Johnson Electric Holdings Limited

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

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2012

HIGHLIGHTS

- Group sales US$1,043 million – down 7% compared to the first half of prior financial year. Excluding foreign currency effects and non-recurring items, sales increased by approximately 1%
- Gross profit margin improved to 28.4% from 27.2%
- EBITDA excluding nonrecurring items US$153 million – down 9%
- Net profit attributable to shareholders down 16% to US$85 million or 2.37 US cents per share on a fully diluted basis
- Debt to total capital ratio of 10% and cash reserves of US$347 million as at 30th September 2012
- 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 2012 was US$85.3 million, a decrease of US$16.3 million from US$101.6 million for the same period last year.

FINANCIAL RESULTS

The unaudited condensed consolidated financial statements for the six months ended 30th September 2012 together with comparative figures for the corresponding period ended 30th September 2011 are set out below:

CONDENSED CONSOLIDATED BALANCE SHEET

As of 30th September 2012

	Note	**Unaudited 30th September 2012 US$'000**	Audited 31st March 2012 US$'000
Assets			
Non-current assets			
Property, plant and equipment	5	**369,606**	374,668
Investment property	5	**59,240**	53,705
Land use rights	5	**3,795**	4,677
Intangible assets	6	**723,774**	757,783
Investment in associate		**2,096**	2,184
Deferred income tax assets		**33,677**	37,726
Available-for-sale financial assets		**1,207**	6,307
Other financial assets at fair value through profit and loss		**1,095**	1,093
Other financial assets	7	**7,352**	8,441
Deposits		**10,771**	5,859
		1,212,613	1,252,443
Current assets			
Inventories		**241,454**	240,103
Trade and other receivables	8	**422,844**	384,388
Other financial assets at fair value through profit and loss		**3,764**	3,359
Other financial assets	7	**12,547**	12,139
Income tax recoverable		**2,753**	2,382
Cash and deposits		**346,922**	385,117
		1,030,284	1,027,488
Current liabilities			
Trade and other payables	9	**351,202**	364,124
Current income tax liabilities		**36,621**	34,267
Other financial liabilities	7	**4,815**	8,535
Borrowings	10	**159,880**	203,104
Provision obligations and other liabilities	11	**47,981**	30,373
		600,499	640,403
Net current assets		**429,785**	387,085
Total assets less current liabilities		**1,642,398**	1,639,528

CONDENSED CONSOLIDATED BALANCE SHEET

	Note	**Unaudited 30th September 2012 US$'000**	Audited 31st March 2012 US$'000
Non-current liabilities			
Other financial liabilities	7	**10,511**	2,056
Borrowings	10	**2,016**	2,258
Deferred income tax liabilities		**72,022**	78,192
Provision obligations and other liabilities	11	**58,510**	69,541
		143,059	152,047
NET ASSETS		**1,499,339**	1,487,481
Equity			
Share capital and share premium	12	**31,716**	36,422
Reserves		**1,427,929**	1,392,826
Proposed dividends	18	**13,836**	32,311
		1,473,481	1,461,559
Non-controlling interests		**25,858**	25,922
TOTAL EQUITY		**1,499,339**	1,487,481

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30th September 2012

	Note	Unaudited Six months ended 30th September 2012 US$'000	2011 US$'000
Sales	4	**1,042,664**	1,118,067
Cost of goods sold		**(746,291)**	(814,452)
Gross profit		**296,373**	303,615
Other income and gains, net	13	**1,322**	2,780
Selling and administrative expenses	14	**(197,769)**	(187,726)
Operating profit	15	**99,926**	118,669
Finance income	16	**4,036**	2,952
Finance costs	16	**(1,658)**	(4,227)
Share of profits of associate		**203**	234
Profit before income tax		**102,507**	117,628
Income tax expenses	17	**(14,503)**	(16,144)
Profit for the period		**88,004**	101,484
(Profit)/loss attributable to non-controlling interests		**(2,670)**	142
Profit attributable to owners		**85,334**	101,626
Basic earnings per share for profit attributable to the owners during the period (expressed in US Cents per share)	19	**2.38**	2.79
Diluted earnings per share for profit attributable to the owners during the period (expressed in US Cents per share)	19	**2.37**	2.78

The Board declared an interim dividend of 0.38 US Cents per share (first half of FY2011/12: 0.38 US Cents) equivalent to US$13.8 million (first half of FY2011/12: US$13.8 million), details are set out in Note 18.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30th September 2012

	Unaudited Six months ended 30th September 2012 US$'000	2011 US$'000
Profit for the period	**88,004**	101,484
Other comprehensive income/(expenses):		
Available-for-sale financial assets		
– fair value losses, net	**(292)**	(113)
– release of reserves upon disposal	**129**	(3)
Hedging instruments		
– fair value losses, net	**(3,266)**	(29,267)
– deferred income tax effect on net fair value changes	**433**	2,664
– transferred to income statement	**(1,424)**	(6,712)
Defined benefit plans		
– actuarial losses, net	**(11,157)**	(10,581)
– deferred income tax effect on actuarial losses	**1,447**	1,361
Revaluation surplus on transfer of property, plant and equipment to investment property	**3,618**	-
Deferred income tax effect on fair value change on investment property	**(904)**	-
Currency translation of foreign subsidiaries and associate	**(26,756)**	15,328
Other comprehensive expenses for the period, net of tax	**(38,172)**	(27,323)
Total comprehensive income for the period, net of tax	**49,832**	74,161
Total comprehensive income attributable to:		
Owners	**47,144**	73,252
Non-controlling interests		
Share of profits/(losses) for the period	**2,670**	(142)
Currency translation	**18**	1,051
	49,832	74,161

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th September 2012

	Unaudited								
	Attributable to owners of the Company								
	Share capital and share premium US$'000	Other reserves * US$'000	Exchange reserves US$'000	Share-based employee benefit reserve US$'000	Hedging reserve US$'000	Retained earnings US$'000	Total US$'000	Non-controlling interests US$'000	Total equity US$'000
As of 31st March 2012	36,422	(133,147)	218,747	3,967	7,055	1,328,515	1,461,559	25,922	1,487,481
Profit for the period	-	-	-	-	-	85,334	85,334	2,670	88,004
Other comprehensive income/(expenses):									
Available-for-sale financial assets									
– fair value losses, net	-	(292)	-	-	-	-	(292)	-	(292)
– release of reserves upon disposal	-	129	-	-	-	-	129	-	129
Hedging instruments									
– fair value losses, net	-	-	-	-	(3,266)	-	(3,266)	-	(3,266)
– deferred income tax effect on net fair value changes	-	-	-	-	433	-	433	-	433
– transferred to income statement	-	-	-	-	(1,424)	-	(1,424)	-	(1,424)
Defined benefit plans									
– actuarial losses, net	-	-	-	-	-	(11,157)	(11,157)	-	(11,157)
– deferred income tax effect on actuarial losses	-	-	-	-	-	1,447	1,447	-	1,447
Revaluation surplus on transfer of property, plant and equipment to investment property	-	3,618	-	-	-	-	3,618	-	3,618
Deferred income tax effect on fair value change on investment property	-	(904)	-	-	-	-	(904)	-	(904)
Currency translation of foreign subsidiaries and associate	-	-	(26,774)	-	-	-	(26,774)	18	(26,756)
Total comprehensive income/ (expenses) for the six months ended 30th September 2012	-	2,551	(26,774)	-	(4,257)	75,624	47,144	2,688	49,832
Transactions with owners:									
Appropriation of retained earnings to statutory reserve	-	18	-	-	-	(18)	-	-	-
Cancellation of issued capital	(5,185)	-	-	-	-	-	(5,185)	-	(5,185)
Long-Term Incentive Share Scheme									
– shares vested	479	-	-	(479)	-	-	-	-	-
– value of employee services	-	-	-	2,226	-	-	2,226	-	2,226
Dividends paid to non-controlling shareholders of a subsidiary	-	-	-	-	-	-	-	(2,752)	(2,752)
FY2011/12 final dividend paid	-	-	-	-	-	(32,263)	(32,263)	-	(32,263)
Total transactions with owners	(4,706)	18	-	1,747	-	(32,281)	(35,222)	(2,752)	(37,974)
As of 30th September 2012	**31,716**	**(130,578)**	**191,973**	**5,714**	**2,798**	**1,371,858**	**1,473,481**	**25,858**	**1,499,339**

* *Other reserves mainly represented contributed surplus, capital reserve, property revaluation reserve, investment revaluation reserve, appropriation of retained earnings to statutory reserve and goodwill on consolidation.*

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th September 2011

	Unaudited								
	Attributable to owners of the Company								
	Share capital and share premium US$'000	Other reserves * US$'000	Exchange reserves US$'000	Share-based employee benefit reserve US$'000	Hedging reserve US$'000	Retained earnings US$'000	Total US$'000	Non-controlling interests US$'000	Total equity US$'000
As of 31st March 2011	69,970	(162,853)	214,798	2,814	11,749	1,225,724	1,362,202	60,090	1,422,292
Profit for the period	-	-	-	-	-	101,626	101,626	(142)	101,484
Other comprehensive income/(expenses):									
Available-for-sale financial assets									
– fair value losses, net	-	(113)	-	-	-	-	(113)	-	(113)
– release of reserves upon disposal	-	(3)	-	-	-	-	(3)	-	(3)
Hedging instruments									
– fair value losses, net	-	-	-	-	(29,267)	-	(29,267)	-	(29,267)
– deferred income tax effect on net fair value changes	-	-	-	-	2,664	-	2,664	-	2,664
– transferred to income statement	-	-	-	-	(6,712)	-	(6,712)	-	(6,712)
Defined benefit plans									
– actuarial losses, net	-	-	-	-	-	(10,581)	(10,581)	-	(10,581)
– deferred income tax effect on actuarial losses	-	-	-	-	-	1,361	1,361	-	1,361
Revaluation surplus on property									
– realised upon disposal	-	(5,339)	-	-	-	5,339	-	-	-
Currency translation of foreign subsidiaries and associate	-	-	14,277	-	-	-	14,277	1,051	15,328
Total comprehensive income/ (expenses) for the six months ended 30th September 2011	-	(5,455)	14,277	-	(33,315)	97,745	73,252	909	74,161
Transactions with owners:									
Appropriation of retained earnings to statutory reserve	-	(910)	-	-	-	910	-	-	-
Cancellation of issued capital	(21,843)	-	-	-	-	-	(21,843)	-	(21,843)
Long-Term Incentive Share Scheme									
– shares vested	936	-	-	(936)	-	-	-	-	-
– value of employee services	-	-	-	1,032	-	-	1,032	-	1,032
– purchase of shares	(2,623)	-	-	-	-	-	(2,623)	-	(2,623)
Release on the divestiture of a controlling stake in a non-core subsidiary	-	-	-	-	-	-	-	(37,762)	(37,762)
FY2010/11 final dividend paid	-	-	-	-	-	(28,285)	(28,285)	-	(28,285)
Total transactions with owners	(23,530)	(910)	-	96	-	(27,375)	(51,719)	(37,762)	(89,481)
As of 30th September 2011	46,440	(169,218)	229,075	2,910	(21,566)	1,296,094	1,383,735	23,237	1,406,972

* *Other reserves mainly represented contributed surplus, capital reserve, property revaluation reserve, investment revaluation reserve, appropriation of retained earnings to statutory reserve and goodwill on consolidation.*

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30th September 2012

	Note	Unaudited Six months ended 30th September 2012 US$'000	2011 US$'000
Cash flows from operating activities			
Earnings before interest, taxes, depreciation and amortisation	21	**147,374**	167,381
Other non-cash items and adjustments	21	**2,577**	782
Change in working capital	21	**(62,837)**	(48,210)
Cash generated from operations		**87,114**	119,953
Interest paid		**(1,493)**	(3,561)
Income taxes paid		**(11,719)**	(13,749)
Net cash generated from operating activities		**73,902**	102,643
Investing activities			
Purchase of property, plant and equipment		**(37,891)**	(42,861)
Proceeds from disposal of property, plant and equipment, and investment property		**2,310**	12,278
Interest received		**4,036**	2,952
		(31,545)	(27,631)
Deposit for purchase of intellectual property		**(4,800)**	-
Proceeds from sale of available-for-sale financial assets and other financial assets at fair value through profit and loss		**53**	1,405
Proceeds from divestiture of a non-core business, net of cash divested		**4,755**	16,847 *
Decrease in time deposits		**-**	1,925
Net cash used in investing activities		**(31,537)**	(7,454)

* *In FY2011/12, the Group received a net cash consideration of US$28.9 million (receipt of US$32.2 million, net of US$3.3 million cash on hand) in which US$16.8 million (i.e. receipt of US$20.1 million net of US$3.3 million, cash on hand) was received in the first half of FY2011/12 from the divestiture of a non-core business.*

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Unaudited Six months ended 30th September 2012 US$'000	2011 US$'000
Financing activities		
Purchase of shares for cancellation of issued capital	**(5,185)**	(21,843)
Purchase of shares held for Long-Term Incentive Share Scheme	**-**	(2,623)
Proceeds from borrowings	**19,176**	40,889
Repayments of borrowings	**(60,304)**	(94,281)
Dividends paid to owners	**(32,263)**	(28,285)
Dividends paid to non-controlling interests	**(2,752)**	-
Net cash used in financing activities	**(81,328)**	(106,143)
Net decrease in cash and cash equivalents	**(38,963)**	(10,954)
Cash and cash equivalents at beginning of the period	**385,117**	352,790
Currency translation on cash and cash equivalents	**768**	2,244
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**346,922**	344,080

NOTES:

1. GENERAL INFORMATION

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

The Company is a limited liability company incorporated in Bermuda. The address of its registered office is Canon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda.

The Company's shares are listed on The Stock Exchange of Hong Kong Limited and are traded over the counter in the United States in the form of American Depositary Receipt.

This condensed consolidated interim financial information is presented in US Dollars, unless otherwise stated. This condensed consolidated interim financial information was approved for issue by the Board of Directors on 8th November 2012.

2. PRINCIPAL ACCOUNTING POLICIES

This unaudited condensed consolidated interim financial information was 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 2012, except that the Group adopted all new standards, amendments to standards and interpretations of Hong Kong Financial Reporting Standards ("HKFRS") effective for the accounting period commencing 1st April 2012.

The adoption of these new/revised HKFRS did not have a material impact on the condensed consolidated interim financial information of the Group.

3. ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31st March 2012.

4. SEGMENT INFORMATION

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

The Group's 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 disposals of fixed assets and investments.

The Group had one single operating segment in the six months ended 30th September 2012.

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

	Six months ended 30th September	
	2012	2011
	US$'000	US$'000
Operating profit presented to management	**97,728**	117,399
Rental income	**1,917**	2,028
Gains/(losses) on investments, net	**208**	(172)
(Losses)/gains on disposal of fixed assets	**(454)**	796
Fair value gains on investment property	**-**	70
Fair value (losses)/gains on other financial assets/liabilities	**(349)**	58
Miscellaneous income/(expenses)	**876**	(1,510)
Operating profit per condensed consolidated income statement	**99,926**	118,669

4. SEGMENT INFORMATION *(Cont'd)*

Revenue from external customers by business units was as follows:

	Six months ended 30th September	
	2012	2011
	US$'000	US$'000
Automotive Products Group ("APG")	**641,533**	646,893
Industry Products Group ("IPG")	**359,932**	399,973
Other businesses	**41,199**	50,191
Divested business	**-**	21,010
	1,042,664	1,118,067

The Powertrain Cooling business (included in APG) is primarily engaged in the manufacture and sale of cooling fan modules for OEM and Tier 1 customers. Revenues for this business unit, comprised 21% of the total revenues of the Group for the first half of FY2012/13 (for the first half of FY2011/12: 18%).

Revenue by geography

Revenue from external customers by country of destination for the six months ended 30th September 2012 was as follows:

	Six months ended 30th September	
	2012	2011
	US$'000	US$'000
Hong Kong / People's Republic of China ("HK/PRC")	**285,265**	310,896
United States of America ("USA")	**210,943**	205,833
Germany	**131,171**	201,167
France	**56,651**	65,495
Italy	**38,620**	49,067
Poland	**38,150**	21,269
Czech Republic	**31,627**	24,444
Others	**250,237**	239,896
	1,042,664	1,118,067

In the prior year, sales to the European distribution channel were reported as sales to Germany. With the insourcing in place this year, they are now reported by the country of the customers' destinations.

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

4. SEGMENT INFORMATION *(Cont'd)*

Segment assets

For the first half of FY2012/13, 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 FY2011/12: US$43.0 million).

As of 30th September 2012, excluding goodwill, 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$318.3 million (31st March 2012: US$320.0 million) and the total of these non-current assets located in other countries was US$349.3 million (31st March 2012: US$362.2 million).

5. PROPERTY, PLANT AND EQUIPMENT, INVESTMENT PROPERTY AND LAND USE RIGHTS

	Property, plant and equipment							
	Freehold land, leasehold land and buildings US$'000	Machinery and equipment US$'000	Assets under construction US$'000	Moulds and tools US$'000	Other assets* US$'000	**Total US$'000**	**Investment property US$'000**	**Land use rights US$'000**
As of 31st March 2012	118,322	119,788	31,519	61,197	43,842	**374,668**	**53,705**	**4,677**
Currency translations	(1,662)	(757)	(176)	(315)	(226)	**(3,136)**	**-**	**3**
Additions	3,008	11,096	15,413	6,865	1,637	**38,019**	**52**	**-**
Transfer	(139)	5,702	(8,967)	1,759	1,645	**-**	**-**	**-**
Transfer from property, plant and equipment to investment property								
- Net book value	(1,977)	-	-	-	-	**(1,977)**	**2,728**	**(751)**
- Revaluation surplus	-	-	-	-	-	**-**	**3,618**	**-**
Disposals	(870)	(556)	(124)	(262)	(89)	**(1,901)**	**(863)**	**-**
Provision for impairment (Note 15)	-	(29)	-	-	(146)	**(175)**	**-**	**-**
Depreciation/amortisation (Note 15)	(5,125)	(16,532)	-	(10,411)	(3,824)	**(35,892)**	**-**	**(134)**
As of 30th September 2012	111,557	118,712	37,665	58,833	42,839	**369,606**	**59,240**	**3,795**
As of 31st March 2011	129,709	137,387	30,862	59,977	46,050	403,985	44,142	9,346
Currency translations	444	514	224	393	71	1,646	(94)	185
Divestiture of a controlling stake in a non-core subsidiary	(13,630)	(27,114)	(5,225)	(1,027)	(345)	(47,341)	-	(4,525)
Additions	4,357	9,944	21,993	4,127	2,653	43,074	-	-
Transfer	4,020	9,305	(18,862)	7,573	(1,634)	402	(402)	-
Disposals	(786)	(328)	(66)	(189)	(146)	(1,515)	-	-
Provision for impairment (Note 15)	(139)	(8)	-	(43)	(1)	(191)	-	-
Depreciation/amortisation (Note 15)	(5,126)	(17,452)	-	(9,474)	(3,829)	(35,881)	-	(257)
Transfer to non-current asset held for sale	-	-	-	-	-	-	(2,378)	-
Fair value gains (note 13)	-	-	-	-	-	-	70	-
As of 30th September 2011	118,849	112,248	28,926	61,337	42,819	364,179	41,338	4,749

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

6. INTANGIBLE ASSETS

	Goodwill US$'000	Technology, license rights, patents and development costs US$'000	Brands US$'000	Client relationships US$'000	Total intangible assets US$'000
As of 31st March 2012	516,614	106,053	55,803	79,313	757,783
Currency translations	(14,918)	(3,123)	(1,809)	(2,849)	(22,699)
Amortisation (Note 15)	-	(5,630)	(1,391)	(4,289)	(11,310)
As of 30th September 2012	**501,696**	**97,300**	**52,603**	**72,175**	**723,774**
As of 31st March 2011	512,548	116,449	57,863	87,828	774,688
Currency translations	11,223	2,923	1,524	2,599	18,269
Divestiture of a controlling stake in a non-core subsidiary	(2,581)	(175)	-	(750)	(3,506)
Amortisation (Note 15)	-	(6,268)	(1,564)	(4,955)	(12,787)
As of 30th September 2011	521,190	112,929	57,823	84,722	776,664

7. OTHER FINANCIAL ASSETS AND LIABILITIES

	Assets		Liabilities	
	30th September 2012 US$'000	31st March 2012 US$'000	**30th September 2012 US$'000**	31st March 2012 US$'000
Commodity contracts (Note a)				
– copper hedging contracts (cash flow hedge)	**7,613**	9,494	**1,168**	2,767
– silver and aluminium hedging contracts (cash flow hedge)	**1,776**	579	**-**	73
Forward foreign currency exchange contracts (Note b)				
– cash flow hedge	**10,464**	10,449	**13,957**	7,718
– held for trading	**46**	-	**201**	33
Others – held for trading	**-**	58	**-**	-
Total (Note c)	**19,899**	20,580	**15,326**	10,591
Current portion	**12,547**	12,139	**4,815**	8,535
Non-current portion	**7,352**	8,441	**10,511**	2,056
Total	**19,899**	20,580	**15,326**	10,591

Note:

(a) Copper, silver and aluminium hedging contracts

Gains and losses on copper, silver and aluminium hedging contracts, including gains and losses recognised in the hedging reserve as of 30th September 2012, have been recognised in the income statement in the period or periods in which the underlying hedged copper, silver and aluminium volumes were consumed. As of 30th September 2012, there were outstanding copper hedging contracts of US$102.5 million (31st March 2012: US$127.5 million) with maturities ranging from 1 month to 30 months and silver and aluminium hedging contracts of US$12.5 million (31st March 2012: US$10.0 million) with maturities ranging from 1 month to 22 months.

(b) Forward foreign currency exchange contracts

Gains and losses on RMB, EUR, CHF, HUF, PLN, ILS and MXN forward foreign currency exchange contracts designated as hedges, including gains and losses recognised in the hedging reserve as of 30th September 2012, have been recognised in the income statement in the period or periods in which the underlying hedged transactions occurred. For currency contracts designated as held for trading, fair value gains and losses on the forward contracts are immediately recognised in the income statement. The net fair value changes recognised in the income statement were not material.

7. OTHER FINANCIAL ASSETS AND LIABILITIES *(Cont'd)*

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

As of 30th September 2012, the Group had the following outstanding forward foreign currency exchange contracts:

	Notional amount (million)	Maturities ranging (months)
Cash flow hedge		
Chinese Renminbi forward purchase contracts	RMB7,220.5	1 - 60
Euro forward sales contracts	EUR185.5	1 - 24
Swiss Franc forward purchase contracts	CHF29.3	1 - 12
Hungarian Forint forward purchase contracts	HUF11,160.0	1 - 57
Polish Zloty forward purchase contracts	PLN34.2	1 - 21
Israeli New Shekel forward purchase contracts	ILS49.0	1 - 23
Mexican Peso forward purchase contracts	MXN66.3	1 - 36
Held for trading		
Indian Rupee forward purchase contracts	INR100.8	1 - 20
Euro forward sales contracts	EUR6.0	1 - 2

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

8. TRADE AND OTHER RECEIVABLES

	30th September 2012 US$'000	31st March 2012 US$'000
Trade receivables – gross	**342,070**	321,731
Less: impairment of trade receivables	**(2,268)**	(1,910)
Trade receivables – net	**339,802**	319,821
Prepayments and other receivables	**83,042**	64,567
	422,844	384,388

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

Aging of gross trade receivables

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

	30th September 2012 US$'000	31st March 2012 US$'000
Current	**322,981**	299,562
1–60 days	**13,977**	18,242
61–90 days	**1,326**	597
Over 90 days	**3,786**	3,330
Total	**342,070**	321,731

There was no concentration of credit risk with respect to trade receivables, as the Group has a large number of customers.

9. TRADE AND OTHER PAYABLES

	30th September 2012 US$'000	31st March 2012 US$'000
Trade payables	**201,160**	195,299
Accrued expenses and sundry payables	**150,042**	168,825
	351,202	364,124

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

	30th September 2012 US$'000	31st March 2012 US$'000
0-60 days	**148,962**	150,194
61-90 days	**35,828**	26,118
Over 90 days	**16,370**	18,987
Total	**201,160**	195,299

10. BORROWINGS

	30th September 2012 US$'000	31st March 2012 US$'000
Three-year term loan		
(due on 26th February 2013) (Note a)	**-**	50,000
Unamortised upfront fees	**-**	(165)
Carrying value	**-**	49,835
Loans based on trade receivables (Note b)	**153,852**	142,836
Other borrowings – Non-current	**2,016**	2,258
– Current	**6,028**	10,433
Total borrowings	**161,896**	205,362
Current borrowings	**159,880**	203,104
Non-current borrowings	**2,016**	2,258

Note:

(a) As of 31st March 2012, the three-year term loan was classified as a current borrowing. The Company repaid the remaining US$50.0 million outstanding term loan on 31st May 2012.

(b) Subsidiary companies have borrowed US$153.8 million in the USA, Europe and Hong Kong as of 30th September 2012 (as of 31st March 2012: US$142.8 million) based on trade receivables. The borrowings' covenants are subject to the same terms and conditions as the previous term loan and are guaranteed by the Company. These loans are placed such that the interest expense will match the geography of the operating income.

- Unsecured borrowings in the USA of US$55.0 million, with a covenant that trade receivables shall not be pledged to other parties (31st March 2012: US$55.0 million).
- Borrowings in Europe of US$71.0 million (EUR55.0 million) [31st March 2012: US$73.4 million (EUR55.0 million)], which are secured by trade receivables require an over-collateralisation level of 20% of the amount loaned (US$85.2 million as of 30th September 2012 and US$88.1 million as of 31st March 2012).
- Unsecured borrowings in Hong Kong of US$27.8 million based on trade receivables (31st March 2012: US$14.4 million).

10. BORROWINGS *(Cont'd)*

The maturity of borrowings was as follows:

	Bank borrowings		Other loans	
	30th September 2012 US$'000	31st March 2012 US$'000	**30th September 2012 US$'000**	31st March 2012 US$'000
Within one year	**159,457**	202,671	**423**	433
In the second year	**-**	-	**436**	446
In the third to fifth year	**-**	-	**1,388**	1,420
After the fifth year	**-**	-	**192**	392
	159,457	202,671	**2,439**	2,691

As of 30th September 2012, the interest rate charged on outstanding balances ranged from 0.6% to 3.2% per annum (31st March 2012: 0.7% to 3.2% per annum) and the weighted average effective interest rate of the borrowings was approximately 0.8% (31st March 2012: 1.2%).

As of 30th September 2012, borrowings of subsidiary companies amounting to US$159.5 million (31st March 2012: US$152.8 million) were guaranteed by the Company.

11. PROVISION OBLIGATIONS AND OTHER LIABILITIES

	Retirement benefit obligations US$'000	Other pension costs US$'000	Finance lease liabilities US$'000	Restructuring US$'000	Legal and warranty US$'000	Long service payment and sundries US$'000	Total US$'000
As of 31st March 2012	32,586	1,575	6,120	20,555	34,910	4,168	99,914
Currency translations	(963)	1	(2)	(550)	(228)	183	(1,559)
Provisions/(release of provision)	1,395	1,934	1	-	8,408	(58)	11,680
Utilised	(3,826)	(3,078)	(354)	(5,071)	(2,290)	(82)	(14,701)
Actuarial losses recognised in equity	11,157	-	-	-	-	-	11,157
As of 30th September 2012	**40,349**	**432**	**5,765**	**14,934**	**40,800** *	**4,211**	**106,491**
Current portion	-	386	731	12,785	34,079	-	**47,981**
Non-current portion	40,349	46	5,034	2,149	6,721	4,211	**58,510**
As of 30th September 2012	**40,349**	**432**	**5,765**	**14,934**	**40,800**	**4,211**	**106,491**
As of 31st March 2011	25,753	1,249	6,845	13,788	35,682	2,051	85,368
Currency translations	(455)	(7)	(18)	(411)	(166)	(31)	(1,088)
Divestiture of a controlling stake in a non-core subsidiary	-	-	-	-	(356)	-	(356)
Provisions/(release of provision)	4,190	1,939	11	(21)	3,371	341	9,831
Utilised	(5,347)	(1,568)	(350)	(934)	(3,198)	(74)	(11,471)
Actuarial losses recognised in equity	10,581	-	-	-	-	-	10,581
As of 30th September 2011	34,722	1,613	6,488	12,422	35,333	2,287	92,865
Current portion	-	374	667	10,508	10,506	-	22,055
Non-current portion	34,722	1,239	5,821	1,914	24,827	2,287	70,810
As of 30th September 2011	34,722	1,613	6,488	12,422	35,333	2,287	92,865

* *The Company reached a settlement for product recall claims relating to its power cooling product line for parts produced in 2005 - 2006 for US$20.0 million. The design of the application as well as the customer's design were modified in 2007 – 2008 to remove the problem going forward. This settlement will be funded in November 2012.*

12. SHARE CAPITAL AND SHARE PREMIUM

	Number of shares (thousands)		
	Ordinary shares	Shares held for the Share Scheme	Total
As of 31st March 2011	3,673,789	(26,171)	3,647,618
Repurchase and cancellation of issued capital	(60,848)	-	(60,848)
Shares purchased by trustee for the Long-Term Incentive Share Scheme ("Share Scheme")	-	(5,499)	(5,499)
Shares vested to employees and Independent Non-Executive Directors ("INED") under the Share Scheme	-	2,480	2,480
As of 31st March 2012	3,612,941	(29,190)	3,583,751
Repurchase and cancellation of issued capital	(8,755)	-	(8,755)
Shares vested to employees and INED under the Share Scheme	-	1,136	1,136
As of 30th September 2012	**3,604,186**	**(28,054)**	**3,576,132**

	Ordinary shares US$'000	Shares held for the Share Scheme US$'000	Share premium US$'000	Total US$'000
As of 31st March 2011	5,925	(13,454)	77,499	69,970
Repurchase and cancellation of issued capital	(98)	-	(31,786)	(31,884)
Shares purchased by trustee for the Share Scheme	-	(2,623)	-	(2,623)
Shares vested to employees and INED under the Share Scheme	-	1,336	(377)	959
As of 31st March 2012	5,827	(14,741)	45,336	36,422
Repurchase and cancellation of issued capital	(14)	-	(5,171)	(5,185)
Shares vested to employees and INED under the Share Scheme	-	618	(139)	479
As of 30th September 2012	**5,813**	**(14,123)**	**40,026**	**31,716**

As of 30th September 2012, the total authorised number of ordinary shares was 7,040.0 million (31st March 2012: 7,040.0 million) with a par value of HK$0.0125 per share (31st March 2012: HK$0.0125 per share). All issued shares were fully paid.

12. SHARE CAPITAL AND SHARE PREMIUM *(Cont'd)*

Cancellation of issued capital

A general mandate was approved and given to the Board by shareholders at the Company's Annual General Meeting held on 11th July 2012 empowering the Board to repurchase shares up to 10% (367.4 million shares) of the aggregate nominal amount of the issued share capital of the Company. This mandate had existed the previous year and was extended to the next 12 month period. 8.8 million shares had been repurchased and cancelled at a total cost of HK$40.2 million in the first half of FY2012/13.

Long-Term Incentive Share Scheme

Share awards under the Long-Term Incentive Share Scheme ("Share Scheme") were granted to directors, senior management and other employees as recommended by the Chairman and Chief Executive and approved by the Remuneration Committee of the Company.

The Share Scheme was initially approved by the shareholders on 26th July 1999 and expired on 31st July 2009. This scheme was replaced by a new Long-Term Incentive Share Scheme approved by the shareholders on 24th August 2009. The Share Scheme was further amended, with its amendments being approved by the shareholders, on 20th July 2011. The directors may grant shares to such eligible employees and directors as the directors may select in their absolute discretion under the Share Scheme.

Senior management of the Company regularly receive annual grants of time-vested units (Restricted Stock Units or RSUs) and performance-vested units (Performance Stock Units or PSUs). Time-vested units vest after three years. Performance-vested units vest after three years, subject to achievement of the performance conditions over the three-year vesting period. The performance conditions consist of a combination of a three-year cumulative earnings per share target set at the time of grant and a series of one-year earnings per share targets set at the beginning of each year of the three-year vesting period. The full vesting of performance-vested units is subject to achievement of the three-year cumulative earnings per share target; partial vesting occurs if one or more of the one-year earnings per share targets are met.

Prior to April 2010, the Company only granted time-vested units, with 20% of the grant vesting each year for the five years following the date of the grant.

The Company makes grants of time-vested units to key staff below the senior management level. These are subject to a three-year vesting period.

Once vested, the directors have the discretion to deliver either shares or the cash equivalent of the vested shares to eligible employees.

The Company makes annual grants of fully-vested shares to the Independent Non-Executive Directors ("INED"). The shares granted must be held by each director for the remainder of the board term in which the grant was made. Each year, the Company grants each of the INED shares equivalent in value to US$6,000.

12. SHARE CAPITAL AND SHARE PREMIUM *(Cont'd)*

Movements in the number of unvested units granted during the period were as follows:

	Number of unvested units granted (thousands)		
	Restricted Stock Units	Performance Stock Units	Total
Unvested units granted, as of 31st March 2012	8,481	5,910	14,391
Units granted to employees and INED during the period	5,495	6,100	11,595
Shares vested to employees and INED during the period	(1,136)	-	(1,136)
Forfeited during the period	(10)	-	(10)
Unvested units granted, as of 30th September 2012	12,830	12,010	24,840

The weighted average fair value of the unvested units granted during the period was HK$4.83.

The number of shares vesting in the next three financial years is as follows, excluding grants that may be made after 30th September 2012 and excluding any subsequent forfeitures:

	Number of unvested units granted (thousands)		
Vesting period	Restricted Stock Units	Performance Stock Units	Total
FY2013/14	3,265	1,900	5,165
FY2014/15	3,610	4,010	7,620
FY2015/16	5,955	6,100	12,055
Total	12,830	12,010	24,840

Share Options

Pursuant to the Share Option Scheme (the “Scheme”) approved at the Annual General Meeting of the Company held on 29th July 2002 and adopted by the Company on the same day, the Board of Directors may, at its discretion, grant options to any qualifying participants (including but not limited to any employee, whether full time or part time employees and any executive or nonexecutive directors of the Company or any affiliate as defined in the Scheme).

Under the Scheme, the Company granted options to purchase the Company’s shares at the subscription price which was set at the higher of the closing price on date of grant and the average closing price for the five trading days immediately preceding the date of the offer of grant. No option may be exercised more than 10 years after it has been granted.

12. SHARE CAPITAL AND SHARE PREMIUM *(Cont'd)*

As of 30th September 2012, share options granted to employees under the Scheme were as follows:

Held at 31/03/2012	Options lapsed during the period	Held at 30/09/2012	Subscription price per share (HK$)	Date of grant	Exercisable from	Exercisable until
350,000	(350,000)	-	8.02	17/09/2002	01/08/2004	16/09/2012
350,000	(350,000)	-	8.02	17/09/2002	01/08/2005	16/09/2012
262,500	-	262,500	9.65	31/07/2003	01/07/2005	30/07/2013
262,500	-	262,500	9.65	31/07/2003	01/07/2006	30/07/2013
100,000	-	100,000	7.40	28/12/2004	01/01/2007	27/12/2014
100,000	-	100,000	7.40	28/12/2004	01/01/2008	27/12/2014
1,425,000	(700,000)	725,000				

No share option was granted or exercised during the period (first half of FY2011/12: nil).

The fair value of the options was determined using the binomial valuation method at the date of grant; no subsequent revaluation at the period end is required. The significant inputs into the model were dividend yield of 1.5%, sub optimal early exercise factor of 1.5, withdrawal rate of 5% post the vesting period, volatility of 40% and the risk-free rate which varied depending on the grant date.

The aggregate fair value of the options as of 30th September 2012 was US$0.3 million (31st March 2012: US$0.3 million).

There was no profit and loss impact relating to the Scheme in the current period (first half of FY2011/12: nil).

13. OTHER INCOME AND GAINS, NET

	Six months ended 30th September	
	2012	2011
	US$'000	US$'000
Gross rental income from investment property	**1,917**	2,028
Gains/(losses) on investments, net	**208**	(172)
(Losses)/gains on disposal of property, plant and equipment and investment property	**(454)**	796
Fair value gains on investment property (Note 5)	**-**	70
Fair value (losses)/gains on other financial assets/liabilities	**(349)**	58
	1,322	2,780

14. SELLING AND ADMINISTRATIVE EXPENSES

	Six months ended 30th September	
	2012	2011
	US$'000	US$'000
Selling expenses	**56,156**	57,076
Administrative expenses	**135,604**	130,946
Legal and warranty (Note 11)	**8,408**	3,371
Net exchange gains on revaluation of monetary assets and liabilities	**(2,399)**	(3,667)
	197,769	187,726

Note: Selling and administrative expenses included operating lease payments for the period of US$3.2 million (first half of FY2011/12: US$3.1 million).

15. EXPENSES BY NATURE

Operating profit included the following credits and charges:

	Six months ended 30th September	
	2012	2011
	US$'000	US$'000
Depreciation		
Depreciation of property, plant and equipment (Note 5)	**35,892**	35,881
Less: amounts capitalised in assets under construction	**(180)**	(213)
	35,712	35,668
Employee compensation	**287,684**	280,424
Less: amounts capitalised in assets under construction	**(1,556)**	(1,220)
	286,128	279,204
Impairment of property, plant and equipment (Note 5)		
– Included in selling and administrative expenses and cost of goods sold	**175**	191
	175	191
Other items:		
Cost of goods sold*	**746,291**	814,452
Auditors' remuneration	**1,197**	1,198
Amortisation on land use rights (Note 5)	**134**	257
Amortisation of intangible assets (Note 6)	**11,310**	12,787
Net exchange gains on revaluation of monetary assets and liabilities	**(2,399)**	(3,667)
Net provision/(write back) for impairment of trade receivables	**364**	(192)

* *Cost of goods sold comprised materials, direct labour costs (including their social costs) and production overheads including operating lease payments of US$7.9 million (first half of FY2011/12: US$8.7million).*

16. FINANCE (INCOME)/COSTS, NET

	Six months ended 30th September	
	2012	2011
	US$'000	US$'000
Interest on bank loans wholly repayable within five years and overdrafts	**1,653**	4,179
Interest on bank loans wholly repayable later than five years	**5**	48
Interest income	**(4,036)**	(2,952)
Finance (income)/costs, net	**(2,378)**	1,275

17. INCOME TAX EXPENSES

Hong Kong profits tax has been provided at the rate of 16.5% (first half of FY2011/12: 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 2012 was 14.1% (first half of FY2011/12: 13.7%).

	Six months ended 30th September	
	2012	2011
	US$'000	US$'000
Current income tax		
Hong Kong profits tax	**6,063**	6,800
Overseas taxation	**9,077**	11,802
(Over)/under provisions in prior years	**(1,395)**	332
	13,745	18,934
Deferred income tax	**758**	(2,790)
Total income tax expenses	**14,503**	16,144
Effective tax rate	**14.1%**	13.7%

The effective tax rate of the Group of 14.1% differed from the statutory tax rate of Hong Kong of 16.5% as follows:

	Six months ended 30th September		**Six months ended 30th September**	
	2012	2011	**2012**	2011
			US$'000	US$'000
Profit before income tax			**102,507**	117,628
Tax charged at Hong Kong profits tax rate	**16.5%**	16.5%	**16,914**	19,409
Effect of different tax rates in other countries				
– Countries with taxable profit	**2.4%**	3.5%	**2,461**	4,170
– Countries with loss	**(1.1)%**	(3.6)%	**(1,168)**	(4,271)
Income, net of expenses not subject to tax	**(3.7)%**	(7.0)%	**(3,760)**	(8,273)
(Over)/under provisions in prior years	**(0.7)%**	0.3%	**(744)**	387
Tax losses and other timing differences not recognised as an asset and other tax, net of utilisation	**0.7%**	4.0%	**800**	4,722
	14.1%	13.7%	**14,503**	16,144

18. INTERIM DIVIDENDS

	Six months ended 30th September	
	2012	2011
	US$'000	US$'000
Interim, of 0.38 US Cents (3 HK Cents) per share, (first half of FY2011/12: 0.38 US Cents or 3 HK Cents)	**13,836**	13,819
	13,836	13,819

19. EARNINGS PER SHARE

Basic earnings per share

Basic earnings per share was calculated by dividing the profit attributable to owners by the weighted average number of ordinary shares in issue during the period excluding ordinary shares purchased by the Company and held for the Long-Term Incentive Share Scheme.

	Six months ended 30th September	
	2012	2011
Profit attributable to owners (thousands US Dollar)	**85,334**	101,626
Weighted average number of ordinary shares in issue (thousands)	**3,580,088**	3,642,800
Basic earnings per share (US Cents per share)	**2.38**	2.79
Basic earnings per share (HK Cents per share)	**18.49**	21.72

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

Diluted earnings per share

Diluted EPS was calculated by adjusting the weighted average number of ordinary shares as per basic EPS, to include the weighted average number of all the dilutive potential ordinary shares.

	Six months ended 30th September	
	2012	2011
Weighted average number of ordinary shares issued and outstanding (thousands)	**3,580,088**	3,642,800
Adjustments for restricted shares units granted:		
– Share Scheme (Time vesting)	**12,830**	8,721
– Share Scheme (Performance earned)	**2,903**	488
Weighted average number of ordinary shares (diluted) (thousands)	**3,595,821**	3,652,009
Diluted earnings per share (US Cents per share)	**2.37**	2.78
Diluted earnings per share (HK Cents per share)	**18.41**	21.66

20. CAPITAL COMMITMENTS

	30th September 2012 US$'000	31st March 2012 US$'000
Capital commitments for property, plant and equipment		
Authorised but not contracted for *	**33,800**	24,658
Contracted but not yet accrued	**10,010**	15,783
	43,810	40,441

* *As of the balance sheet date, capital commitment authorised but not contracted for represented the management's budget for the coming quarter.*

21. CASH GENERATED FROM OPERATIONS

	Six months ended 30th September	
	2012	2011
	US$'000	US$'000
Profit before income tax	**102,507**	117,628
Add: Depreciation of property, plant and equipment and amortisation of land use rights	**35,846**	35,925
Amortisation of intangible assets	**11,310**	12,787
Finance (income)/costs, net	**(2,378)**	1,275
Share of profits net of dividend received from associate	**89**	(234)
EBITDA*	**147,374**	167,381
Other non-cash items and adjustments		
Losses/(gains) on disposals of property, plant and equipment and investment property	**454**	(796)
Provision for impairment on property, plant and equipment	**175**	191
Net realised and unrealised (gains)/losses on disposals of other financial assets at fair value through profit and loss	**(407)**	427
Share-based compensation	**2,226**	1,032
Fair value gains on investment property	**-**	(70)
Net realised losses/(gains) on available-for-sale financial assets	**129**	(2)
	2,577	782
EBITDA* net of other non-cash items and adjustments	**149,951**	168,163
Change in working capital		
Insourcing of a European distribution channel	**(49,462)**	-
Decrease/(increase) in inventories	**8,193**	(12,449)
Increase in trade and other receivables	**(25,268)**	(2,440)
Increase in non-current deposits	**(91)**	(2,374)
Increase/(decrease) in trade and other payables	**4,959**	(26,543)
Decrease in provision obligations and other liabilities	**(1,955)**	(1,640)
Decrease/(increase) in net financial assets	**787**	(2,764)
	(62,837)	(48,210)
Cash generated from operations	**87,114**	119,953

* *EBITDA: Earnings before interest, taxes, depreciation and amortisation*

22. SUBSEQUENT EVENT

Disposal of subsidiaries and assets related to Saia-Burgess Controls Business

On 24th October 2012, Johnson Electric International AG ("JEIAG") , an indirect wholly owned subsidiary of the Company, entered into a conditional agreement for the sale of the Controls Business to Honeywell International, Inc., for an aggregate consideration of EUR100.0 million (subject to completion adjustments).

The Controls Business consists of the entire equity interest of Saia-Burgess Controls AG and its subsidiaries, as well as certain assets, liabilities and contracts related to the Controls Business held by other companies within the Group. The Controls Business's primary activity is the supply of programmable logic controllers and related components to the infrastructure and building automation sector.

The financial effect of the disposal remains subject to various factors including adjustments to the aggregate consideration and the actual date of completion. However, assuming that completion occurs before 31st March 2013 and barring unforeseen circumstances, the current unaudited estimate is that the Group will record a gain on disposal of between US$12 million and US$24 million. This range for the gain on the disposal is subject to the finalisation of retained assets and liabilities, assets impairment, taxation, foreign exchange reserves and other divestiture related potential adjustments.

LETTER TO SHAREHOLDERS

Overview of Financial Results

Johnson Electric delivered a solid performance in the six month period ended 30th September 2012, considering the relatively weak global macro-economic environment for industrial manufacturing businesses and the adverse impact of foreign exchange rate movements.

Group sales for the first half of the 2012/13 financial year totaled US$1,043 million, a decrease of 7% over the first half of the prior financial year. Net profit attributable to shareholders decreased by 16% to US$85 million or 2.37 US cents per share.

The main factors behind the decline in total sales were the weakening of the Euro compared to the US Dollar (accounting for more than half of the sales decline), the one-time impact of in-sourcing a distribution channel in Europe, and the absence of sales of a non-core subsidiary which was divested in July 2011. Excluding these factors, Johnson Electric's sales increased by approximately 1% compared to the prior year period.

The backdrop to this essentially flat underlying sales performance was a world economy where most advanced economies struggled to grow and many emerging economies saw their previous rates of high growth momentum slowing rapidly. Indeed, perhaps the most striking and challenging aspect of today's operating environment is that virtually every major economy is simultaneously experiencing weak or weakening levels of industrial output.

The Automotive Products Group ("APG"), which contributed over 60% of total sales, performed well in the context of these tough market conditions. Excluding non-recurring items and foreign exchange rate effects, APG grew sales by 7% compared to the first half of the prior year – with increases recorded in Europe, Asia and the Americas. This was despite the fact that automotive industry sales volumes in Europe are at a 17-year low as the region's debt crisis has led to sharply reduced demand. Partially offsetting the severe market contraction in Europe has been the comparatively resilient sales output from luxury car manufacturers who are benefiting from growth in emerging markets, including China. The North American market has also performed surprisingly well as consumers replace older vehicles and overall sales volumes are now approaching the levels seen prior to the Global Financial Crisis. APG's positive sales result in the period was due to new product introductions and its favourable market positioning which continues to be strengthened by customers gravitating to suppliers who offer innovative technology, consistent quality and a genuinely global operating footprint.

The Industry Products Group ("IPG"), on the other hand, fared less well during the period with sales declining by 8% excluding non-recurring items and currency effects. This was primarily due to lower demand from games and toy product application segments in Asia, as well as the strategic decision to exit from selected lower margin applications that do not meet Johnson Electric's profitability criteria. Subdued consumer sentiment and overall weaker demand depressed sales in Europe, while sales in the Americas grew slightly. IPG, which serves an extremely broad and diverse range of motion applications, is increasingly focused on developing products for specialised market segments that demand unique and customised solutions.

Operating costs during the period benefited from lower average commodity prices and ongoing expense reduction and productivity improvement initiatives. Offsetting this, however, was the combination of reduced fixed cost leverage as a consequence of lower sales volumes and labour cost inflation especially in China. In addition, foreign exchange rate movements (affecting both the sales and operating cost components) had a significant negative impact on the bottom line. As a result, although the Group managed to improve gross margins by 1.2% to 28.4% during the period, in absolute dollar terms operating profit and profit attributable to shareholders both declined by 16%.

Johnson Electric's financial condition remains strong and was supported by consistent cash generation and further reductions in borrowings and financing costs. As of 30th September 2012, the Group's total debt to capital ratio stood at 10% with cash reserves of US$347 million.

Interim Dividend

The Directors have today declared an interim dividend of 3 HK cents, equivalent to 0.38 US cents per share (2011 interim: 3 HK cents per share) payable on 3rd January 2013 to shareholders registered on 27th December 2012.

Driving Innovation and Bringing New Products to Market

Pivotal to Johnson Electric's business strategy is research and new product development focused on understanding and responding to the underlying needs of end-users of products that incorporate our precision motors and motion systems.

The result is an increasingly robust pipeline of innovative products coming to market that address critical market needs for energy efficiency, reduced emissions, higher levels of security, and improved functionality and ease of use. In the past few months new product launches demonstrating the depth and breadth of the Group's current technology offering have included:

- A valve actuator product line for engine coolant circuits and cabin refrigerant circuits. Marketed under the Saia-Burgess brand, the actuator product line is designed to improve fuel efficiency, reduce emissions, and increase the driving range for electric and hybrid cars;

- A motor product line for exhaust gas regulators. Designed to meet stringent Euro 6 vehicle emissions standards, this improved gas recirculation technology reduces nitrogen oxide (NOx) emissions and is able to withstand ambient temperatures up to 160°C; and

- Parlex Secure-Flex™, an innovative technology designed to increase payment terminal security. This new product line provides the highest protection against intrusion and tampering of critical areas within payment terminals.

These types of innovative products are at the heart of the Group's mission to build a sustainable technological advantage in our industry over the longer term.

Strengthening the Operating Footprint

Parallel to its research and development activities, the Group is reshaping its manufacturing and supply chain operations to serve customers globally with the highest levels of responsiveness, reliability and competitive economics. More specifically, this involves establishing a flexible production footprint across each of the three major geographic regions of the world with the additional benefit of providing the Group with a "natural hedge" against foreign currency volatility.

In Asia, the Group continues to expand its operations in Beihai, Guangxi Province, where operating costs are generally lower than in China's more developed eastern and southern coastal provinces. Plans are also well advanced for establishing a new APG assembly facility in western China in order to be closer to OEM customers in that region.

In Europe, Johnson Electric already possesses an unrivalled combination of world-class engineering and production centres located in Switzerland, Italy and Germany, and low-cost manufacturing and assembly operations in Hungary and Poland. It is anticipated that an additional low-cost manufacturing plant will be established in Eastern Europe in the near future.

Lastly, in the Americas, a new factory was opened in Zacatecas, Mexico in September 2012. This facility, which will supply customers in both North and South America, joins six other Johnson Electric production sites in the region spanning the USA, Brazil and Argentina.

Core Business Focus and Active Portfolio Management

Johnson Electric's core business is the supply of electro-mechanical motion systems and solutions to customers who value innovation and reliability. Within this defined market space, management regularly reviews the Group's mix of businesses and product lines for strategic fit and value creation potential. As a result, over the past five years, a number of actions have been taken to exit selected business areas and to focus new investments only on those activities that align closely with the Group's long term strategy.

Consistent with this approach, the Group has recently agreed to sell Saia-Burgess Controls, a business unit manufacturing programmable logic controllers and related components, for approximately US$130 million. This business originally formed a part of the Saia-Burgess Electronics acquisition in 2005, but has been maintained and managed as a relatively stand-alone operation due to its distinct product line and customer base. The proceeds of this divestment, which remains subject to customary regulatory approvals, will be reinvested in the Group's core business – either through the normal course of organic business expansion or through acquisitions should suitable opportunities arise.

Outlook and Current Trading

Overall, I am very satisfied with the strategic development and progress of the Group in what remains a challenging operating environment. Johnson Electric's financial condition is strong and we are seeing a consistently positive response from customers to our focus on product innovation, quality and assurance of supply.

However, the near term outlook for business growth must inevitably be tempered by continued concerns about the health of the world economy. The International Monetary Fund recently cut its global growth forecasts as the Eurozone's debt crisis intensified and warned of even slower expansion unless politicians in both Europe and the USA take more concrete steps to address significant threats to their economies. In our own business, current trading patterns overall are broadly similar to those experienced in the first half of the financial year.

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

Patrick Shui-Chung Wang ***JP***
Chairman and Chief Executive

Hong Kong, 8th November 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

OVERVIEW – FINANCIAL HIGHLIGHTS

US$ million	First half of FY2012/13	First half of FY2011/12
Sales	1,042.7	1,118.1
Gross profit	296.4	303.6
Gross margin	*28.4%*	*27.2%*
Profit attributable to shareholders	85.3	101.6
Diluted earnings per share (US Cents)	2.37	2.78
Free cash flow from operations [1]	42.3	75.0
EBITDA excluding nonrecurring items [2]	152.5	167.4
EBITDA margin	*14.6%*	*15.0%*

US$ million	30th Sep 2012	31st Mar 2012
Cash	346.9	385.1
Total debt (borrowings)	(161.9)	(205.4)
Net cash	185.0	179.7
Total equity	1,499.3	1,487.5
Market capitalisation at balance sheet date [3]	2,338.4	2,229.5
Enterprise value [4]	2,179.2	2,075.6
Enterprise value to EBITDA[5]	6.9	6.3

Credit Quality - Financial Ratios [5]	30th Sep 2012	31st Mar 2012
Free cash flow from operations (annualised) to debt	82%	81%
Total debt to EBITDA (annualised)	0.5	0.6
Total debt to capital (total equity + debt)	10%	12%

1 *Net cash generated from operating activities plus interest received, less CAPEX net of proceeds from disposal of fixed assets*
2 *Earnings before interest, taxes, depreciation and amortisation ("EBITDA") excluding the impact of insourcing a European distribution channel*
3 *Outstanding number of shares multiplied by the closing share price (HK$5.07 as of 30th September 2012 and HK$4.83 as of 31st March 2012) converted at the closing exchange rate*
4 *Enterprise value calculated as market capitalisation plus non-controlling interests plus total debt less cash*
5 *EBITDA and free cash flow from operations were annualised using last twelve months' results*

- Sales as reported decreased by 7%. Sales grew 1% excluding currency effects, a non-core divestiture and the insourcing of a European distribution channel.
- Gross margin improved to 28.4% from 27.2%.
- US$49.5 million working capital was utilised due to the above-mentioned insourcing of a European distribution channel.
- Conditional agreement signed on 24th October 2012, to sell the Saia-Burgess Controls business to Honeywell for EUR100.0 million. This is a non-adjusting post balance sheet event. For details, refer to Note 22 – Subsequent Event on page 32.

SALES AND PROFITABILITY

JOHNSON ELECTRIC'S OPERATING MODEL

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 core competences and for cost reduction through the sharing of resources.

SALES REVIEW

Group sales in the first half of FY2012/13 were US$1,042.7 million, a decrease of US$75.4 million (7%) compared to US$1,118.1 million for the same period last year. Excluding currency effects and nonrecurring items, sales increased by US$8.4 million (1%) compared to the same period last year, as shown below.

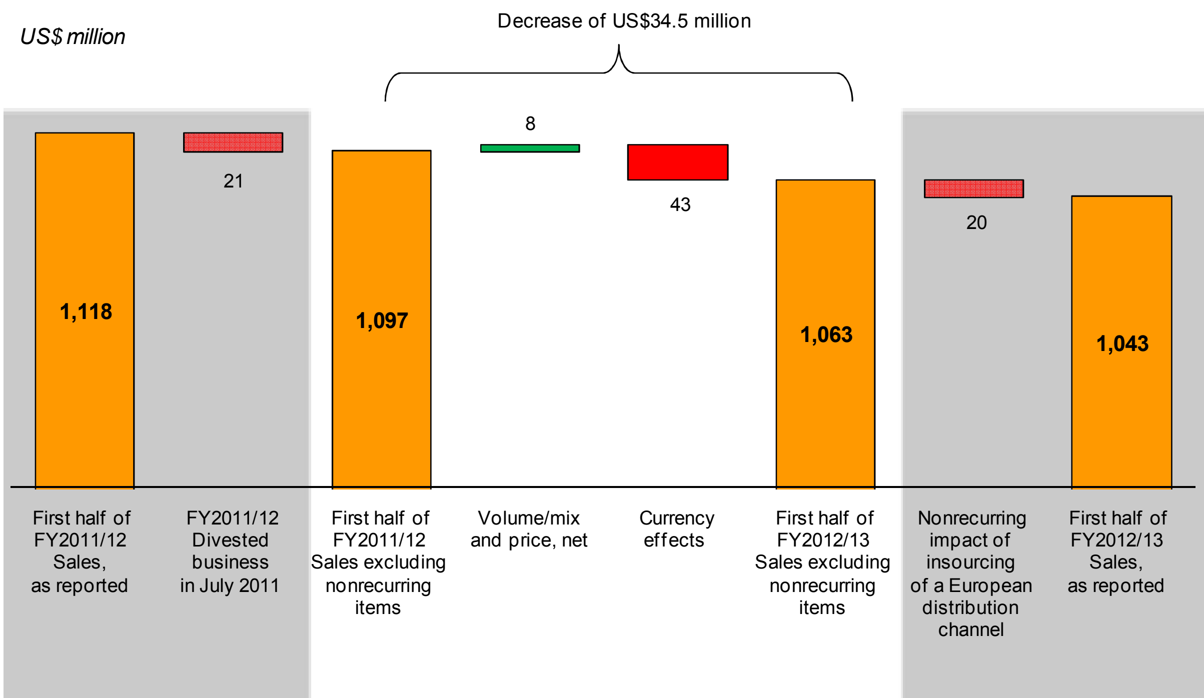
US$ million	First half of FY2012/13	%	First half of FY2011/12	%	Sales growth
Automotive Products Group ("APG")					
- Excluding currency effects and nonrecurring items	692.9	63%	646.9	59%	**7%**
- Nonrecurring items	(19.3)		-		
- Currency effects	(32.0)		n/a		
APG sales, as reported	641.6		646.9		
Industry Products Group ("IPG")					
- Excluding currency effects and nonrecurring items	366.2	33%	400.0	36%	**(8%)**
- Nonrecurring items	(0.7)		-		
- Currency effects	(5.6)		n/a		
IPG sales, as reported	359.9		400.0		
Other Business					
- Excluding currency effects and nonrecurring items	46.4	4%	50.2	5%	**(8%)**
- Currency effects	(5.2)		n/a		
Other Business sales, as reported	41.2		50.2		
Divested business	-		21.0		
Group sales					
- Excluding currency effects and nonrecurring items	**1,105.5**	100%	**1,097.1**	100%	**1%**
- Nonrecurring items	(20.0)		21.0		
- Currency effects	(42.8)		n/a		
Total sales, as reported	**1,042.7**		**1,118.1**		**(7%)**

In Asia, sales increased in APG, partially offset by declined sales for IPG. In Europe, sales declined for IPG, largely offset by sales growth in APG. In the Americas, sales grew for both IPG and APG.

Sales by geography, after adjusting for currency effects and nonrecurring items

US$ million	First half of FY2012/13	%	First half of FY2011/12	%	Sales growth
Asia	373.0	34%	371.9	34%	0%
Europe	485.2	44%	486.8	44%	0%
Americas	247.3	22%	238.4	22%	4%
Group sales, excluding currency effects and nonrecurring items	**1,105.5**	100%	**1,097.1**	100%	**1%**

FIRST HALF OF FY2012/13 SALES VS. FIRST HALF OF FY2011/12



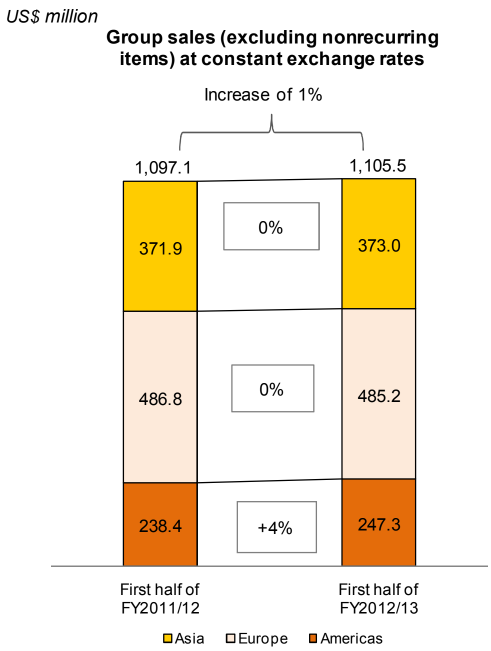
Note: Numbers do not add across due to the effect of rounding

Nonrecurring items and currency effects impacting sales were as follows:

- Nonrecurring items - The Group insourced a European distribution channel and entered into an agreement that required the repurchase of inventory previously sold to the distributor. In aggregate, this takeover of the European distribution pipeline adversely affected reported sales by an estimated amount of US$20 million in the initial months of FY2012/13. The first half of last year included US$21.0 million sales for a non-core subsidiary that was divested at the end of July 2011.

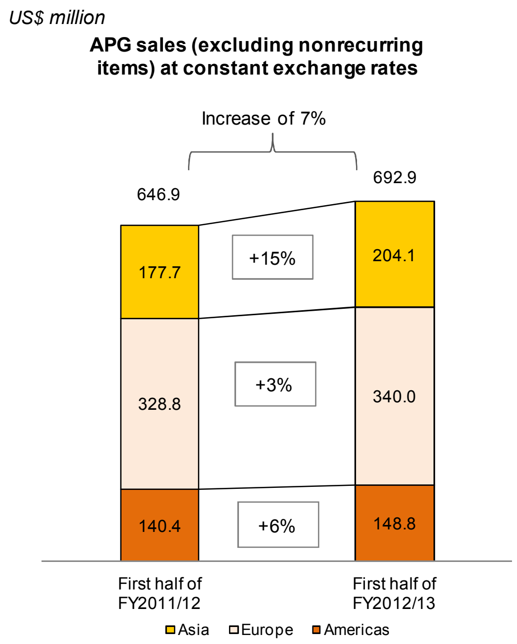
- Currency effects – The Group's sales are primarily denominated in the US Dollar, the Euro and the Chinese Renminbi. Currency movements, primarily the weakening of the Euro against the US Dollar, over first half of FY2012/13 adversely affected sales by US$42.8 million compared to the first half of last year.

Excluding currency effects and nonrecurring items, sales increased by US$8.4 million (1%) compared to the same period last year (by region: Asia and Europe flat, Americas 4% growth).



AUTOMOTIVE PRODUCTS GROUP

Sales, excluding nonrecurring items and currency effects, increased 7% compared to the same period last year (by region: Asia 15% growth, Europe 3% growth, Americas 6% growth) as we benefitted from new platform launches and the growth of our targeted customers.



- In Asia, we benefitted from increased revenues from our powertrain cooling products and higher demand for our products designed for engine air management and sunroofs, amongst others.
- In Europe, reduced sales for actuators and engine and transmission products were offset by increased sales of products for power-lift gates and window-lift applications.
- In the Americas, new platform launches and the continued recovery of market demand for key customers' products drove sales growth for many of our products. This was partially offset by reduced sales of powertrain cooling modules for the aftermarket, as well as softness in the Brazilian market.
- 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 increased by 10% in the first half of FY2012/13 compared to the same period last year. This was driven by growth in revenues in China, partially offset by lower sales in North America and to a lesser extent South America.
- We continue to invest in developing cost-effective, high-power-density products and subsystems for advanced applications that increase safety and fuel efficiency and reduce emissions.

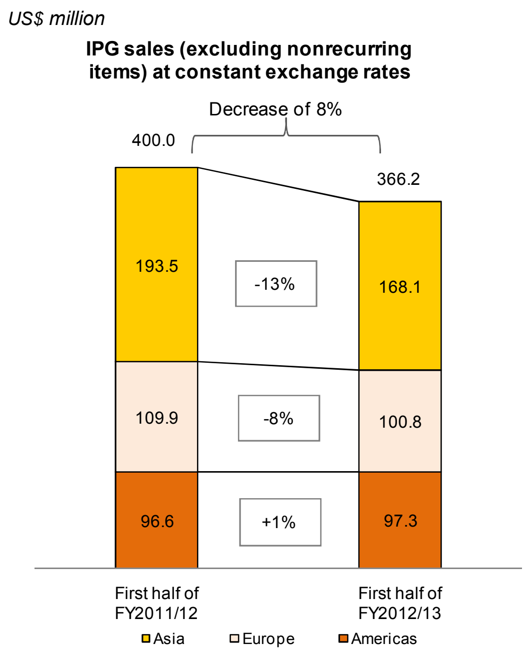
  Recent product launches include:

  - A fast actuating, lower-weight, longer-life motor product family for electronic stability control safety applications;
  - New low-weight, energy efficient valve actuators for coolant and refrigerant circuits; and
  - A new motor product family for increased fuel efficiency, with high torque, high vibration resistance and high temperature performance for electronic throttle control applications.

Additionally, the Group is maintaining its commitment to global innovation tailored to local markets. We are expanding our engineering footprint in key geographic markets. We are also ensuring our manufacturing sites are well-placed to support regional customers by increasing responsiveness and reducing delivery lead times whilst minimising our logistics costs and currency exchange risk.

INDUSTRY PRODUCTS GROUP

Sales, excluding nonrecurring items and currency effects, declined by 8% compared to the same period last year (by region: Asia 13% decline, Europe 8% decline, Americas 1% growth).



Lower demand for games and toys products, our exit from some low margin applications in the personal care and office equipment market segments, as well as continued economic uncertainty in Europe adversely affected sales.

This decline was partially offset by increased demand in the Americas for products for domestic appliances.

- Sales in Asia declined due to lower demand for games and toys products and our exit from selected low margin applications. This was partially offset by increased sales in the food and beverage market segment reflecting IPG's focus on developing and launching differentiated, energy efficient products. We benefitted from increased demand for solenoid products, as well as new product launches for high-end floor care applications.
- In Europe, sales declined in several segments due to overall market weakness.
- In the Americas, sales increased across many product lines, including some recovery of demand in products for the white goods and ventilation market segments. This was partially offset by weakness in demand for products for medical and office equipment applications. Solenoids sales remained flat.

- The division remains focused on developing and launching differentiated, leading-edge products and subsystems that offer reduced noise and weight and increased power efficiency. Additionally, our product technology enables us to satisfy increasingly stringent regulations in several key markets.

  Among several innovative products launched by this business are:

  - Variable flow gear pumps for beverage dispensing, delivering twice the flow rate of traditional beverage pumps;
  - Energy saving, double-disconnect switches for washing machines and dishwashers that maintain our industry lead in power-off switches; and
  - "Secure-Flex" breakable conductors that exceed security industry standards and protect against intrusion for point-of-sale products.

OTHER BUSINESSES

Other businesses comprised Saia-Burgess Controls. Excluding currency effects, sales declined by 8%.

The majority of Controls sales are in the European market and were therefore impacted by the recent economic downturn; however, this was partly offset by sales growth in the Americas.

The Group entered into a conditional shares and asset purchase agreement on 24th October 2012, to sell the Saia-Burgess Controls business to Honeywell International, Inc. for an aggregate consideration of EUR100.0 million. This is a non-adjusting post balance sheet event. On closure, subsequent to regulatory approvals, the gain on this divestiture, estimated in the range between US$12 million and US$24 million will be accounted for in the FY2012/13 year-end accounts. This range for the gain on disposal is subject to the finalisation of retained assets and liabilities, asset impairments, taxation, foreign exchange reserves and other divestiture related potential adjustments.

PROFITABILITY REVIEW

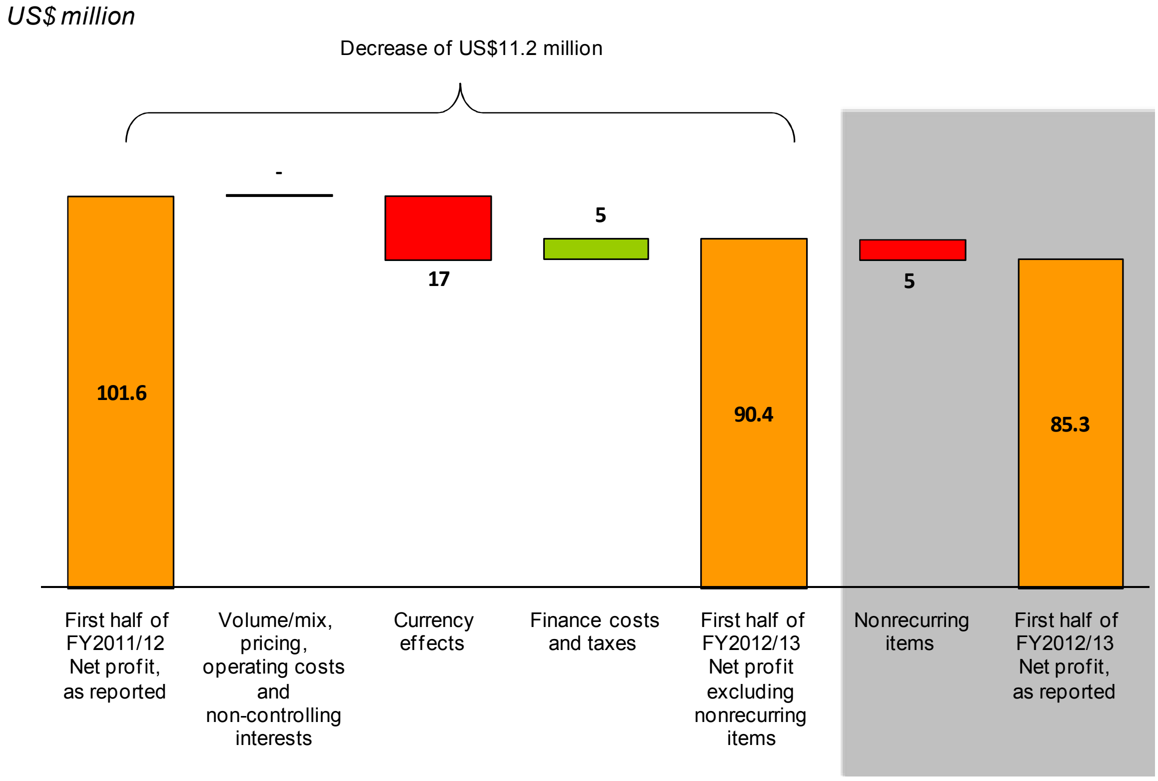
US$ million	First half of FY2012/13	First half of FY2011/12	Increase/ (decrease) in profit
Sales	1,042.7	1,118.1	(75.4)
Gross profit	296.4	303.6	(7.2)
Gross margin %	*28.4%*	*27.2%*	
Other income and gains	1.3	2.8	(1.5)
Selling and administrative expenses ("S&A")	(197.8)	(187.7)	(10.1)
S&A %	*19.0%*	*16.8%*	
Operating profit	99.9	118.7	(18.8)
Net interest income/(expense)	2.4	(1.3)	3.7
Share of profits of associate	0.2	0.2	-
Profit before income tax	102.5	117.6	(15.1)
Income tax expenses	(14.5)	(16.1)	1.6
Effective tax rate	*14.1%*	*13.7%*	
Profit for the period	88.0	101.5	(13.5)
Non-controlling interests	(2.7)	0.1	(2.8)
Profit attributable to shareholders, as reported	85.3	101.6	(16.3)

Nonrecurring items reduced operating profit by US$5.1 million. This relates entirely to the insourcing of a European distribution channel discussed in the Sales Review.

The table below shows the effect of this nonrecurring item on operating profit:

US$ million	First half of FY2012/13	First half of FY2011/12	Increase/ (decrease) in profit
Operating profit, as reported	**99.9**	**118.7**	**(18.8)**
Nonrecurring items:			
Insourcing of a European distribution channel	5.1	-	5.1
Operating profit excluding nonrecurring items	**105.0**	**118.7**	**(13.7)**
Operating margin %	***10.1%***	***10.6%***	

PROFIT ATTRIBUTABLE TO SHAREHOLDERS



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

The tax effect of nonrecurring items of US$0.7 million has been considered under "Finance costs and taxes"

Excluding nonrecurring items, profit attributable to shareholders declined to US$90.4 million for the first half of FY2012/13, a decrease of US$11.2 million (11%) from US$101.6 million for the same period last year. As shown in the above chart, the main drivers underlying this reduction in profit were:

- **Volume/mix, pricing, operating costs and non-controlling interests:** Savings from lower commodity prices and from cost reduction activities that increased productivity and efficiency as well as selectively implemented price increases improved profit margins by approximately 3% of sales.

  However, this was largely offset by a combination of reduced fixed cost leverage due to lower sales volumes, labour cost inflation, especially in China, and increased staff costs from headcount expansion which adversely affected profit margins.

  The net effect of these changes to volume/mix, pricing, operating costs and non-controlling interests was negligible.

- **Currency effects:** A significant part of our revenues are in Europe. In addition, the majority of our engineering, manufacturing and supply chain operations are located in China and Switzerland.

  The weakening of the Euro as well as the appreciation of the Chinese Renminbi against the US Dollar reduced profit. This adverse effect on profit was partially mitigated by the weakening of the Swiss Franc against the US Dollar.

  The net effect of these currency movements was to reduce operating profit by approximately US$ 17 million.

- **Finance costs and taxes:** Interest expense decreased in line with reduced borrowing levels and the replacement of higher cost debt with tax efficient, lower-cost debt. Additionally, the Group benefitted from increased income from interest bearing deposits, especially in the Chinese Renminbi.

  The effective tax rate increased slightly to 14.1%, compared to 13.7% for the same period last year.

  Overall, these changes to finance costs and taxes increased profit by approximately US$5 million.

ANALYSIS OF CASH FLOW

Free Cash Flow

US$ million	First half of FY2012/13	First half of FY2011/12	Change
Operating profit*	100.2	118.7	(18.5)
Depreciation and amortisation	47.2	48.7	(1.5)
EBITDA	**147.4**	**167.4**	**(20.0)**
Other non-cash items in profit before taxes	2.6	0.7	1.9
Working capital change			
Insourcing of a European distribution channel	(49.5)	-	(49.5)
Other working capital change	(13.4)	(48.2)	34.8
Interest paid	(1.5)	(3.6)	2.1
Income taxes paid	(11.7)	(13.7)	2.0
Net cash generated from operating activities	**73.9**	**102.6**	**(28.7)**
Capital expenditure	(37.9)	(42.9)	5.0
Proceeds from disposal of fixed assets	2.3	12.3	(10.0)
Interest received	4.0	3.0	1.0
Free cash flow from operations	**42.3**	**75.0**	**(32.7)**

** Includes dividend received from associate of US$0.3 million for first half of FY2012/13 (first half of FY2011/12: nil)*

Cash generation remained positive; the Group's free cash flow from operations was US$42.3 million in the first half of FY2012/13, compared to US$75.0 million in the first half of FY2011/12.

- Working capital changes include US$49.5 million nonrecurring items relating to the insourcing of a European distribution channel.
- Other working capital increased by US$13.4 million in the ordinary course of business.
- We continued to invest in capital equipment across all of our business units.

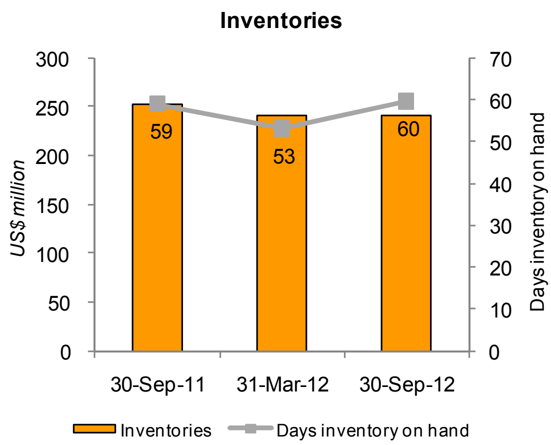
These changes are explained in more detail in the following sections.

Working Capital Changes

US$ million	Balance sheet as of 31st Mar 2012	Currency translation	Deposit for purchase of intellectual property	Pension	Hedging	Working capital changes: Insourcing of a European distribution channel	Working capital changes: Other working capital changes	Balance sheet as of 30th Sep 2012
Inventories	240.1	(5.9)	-	-	-	15.5	(8.2)	241.5
Trade and other receivables	384.4	(6.5)	-	-	-	19.6	25.3	422.8
Deposits - non-current	5.9	-	4.8	-	-	-	0.1	10.8
Trade and other payables	(364.1)	4.6	-	-	-	13.3	(5.0)	(351.2)
Provision obligations and other liabilities *	(99.9)	1.5	-	(11.2)	-	1.1	2.0	(106.5)
Other financial assets/ (liabilities), net *	10.0	0.1	-	-	(4.7)	-	(0.8)	4.6
Total working capital per balance sheet	176.4	(6.2)	4.8	(11.2)	(4.7)	49.5	13.4	222.0

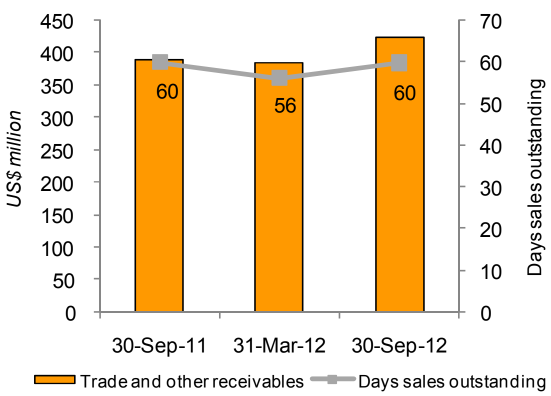
* *Current and non-current*

- **Inventories** were largely unchanged over the period, from US$240.1 million as of 31st March 2012 to US$241.5 million as of 30th September 2012. Excluding the nonrecurring change in inventory due to the insourcing of a European distribution channel and currency effects, inventory decreased by US$8.2 million.
  - Days inventory on hand (DIOs) increased from 53 days as of 31st March 2012 to 60 days as of 30th September 2012, due to seasonal effects and in line with DIOs as of 30th September 2011.



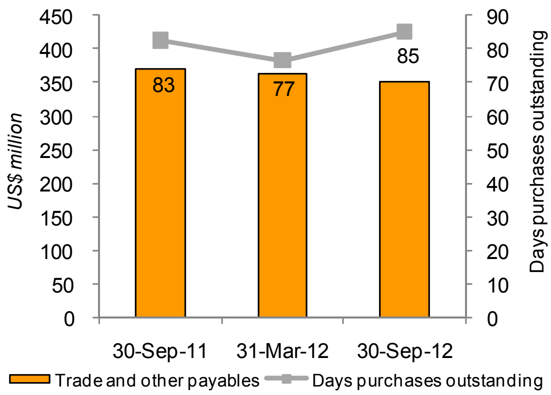
- **Trade and other receivables** increased by US$38.4 million in the first half of FY2012/13, from US$384.4 million as of 31st March 2012 to US$422.8 million as of 30th September 2012. Excluding currency effects and the nonrecurring effect of insourcing a European distribution channel, trade receivables and other receivables increased by US$25.3 million mainly caused by seasonal impact on VAT recoverable.
  - Days sales outstanding (DSOs) increased from 56 days as of 31st March 2012 to 60 days as of 30th September 2012 largely due to seasonal effects and in line with DSOs as of 30th September 2011.
  - The Group's receivables are of high quality. Amounts overdue greater than 30 days amounted to approximately 2.0% of gross trade receivables as of 30th September 2012, a similar level to 31st March 2012 and 30th September 2011. This reflects the consistency of our collection efforts and the tight management of our credit exposure.

Trade and other receivables
(DSOs calculated on trade receivables only)



- **Trade and other payables** were US$351.2 million as of 30th September 2012, a decrease of US$12.9 million from US$364.1 million as of 31st March 2012. Excluding currency effects and the release of the provision for repurchase of inventory due to the insourcing of a European distribution channel, trade and other payables increased by US$5.0 million. This was mainly caused by lower incentive compensation accruals partially offset by increased VAT payables.
  - Days purchases outstanding (DPOs) increased from 77 days as of 31st March 2012 to 85 days as of 30th September 2012, largely due to seasonal effects and in line with DPOs as of 30th September 2011.

Trade and other payables
(DPOs calculated on trade payables only)



- **Provision obligations and other liabilities** increased by US$6.6 million to US$106.5 million as of 30th September 2012 compared to US$99.9 million as of 31st March 2012. The overall increase is mainly as a result of increase in non-cash pension liabilities reflecting changes in actuarial valuations including some reduction in pension liability discount rates. The US$3.1 million net cash movement from provision obligations and other liabilities includes pension liabilities, warranty settlements and restructuring.

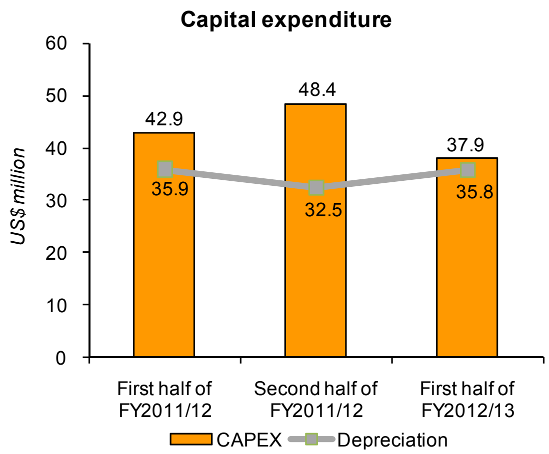
- **Other financial assets / (liabilities)** decreased by US$5.4 million from a net financial asset of US$10.0 million as of 31st March 2012 to a net financial asset of US$4.6 million as of 30th September 2012.

    - There was a net cash movement of US$0.8 million due to settlement of matured financial contracts relating to commodities and currencies.
    - US$4.7 million was taken to the hedging reserve for mark-to-market valuations of commodities and currencies contracts.
    - The spot price of copper decreased 2.5% from US$8,480 per metric ton as of 31st March 2012 to US$8,267 per metric ton as of 30th September 2012. The net asset position of the copper hedge was US$6.4 million as of 30th September 2012 (US$6.7 million as of 31st March 2012). The total amount of outstanding copper hedging contracts as of 30th September 2012 was US$102.5 million with maturity dates ranging from 1 month to 30 months. The fair market value of these contracts was recognised directly in the hedging reserve within equity.

Interest paid decreased by US$2.1 million from US$3.6 million for the first half of FY2011/12 to US$1.5 million for the first half of FY2012/13. This was the result of reductions in the Group's borrowings (in the second half of last year, followed by further reductions in the first half of this year) and the replacement of higher cost debt with tax efficient, lower-cost debt.

Income taxes paid, net of refunds, decreased slightly to US$11.7 million, from US$13.7 million for the first half of FY2011/12. This was due to declining pre-tax earnings.

Capital expenditure amounted to US$37.9 million in the first half of FY2012/13 as we continued to invest in long term technology development, ongoing replacement of assets and productivity improvements.



Proceeds from disposal of fixed assets were US$2.3 million in the first half of FY2012/13, a decrease of US$10.0 million from US$12.3 million in the same period last year. There were no significant disposals in this half-year whereas the first half of FY2011/12 included the disposal of certain non-core real estate assets.

Interest received in the first half of FY2012/13 was US$4.0 million, an increase of US$1.0 million from US$3.0 million for the same period last year, primarily due to an increase in interest rates on deposits, especially in the Chinese Renminbi.

Other cash flows

US$ million	First half of FY2012/13	First half of FY2011/12	Change
Free cash flow from operations	**42.3**	**75.0**	**(32.7)**
Other investing activities	-	1.5	(1.5)
Deposit for purchase of intellectual property	(4.8)	-	(4.8)
Proceeds from divestiture of non-core business	4.8	16.8 *	(12.0)
Purchase of shares for cancellation of issued capital	(5.2)	(21.8)	16.6
Purchase of shares held for Long-Term Incentive Share Scheme	-	(2.6)	2.6
Dividends paid	(32.2)	(28.3)	(3.9)
Other financing activities	(2.7)	-	(2.7)
Total cash flow (excluding change in borrowings)	**2.2**	**40.6**	**(38.4)**

** US$16.8 million comprised cash consideration of US$20.1 million, net of cash divested US$3.3 million.*

The Group generated US$2.2 million cash in the first half of FY2012/13, excluding changes in borrowings and currency effects. This represents a decrease of US$38.4 million from US$40.6 million in the same period last year.

The net movement in cash includes the following:

- **Other investing activities:** In the first half of last year, a yield-to-maturity deposit matured realising US$1.5 million.

- **Proceeds from divestiture of non-core business:** In the first half of FY2012/13 the Group received US$4.8 million for the disposal of its remaining stake in a non-core business. The controlling stake in this business was divested in the same period last year for US$16.8 million.

- **Purchase of shares:** 8.8 million shares were repurchased at a total cost of US$5.2 million and cancelled in the first half of FY2012/13. These share repurchases are considered a constructive element in the prudent management of the Company's overall capital structure and in enhancing returns to shareholders over time.

- **Dividends** paid by the Company during the half-year amounted to US$32.2 million (final dividend for FY2011/12). This was US$3.9 million more than the dividend payments made in the same period last year (final dividend of US$28.3 million for FY2010/11).
  - The Board has declared an interim dividend of US$13.8 million for FY2012/13, to be paid in January 2013.
  - Our recent dividend history is as follows:

	HK Cents per share
FY2009/10	
Interim dividend	-
Final dividend (paid August 2010)	5
FY2010/11	
Interim dividend (paid January 2011)	3
Final dividend (paid July 2011)	6
FY2011/12	
Interim dividend (paid January 2012)	3
Final dividend (paid July 2012)	7
FY2012/13	
Interim dividend (payable January 2013)	3

- **Other financing activities** in the first half of FY2012/13 comprised a cash outlay of US$2.7 million for dividends paid to non-controlling shareholders in the Group's subsidiaries (first half of FY2011/12: nil).

Cash and borrowings

US$ million	First half of FY2012/13	First half of FY2011/12	Change
Total cash flow (excluding change in borrowings)	**2.2**	**40.6**	**(38.4)**
New borrowings	19.1 [(a)]	40.9	(21.8)
Repayment of borrowings	(60.3) [(a)]	(94.3)	34.0
Cash used	**(39.0)**	**(12.8)**	**(26.2)**
Exchange gains on cash	0.8	2.2	(1.4)
Net movement in cash	**(38.2)**	**(10.6)**	**(27.6)**

Net debt/cash analysis

US$ million	**Cash**	**Borrowings**	**Net Cash** [(b)]
As of 31st March 2012	385.1	205.4	179.7
Net increase/(decrease)	(38.2) [(c)]	(43.5) [(a)]	5.3
As of 30th September 2012	**346.9**	**161.9**	**185.0**

(a) The net decrease in borrowings comprises repayment of borrowings of US$60.3 million and an unrealised exchange gain of US$2.5 million, offset by new borrowings of US$19.1 million and a write off of upfront fee of US$0.2 million

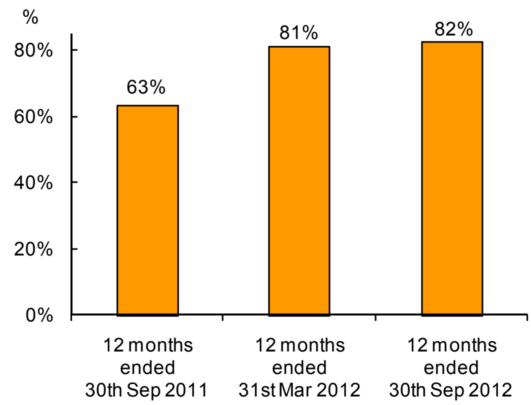
(b) Net cash is defined as cash minus debt (borrowings)

(c) Net cash utilised in Operating, Investing and Financing activities during the first half of FY2012/13

Net cash increased US$5.3 million to US$185.0 million as of 30th September 2012, from US$179.7 million as of 31st March 2012.

- **Borrowings:** Continued cash generation enabled the Group to repay debt of US$41.2 million, net (borrowed US$19.1 million, repaid US$60.3 million). The following significant activities occurred during the first half of the year:
  - Higher cost debt of US$49.8 million (net of upfront fees written off) was repaid as we continued to reduce debt at the parent company level.
  - Debt of US$10.0 million was repaid in North America, utilising cash generated within the region.
  - Unsecured short term debt of US$13.5 million was borrowed in Hong Kong based on trade receivables.
  - Unsecured short term debt of US$5.6 million was borrowed in Europe.
  - With these changes in borrowings, the Group's total debt to capital ratio was 10% as of 30th September 2012, compared to 12% as of 31st March 2012. On an annualised basis, free cash flow as a percentage of gross debt increased slightly to 82% as of 30th September 2012, compared to 81% as of 31st March 2012.

Free cash flow from operations to debt



  - Interest coverage (defined as EBITDA divided by gross interest expense - both calculated on the last twelve months actual results) was 72 times for the period ended 30th September 2012.

- **Cash resources** decreased by US$38.2 million (from US$385.1 million as of 31st March 2012). As we have a significant manufacturing footprint in China, the majority of our cash is kept in the Chinese Renminbi to moderate the effect of the strengthening of the Chinese Renminbi against the US Dollar.

US$ million	30th Sep 2012	31st Mar 2012
Chinese Renminbi	230.4	306.8
US Dollar	102.9	43.6
Euro	3.7	23.0
Japanese Yen	3.2	3.3
Hong Kong Dollar	1.9	2.3
Others	4.8	6.1
Total	346.9	385.1

FINANCIAL MANAGEMENT AND TREASURY POLICY

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

Liquidity

Management believes the combination of cash on hand, available credit lines and expected future operating cash flows is sufficient to satisfy our cash needs for our current level of operations and our planned operations for the foreseeable future. The Group had US$95 million of three year committed and unutilised and US$347 million of uncommitted and unutilised short term borrowing facilities provided by its principal bankers. The three year committed facilities have expirations as follows:

- US$35 million February 2014
- US$30 million July 2015
- US$30 million August 2015

Foreign exchange / raw material commodity price risk

The Group operates globally and is therefore exposed to foreign exchange and raw material commodity price risk.

- The Group's sales are primarily denominated in the US Dollar, the Euro and the Chinese Renminbi. For the first half of FY2012/13, 49% of the Group's sales (48% in FY2011/12) were in US Dollars, 32% in Euros (34% in FY2011/12), 14% in the Chinese Renminbi (13% in FY2011/12) with the rest being in other currencies including the Japanese Yen.

- The major currencies used for raw material purchases, production overhead costs and S&A costs are the US Dollar, the Chinese Renminbi, the Euro, the Hong Kong Dollar, the Swiss Franc, the Hungarian Forint and the Polish Zloty.

- The Group mitigates part of its foreign exchange risk through forward contracts, based on cash flow forecasts from operations denominated in that foreign currency (e.g. Euro, Chinese Renminbi, Swiss Franc, Hungarian Forint, Polish Zloty and Israeli New Shekel). The forward contracts mature at various dates.

- The Group is exposed to raw material commodity price risk, mainly due to the fluctuations in steel, copper and silver purchase prices. The price risks due to steel are reduced through fixed price contracts up to 3 months forward with the Group's suppliers and price risk due to copper and silver is also reduced through hedging through the appropriate financial instruments. The Group also manages copper and silver prices through incorporating appropriate clauses in contracts with certain customers so as to have the flexibility to pass increases in raw material costs onto these customers.

- In order to avoid the potential default by any of its counterparties on its forward contracts and swap agreements, the Group deals with major financial institutions with strong investment grade credit ratings, that the Group anticipates will satisfy their obligations under the contracts.

ENTERPRISE 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 Enterprise Risk Management Steering Committee composed of key senior leaders from our Engineering, Operations, Supply Chain, 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 and quality standards to maintain our position as the "safe choice" for our customers.
- Developing and managing product differentiation through technology, innovation and intellectual property in order 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, thus safeguarding the business's success.
- Managing customer relationships, including contract terms and conditions, in accordance with industry standards and Group policy.
- 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 or exceeding expectations on energy efficiency, environmental responsibility and employee safety.

INVESTING IN PEOPLE

Human Resources, Global Organisation and Learning Development and Global Environmental, Health and Safety (EHS) are corporate-wide functions, delivered via a shared service structure. Key activities include ensuring equitable and competitive compensation, benefit and incentive structures, training and development and developing a system-based approach to EHS requirements. All of these contribute to differentiating Johnson Electric from its competitors, for business as well as for people.

Executive management has a noteworthy commitment to these activities and encourages and invests in people-centred programmes such as those described below at all of the Group's locations.

As of 30th September 2012, total global headcount was approximately 38,000 individuals, located in Asia, the Americas and Europe.

Current Initiatives

The first half of FY2012/13 saw a focus on developing our engineering and manufacturing footprint in key geographic markets, underpinning the Group's commitment to global innovation tailored to local markets and enhanced support for regional customers:

- The Group has recruited and trained a team to support a new manufacturing facility in Zacatecas State, Mexico. Many of these employees have been cross-trained at the Group's China facilities, in preparation for production start-up in early 2013.
- Production in Poland and Hungary has been expanding significantly. Closure of the Group's site in Oldenburg, Germany has been announced and is in progress.
- In China, wage and salary levels remain under inflationary pressure. In this competitive environment, actions taken over recent years are positively impacting staff retention. Employee relations initiatives in Shajing, China to encourage employee health and well-being are also contributing to the retention of production employees.

Johnson Electric is pursuing a unique approach to product development that involves Engineering, Quality and Reliability and Marketing. This is referred to as the JE Product Development System (JE-PDS). JE-PDS is now a comprehensive, world-wide initiative that is being rolled out at all levels across the Group's operations. The Global Learning and Development team is dedicated to this initiative, which we expect will deliver significant business value.

The EHS group is conducting EHS baseline studies across all of the Group's locations. They are expanding their actions in the various new geographies in which the Group has operations. These activities are developing a solid foundation for the future roll-out of a comprehensive global EHS management system.

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 2012, the composition of the Board of Directors remained the same as set out in the Corporate Governance Report in the Company's Annual Report 2012.

During the six months ended 30th September 2012, the Company continued to abide by the corporate governance practices set out in the Corporate Governance Report in the Company's Annual Report 2012.

CORPORATE GOVERNANCE CODE

During the six months ended 30th September 2012, the Company had complied with the code provisions set out in the Corporate Governance Code 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 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 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 since their last election shall retire and be 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.

CODE PROVISION A.6.7

Code A.6.7 provides, inter alia, that independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders.

Mr. Peter Kin-Chung Wang, Mr. Peter Stuart Allenby Edwards, Mr. Patrick Blackwell Paul and Prof. Michael John Enright were unable to attend the Annual General Meeting of the Company held on 11th July 2012 due to overseas commitments or other prior business engagements.

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 2012. No incident of non-compliance was noted by the Company to date in FY2012/13.

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 2012 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 2012, the Company repurchased a total of 8,755,000 ordinary shares of HK$0.0125 each of the Company on The Stock Exchange of Hong Kong Limited, all of which shares were cancelled. 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*
May 2012	2,672,500	4.76	4.51	12.50
June 2012	2,926,500	4.77	4.59	13.69
July 2012	638,000	4.39	4.36	2.79
August 2012	2,447,000	4.50	4.35	10.74
September 2012	71,000	4.50	4.49	0.32
	8,755,000			40.04

* *In addition a brokerage and cancellation fee of HK$0.2 million was incurred.*

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.

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

INTERIM DIVIDEND AND CLOSURE OF REGISTER OF SHAREHOLDERS

The Board has declared an interim dividend of 3 HK Cents equivalent to 0.38 US Cents per share (2011: 3 HK Cents or 0.38 US Cents), payable on Thursday, 3rd January 2013 to shareholders whose names appear on the Register of Shareholders of the Company on Thursday, 27th December 2012.

The Register of Shareholders of the Company will be closed, for the purpose of determining shareholders' entitlement to the interim dividend, from Friday, 21st December 2012 to Thursday, 27th December 2012 (both dates inclusive), during which period no transfer of shares will be registered. In order to qualify for the interim dividend, shareholders should ensure that all transfer documents, accompanied by the relevant share certificates, are lodged with the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong (not the registrar in Bermuda) for registration, not later than 4:30p.m. on Thursday, 20th December 2012. Shares of the Company will be traded ex-dividend as from Wednesday, 19th December 2012.

PUBLICATION OF RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the websites of the Company (www.johnsonelectric.com) and HKExnews's website (www.hkexnews.hk). The Company's Interim Report 2012 will be despatched to the shareholders and available on the same websites at about end of November 2012.

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 *JP*

Chairman and Chief Executive

Hong Kong, 8th November 2012

Website: www.johnsonelectric.com