt of US$20.1 million net of US$3.3 million, cash on hand) from the **divestiture** of a controlling stake in a subsidiary. Following this, the Group ceased to be responsible for the US$9.6 million debt of the divested subsidiary. Additional consideration of US$12.1 million is being treated as a bridge loan secured by shares of the legal entity, which is due in December 2012. There were no such activities in the previous year.

  The net "P&L" impact on the divestiture of a controlling stake in a subsidiary was insignificant.

- In the first half of FY2010/11, the Group incurred a cash outflow of US$35.1 million to unwind **cross-currency swaps** of CHF200.0 million to US$152.6 million. There were no such activities in the first half of FY2011/12.

- The final **dividend** of US$28.3 million for FY2010/11 was paid in the first half of FY2011/12. This was US$4.6 million more than the final dividend of US$23.7 million for FY2009/10, paid in the first half of FY2010/11.

  - The Board has declared an interim dividend of US$13.8 million for FY2011/12, maintaining last year's rate at 3 HK Cents (equivalent to 0.38 US Cents) per share.

- **Purchase of shares:** 41.6 million shares were repurchased at a total cost of US$21.8 million and cancelled in the first half of FY2011/12. These share repurchases are a constructive element in the prudent management of the Company's overall capital structure and in enhancing returns to shareholders over time.

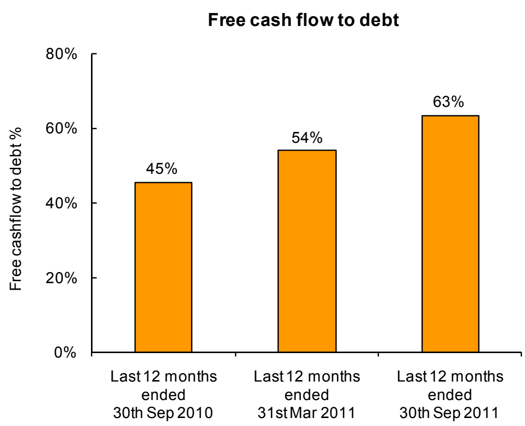
  Also, the Company purchased 5.5 million shares for US$2.6 million which will be utilised for granting shares to eligible employees under the Long-Term Incentive Share Scheme.

- **Other financing activities** in the first half of FY2010/11 comprised a cash outlay of US$2.4 million for dividends to non-controlling shareholders in the Group's subsidiaries. There were no such activities in the first half of FY2011/12.

- **Borrowings:** Continued cash generation enabled the Group to repay debt of US$53.4 million, net (borrowed US$40.9 million, repaid US$94.3 million). As shown on the previous page in the table "Reconciliation of cash and borrowings balances", US$9.6 million owed by a subsidiary was deconsolidated following the divestiture of a controlling stake in the subsidiary. The following significant activities occurred in the first half of the year:

  - Additional borrowings in Europe of US$20.2 million (EUR14.9 million) were secured by trade receivables.
  - Higher cost debt of US$70.0 million was repaid as we continued to reduce debt at the parent company level.
  - A short term debt of US$7.8 million (RMB50.0 million) borrowed by a subsidiary was repaid.

- Consequently, free cash flow from operations as a percentage of gross debt increased to 63% as of 30th September 2011, compared to 54% as of 31st March 2011. The Group's total debt to capital ratio was 15% as of 30th September 2011, compared to 18% as of 31st March 2011.



- **Cash resources**: Our cash resources decreased by US$10.6 million (from US$354.7 million as of 31st March 2011 to US$344.1 million as of 30th September 2011). This is mainly due to the repayment of borrowings, as discussed above. The majority of our cash is kept in Renminbi to partially mitigate the effect of the strengthening of the Renminbi against the US Dollar on the operating expenses for our operations in China.

US$ million	30th Sep 2011	31st Mar 2011
US Dollar	39.5	29.3
Euro	14.1	34.1
RMB	276.9	266.9
CHF	3.0	2.1
Others	10.6	22.3
Total	344.1	354.7

FINANCIAL MANAGEMENT AND TREASURY POLICY

Financial risk within the Group is managed by the Group's treasury function, based at the corporate headquarters in Hong Kong. Policies are established by the Board of Directors and senior management.

Liquidity

Management believes the combination of cash on hand, available credit lines and expected future operating cash flows to be sufficient to satisfy our cash needs for our current level of operations and our planned operations for the foreseeable future. The Group had about US$290 million of available uncommitted and unutilised short term borrowing facilities provided by its principal bankers.

Foreign exchange risk

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

- The Group's sales are mainly denominated in the US Dollar, the Euro and the Renminbi.

- In the first half of FY2011/12, 48% of the Group's sales (51% in the first half of FY2010/11) were in US Dollars, 34% in Euros (30% in the first half of FY2010/11), 12% in Renminbi (13% in the first half of FY2010/11) with the rest being in other currencies including the Japanese Yen.

- The major currencies used for purchases of materials, labour and services are the US Dollar, the Euro, the Hong Kong Dollar, the Renminbi and the Swiss Franc.

- The Group mitigates part of its foreign exchange risk through forward contracts, based on specific cash flow forecasts from operations denominated in that foreign currency (e.g. Euro, Renminbi and Swiss Franc). The forward contracts mature at various dates. In order to avoid the potential default by any of its counterparties on its forward contracts, the Group deals with major financial institutions that the Group anticipates will satisfy their obligations under the contracts.

RISK MANAGEMENT

The Group identifies and manages its strategic, operational, financial and compliance risks through proactive management oversight and business processes. Existing and emerging risks are analysed and monitored on a quarterly basis by the Group's Risk Management Steering Committee composed of key senior leaders from our Engineering, Operations, Quality, Finance, Corporate Audit Services, Legal and Human Resources departments.

Whenever and wherever possible, risks are transferred or mitigated through robust business practices which are then monitored to ensure their continuing effectiveness.

Specific areas of focus include:

- Ensuring the suitability of our operational footprint to respond quickly and cost-effectively to market changes and capacity utilisation.
- Continuously improving our engineering and manufacturing processes including quality standards to be the safe choice for our customers.
- Developing and managing product differentiation through technology, innovation and intellectual property to be the definitive supplier of our customers' solutions.
- Attracting and retaining high-calibre management and other key personnel and building effective networks of employees and partners to safeguard the business success.
- Managing customer relationships, including contract terms and conditions, in accordance with industry standards.
- Managing customer credit risk and maintaining a low tolerance for delinquent payments.
- Applying appropriate hedging strategies to manage foreign exchange risks, commodity cost risks and interest rate risks.
- Meeting expectations on energy efficiency, environmental responsibility and employee safety.

INVESTING IN PEOPLE

The first half of FY2011/12 saw a focus on recruitment, retention and organisational alignment.

The Group placed emphasis on ensuring that engineering and leadership talent was in place around the world to fulfil customer demands. Competition for excellent people is vigorous around the world. Recruiting campaigns are underway throughout Asia, North and South America and in Europe.

Wage and salary levels in China continue to require attention to maintain the Group's competitive position.

The manufacturing location in Beihai, Guanxi Province, China grew during the period. A local management team is in place and total headcount at the site increased to approximately 1,700. To meet growing development needs and ensure alignment of best practices, Human Resources expanded its Shajing Training function to Beihai. Training initiatives focus on technical and engineering training and a growing list of courses are available.

In Shajing, China, direct labour remained stable but salaried recruitment remains particularly challenging in technological areas. The Shajing Recruitment function engaged several Chinese Universities in partnerships to provide a pipeline of entry level engineering talent to the Group.

In Chennai, India, the manufacturing site attained TS16949 certification, facilitating future expansion in the automotive sector.

In Brazil, Genba Kaizen activities took place under the direction of new in-country leadership with the support of regional Americas leadership. In the Americas, the Human Resources team has made changes to the 401K including introduction of a retirement life-cycle investment option.

In Europe, recruiting for salaried positions continues to be active. Growth plans in Hungary and Poland has required the development of mobilisation planning. An Environmental, Health and Safety (EHS) assessment was completed on a new site in Hungary.

Total global headcount, including contract employees, stands at over 43,000 individuals located in Asia, Americas and Europe.

Human Resources Management

Human Resources, Environmental, Health and Safety, and Training and Development are corporate-wide functions, provided via a Shared Service structure. Key initiatives continue to be equitable and competitive compensation, benefit and incentive structures, a system-based approach to EHS requirements and a growing commitment to training and development activities. All of these contribute to differentiating Johnson Electric from its competitors for business and people.

Executive management has a noteworthy commitment to these key Human Resources initiatives. As has characterised the history of Johnson Electric, people-centred programs such as those described in this report continue to be encouraged and invested in at all of the Group's locations.

CORPORATE GOVERNANCE

Johnson Electric is committed to achieving high standards of corporate governance that properly protects and promotes 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 2011, Mr. Oscar de Paula Bernardes Neto did not present himself for re-election as an independent non-executive director of the Company at the Annual General Meeting held on 20th July 2011 ("AGM") upon expiration of his current term at the conclusion of the AGM. He has also ceased to be the member of the Remuneration Committee of the Company on the same date. Mr. Joseph Chi-Kwong Yam, an independent non-executive director of the Company, has been appointed as a member of the Remuneration Committee of the Company effective 20th July 2011 in place of Mr. Oscar de Paula Bernardes Neto. Save for the above, the composition of the Board of Directors remains the same as set out in the Corporate Governance Report in the Company's Annual Report 2011.

During the six months ended 30th September 2011, the Company continued to abide by the corporate governance practices set out in the Corporate Governance Report in the Company's Annual Report 2011.

CODE ON CORPORATE GOVERNANCE PRACTICES

During the six months ended 30th September 2011, the Company had complied with the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), except for the following deviations:

CODE PROVISION A.2.1

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

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

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

CODE PROVISION A.4.1 AND A.4.2

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

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

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS

The 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 six months ended 30th September 2011. No incident of non-compliance was noted by the Company to date in FY2011/12.

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

REVIEW OF INTERIM RESULTS

The Company's interim report for the six months ended 30th September 2011 has been reviewed by the Audit Committee and the auditor of the Company, PricewaterhouseCoopers.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the six months ended 30th September 2011, the Company repurchased a total of 41,635,500 ordinary shares of HK$0.0125 each of the Company on the Stock Exchange, all of which shares were cancelled. The number of issued shares as of 30th September 2011 was 3,632,153,420 shares. Particulars of the shares repurchased are as follows:

Month of repurchase	Number of ordinary shares repurchased	Purchase price paid per share Highest HK$	Lowest HK$	Aggregate consideration paid HK$ million
August 2011	13,234,000	4.02	3.65	50.70
September 2011	28,401,500	4.39	3.89	118.59
	41,635,500			169.29

As of 24th November 2011, 13,559,000 shares had been further repurchased and cancelled at an aggregate consideration of HK$53.85 million. The number of issued shares as of 24th November 2011 is 3,618,594,420 shares.

The Directors consider the repurchases a constructive element in the prudent management of the Company's overall capital structure and in enhancing returns to shareholders over time.

Also, the Company purchased 5,499,500 shares of the Company at a cost of US$2.62 million during the period (i.e. August 2011) in connection with the Long-Term Incentive Share Scheme for eligible employees and Directors. The highest and the lowest purchase price paid per share was HK$3.83 and HK$3.60, respectively.

Save as disclosed above, neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the period. The Company has not redeemed any of its shares during the period.

CLOSING REGISTER OF SHAREHOLDERS

The Register of Shareholders of the Company will be closed from Monday, 19th December 2011 to Wednesday, 21st December 2011, both dates 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 at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong (not the Registrar in Bermuda) for registration, not later than 4:30 p.m. on Friday, 16th December 2011.

PUBLICATION OF RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the website of the Company *(www.johnsonelectric.com)* and HKExnews website *(www.hkexnews.hk)*. The Company's Interim Report 2011 will be despatched to the shareholders and available on the same websites on or about 8th December 2011.

BOARD OF DIRECTORS

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

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

Hong Kong, 24th November 2011

Website: www.johnsonelectric.com