Johnson Electric Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code : 179)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020

HIGHLIGHTS

- Group sales US$1,330 million – down 15% compared to first half of the prior financial year
- Gross profit US$300 million or 22.5% of sales (compared to US$357 million or 22.8% of sales in prior half year)
- Underlying EBITA margins, adjusted to exclude the impact of significant non-cash and divested items, increased to 10.2% from 9.9% in prior half year
- Net profit attributable to shareholders decreased by 38% to US$101 million or 11.27 US cents per share on a fully diluted basis
- Underlying net profit, excluding the net impact of significant non-cash and divested items, decreased by 7% to US$98 million
- Free cash flow from operations US$68 million (compared to US$90 million in prior half year)
- Total debt to capital ratio of 17% and cash reserves of US$469 million as of 30 September 2020
- Interim dividend 17 HK cents per share (2.18 US cents per share) with a scrip dividend alternative

LETTER TO SHAREHOLDERS

Johnson Electric delivered satisfactory results in the six-month period ended 30 September 2020 in the context of an unprecedented global pandemic that has had a profound impact on the economies where we operate.

Total Group sales for the first half of FY20/21 totalled US$1,330 million, a decrease of 15% compared to the first half of the prior financial year. Net profit attributable to shareholders decreased by 38% to US$101 million or 11.27 US cents per share on a fully diluted basis. Underlying net profit, after adjusting for the effects of a number of significant non-cash and divested items, decreased by 7% to US$98 million.

Sales declined significantly in April and May due to the impact of the COVID-19 pandemic, particularly on the automotive industry in Europe and the Americas. During the month of June, the Group began to experience a marked recovery in demand and this positive trend continued throughout the second fiscal quarter. By the month of September, average weekly sales and profitability levels in most parts of our business had returned to levels of a year earlier – and in several areas exceeded them.

Automotive Products Group

The Automotive Products Group ("APG"), which accounted for 75% of total Group sales, reported a 19% decrease in sales on a constant currency basis compared to the first half of the prior year. Global light vehicle industry production volumes fell by approximately 24% over the same period.

This overall decline in automotive industry activity reflected the progression of the COVID-19 pandemic across different geographic regions over the course of 2020, the impact of various government containment actions on production, and the consequent effects on consumer confidence and end-market vehicle sales.

OEM assembly plants in Europe and North America were largely shut down in the period from late March to May. Since then, production has resumed and by September, output for the month in both these regions exceeded the prior year. Nonetheless, total light vehicle production for six months to September in Europe and North America was down 36% and 35%, respectively. Over the same period, APG's sales in constant currency to Europe and the Americas region were down by 33% and 26%, respectively.

The COVID-19 outbreak hit China first and government-imposed containment measures were concentrated during the period from late January to early March 2020. The country has since witnessed a quicker and, so far, more sustained return to economic and social normality than any other major economy. This was reflected in China's passenger car production volumes for the six months to September, which were approximately 11% higher than the same period in 2019.

Elsewhere in Asia, however, the pandemic caused automotive industry production to decline sharply. The output of the export-oriented car industries of Japan and Korea fell by 30% and 13%, respectively. Emerging Asian car markets such as India, Thailand and Indonesia were hit even harder and experienced falls in vehicle output by as much as 50%. As a result, despite the recovery in China, total light vehicle production in Asia for the six months to September was down by almost 11%. Over the same period, APG's sales in Asia were flat in constant currency terms – reflecting both China's higher weighting in the Group's sales mix and APG's innovative product line that is closely aligned to the industry's key growth drivers of emissions reduction, fuel economy and electrification.

Industry Products Group

The Industry Products Group ("IPG"), which accounted for 25% of total Group sales, reported a 2% increase in sales on a constant currency basis compared to the first half of the prior year. While the contraction in the global economy has resulted in a decline in demand from several of the wide range of market segments that IPG serves, others have prospered due to changing consumer behaviour and purchasing preferences in specific product applications.

For example, sales in applications such as aerospace subsystems, vending machines, professional power tools and commercial printers have all suffered as a direct result of the reduced activity in those end-markets caused by social distancing and COVID-19 containment measures. In contrast, IPG has benefitted from a surge in the consumption of more "home-centric" consumer and industrial goods. Product applications experiencing a strong increase in sales for Johnson Electric's precision motors, motion subsystems, switches and solenoids include coffee machines, lawn and garden products, kitchen appliances, floor care equipment, inkjet printers, medical devices and healthcare products.

Profitability

Gross profit decreased by 16% to US$300 million – which as a percentage of sales represented a slight decline from 22.8% to 22.5%. Notwithstanding the significantly reduced sales volumes of APG in the first half, the impact on the Group's gross margin was kept to a minimum by management's actions to reduce operating costs and to the effects of many governments subsidizing the cost of employees who were furloughed during temporary plant shut downs.

Group operating profits were US$122 million compared to US$192 million in the first half of the prior financial year. The reduction in reported operating income and in net profit attributable to shareholders was primarily due to the lower sales volumes and a substantial decrease in the net contribution from Other Income and Expenses. In particular, the prior year period included a US$41 million fair value gain related to the divestment of an investment property.

Excluding the significant non-cash items and property divestment, the net profit margin attributable to shareholders for the first half increased to 7.4% compared to 6.8% in the first half year of the prior financial year.

Interim Dividend

At the time of the prior year's annual results announcement in May 2020, when large parts of the Group's operations were still severely disrupted by the COVID-19 outbreak, the Board determined that it would be prudent to suspend the final dividend payment for the 2019/20 financial year. Six months on, the Group's global manufacturing operations and commercial conditions are more stable.

The Board will continue to monitor developments in the months ahead, but in keeping with the encouraging recovery of the business over the course of the first half of the 2020/21 financial year, it has determined that a resumption of dividend payments to shareholders is appropriate. Accordingly, the Board has today declared an interim dividend of 17 HK cents per share, equivalent to 2.18 US cents per share (2019 interim: 17 HK cents per share). The interim dividend will be payable in cash with a scrip alternative where a 4% discount on the subscription price will be offered to shareholders who elect to subscribe for shares. Full details of the scrip dividend alternative will be set out in a circular to shareholders.

The interim dividend will be payable on 12 January 2021 to shareholders registered on 2 December 2020.

Looking Ahead

The resumption of an interim dividend is an acknowledgement of the Group's improved financial status and near-term business outlook compared to how things stood in the early months of the COVID-19 pandemic. It is also a testament to the extraordinary efforts undertaken by everyone working at Johnson Electric over the past six months. Their actions and, for many, personal financial sacrifices, have helped the company navigate successfully through a period of exceptional uncertainty and operational stress.

However, regrettably, there is no sign of plain sailing in the months ahead – for us as a business or for any other global manufacturing enterprise. Two factors, in particular, continue to have the potential to disrupt the prospects for the global economy returning to anything like a normalized pattern of cyclical growth.

Firstly, as noted earlier, the COVID-19 pandemic is far from being behind us. In the short term, it is unclear whether the resurgence of cases in many countries will lead to a re-imposition of social and economic lockdowns that could disrupt our business and operations. Until vaccines or effective treatments for the virus are found, it is also impossible to gauge the longer-term impact that the pandemic could have on unemployment, commerce, consumer confidence and economic prosperity more broadly.

Secondly, the geopolitical landscape remains highly unpredictable. There is no indication that the trade barriers put in place between the United States and China over the past four years will be lowered any time soon.

Johnson Electric is an international company whose purpose centres on improving the quality of life of everyone we touch through our innovative motion systems. This is the primary reason why we exist as a business and our strategies are directed towards meeting this goal whatever the nature of the operating environment and macro conditions.

In this respect, I remain confident that our company is positioned among the very best in our industry to continue grow and prosper over time.

Our products and technology innovations are aligned with several of the major demand imperatives of our age: reducing emissions; enhancing energy efficiency; and improving safety and healthcare. Our operating model emphasizes high-speed automation, responsiveness and increasing levels of digitalization. Our customer base and manufacturing footprint is well balanced across Asia, Europe and the Americas. Last, but not least, our company is blessed with a diverse and uniquely talented team of employees working together across four continents.

Based on these significant attributes, I believe shareholders have reason to be optimistic that Johnson Electric has a robust business model that will continue to adapt and generate sustainable cash flows long into the future.

On behalf of the Board, I would like to thank all of our stakeholders for their continued support.

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

Hong Kong, 11 November 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL PERFORMANCE

US$ million	First half of FY20/21	First half of FY19/20
Sales	1,330.3	1,565.0
Gross profit	299.6	356.9
Gross margin	*22.5%*	*22.8%*
EBITA [1]	137.0	212.1
EBITA adjusted [2]	135.3	154.7
EBITA adjusted margin	*10.2%*	*9.9%*
Profit attributable to shareholders	100.8	162.0
Diluted earnings per share (US cents)	11.27	18.44
Free cash flow from operations [3]	68.2	90.4

US$ million	30 Sep 2020	31 Mar 2020
Cash	468.8	384.4
Total debt	432.6	415.5
Net cash / (debt) [4]	36.2	(31.1)
Total equity	2,060.5	1,901.7
Market capitalization [5]	1,935.6	1,401.2
Enterprise value [6]	1,978.2	1,505.8
EBITDA [7]	(278.2)	(209.2)
EBITDA adjusted [7, 8]	475.6	488.8

Key Financial Ratios	30 Sep 2020	31 Mar 2020
Enterprise value to EBITDA adjusted	4.2	3.1
Total debt to capital (total equity + total debt)	17%	18%
Total debt and leases to EBITDA adjusted	1.0	1.0
Annualized free cash flow from operations to total debt	55%	62%
Interest cover (adjusted EBITDA to gross interest expense)	29	24

1 Earnings before interest, tax and amortization

2 Adjusted to exclude net gains of significant non-cash and divested items (for further information see page 12)

3 Free cash flow from operations, see page 16

4 Cash less debt (including bonds)

5 Outstanding number of shares multiplied by the closing price (HK$16.82 per share as of 30 September 2020 and HK$12.20 per share as of 31 March 2020) converted to USD at the closing exchange rate

6 Enterprise value calculated as market capitalization plus non-controlling interests plus total debt less cash

7 Annualized earnings before interest, tax, depreciation and amortization

8 Adjusted to exclude the impairment of goodwill and other intangible assets, and net gains of significant non-cash and divested items

9 Annualized figures are using the last 12 months' results

BUSINESS REVIEW

Sales

Sales decreased by US$234.7 million or 15% to US$1,330.3 million in the first half of FY20/21 (first half of FY19/20: US$1,565.0 million). Excluding currency movements, sales decreased by US$231.1 million or 15% compared to the same period last year, as shown below:

US$ million	First half of FY20/21		First half of FY19/20		Change	
Automotive Products Group ("APG") sales						
– Excluding currency movements	998.6	75%	1,236.8	79%	(238.2)	(19%)
– Currency movements	(4.3)		n/a		(4.3)	
APG sales	994.3		1,236.8		(242.5)	(20%)
Industry Products Group ("IPG") sales						
– Excluding currency movements	335.3	25%	328.2	21%	7.1	2%
– Currency movements	0.7		n/a		0.7	
IPG sales	336.0		328.2		7.8	2%
Group sales						
– Excluding currency movements	1,333.9	100%	1,565.0	100%	(231.1)	(15%)
– Currency movements	(3.6)		n/a		(3.6)	
Group sales	**1,330.3**		**1,565.0**		**(234.7)**	**(15%)**

The drivers underlying these movements includes the following:

Volume / mix and price decreased sales by US$231.1 million. This was largely due to a decrease in volumes in APG, partly offset by an increase in volumes in IPG. The underlying changes in APG and IPG's sales, including the impact of the COVID-19 pandemic are discussed on pages 8 to 10.

Currency movements marginally reduced sales by US$3.6 million. This was largely due to the impact of weaker average exchange rates for the Chinese Renminbi and Canadian Dollar partly offset by stronger average exchange rates for the Euro, comparing the first half of FY20/21 to the same period in the prior year. The Group's sales are largely denominated in the US Dollar, the Euro, the Chinese Renminbi and the Canadian Dollar.

Further information on the Group's foreign exchange risk can be found on pages 21 to 23, in the Financial Management and Treasury Policy section. Also, see Note 1.3 to the consolidated financial statements ("the accounts") for the main foreign currency translation rates

Automotive Products Group

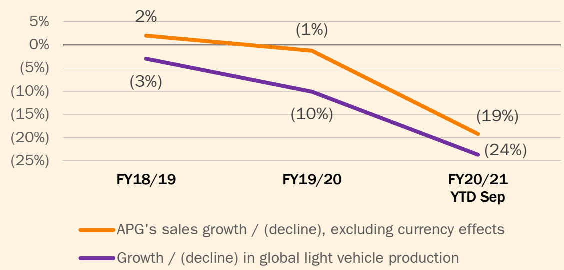
APG's sales, excluding currency movements, decreased by 19%, compared to the first half of FY19/20. In the same period, global light vehicle production declined 24%.

The COVID-19 pandemic reduced sales in April and May 2020, particularly in Europe and the Americas. The Group experienced a significant recovery in demand during June. From July to August, sales were running at pre-crisis levels before increasing to slightly higher than pre-crisis levels in September.

In Asia, sales were flat. Light vehicle production in the region fell by 11%, as Japan, Korea and India all experienced decreases due to the COVID-19 pandemic, more than offsetting growth in light vehicle production in China. While APG grew in China, sales to important customers in the Wuhan region resumed later than the rest of the country. These changes led to a mixed picture at segment level as growth in sales for braking and closure applications was offset by decreased demand for powertrain cooling fans and powder metal parts.

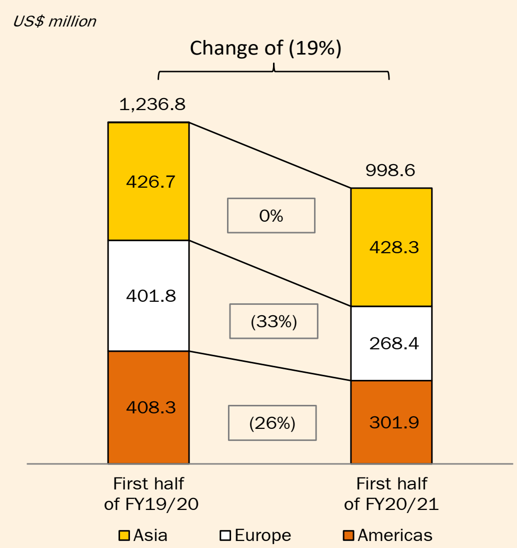
In Europe, APG's sales decreased by 33% and in the Americas, sales decreased by 26%. In comparison, light vehicle production decreased by 36% in Europe and 38% in the Americas. Automotive customers in these regions shut down assembly plants in April and May to contain the COVID-19 pandemic. The Group was also affected by these containment measures, necessitating the temporary closure of several production facilities.

APG growth vs. global light vehicle production *



* Source: IHS & Marklines data on fiscal year basis

APG sales, at constant exchange rate



Growth / (decline) in APG sales [1], excluding currency movements and acquired business

Six month period ended	Asia	Europe	Americas	Total
30 September 2020	0%	(33%)	(26%)	(19%)
31 March 2020	(10%)	(0%)	8%	(1%)
30 September 2019	(8%)	(3%)	9%	(1%)
31 March 2019	(8%)	(5%)	4%	(3%)
30 September 2018	14%	(1%)	12%	8%
31 March 2018	17%	1%	17%	11%

1 Comparing each 6 months' results to the same period in the previous fiscal year

As COVID-19 receded, Europe slowly returned to near pre-crisis levels. Sales decreased across most segments due to the lost light vehicle production at the start of the period, slightly offset by growth in sales of products for thermal management applications in hybrid and battery-electric vehicles.

The Americas recovered slightly later but the subsequent pace of recovery was swifter. Sales decreased across most segments compared to the same period last year due to lost light vehicle production at the start of the period, however sales of powder metal products for fuel cell applications grew. Sales of other powder metal products, transmission and engine oil pumps, and products for braking applications decreased less than the market as they benefitted from demand for recently launched products. Sales of products for thermal management applications and heating, ventilation and air-conditioning also decreased less than the market, as light trucks gained market share.

Industry Products Group

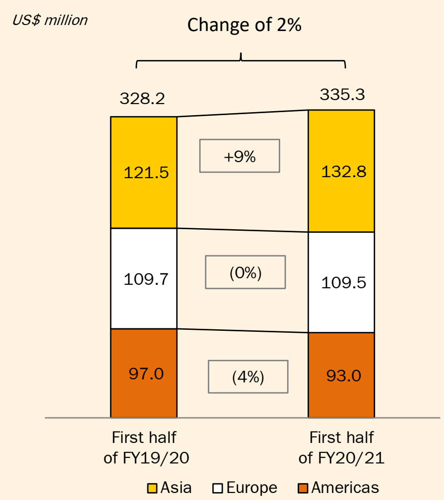
IPG's sales, excluding currency movements, grew 2% compared to the first half of FY19/20.

Asia experienced strong recovery in demand and supply chains driven by the post-COVID recovery in China. Europe saw a similar recovery, albeit delayed by a few months. However, demand in the Americas experienced a more unstable recovery, with business shifting to those who are well positioned in e-commerce. As a result of these changes, IPG sales in Asia increased 9%, were flat in Europe and decreased by 4% in the Americas.

IPG's diversified end-markets showed a mixed reaction to the COVID-19 pandemic and to the recovery as markets adjusted to reflect changes in consumer behaviour.

In the medical segment, IPG saw an increase in sales due to program launches last year for diagnostic and minimally invasive surgery applications. COVID-19 also increased the need to monitor hospital patients' heartrates and respiration leading to growth in sales of IPG's innovative wireless vital-signs-monitoring patches.

IPG sales, at constant exchange rate



Growth / (decline) in IPG sales [1], excluding currency movements

Six month period ended	Asia	Europe	Americas	Total
30 September 2020	9%	(0%)	(4%)	2%
31 March 2020	(18%)	(16%)	(16%)	(17%)
30 September 2019	(17%)	(11%)	(11%)	(14%)
31 March 2019	(8%)	(1%)	6%	(1%)
30 September 2018	4%	1%	7%	4%
31 March 2018	10%	4%	4%	6%

1 Comparing each 6 months' results to the same period in the previous fiscal year

In the lawn and garden, window automation, ventilation and white goods segments, IPG experienced growth from a combination of new business wins, new customers and increased demand as consumers spent more time at home due to COVID-19 lockdowns. We also experienced growth in demand for products for sanitation applications, partly offset by decreased demand for products for vehicle repair applications.

Certain segments experienced a decrease in sales including metering, flexible printed products and switches due to factory shut downs as well as the postponement of some customer programs. Sales to small and medium enterprises and distributors in affected regions were also adversely impacted as many of these businesses reduced orders to conserve cash and reduce their inventory on-hand.

Profitability Review

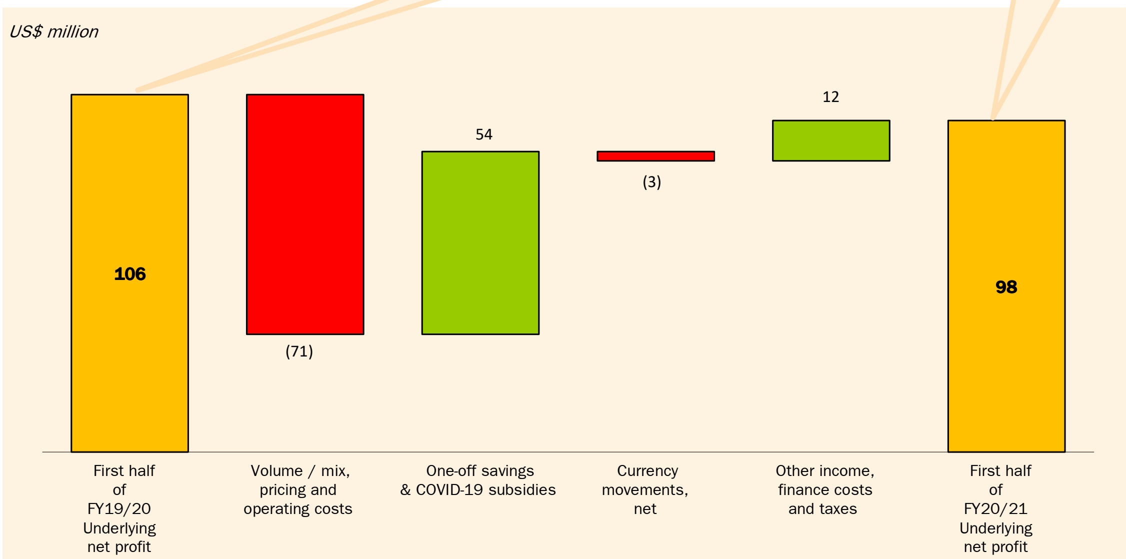
Profit attributable to shareholders was US$100.8 million in the first half of FY20/21, a decrease of US$61.2 million from US$162.0 million in the first half of FY19/20.

US$ million	First half of FY20/21	First half of FY19/20	Increase / (decrease)
Sales	1,330.3	1,565.0	(234.7)
Gross profit	299.6	356.9	(57.3)
Gross margin %	*22.5%*	*22.8%*	
Other income and (expenses)	20.5	71.1	(50.6)
As a % of sales	*1.5%*	*4.5%*	
Intangible assets amortization expense	(15.2)	(20.6)	5.4
As a % of sales	*1.1%*	*1.3%*	
Other selling and administrative expenses (“S&A”)	(183.2)	(215.9)	32.7
As a % of sales	*13.8%*	*13.8%*	
Operating profit	121.7	191.5	(69.8)
Operating profit margin %	*9.1%*	*12.2%*	
Share of profit of associate	0.1	0.1	-
Net finance costs	(4.9)	(9.1)	4.2
Profit before income tax	116.9	182.5	(65.6)
Income tax expense	(13.3)	(16.3)	3.0
Effective tax rate	*11.4%*	*8.9%*	
Profit for the period	103.6	166.2	(62.6)
Non-controlling interests	(2.8)	(4.2)	1.4
Profit attributable to shareholders	100.8	162.0	(61.2)
Basic earnings per share (US cents)	11.30	18.48	(7.18)
Diluted earnings per share (US cents)	11.27	18.44	(7.17)

The profit attributable to shareholders of US$100.8 million included some non-cash items reported in Other Income and Expenses. The first half of FY19/20 also included a divested item. Excluding these items, underlying profit for the first half of FY20/21 declined by US$7.8 million compared to the same period last year, as shown below:

	First half of FY19/20			First half of FY20/21		
US$ million	Before tax	Tax effect	Net of tax effect	Before tax	Tax effect	Net of tax effect
Net profit, as reported			**162.0**			**100.8**
Unrealized net (gains) / losses on other financial assets and liabilities	(15.5)	0.1	(15.4)	18.3	(0.2)	18.1
Unrealized net losses / (gains) from revaluation of monetary assets and liabilities	12.8	(0.2)	12.6	(34.1)	1.2	(32.9)
Unrealized net (gains) / losses on structured foreign currency contracts	(13.5)	1.6	(11.9)	14.1	(1.8)	12.3
Fair value (gains) on a divested item	(41.2)	-	(41.2)	-	-	-
Net (gains) of significant non-cash and divested items	(57.4)	1.5	(55.9)	(1.7)	(0.8)	(2.5)
Net profit excluding the impact of significant non-cash and divested items			**106.1**			**98.3**
As a % of sales			***6.8%***			***7.4%***

The drivers of the movements in underlying net profit are shown below:



Volume / mix, pricing and operating costs: Volumes significantly declined in April and May due to customer and Johnson Electric plant shut downs to contain the COVID-19 pandemic. Price reductions, wage inflation and increased depreciation charges also adversely affected profit compared to the same period last year. This was partly offset by cost saving activities, as well as reduced travel and lower prices for materials and consumables. The net effect of these changes decreased net profit by US$71.2 million.

As the COVID-19 pandemic spread globally, this had a marked impact on a number of the jurisdictions where the Group has operations and on many of the Group's suppliers and customers. In response to this sudden change in circumstances, in the first half of FY20/21, Johnson Electric implemented a basket of actions to protect its employees' health whilst maintaining the Group's liquidity, competitive strengths and profit generating abilities in this black swan event. Additionally, the Group obtained COVID-19 related subsidies in several jurisdictions in which it has operations. The overall effect of these one-off cost saving activities and COVID-19 related subsidies increased net profit by US$54.4 million.

The gross margin in the first half of FY19/20 was 22.8%. This declined to 20.9% in the second half of FY19/20 due to the impact of the COVID-19 pandemic in March 2020. In the first half of FY20/21 the gross margin recovered to 22.5%. This was due to the combined effect of one-off cost saving measures and COVID-19 related subsidies, and the market recovery by the end of June. The sequential change in gross margin by half-year is shown in the adjacent table.

	Gross margin %
First half of FY20/21	22.5%
Second half of FY19/20	20.9%
First half of FY19/20	22.8%
Second half of FY18/19	22.0%
First half of FY18/19	23.8%

Selling and administrative expenses (excluding amortization of intangible assets) remained flat at 13.8% as a percentage of sales in the first half of FY20/21 and the first half of FY19/20.

Currency movements, net: The Group's global operations expose it to foreign exchange volatility, partially mitigated by hedging key currencies such as the Euro and the Chinese Renminbi. Net realized currency gains and losses decreased net profit by US$2.9 million in the first half of FY20/21.

Further information on the Group's foreign exchange risk and forward foreign currency contracts can be found on pages 21 to 23, in the Financial Management and Treasury Policy section

Other income, finance costs and taxes increased profits for the first half of FY20/21 by US$11.9 million due to fair value gains on a put option granted to a non-controlling interest relating to the 2017 acquisition of Halla Stackpole Corporation, decreased finance costs from reduced debt and lower interest rates, and lower tax charges.

Finance income and costs are further analyzed in Note 18 to the accounts

Income taxes decreased to US$13.3 million for the first half of FY20/21, from US$16.3 million in the first half of FY19/20, mainly due to lower taxable profits. The effective tax rate was 11.4% (first half of FY19/20: 8.9% and underling effective tax rate of 11.5%, excluding the non-taxable net gain on divestment of an investment property of US$41.2 million).

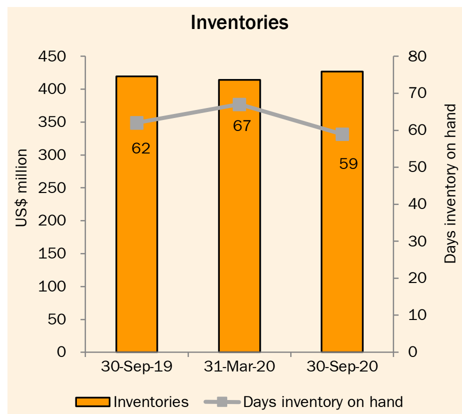
Taxes are further analyzed in Note 20 to the accounts

WORKING CAPITAL

US$ million	Balance sheet as of 31 Mar 2020	Currency translation	Working capital changes per cash flow	Other	Balance sheet as of 30 Sep 2020
Inventories	413.9	2.5	10.8	(0.1)	427.1
Trade and other receivables	593.2	7.1	76.8	1.2	678.3
Other non-current assets	29.7	1.5	2.1	17.1	50.4
Trade payables, other payables and deferred income [1]	(671.7)	(33.0)	(18.3)	(6.3)	(729.3)
Retirement benefit obligations [1, 2]	(43.7)	(3.6)	-	(17.4)	(64.7)
Provisions and other liabilities [1]	(37.8)	(1.4)	3.3	(0.2)	(36.1)
Other financial assets / (liabilities), net [1]	119.4	2.2	(20.3)	25.4	126.7
Total working capital per balance sheet	403.0	(24.7)	54.4	19.7	452.4

1 Current and non-current
2 Net of defined benefit pension plan assets

Inventories increased by US$13.2 million to US$427.1 million as of 30 September 2020 (31 March 2020: US$413.9 million). The accumulation of inventory that began in March 2020 continued until May 2020, as social distancing measures to contain the COVID-19 pandemic slowed or stopped production. Inventory subsequently returned to normal levels due to tight management and the business recovery. In September, inventory then increased due to the seasonal effect of national holidays in China at the beginning of October and a planned build-up of inventory to meet higher customer order levels.

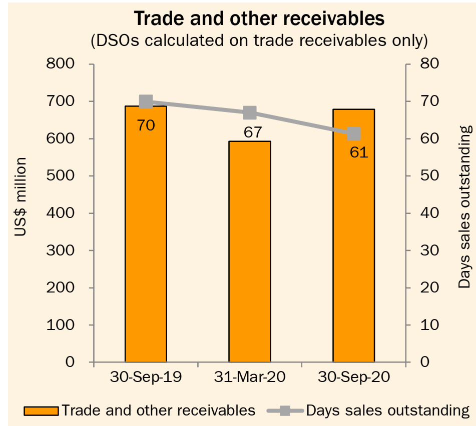


Days inventory on hand decreased to 59 days as of 30 September 2020, from 62 days as of 30 September 2019 due to the reasons identified above.

Trade and other receivables increased by US$85.1 million to US$678.3 million as of 30 September 2020 (31 March 2020: US$593.2 million) as sales returned to normal levels in the latter months of the period.

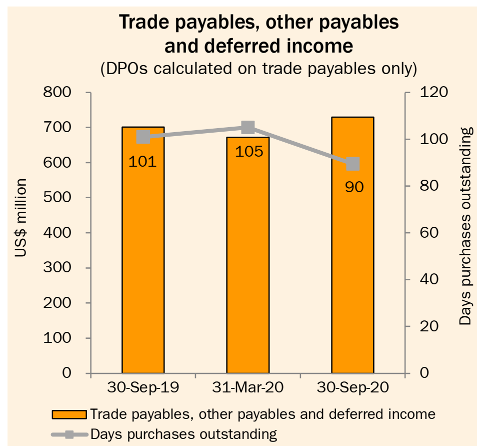
Days sales outstanding ("DSOs") decreased to 61 days as of 30 September 2020, from 70 days as of 30 September 2019. This was largely due to a change in customer mix with an increase in the proportion of sales on shorter credit terms.

The Group's trade receivables are of high quality. Current receivables and overdue balances of less than 30 days were 98% of gross trade receivables.



Trade payables, other payables and deferred income increased by US$57.6 million to US$729.3 million as of 30 September 2020 (31 March 2020: US$671.7 million). This was due to an increase in purchase volumes to meet increased order levels in September 2020, currency effects, the deferral of social security payments and increased VAT payables as sales returned to normal levels.

Days purchases outstanding ("DPOs") decreased to 90 days as of 30 September 2020, from 101 days as of 30 September 2019. This change was driven by reduced purchases in June to August as the Group unwound the COVID-19-related accumulation of inventory and a change in supplier mix, partly offset by an increase in purchase volumes in September to meet increased order levels.



Other financial assets / (liabilities), net increased by US$7.3 million to US$126.7 million as of 30 September 2020 (31 March 2020: net financial asset of US$119.4 million), due to changes in the aggregate fair values of the Group's hedge contracts (especially the Euro, the Chinese Reminbi and copper) including consumption.

Further details of the Group's hedging activities can be found on pages 21 to 24, in the Financial Management and Treasury Policy section and in Note 6 to the accounts

CASH FLOW

US$ million	First half of FY20/21	First half of FY19/20	Change
Operating Profit [1]	121.8	191.5	(69.7)
Depreciation and amortization (including leases)	120.9	120.2	0.7
EBITDA	242.7	311.7	(69.0)
Other non-cash items	14.5	(51.6)	66.1
Working capital changes	(54.4)	14.7	(69.1)
Interest paid (including leases)	(6.3)	(10.9)	4.6
Interest received	1.2	1.2	-
Income taxes paid	(10.3)	(14.2)	3.9
Capital expenditure, net of subsidies	(116.8)	(156.8)	40.0
Proceeds from disposal of fixed assets	0.5	0.5	-
Capitalization of engineering development costs	(2.9)	(4.2)	1.3
Free cash flow from operations [2]	**68.2**	**90.4**	**(22.2)**
Dividends paid	-	(13.6)	13.6
Purchase of shares held for the incentive share schemes	(1.3)	(0.6)	(0.7)
Other investing activities	(1.1)	(0.7)	(0.4)
Dividends paid to non-controlling interests	(0.5)	(0.5)	-
Payment of lease - principal portion [2]	(10.1)	(7.6)	(2.5)
Borrowings / (repayments), net	15.9	(26.7)	42.6
Deposit received for divestment of an investment property	-	12.1	(12.1)
Redemption of convertible bonds	-	(151.9)	151.9
Increase / (decrease) in cash and cash equivalents excluding currency movements	71.1	(99.1)	170.2
Currency translation gains / (losses) on cash and cash equivalents	13.3	(8.8)	22.1
Net movement in cash and cash equivalents	84.4	(107.9)	192.3

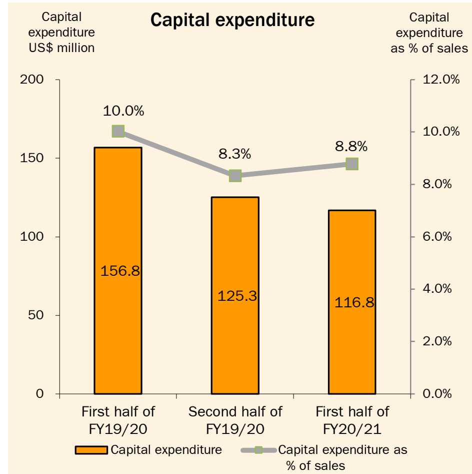
1 Includes US$0.1 million dividend received from associate in the first half of FY20/21 (first half of FY19/20: US$ nil)

2 The $7.6 million payment of lease – principal portion reported in the first half of FY19/20, previously reported as a component of free cash flow has been reclassified as a financing activity to conform to the current accounting treatment

The Group generated US$68.2 million free cash flow from operations in the first half of FY20/21, a US$22.2 million decrease from US$90.4 million in the first half of FY19/20. This movement in free cash flow includes the following:

- **Working capital changes** of US$54.4 million, as explained in the previous section
- **Income taxes paid** of US$10.3 million, a decrease of US$3.9 million due to lower taxable profits

- **Capital expenditure** of US$116.8 million in the first half of FY20/21, a decrease of US$40.0 million from US$156.8 million in the first half of FY19/20. Expenditure slowed due to the completion of certain capital-intensive projects in the prior year. The COVID-19 pandemic related plant shut downs in April and May slowed expenditure further as projects were deferred. The Group continues to invest in:
    - The expansion of its operating footprint in China. The expansion of its plant in Switzerland was completed in September 2019
    - New product launches and long-term technology / testing development
    - Enhanced automation to standardize operating processes, further improve product quality and reliability, and mitigate rising labour costs in China
    - On-going replacement of assets



The net movement in cash includes the following:

- **Dividends and shares:** The Company did not make any dividend payments in the first half of FY20/21 (first half of FY19/20: US$13.6 million cash utilized for dividend payments with a further US$24.4 million settled in scrip). The Company purchased 0.7 million shares for US$1.3 million including brokerage fees for the long-term incentive share scheme (first half of FY19/20: 0.4 million shares purchased for US$0.6 million)

Further details of dividends and shares, including the interim dividend for the first half of FY20/21, can be found on page 21, in the Financial Management and Treasury Policy section

- **Other investing activities:** In the first half of FY20/21, the Group paid US$1.1 million for early stage venture capital investments in close adjacency to the Group's business (first half of FY19/20, US$0.7 million for venture capital investments)

- **Borrowings / (repayments), net:** The Group's borrowings increased by US$15.9 million, net. In the first half of FY19/20, the Group made repayments of US$26.7 million, net

Further details of the Group's debt including bonds, loans and other borrowings can be found on page 19, in the Financial Management and Treasury Policy section

- **Redemption of convertible bonds:** In the first half of FY19/20, the Company utilized US$151.9 million to redeem and cancel convertible bonds. There were no similar activities in the first half of FY20/21

FINANCIAL MANAGEMENT AND TREASURY POLICY

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

Credit Rating

Johnson Electric subscribes to both Moody's Investors Service and Standard & Poor's (S&P) Ratings Services to provide independent long-term credit ratings. These ratings were reviewed and reaffirmed during the period and as of 30 September 2020, the Group maintained investment grade ratings with a stable outlook from both agencies. These ratings reflect the Group's solid market position, resilience, and prudent financial leverage.

	Rating	Outlook	Grade
Moody's Investors Service	Baa1	Stable	Investment
Standard & Poor's Ratings Services	BBB	Stable	Investment

Liquidity

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

Cash increased by US$84.4 million to US$468.8 million as of 30 September 2020 (31 March 2020: US$384.4 million), as explained on pages 16 to 17.

Cash and credit lines

US$ million	30 Sep 2020	31 Mar 2020	Change
Cash	468.8	384.4	84.4
Unutilized committed credit lines	215.6	155.0	60.6
Unutilized uncommitted credit lines	746.6	764.9	(18.3)
Available unutilized credit lines	962.2	919.9	42.3
Combined available funds	1,431.0	1,304.3	126.7

Cash by currency

US$ million	30 Sep 2020	31 Mar 2020
USD	205.4	137.5
RMB	86.6	125.8
EUR	69.0	57.5
CAD	54.0	9.0
KRW	29.0	31.7
Others	24.8	22.9
Total	468.8	384.4

Available credit lines: The Group had US$962.2 million available unutilized credit lines as of 30 September 2020, as follows:

- Committed revolving credit facilities provided by eleven of its principal bankers, on a bilateral basis, of which US$215.6 remained unutilized. These facilities have staggered maturity dates ranging from September 2021 to August 2025
- US$746.6 million uncommitted credit facilities

Borrowings (including bonds) increased by US$17.1 million to US$432.6 million as of 30 September 2020 (31 March 2020: US$415.5 million).

The most significant changes in borrowings during the first half of FY20/21 were:

- **Loan from The Export-Import Bank of China:** The Group received a RMB500 million five-year credit facility from The Export-Import Bank of China. As of 30 September 2020, the Group had drawn down RMB23 million (equivalent to US$3.4 million). The Group plans to draw down on this facility to partially fund capital expenditure for the Group's new Jiangmen factory
- **Loans based on trade receivables** decreased by US$1.9 million
- **Other borrowings** increased by US$15.3 million. Subsequent to 30 September 2020, US$12.7 million of other borrowings were repaid in October 2020

The maturity dates of significant borrowings are as follows:

- **Bonds** – the Bonds mature in July 2024
- **Export Development Canada** – the loan matures in June 2023
- **The Export-Import Bank of China** – the first repayment of the loan is due in February 2022, with further repayments every six months until August 2025

Changes in borrowings (including bonds)

US$ million	30 Sep 2020	31 Mar 2020	Change
Bonds	299.6	299.3	0.3
Loan from Export Development Canada	99.7	99.7	-
Loans based on trade receivables	2.3	4.2	(1.9)
Loan from The Export-Import Bank of China	3.4	-	3.4
Other borrowings	27.6	12.3	15.3
Total borrowings	432.6	415.5	17.1

Borrowings by currency, as of 30 September 2020

US$ million	Total debt	Swap contracts	Total after effect of swaps	%
USD	401.4	(302.7)	98.7	23%
CAD	25.5	-	25.5	6%
EUR	2.3	298.6	300.9	70%
RMB	3.4	-	3.4	1%
Total	432.6	(4.1)	428.5	100%

Repayment schedule

Repayable within one year	25.5
Repayable after more than one year [1]	407.1
Gross debt	432.6
Swap contracts (Other financial assets)	(4.1)
Total debt including swap contracts	428.5

1 Includes loans based on trade receivables that are backed by unutilized committed credit lines

Net cash: As of 30 September 2020, the Group had US$36.2 million net cash [1] (31 March 2020: US$31.1 million net debt).

Lease liabilities: As of 30 September 2020, lease liabilities decreased by US$3.3 million to US$56.9 million (31 March 2020: US$60.2 million). The corresponding assets are shown as right-of-use assets under property, plant and equipment.

Changes in lease liabilities

US$ million	30 Sep 2020	31 Mar 2020	Change
Current	19.0	22.0	(3.0)
Non-current	37.9	38.2	(0.3)
Total lease liabilities	56.9	60.2	(3.3)

Financial ratios: The Group maintains a prudent level of debt and remains in full compliance with its financial covenants, including requirements for net worth and the ratios of total liabilities to net worth, net debt to EBITDA and EBITDA to interest expense. The Group's gearing ratios as of 30 September 2020, reflected the following changes:

- Enterprise value [2] to adjusted EBITDA [3] was 4.2 as of 30 September 2020 and 31 March 2020 was 3.1
- Total debt to capital was 17% as of 30 September 2020, down from 18% as of 31 March 2020, as equity increased
- Total debt and leases to adjusted EBITDA [3] was 1.0 as of 30 September 2020 and also 31 March 2020
- Annualized free cash flow from operations as a percentage of total debt decreased to 55%, from 62% as of 31 March 2020, as the Group's investment in working capital increased as business levels returned to pre-COVID-crisis levels
- Interest cover (defined as adjusted EBITDA [3] divided by gross interest expense [4]) was 29 times as of 30 September 2020, compared to 24 times as of 31 March 2020

1 Cash less debt (including bonds)

2 Enterprise value calculated as market capitalization plus non-controlling interests plus total debt less cash

3 Annualized earnings before interest, tax, depreciation and amortization, adjusted to exclude impairment of goodwill and other intangible assets and net gains of significant non-cash and divested items (for further information see page 12)

4 Annualized gross interest expense, adjusted to exclude notional interest on the Halla Stackpole put option and to include capitalized interest

5 Annualized figures are using the last 12 months' results

Dividends

Final dividend: There was no final dividend paid for FY19/20. At the time, The Board determined that due to the high level of economic uncertainty resulting from the COVID-19 pandemic, the business and its shareholders would be best served by retaining cash within the Company.

Interim dividend: The business experienced a significant recovery in demand during June and sales have returned to pre-crisis levels. Additionally, the Group generated a positive free cash flow from operations in the first half of FY20/21. Consequently, the Board has declared an interim dividend of 17 HK cents per share for the first half of FY20/21 (first half of FY19/20: 17 HK cents per share) equivalent to US$19.6 million.

Dividend payment

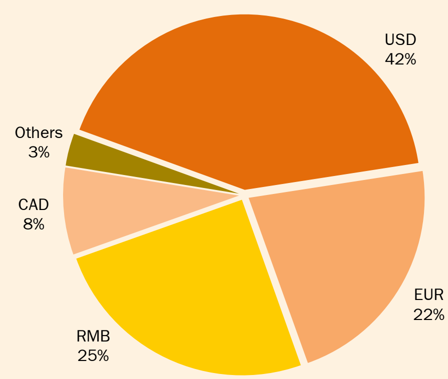
		US$ million		
	HK cents per share	Cash	New shares	Total
FY20/21				
Interim - payable in Jan 2021	*17*	*n/a*	*n/a*	*19.6*
FY19/20				
Final	-	-	-	-
Interim - paid Jan 2020	17	12.0	7.3	19.3
FY18/19				
Final - paid Sep 2019	34	13.6	24.4	38.0
Interim - paid Jan 2019	17	5.8	13.0	18.8

Foreign Exchange Risk

The Group is exposed to foreign exchange risk and mitigates this through plain vanilla forward currency contracts and structured foreign currency contracts. These contracts have varying maturity dates, ranging from 1 to 72 months after 30 September 2020, to match the underlying cash flows of the business and included:

- Plain vanilla and structured forward contracts to sell the Euro ("EUR") and buy US Dollars ("USD") to create an economic hedge for Euro-denominated export sales into USD
- Plain vanilla contracts to sell the Canadian Dollar ("CAD") and buy USD to create an economic hedge for materials purchased in USD for its operations in Canada
- Plain vanilla contracts to buy the Chinese Renminbi ("RMB"), the Hungarian Forint ("HUF"), the Mexican Peso ("MXN"), the

Sales by currency



Spot rates of significant currencies

	Spot rates as of 30 Sep 2020	Spot rates as of 31 Mar 2020	
USD per EUR	1.17	1.10	EUR strengthen 6%
HUF per EUR	365.83	358.57	EUR strengthen 2%
CAD per USD	1.34	1.42	USD weaken 5%
RMB per USD	6.82	7.04	USD weaken 3%
MXN per USD	22.36	24.28	USD weaken 8%

Polish Zloty ("PLN"), the Turkish Lira ("TRY"), the Serbian Dinar ("RSD"), the Swiss Franc ("CHF"), the Israeli Shekel ("ILS") and the Euro to create an economic hedge for production conversion costs, other operating costs and capital expenditure denominated in these currencies against their sources of revenue

The Group hedges its net investment in its European operations to protect itself from exposure to changes in the underlying value of investments that may arise from future changes in exchange rates. The Group also hedges its intragroup monetary balances from changes in exchange rates.

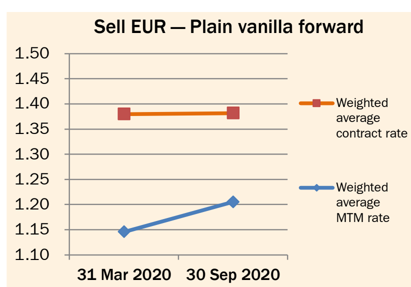
The net fair value of currency contracts, including plain vanilla forward foreign currency contracts, cross-currency interest rate swaps and structured foreign currency contracts decreased in value by US$55.2 million. This was largely due to unfavourable changes in the mark-to-market value of Euro contracts, and to a lesser extent consumption of contracts, partly offset by favourable changes in the mark-to-market value of Chinese Renminbi contracts.

The Mark-to-market ("MTM") rate is the current fair value for the settlement of a forward contract, as provided by the counterparties (the Group's Principal Bankers). The Mark-to-market rates are influenced by the changes in spot rates shown in the table at the bottom of page 21

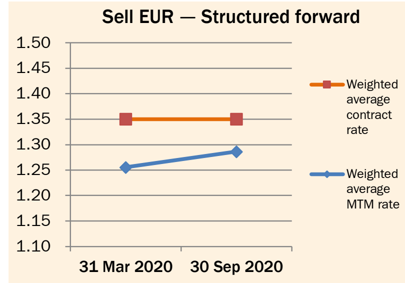
Financial assets / (liabilities) at fair value – currency contracts

US$ million		30 Sep 2020	31 Mar 2020	Change
Euro	Plain vanilla forward contracts	126.4	194.9	(68.5)
	Structured contracts	30.1	44.2	(14.1)
	Total	156.5	239.1	(82.6)
Chinese Renminbi	Plain vanilla forward contracts	(17.0)	(59.7)	42.7
Others	Plain vanilla forward contracts and swaps	(12.6)	2.7	(15.3)
Net fair value gains	Plain vanilla forward contracts and swaps	96.8	137.9	(41.1)
	Structured contracts	30.1	44.2	(14.1)
	Total	126.9	182.1	(55.2)

As the Euro strengthened against the US Dollar, mark-to-market rates for plain vanilla forward contracts to sell the Euro moved towards the Group's weighted average contract rates. Consequently, the financial asset representing the cumulative fair value gains on these contracts decreased to US$126.4 million as of 30 September 2020 (31 March 2020: US$194.9 million financial asset).

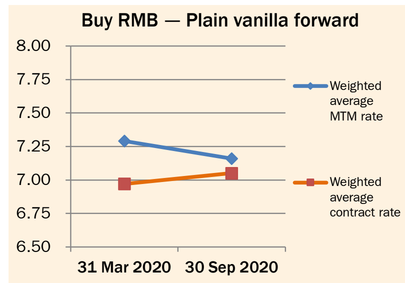


Similarly, mark-to-market rates for structured forward contracts to sell the Euro neared the Group's weighted average contract rates. Consequently, the financial asset representing the cumulative fair value gains on these contracts decreased to US$30.1 million as of 30 September 2020 (31 March 2020: US$44.2 million financial asset).



The overall effect of these changes was to decrease the fair value of the Group's forward Euro contracts to a net financial asset of US$156.5 million as of 30 September 2020 (31 March 2020: US$239.1 million financial asset).

As the Chinese Renminbi strengthened against the US Dollar, mark-to-market rates for plain vanilla contracts to buy the Chinese Renminbi neared the Group's weighted average contract rates. Consequently, the financial liability representing the cumulative fair value losses on these contracts decreased to US$17.0 million as of 30 September 2020 (31 March 2020: US$59.7 million financial liability).



The final realized gain or loss for each contract will crystallize based on the prevailing spot rate at the date of maturity versus the contract rate and will impact cash flow at that time. In terms of estimating future cash flow, the contracts' rates at maturity compared to the spot rates as of 30 September 2020 would result in approximately:

- US$218 million aggregate cash flow benefit from plain vanilla forward foreign currency contracts and cross-currency interest rate swaps (31 March 2020: US$233 million)
- US$40 million cash flow benefit from structured foreign currency contracts (31 March 2020: US$56 million)

Further information about the Group's forward foreign currency exchange contracts can be found in Notes 6 and 7 to the accounts

Raw Material Commodity Price Risk

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

Price risk due to copper, silver and aluminium is reduced by hedging through cash flow hedge contracts with maturity dates ranging from 1 to 54 months after 30 September 2020.

Spot prices of significant raw material commodities are shown in the table below:

US$ per metric ton	Spot prices as of 30 Sep 2020	Spot prices as of 31 Mar 2020	Strengthen/ (weaken)
Copper	6,610	4,797	38%
Iron ore	116.79	80.77	45%
Coking coal	139.07	145.47	(4)%
Silver - US$ per ounce	23.73	13.93	70%

Price risk due to steel is reduced through a combination of fixed price contracts for steel up to 3 months forward with the Group's suppliers and cash flow hedge contracts for iron ore and coking coal with maturity dates ranging from 1 to 30 months after 30 September 2020.

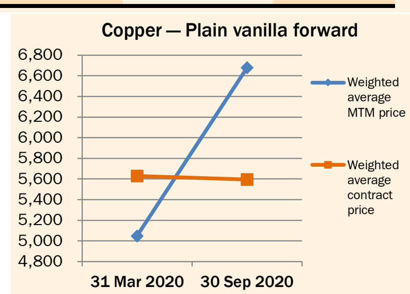
The Group also manages these commodity prices by way of incorporating appropriate clauses in certain customer contracts to pass increases / decreases in raw material costs onto these customers.

The net fair value of commodity contracts increased by US$48.3 million. This was largely due to changes in the mark-to-market value of copper contracts, partly offset by the consumption of contracts.

Financial assets / (liabilities) at fair value – commodity contracts

US$ million	30 Sep 2020	31 Mar 2020	Change
Copper	24.4	(16.6)	41.0
Other commodities	5.4	(1.9)	7.3
Total	29.8	(18.5)	48.3

As the market price of copper strengthened, **mark-to-market prices** for plain vanilla contracts for copper crossed the Group's **weighted average contract prices**. Consequently, the fair value of our copper contracts increased from a financial liability of US$16.6 million as of 31 March 2020 to become a financial asset of US$24.4 million as of 30 September 2020.



Further information about the Group's raw material commodity contracts can be found in Note 6 to the accounts

Counterparty Risk

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

SOCIAL AND ENVIRONMENTAL RESPONSIBILITY

Johnson Electric is dedicated to socially responsible interactions with its stakeholders including, shareholders, customers, employees, suppliers, business partners and local communities worldwide. The Group's commitment to sustainability includes strategies, policies and practices on a wide variety of issues such as ethics and business conduct, human and labour rights, non-discrimination, responsible consumption and production as well as environmental management.

Protecting Employees' Health during the COVID-19 Pandemic

Johnson Electric is continuing to monitor the COVID-19 situation and to carry out measures designed to protect its people. The Group has implemented safety protocols in all of its facilities. As part of this, the Group has:

- Maintained strict entry procedures at all Johnson Electric locations, with advanced automated temperature monitoring equipment installed where the Group has large numbers of employees
- Enforced the maintenance of high standards of hygiene
- Begun manufacture of its own masks to ensure the supply of high quality facemasks to all employees and their families
- Donated facemasks and other protective equipment to local communities and medical authorities where the Group operates
- As part of its business continuity management processes, implemented a COVID-watch scheme to track incidences of COVID-19 in the workplace and maintain a high degree of alertness

Greenhouse Gas Emissions

Johnson Electric is committed to responsible manufacturing and takes practical steps to protect the environment wherever it operates around the world. Johnson Electric believes that excellent environmental performance will contribute to the sustainable growth of the Group for generations to come. The Group's specific goal for the environment is "No damage to the environment wherever we operate."

The Group is seeking to reduce the intensity of its greenhouse gas emissions in its operations around the world. To assist in focusing management attention on this issue, the Group is setting a target to reduce the intensity of greenhouse gas emissions from its facilities **by 30%** per unit of production **by 2030**.

Some of this reduction will be delivered through the Group's existing energy-saving and technological improvement projects. For example, the Group's investment in automated production lines will give a significant reduction in carbon intensity compared to the manual lines they are replacing. The Group is also committed to exploring additional avenues to meet its carbon-intensity target. This includes seeking further opportunities to reduce energy consumption, shifting production to low-carbon locations and increasing its use of renewable energy, amongst others.

CORPORATE GOVERNANCE

Johnson Electric Holdings Limited ("Company") is committed to achieving high standards of corporate governance that properly protect and promote the interests of its shareholders and devotes considerable effort to identifying and formalizing best practices of corporate governance.

During the six months ended 30 September 2020, the composition of the Board of Directors ("Board") remained the same as set out in the Corporate Governance Report in the Company's Annual Report 2020.

During the six months ended 30 September 2020, the Company continued to abide by the corporate governance practices set out in the Corporate Governance Report in the Company's Annual Report 2020.

CORPORATE GOVERNANCE CODE

During the six months ended 30 September 2020, the Company complied with the code provisions set out in the Corporate Governance Code contained in Appendix 14 of the Rules Governing the Listing of Securities ("Listing Rules") on The Stock Exchange of Hong Kong Limited ("Stock Exchange"), except for the following:

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 offices. The Board believes that it is able to effectively monitor and assess management in a manner that properly protects and promotes the interests of shareholders.

Code Provisions A.4.1 and A.4.2

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

Code A.4.2 provides, inter alia, 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 are 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 except the Chairman and Chief Executive. Bye-law 109(A) also states that the director holding office as the executive chairman is not subject to retirement by rotation and shall not be counted in determining the number of directors to retire.

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

CHANGES IN INFORMATION OF DIRECTORS

In accordance with Rule 13.51B(1) of the Listing Rules, the Company is required to disclose changes in information of Directors subsequent to the date of the Annual Report 2020 up to the publication of this report.

With effect from 1 July 2020, Mr. Christopher Dale Pratt has been designated the Chairman of the Remuneration Committee of the Company and Prof. Michael John Enright has stepped down from the chair but remains as a member of the Remuneration Committee of the Company.

Mrs. Catherine Annick Caroline Bradley stepped down as non-executive board member and chairman of Audit Committee of the Financial Conduct Authority of the United Kingdom on 31 July 2020 and she ceased to be an independent member of FICC Markets Standards Board on 16 September 2020. She became the chair of the Finance Committee and a member of the Audit Committee and Nominations Committee of easyJet plc with effect from 31 August 2020. She became a non-executive director of Kingfisher plc and a member of its Audit Committee, Remuneration Committee and Nomination Committee with effect from 2 November 2020.

Prof. Michael John Enright ceased to be a professor at the University of Hong Kong School of Business and joined Northeastern University in July 2020 as a professor of the School of Business.

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 30 September 2020.

REVIEW OF INTERIM RESULTS AND INTERIM REPORT

The Company's interim results for the six months ended 30 September 2020 and the interim report have been reviewed by the Audit Committee and the Company's auditor, PricewaterhouseCoopers.

DISCLOSURE OF INTERESTS

DIRECTORS

As of 30 September 2020, the interests of each Director and Chief Executive of the Company in the shares of the Company or any of the Company's associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept under Section 352 of the SFO were as follows:

	Shares of HK$0.05 each of the Company			
Name	Personal Interests	Other Interests		Approximate % of shareholding
Yik-Chun Wang Koo	—	517,426,525	(Notes 1 & 2)	57.323
Patrick Shui-Chung Wang	3,070,199	—	(Note 3)	0.340
Winnie Wing-Yee Mak Wang	1,005,696	—	(Note 4)	0.111
Austin Jesse Wang	723,746	—	(Note 5)	0.080
Peter Kin-Chung Wang	—	27,218,144	(Notes 6 & 7)	3.015
Peter Stuart Allenby Edwards	—	41,949	(Note 8)	0.004
Patrick Blackwell Paul	32,750	—		0.003
Michael John Enright	15,250	—		0.001
Joseph Chi-Kwong Yam	11,750	—		0.001
Christopher Dale Pratt	56,000	—		0.006
Catherine Annick Caroline Bradley	6,500	—		0.000

Notes:
1. These shares were held, directly or indirectly, by the trustees of various trusts associated with the Wang family.
2. Duplications of shareholdings occurred among and between the parties shown below under Substantial Shareholders.
3. The interest comprises 1,710,599 underlying shares in respect of the awarded shares granted, which remained unvested, under the Johnson Electric Restricted and Performance Stock Unit Plan.
4. The interest comprises 570,533 underlying shares in respect of the awarded shares granted, which remained unvested, under the Johnson Electric Restricted and Performance Stock Unit Plan.
5. The interest comprises 554,533 underlying shares in respect of the awarded shares granted, which remained unvested, under the Johnson Electric Restricted and Performance Stock Unit Plan.
6. 27,097,894 shares were held under a trust of which Peter Kin-Chung Wang was a beneficiary.
7. 120,250 shares were held beneficially by Peter Kin-Chung Wang's spouse.
8. These shares were held under a trust of which Peter Stuart Allenby Edwards was one of the beneficiaries.

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

Apart from the shares awarded pursuant to the Stock Unit Plan as described in this report, as of 30 September 2020, none of the Directors and Chief Executive (including their spouses and children under 18 years of age) had any interests in, or had been granted, or exercised, any rights to subscribe for shares of the Company or its associated corporations required to be disclosed pursuant to the SFO.

SUBSTANTIAL SHAREHOLDERS

As of 30 September 2020, the shareholders' interests being 5% or more of the Company's issued share capital as shown in the register of substantial shareholders maintained under Section 336 of the SFO or as otherwise notified to the Company and the Stock Exchange are set out below:

Name of shareholder	Capacity	Numbers of shares held	Approximate % of shareholding
Yik-Chun Wang Koo	Beneficiary of family trusts	517,426,525 (Notes 1 & 2)	57.32
Ansbacher (Bahamas) Limited	Trustee	221,760,000 (Note 1)	24.56
HSBC International Trustee Limited	Trustee	207,907,888 (Note 1)	23.03
Great Sound Global Limited	Interest of controlled corporation	206,898,647 (Note 3)	22.92
Winibest Company Limited	Beneficial owner	206,898,647 (Note 4)	22.92
Federal Trust Company Limited	Trustee	115,865,772 (Note 1)	12.83
Schroders Plc	Investment manager	62,579,172	6.93
Merriland Overseas Limited	Interest of controlled corporation	57,278,278 (Note 5)	6.34

Notes:

1. The shares in which Ansbacher (Bahamas) Limited was interested, 206,898,647 of the shares in which HSBC International Trustee Limited was interested and 88,767,878 of the shares in which Federal Trust Company Limited was interested were held, directly or indirectly, by them as trustees of various trusts associated with the Wang family and were included in the shares in which Yik-Chun Wang Koo was interested as referred to above under Directors' Disclosure of Interests.
2. The shares in which Yik-Chun Wang Koo was interested as referred to above formed part of the shares referred to in Note 1.
3. The interests of Great Sound Global Limited in the Company formed part of the interests in the Company held by HSBC International Trustee Limited.
4. The interests of Winibest Company Limited in the Company were duplicated by the interests in the Company held by Great Sound Global Limited.
5. The interests of Merriland Overseas Limited in the Company formed part of the interests in the Company held by Federal Trust Company Limited.

Save as disclosed herein, as of 30 September 2020, the register maintained by the Company pursuant to Section 336 of the SFO recorded no other interests or short positions in the shares of the Company.

INCENTIVE SHARE SCHEMES

The Long-Term Incentive Share Scheme ("Share Scheme") was approved by the shareholders on 24 August 2009 and was further amended and approved by the shareholders on 20 July 2011. The Board may grant time-vested units (Restricted Stock Units) and performance-vested units (Performance Stock Units) or cash payment in lieu of shares to such eligible employees and directors as the Board may select at its absolute discretion under the Share Scheme. A new share scheme, the Johnson Electric Restricted and Performance Stock Unit Plan ("Stock Unit Plan") was approved by the shareholders on 9 July 2015 and no further grants of share awards under the Share Scheme could be made afterwards. Unvested share awards granted under the Share Scheme continue to be valid subject to the provisions of the Share Scheme.

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

During the six months ended 30 September 2020, the Company purchased 674,000 shares of the Company at a cost of HK$10.19 million in connection with the Stock Unit Plan for eligible employees and directors. The highest and the lowest purchase price paid per share were HK$15.66 and HK$12.00, respectively.

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

	Number of unvested units granted (thousands)		
	Restricted Stock Units	Performance Stock Units	Total
Unvested units granted, as of 31 March 2020	7,875	5,791	13,666
Units granted to Directors and employees during the period	4,358	1,985	6,343
Shares vested to Directors and employees during the period	(1,655)	(698)	(2,353)
Forfeited during the period	—	(873)	(873)
Unvested units granted, as of 30 September 2020	10,578	6,205	16,783
Shares vested to Directors and employees in the second half of FY20/21	(4)	—	(4)
Forfeited in the second half of FY20/21	(2)	—	(2)
Unvested units granted, as of the date of this report	10,572	6,205	16,777

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

Vesting period	Number of unvested units granted (thousands) Restricted Stock Units	Performance Stock Units	Total
FY20/21	21	—	21
FY21/22	1,720	1,547	3,267
FY22/23	4,212	2,673	6,885
FY23/24	4,619	1,985	6,604
Unvested units granted, as of the date of this report	10,572	6,205	16,777

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Save as disclosed in Note 15 to the financial statements and other than for satisfying the shares granted under the Company's employee incentive schemes, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares during the six months ended 30 September 2020.

INTERIM DIVIDEND

The Board has declared an interim dividend of 17 HK cents equivalent to 2.18 US cents per share (2019: 17 HK cents or 2.18 US cents) payable on 12 January 2021 (Tuesday) to shareholders whose names appear on the Register of Shareholders of the Company on 2 December 2020 (Wednesday).

The Company intends to offer a scrip dividend option to shareholders, which will allow them to receive new shares in lieu of cash, retaining cash within the Group to fund growth. Participation in the scrip dividend scheme will be optional. The scrip dividend scheme is subject to the Stock Exchange granting the listing of and permission to deal in the new shares to be issued pursuant thereto. A circular containing details of the scrip dividend scheme will be dispatched to shareholders.

CLOSING REGISTER OF SHAREHOLDERS

The Register of Shareholders of the Company will be closed, for the purpose of determining shareholders' entitlement to the interim dividend, from 30 November 2020 (Monday) to 2 December 2020 (Wednesday) inclusive, during which no transfer of shares will be registered.

In order to qualify for the interim dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong (not the registrar in Bermuda) for registration, not later than 4:30 p.m. on 27 November 2020 (Friday). Shares of the Company will be traded ex-dividend as from 26 November 2020 (Thursday).

CONSOLIDATED BALANCE SHEET

As of 30 September 2020

	Note	Unaudited 30 September 2020 US$'000	Audited 31 March 2020 US$'000
Assets			
Non-current assets			
Property, plant and equipment	3	**1,433,876**	1,372,002
Investment property	4	**33,229**	32,985
Intangible assets	5	**247,054**	246,117
Investment in associate		**2,187**	2,129
Other financial assets	6	**130,894**	186,400
Financial assets at fair value through profit and loss	7	**40,751**	53,678
Defined benefit pension plan assets	12	**20,554**	23,130
Deferred income tax assets		**39,011**	53,647
Other non-current assets	3	**50,421**	29,700
		1,997,977	1,999,788
Current assets			
Inventories		**427,115**	413,885
Trade and other receivables	8	**678,328**	593,208
Other financial assets	6	**60,409**	56,238
Financial assets at fair value through profit and loss	7	**2,178**	2,103
Income tax recoverable		**9,729**	10,764
Cash and cash equivalents		**468,845**	384,369
		1,646,604	1,460,567
Current liabilities			
Trade payables	9	**360,728**	350,178
Other payables and deferred income		**325,433**	284,318
Current income tax liabilities		**32,173**	29,444
Other financial liabilities	6	**13,306**	45,027
Borrowings	11	**25,487**	12,236
Retirement benefit obligations	12	**436**	552
Lease liabilities		**18,995**	21,985
Provisions and other liabilities	13	**22,277**	23,924
		798,835	767,664
Net current assets		**847,769**	692,903
Total assets less current liabilities		**2,845,746**	2,692,691

	Note	Unaudited 30 September 2020 US$'000	Audited 31 March 2020 US$'000
Non-current liabilities			
Other payables and deferred income		**43,091**	37,251
Other financial liabilities	6	**51,339**	78,211
Borrowings	11	**407,110**	403,229
Deferred income tax liabilities		**77,756**	84,203
Put option written to a non-controlling interest	14	**69,408**	69,680
Retirement benefit obligations	12	**84,785**	66,325
Lease liabilities		**37,935**	38,204
Provisions and other liabilities	13	**13,861**	13,872
		785,285	790,975
NET ASSETS		**2,060,461**	1,901,716
Equity			
Share capital – Ordinary shares (at par value)	15	**5,822**	5,822
Shares held for incentive share schemes (at purchase cost)	15	**(31,754)**	(36,114)
Share premium	15	**43,097**	41,796
Reserves		**1,964,476**	1,816,705
		1,981,641	1,828,209
Non-controlling interests		**78,820**	73,507
TOTAL EQUITY		**2,060,461**	1,901,716

CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2020

	Note	Unaudited Six months ended 30 September 2020 US$'000	2019 US$'000
Sales	2	**1,330,330**	1,565,010
Cost of goods sold		**(1,030,696)**	(1,208,130)
Gross profit		**299,634**	356,880
Other income and (expenses)	16	**20,456**	71,125
Selling and administrative expenses	17	**(198,373)**	(236,467)
Operating profit		**121,717**	191,538
Share of profit of associate		**98**	37
Finance income	18	**1,172**	1,162
Finance costs	18	**(6,045)**	(10,236)
Profit before income tax		**116,942**	182,501
Income tax expense	20	**(13,325)**	(16,264)
Profit for the period		**103,617**	166,237
Profit attributable to non-controlling interests		**(2,832)**	(4,192)
Profit attributable to shareholders		**100,785**	162,045
Basic earnings per share for profit attributable to the shareholders for the period (expressed in US cents per share)	21	**11.30**	18.48
Diluted earnings per share for profit attributable to the shareholders for the period (expressed in US cents per share)	21	**11.27**	18.44

Please see Note 22 for details of dividend.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2020

	Note	Unaudited Six months ended 30 September 2020 US$'000	 2019 US$'000
Profit for the period		**103,617**	166,237
Other comprehensive income / (expenses)			
Items that will not be recycled to profit and loss:			
Defined benefit plans			
– remeasurements	12	**(17,351)**	(12,034)
– deferred income tax effect		**1,762**	1,425
Hedging instruments for transactions resulting in the recognition of inventories and subsequently recognized in the income statement upon consumption			
– raw material commodity contracts			
– fair value gains / (losses), net		**49,547**	(16,927)
– transferred to inventory and subsequently recognized in the income statement	6(f)	**2,030**	(2,816)
– deferred income tax effect		**(8,510)**	3,258
Total items that will not be recycled to profit and loss directly		**27,478**	(27,094)
Items that will be recycled to profit and loss:			
Hedging instruments			
– forward foreign currency exchange contracts			
– fair value gains / (losses), net		**6,075**	(52,033)
– transferred to the income statement		**(7,742)**	(11,074)
– deferred income tax effect		**(211)**	9,863
– net investment hedge			
– fair value (losses) / gains, net		**(23,243)**	16,924
Currency translations of subsidiaries		**51,710**	(29,190)
Currency translations of associate		**72**	(135)
Total items that will be recycled to profit and loss directly		**26,661**	(65,645)
Other comprehensive income / (expense) for the period, net of tax		**54,139**	(92,739)
Total comprehensive income for the period, net of tax		**157,756**	73,498
Total comprehensive income attributable to:			
Shareholders		**151,943**	73,113
Non-controlling interests			
Share of profits for the period		**2,832**	4,192
Currency translations		**2,981**	(3,807)
		157,756	73,498

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2020

		Unaudited								
		Attributable to shareholders of JEHL								
	Note	Share capital and share premium US$'000	Other reserves * US$'000	Exchange reserve US$'000	Share-based employee compensation reserve US$'000	Hedging reserve US$'000	Retained earnings US$'000	Total US$'000	Non-controlling interests US$'000	Total equity US$'000
As of 31 March 2020		11,504	(227,807)	78,241	11,411	24,434	1,930,426	1,828,209	73,507	1,901,716
Profit for the period		-	-	-	-	-	100,785	100,785	2,832	103,617
Other comprehensive income / (expenses):										
Hedging instruments										
– raw material commodity contracts										
– fair value gains, net		-	-	-	-	49,547	-	49,547	-	49,547
– transferred to inventory and subsequently recognized in the income statement	6(f)	-	-	-	-	2,030	-	2,030	-	2,030
– deferred income tax effect		-	-	-	-	(8,510)	-	(8,510)	-	(8,510)
– forward foreign currency exchange contracts										
– fair value gains, net		-	-	-	-	6,075	-	6,075	-	6,075
– transferred to the income statement		-	-	-	-	(7,742)	-	(7,742)	-	(7,742)
– deferred income tax effect		-	-	-	-	(211)	-	(211)	-	(211)
– net investment hedge										
– fair value (losses), net		-	-	(23,243)	-	-	-	(23,243)	-	(23,243)
Defined benefit plans										
– remeasurements	12	-	-	-	-	-	(17,351)	(17,351)	-	(17,351)
– deferred income tax effect		-	-	-	-	-	1,762	1,762	-	1,762
Currency translations of subsidiaries		-	-	49,198	-	(469)	-	48,729	2,981	51,710
Currency translations of associate		-	-	72	-	-	-	72	-	72
Total comprehensive income for the first half of FY20/21		-	-	26,027	-	40,720	85,196	151,943	5,813	157,756
Transactions with shareholders:										
Incentive share schemes										
– shares vested	15	6,230	-	-	(6,230)	-	-	-	-	-
– vested by cash settlement	15	750	-	-	(1,491)	-	-	(741)	-	(741)
– value of employee services		-	-	-	3,549	-	-	3,549	-	3,549
– purchase of shares	15	(1,319)	-	-	-	-	-	(1,319)	-	(1,319)
Dividend paid to non-controlling shareholders of a subsidiary		-	-	-	-	-	-	-	(500)	(500)
Total transactions with shareholders		5,661	-	-	(4,172)	-	-	1,489	(500)	989
As of 30 September 2020		**17,165****	**(227,807)**	**104,268**	**7,239**	**65,154**	**2,015,622**	**1,981,641**	**78,820**	**2,060,461**

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

** The total of US$17.2 million is comprised of share capital of US$5.8 million, share premium US$43.1 million and shares held for incentive share schemes of US$(31.7) million

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2019

		Unaudited								
		Attributable to shareholders of JEHL								
	Note	Share capital and share premium US$'000	Other reserves * US$'000	Exchange reserve US$'000	Share-based employee compensation reserve US$'000	Hedging reserve US$'000	Retained earnings US$'000	Total US$'000	Non-controlling interests US$'000	Total equity US$'000
As of 31 March 2019		(25,453)	(226,531)	116,896	19,587	114,562	2,488,138	2,487,199	71,278	2,558,477
Profit for the period		-	-	-	-	-	162,045	162,045	4,192	166,237
Other comprehensive income / (expenses):										
Hedging instruments										
– raw material commodity contracts										
– fair value (losses), net		-	-	-	-	(16,927)	-	(16,927)	-	(16,927)
– transferred to inventory and subsequently recognized in the income statement	6(f)	-	-	-	-	(2,816)	-	(2,816)	-	(2,816)
– deferred income tax effect		-	-	-	-	3,258	-	3,258	-	3,258
– forward foreign currency exchange contracts										
– fair value (losses), net		-	-	-	-	(52,033)	-	(52,033)	-	(52,033)
– transferred to the income statement		-	-	-	-	(11,074)	-	(11,074)	-	(11,074)
– deferred income tax effect		-	-	-	-	9,863	-	9,863	-	9,863
– net investment hedge										
– fair value gains, net		-	-	16,924	-	-	-	16,924	-	16,924
Defined benefit plans										
– remeasurements	12	-	-	-	-	-	(12,034)	(12,034)	-	(12,034)
– deferred income tax effect		-	-	-	-	-	1,425	1,425	-	1,425
Currency translations of subsidiaries		-	-	(25,393)	-	10	-	(25,383)	(3,807)	(29,190)
Currency translations of associate		-	-	(135)	-	-	-	(135)	-	(135)
Total comprehensive income / (expenses) for the first half of FY19/20		-	-	(8,604)	-	(69,719)	151,436	73,113	385	73,498
Transactions with shareholders:										
Convertible bonds										
– release of equity component upon redemption		-	(664)	-	-	-	664	-	-	-
Incentive share schemes										
– shares vested	15	10,015	-	-	(10,015)	-	-	-	-	-
– vested by cash settlement	15	312	-	-	(2,363)	-	-	(2,051)	-	(2,051)
– value of employee services		-	-	-	2,468	-	-	2,468	-	2,468
– purchase of shares	15	(646)	-	-	-	-	-	(646)	-	(646)
Dividend paid to non-controlling shareholders of a subsidiary		-	-	-	-	-	-	-	(522)	(522)
FY18/19 final dividend paid										
– cash paid		-	-	-	-	-	(13,565)	(13,565)	-	(13,565)
– shares issued in respect of scrip dividend		24,797	-	-	-	-	(24,797)	-	-	-
– scrip dividend for shares held for the incentive shares schemes		(374)	-	-	-	-	374	-	-	-
Total transactions with shareholders		34,104	(664)	-	(9,910)	-	(37,324)	(13,794)	(522)	(14,316)
As of 30 September 2019		8,651	(227,195)	108,292	9,677	44,843	2,602,250	2,546,518	71,141	2,617,659

* Other reserves mainly represent capital reserve, property revaluation reserve, equity component of convertible bonds (net of taxes), statutory reserve, reserve arising from put option written to a non-controlling interest and goodwill on consolidation

CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 September 2020

	Note	Unaudited Six months ended 30 September 2020 US$'000	2019 US$'000
Cash flows from operating activities			
Earnings before interest, taxes, depreciation and amortization	24	**242,696**	311,698
Other non-cash items	24	**14,431**	(51,542)
Change in working capital	24	**(54,275)**	14,687
Cash generated from operations	24	**202,852**	274,843
Interest paid		**(6,340)**	(10,882)
Income taxes paid		**(10,279)**	(14,231)
Net cash generated from operating activities		**186,233**	249,730
Investing activities			
Purchase of property, plant and equipment and capitalized expenditure of investment property, net of subsidies		**(116,812)**	(156,790)
Proceeds from disposal of property, plant and equipment		**537**	457
Capitalized expenditure of engineering development	5 & 19	**(2,925)**	(4,217)
Finance income received		**1,172**	1,162
		(118,028)	(159,388)
Deposit received for divestment of an investment property		**-**	12,091
Purchase of financial assets at fair value through profit and loss		**(1,140)**	(720)
Proceeds from sale of financial assets at fair value through profit and loss		**2**	75
Net cash used in investing activities		**(119,166)**	(147,942)

	Note	Unaudited Six months ended 30 September 2020 US$'000	2019 US$'000
Financing activities			
Principal elements of lease payments		**(10,077)**	(7,576)
Proceeds from borrowings		**30,328**	25,880
Repayments of borrowings		**(14,379)**	(52,540)
Redemption of convertible bonds		**-**	(151,941)
Dividends paid to shareholders		**-**	(13,565)
Purchase of shares held for the incentive share schemes		**(1,319)**	(646)
Dividends paid to non-controlling interests		**(500)**	(522)
Net cash generated from / (used in) financing activities		**4,053**	(200,910)
Net increase / (decrease) in cash and cash equivalents		**71,120**	(99,122)
Cash and cash equivalents at beginning of the period		**384,369**	339,986
Currency translations on cash and cash equivalents		**13,356**	(8,738)
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		**468,845**	232,126

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

	Borrowings (current) US$'000	Borrowings (non-current) US$'000	Lease liabilities US$'000	Total US$'000
As of 31 March 2020	12,236	403,229	60,189	475,654
Currency translations	617	228	1,869	2,714
Cash flows				
– inflow from financing activities	27,013	3,315	-	30,328
– outflow from financing activities	(14,379)	-	(10,077)	(24,456)
– outflow from operating activities	-	(6,188)	(1,251)	(7,439)
Non-cash changes				
– new leases	-	-	4,823	4,823
– finance costs	-	6,526	1,377	7,903
As of 30 September 2020	25,487	407,110	56,930	489,527

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. GENERAL INFORMATION AND BASIS OF PREPARATION

1.1 General Information

The principal operations of Johnson Electric Holdings Limited ("JEHL") 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.

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

These unaudited condensed consolidated interim financial statements are presented in US Dollars, unless otherwise stated and has been approved for issue by the Board of Directors on 11 November 2020. They have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim financial reporting" issued by the Hong Kong Institute of Certified Public Accountant ("HKICPA") and Appendix 16 of the Listing Rules of The Stock Exchange of Hong Kong Limited.

1.2 Basis of preparation

The accounting policies and methods of computation used in the preparation of these condensed consolidated interim financial statements are consistent with those used in the annual financial statements of the year ended 31 March 2020, 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 1 April 2020, which are disclosed in Note 29.

The preparation of interim financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. In preparing these condensed consolidated interim financial statements, 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 31 March 2020.

1. GENERAL INFORMATION AND BASIS OF PREPARATION *(Cont'd)*

1.3 Exchange rates

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

		Closing rate		Average rate for the period	
				Six months ended 30 September	
		30 September 2020	31 March 2020	**2020**	2019
1 foreign currency unit to USD:					
Swiss Franc	CHF	**1.088**	1.043	**1.063**	1.006
Euro	EUR	**1.174**	1.104	**1.136**	1.118
British Pound	GBP	**1.286**	1.242	**1.267**	1.259
1 USD to foreign currency:					
Brazilian Real	BRL	**5.637**	5.179	**5.368**	3.940
Canadian Dollar	CAD	**1.339**	1.416	**1.358**	1.329
Chinese Renminbi	RMB	**6.817**	7.045	**6.999**	6.903
Hong Kong Dollar	HKD	**7.750**	7.755	**7.751**	7.835
Hungarian Forint	HUF	**311.526**	324.675	**310.559**	291.545
Israeli Shekel	ILS	**3.444**	3.569	**3.464**	3.560
Indian Rupee	INR	**73.855**	75.529	**75.075**	69.979
Japanese Yen	JPY	**105.708**	107.875	**106.838**	108.578
South Korean Won	KRW	**1,162.791**	1,219.512	**1,204.819**	1,176.471
Mexican Peso	MXN	**22.361**	24.284	**22.691**	19.279
Polish Zloty	PLN	**3.857**	4.110	**3.937**	3.846
Serbian Dinar	RSD	**100.000**	106.383	**103.093**	105.263
Turkish Lira	TRY	**7.833**	6.573	**7.037**	5.770

2. SEGMENT INFORMATION

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker (as defined in HKFRS). The chief operating decision maker has been identified as the Group's Executive Committee. The Group's operating segments share similar economic characteristics such as similar products and similar production processes, the management applied the aggregation criteria and the Group's operating segments were aggregated into a single operating segment.

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

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

	Six months ended 30 September	
	2020	2019
	US$'000	US$'000
Operating profit presented to management	**101,261**	120,413
Other income and (expenses) (Note 16)	**20,456**	71,125
Operating profit per consolidated income statement	**121,717**	191,538

Sales

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

Sales to external customers by business unit were as follows:

	Six months ended 30 September	
	2020	2019
	US$'000	US$'000
Automotive Products Group ("APG")	**994,303**	1,236,802
Industry Products Group ("IPG")	**336,027**	328,208
	1,330,330	1,565,010

2. SEGMENT INFORMATION *(Cont'd)*

The Stackpole business, under APG, primarily engaged in the manufacture and sale of engine and transmission oil pumps and powder metal components, accounted for 22% of the Group's sales for the first half of FY20/21 (first half of FY19/20: 23%).

The Cooling Fan business, under APG, primarily engaged in the manufacture and sale of cooling fan modules for OEM and Tier 1 customers, accounted for 18% of the Group's sales for the first half of FY20/21 (first half of FY19/20: 20%).

Sales by geography

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

	Six months ended 30 September	
	2020	2019
	US$'000	US$'000
Europe *	**373,891**	501,843
North America **	**381,576**	484,115
People's Republic of China ("PRC")	**410,483**	380,278
Asia (excluding PRC)	**144,422**	167,637
South America	**10,671**	21,234
Others	**9,287**	9,903
	1,330,330	1,565,010

* Included in Europe were sales to external customers in Germany of US$66.1 million and France of US$48.1 million for the first half of FY20/21 (first half of FY19/20: US$96.7 million and US$65.7 million respectively)

** Included in North America were sales to external customers in the USA of US$303.1 million for the first half of FY20/21 (first half of FY19/20: US$387.8 million)

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

2. SEGMENT INFORMATION *(Cont'd)*

Segment assets

For the first half of FY20/21, the additions to non-current assets (other than deferred tax assets, other financial assets, financial assets at fair value through profit and loss and defined benefit pension plan assets) were US$136.5 million (first half of FY19/20: US$154.9 million).

The non-current assets (other than goodwill, deferred tax assets, other financial assets, financial assets at fair value through profit and loss and defined benefit pension plan assets) by geographic location as of 30 September 2020 and 31 March 2020 were as follows:

	30 September 2020 US$'000	31 March 2020 US$'000
Hong Kong ("HK") / PRC	**825,806**	767,338
Canada	**423,294**	384,013
Switzerland	**114,319**	105,078
Serbia	**90,295**	83,138
Others	**313,053**	343,366
	1,766,767	1,682,933

3. PROPERTY, PLANT AND EQUIPMENT AND OTHER NON-CURRENT ASSETS

	Freehold land, leasehold land and buildings US$'000	Machinery and equipment US$'000	Assets under construction US$'000	Moulds and tools US$'000	Other assets ** US$'000	Right-of-use assets US$'000	Total US$'000
First half of FY20/21							
As of 31 March 2020	236,361	624,897	262,145	110,745	46,252	91,602	1,372,002
Currency translations	10,910	27,040	10,845	4,151	876	2,954	56,776
Additions - owned assets	4,022	13,907	81,137	6,731	1,888	-	107,685
Additions - right-of-use assets	-	-	-	-	-	5,192	5,192
Transfer	16,242	62,808	(93,210)	11,510	2,038	612	-
Disposals	(120)	(161)	-	(40)	(12)	(340)	(673)
Impairment charges (Note 19 & 24)	-	(761)	-	(45)	(1)	-	(807)
Depreciation (Note 19)	(7,070)	(56,618)	-	(25,176)	(6,268)	(11,167)	(106,299)
As of 30 September 2020	**260,345** *	**671,112**	**260,917**	**107,876**	**44,773**	**88,853**	**1,433,876**

* As of 30 September 2020, freehold land, leasehold land and buildings included US$4.7 million for the leasehold land portion of buildings located in Hong Kong (as of 31 March 2020: US$4.9 million)

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

3. PROPERTY, PLANT AND EQUIPMENT AND OTHER NON-CURRENT ASSETS *(Cont'd)*

	Freehold land, leasehold land and buildings US$'000	Machinery and equipment US$'000	Assets under construction US$'000	Moulds and tools US$'000	Other assets US$'000	Right-of-use assets US$'000	Total US$'000
First half of FY19/20							
As of 31 March 2019	212,544	591,562	275,433	111,122	49,274	-	1,239,935
Adoption of HKFRS 16							
– recognition of right-of-use assets	-	-	-	-	-	74,483	74,483
– transfer from intangible assets	-	-	-	-	-	22,351	22,351
As of 1 April 2019	212,544	591,562	275,433	111,122	49,274	96,834	1,336,769
Currency translations	(2,936)	(17,286)	(8,100)	(4,434)	(1,100)	(4,155)	(38,011)
Additions - owned assets	1,159	19,032	122,843	8,707	3,390	-	155,131
Additions - right-of-use assets	-	-	-	-	-	12,760	12,760
Transfer	27,619	89,331	(136,114)	18,092	1,072	-	-
Disposals	-	(596)	-	(75)	-	-	(671)
Impairment charges (Note 19 & 24)	-	(2,723)	-	(41)	-	-	(2,764)
Depreciation (Note 19)	(7,017)	(52,796)	-	(24,037)	(6,363)	(10,242)	(100,455)
As of 30 September 2019	231,369	626,524	254,062	109,334	46,273	95,197	1,362,759

Freehold land is located in Europe, North America and South America.

Purchase deposits for machinery and construction of factory included in **other non-current assets** in the balance sheet amounted to US$38.8 million (31 March 2020: US$21.6 million). The amount will be transferred to property, plant and equipment on receipt of the assets. The other non-current assets by nature as of 30 September 2020 and 31 March 2020 were as follows:

	30 September 2020 US$'000	31 March 2020 US$'000
Purchase deposits for machinery and contruction of factory	**38,758**	21,634
Deferred contract costs (Note 10)	**7,460**	3,458
Other deposits and prepayments	**4,203**	4,608
Total other non-current assets	**50,421**	29,700

3. PROPERTY, PLANT AND EQUIPMENT AND OTHER NON-CURRENT ASSETS *(Cont'd)*

Right-of-use assets

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

	Land use rights US$'000	Leasehold buildings US$'000	Machinery and equipment US$'000	Other assets * US$'000	Total US$'000
First half of FY20/21					
As of 31 March 2020	33,770	51,321	2,508	4,003	91,602
Currency translations	1,106	1,536	118	194	2,954
Additions - right-of-use assets	-	4,491	32	669	5,192
Transfer from assets under construction	612	-	-	-	612
Disposals	-	(335)	(5)	-	(340)
Depreciation	(316)	(9,479)	(460)	(912)	(11,167)
As of 30 September 2020	**35,172**	**47,534**	**2,193**	**3,954**	**88,853**
First half of FY19/20					
As of 31 March 2019	-	-	-	-	-
Adoption of HKFRS 16					
– recognition of right-of-use assets	-	67,625	3,277	3,581	74,483
– transfer from intangible assets	22,351	-	-	-	22,351
As of 1 April 2019	22,351	67,625	3,277	3,581	96,834
Currency translations	(1,378)	(2,669)	(27)	(81)	(4,155)
Additions - right-of-use assets	11,682	154	27	897	12,760
Depreciation	(186)	(8,895)	(444)	(717)	(10,242)
As of 30 September 2019	32,469	56,215	2,833	3,680	95,197

* Other assets comprise office equipment and motor vehicles

4. INVESTMENT PROPERTY

	2020 US$'000	2019 US$'000
As of 31 March	**32,985**	111,431
Currency translations	**244**	(383)
Fair value gains	**-**	43,188
Transferred to non-current assets held for sale	**-**	(120,908)
Capitalized expenditure	**-**	12
As of 30 September	**33,229**	33,340

Investment properties are located in Hong Kong and China.

5. INTANGIBLE ASSETS

	Goodwill US$'000	Technology US$'000	Patents and engineering development US$'000	Brands US$'000	Client relationships US$'000	Land use rights US$'000	Total US$'000
First half of FY20/21							
As of 31 March 2020	-	16,888	31,889	37,429	159,911	-	246,117
Currency translations	-	801	1,400	2,130	8,860	-	13,191
Capitalization of engineering development costs (Note 19)	-	-	2,925	-	-	-	2,925
Amortization (Note 19 & 24)	-	(2,189)	(3,264)	(1,952)	(7,774)	-	(15,179)
As of 30 September 2020	**-**	**15,500**	**32,950**	**37,607**	**160,997**	**-**	**247,054**
First half of FY19/20							
As of 31 March 2019	758,073	39,698	29,114	68,686	191,786	22,351	1,109,708
Adoption of HKFRS 16	-	-	-	-	-	(22,351)	(22,351)
As of 1 April 2019	758,073	39,698	29,114	68,686	191,786	-	1,087,357
Currency translations	2,391	242	(487)	742	431	-	3,319
Capitalization of engineering development costs (Note 19)	-	-	4,217	-	-	-	4,217
Amortization (Note 19 & 24)	-	(6,829)	(2,809)	(1,286)	(9,627)	-	(20,551)
As of 30 September 2019	760,464	33,111	30,035	68,142	182,590	-	1,074,342

Total intangible assets as of 30 September 2020 and 31 March 2020 were denominated in the following underlying currencies.

	30 September 2020 US$'000	31 March 2020 US$'000
In CAD	**179,711**	178,806
In EUR	**31,827**	30,784
In KRW	**19,903**	19,747
In USD	**11,183**	11,923
In GBP	**4,430**	4,857
Total intangible assets	**247,054**	246,117

6. OTHER FINANCIAL ASSETS AND LIABILITIES

	30 September 2020			31 March 2020		
	Assets	**(Liabilities)**	**Net**	Assets	(Liabilities)	Net
	US$'000	**US$'000**	**US$'000**	US$'000	US$'000	US$'000
Cash flow hedge						
– raw material commodity contracts (Note a (i))	**30,911**	**(1,096)**	**29,815**	2,632	(21,149)	(18,517)
– forward foreign currency exchange contracts (Note a (ii))	**110,632**	**(59,399)**	**51,233**	153,832	(100,592)	53,240
Net investment hedge (Note b)						
– forward foreign currency exchange contracts and cross currency interest rate swaps	**15,484**	**(3,992)**	**11,492**	34,795	-	34,795
Fair value hedge (Note c)						
– forward foreign currency exchange contracts	**33,341**	**(25)**	**33,316**	50,548	(1,071)	49,477
Held for trading (Note d)	**935**	**(133)**	**802**	831	(426)	405
Total (Note e)	**191,303**	**(64,645)**	**126,658**	242,638	(123,238)	119,400
Current portion	**60,409**	**(13,306)**	**47,103**	56,238	(45,027)	11,211
Non-current portion	**130,894**	**(51,339)**	**79,555**	186,400	(78,211)	108,189
Total	**191,303**	**(64,645)**	**126,658**	242,638	(123,238)	119,400

Note:

(a) Cash flow hedge

(i) Raw material commodity contracts

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

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

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

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

As of 30 September 2020, the Group had the following outstanding contracts:

	Notional amount	Settlement value (US$ million)	Weighted average contract price (US$)	Spot price (US$)	Mark-to-market rate (US$)	Remaining maturities range (months)	Assets/ (liabilities), net carrying value (US$'000)
Cash flow hedge contracts							
Copper commodity	22,500 metric ton	125.9	5,594	6,610	6,679	1 – 54	24,407
Silver commodity	360,000 oz	5.3	14.64	23.73	23.73	1 – 30	3,275
Aluminium commodity	1,150 metric ton	2.0	1,747	1,737	1,780	1 – 18	39
Iron ore commodity	80,000 metric ton	5.4	67.03	116.79	100.02	1 – 18	2,640
Coking coal commodity	102,000 metric ton	15.5	152.36	139.07	147.01	1 – 30	(546)
Total							29,815

The Weighted average contract price is a ratio defined as Notional amount / Settlement value.

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

(ii) Forward foreign currency exchange contracts

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

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

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

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

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

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

As of 30 September 2020, the Group had the following outstanding contracts:

	Settlement currency	Notional value (million)	Weighted average contract rate	Spot rate	Mark-to-market rate	Remaining maturities range (months)	Settlement value in USD equivalent (US$ million)	Assets / (liabilities), net carrying value (US$'000)
Cash flow hedge contracts								
Sell EUR forward *	USD	EUR 422.9	1.41	1.17	1.21	1 – 66	595.4	85,788
Buy PLN forward	EUR	PLN 603.0	4.80	4.53	4.64	1 – 68	147.4	5,071
Sell CAD forward	USD	CAD 54.9	1.24	1.34	1.34	1 – 15	44.4	3,401
Buy RSD forward	EUR	RSD 5,630.3	121.20	117.43	118.41	1 – 24	54.6	1,287
Buy EUR forward *	USD	EUR 4.5	1.17	1.17	1.18	1 – 3	5.3	20
Buy ILS forward	USD	ILS 4.5	3.45	3.44	3.42	1 – 3	1.3	10
Buy CHF forward	EUR	CHF 2.0	1.08	1.08	1.08	1	2.2	4
Buy TRY forward	EUR	TRY 96.2	8.24	9.20	10.11	1 – 24	13.7	(2,530)
Buy MXN forward	USD	MXN 2,591.5	23.72	22.36	25.10	1 – 72	109.3	(6,030)
Buy RMB forward	USD	RMB 8,260.8	7.05	6.82	7.16	1 – 68	1,171.3	(17,023)
Buy HUF forward	EUR	HUF 50,629.1	341.47	365.83	382.72	1 – 68	174.1	(18,765)
Total								51,233

* The EUR to USD is stated in the inverse order

(b) Net investment hedge

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

As of 30 September 2020, the Group had the following outstanding contracts:

	Settlement currency	Notional value (million)	Weighted average contract rate	Spot rate	Mark-to-market rate	Remaining maturities range (months)	Settlement value in USD equivalent (US$ million)	Assets net carrying value (US$'000)
Net investment hedge contracts								
Sell EUR forward *	USD	EUR 60.0	1.33	1.17	1.21	15 – 51	79.7	7,295
Sell BRL forward	USD	BRL 7.9	5.29	5.64	5.56	1 – 3	1.5	73
Cross currency interest rate swaps * (pay EUR, receive USD)	USD	EUR 269.2	1.12	1.17	1.11	7 – 46	302.7	4,124
Total								11,492

* The EUR to USD is stated in the inverse order

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

(c) Fair value hedge

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

As of 30 September 2020, the Group had the following outstanding contracts:

	Settlement currency	Notional value (million)	Weighted average contract rate	Spot rate	Mark-to-market rate	Remaining maturities range (months)	Settlement value in USD equivalent (US$ million)	Assets / (liabilities), net carrying value (US$'000)
Fair value hedge contracts								
Sell EUR forward *	USD	EUR 242.2	1.36	1.17	1.22	1 – 91	329.5	33,325
Buy EUR forward *	USD	EUR 12.3	1.18	1.17	1.17	1	14.5	(9)
Total								33,316

* The EUR to USD is stated in the inverse order

(d) Held for trading

For currency contracts designated as held for trading, fair value gains and losses on the forward contracts are immediately recognized in the income statement. The net fair value changes recognized in the income statement were not material.

As of 30 September 2020, the Group had the following outstanding contracts:

	Settlement currency	Notional value (million)	Weighted average contract rate	Spot rate	Mark-to-market rate	Remaining maturities range (months)	Settlement value in USD equivalent (US$ million)	Assets, net carrying value (US$'000)
Held for trading contracts								
Buy INR forward	USD	INR 928.7	81.46	73.86	77.16	1 – 26	11.4	636
Buy HKD structured forward	USD	HKD 788.8	7.89	7.75	7.87	1 – 20	100.0	166
Total								802

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

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

(f) The income statement effect from raw material commodity and foreign currency exchange contracts (excluding structured contracts, see Note 7) and the cross currency interest rate swaps recognized in the first half of FY20/21 was a net loss of US$6.8 million (first half of FY19/20: net gain of US$33.0 million).

	Six months ended 30 September	
Benefit / (expense)	**2020 US$'000**	2019 US$'000
Cost of goods sold includes:		
Effect of raw material commodity contracts	**(2,030)**	2,816
Effect of forward foreign currency exchange contracts	**(12,063)**	(8,676)
Effect on cost of goods sold	**(14,093)**	(5,860)
Other income and (expenses) includes:		
Effect of unrealized forward foreign currency exchange contracts (Note 16)	**(18,289)**	15,453
Selling and administrative expenses includes:		
Effect of forward foreign currency exchange contracts (Note 17)	**21,784**	19,955
Finance costs includes:		
Cross currency interest rate swaps	**3,758**	3,414
Effect of other financial assets and liabilities in the consolidated income statement, net (loss) / gain	**(6,840)**	32,962

(g) Net cash generated from operating activities due to the realized hedge contracts was US$14.8 million (first half of FY19/20: US$17.8 million).

(h) Estimate of future cash flow
In terms of estimating future cash flow, the contracts' rate at maturity compared to the spot rate for the currency and commodity agreements as of 30 September 2020 would result in approximately US$247 million cash flow benefit (31 March 2020: US$214 million).

(i) As of 30 September 2020, the balance in the exchange reserve for continuing hedges that are accounted for as a net investment hedge was US$62.9 million (31 March 2020: US$86.1 million).

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS

	30 September 2020 US$'000	31 March 2020 US$'000
Call option related to the acquisition of Halla Stackpole (Note a)	**2,297**	2,190
Unlisted preference shares (Note b)	**8,000**	8,000
Structured foreign currency contracts (Note c)	**30,052**	44,151
Other investment	**2,580**	1,440
Total	**42,929**	55,781
Current portion	**2,178**	2,103
Non-current portion	**40,751**	53,678
Total	**42,929**	55,781

Note:

(a) Call option related to the acquisition of Halla Stackpole
The Group has been granted a call option in which the Group shall have the right to require Halla Holdings Corporation to sell all of its rights to the Group, exercisable at any time from May 2026 to May 2030 (following the expiry of the Put Exercise Period from May 2022 to May 2026).

(b) Unlisted preference shares
On 8 September 2018, the Group invested US$8.0 million in an autonomous driving start-up company focusing on the China market. The Group used the discounted cash flow to determine the fair value of the investment. As of 30 September 2020, the fair value of the unlisted preference shares is approximately US$8.0 million (31 March 2020: US$8.0 million).

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS *(Cont'd)*

(c) Structured foreign currency contracts (economic hedge)

The Group assesses its hedging position requirements based on the estimated future exposures of the underlying transactions and the potential fluctuation of the foreign currencies.

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

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

As of 30 September 2020, the Group only had EUR structured foreign currency contracts. The Group's exposure to EUR cash flows over the remaining maturity periods is summarized below:

	Sell EUR (EUR million)
Hedged amount – by plain vanilla contracts	422.9
Economic hedge – by structured forward contracts	
– minimum possible hedge	171.8
– maximum possible hedge	340.6
Percentage of currency exposure hedged *	
– by plain vanilla contracts	49%
– by plain vanilla and structured forward – minimum	69%
– by plain vanilla and structured forward – maximum	89%

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

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS *(Cont'd)*

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

In the first half of FY20/21, losses on structured foreign currency contracts decreased net profit by US$12.3 million, net of tax (US$14.1 million pre-tax loss) (first half of FY19/20: gains increased net profit by US$11.9 million, pre-tax US$13.5 million). Please see Note 16 and Note 24.

As of 30 September 2020, the Group had the following structured foreign currency contracts:

	Settlement currency	Notional value – minimum (million)	Notional value – maximum (million)	Range of contract rates	Weighted average contract rate	Mark-to-market rate	Remaining maturities range (months)	Assets net carrying value (US$'000)
Structured foreign currency contracts (With option features: Reduction of notional amount)								
Sell EUR (for sales) *	USD	EUR 171.8	EUR 340.6	1.30 - 1.39	1.35	1.28	1 – 47	22,686
Sell EUR (for net investment) *	USD	EUR 50.0	EUR 100.0	1.36 - 1.40	1.38	1.31	27 – 51	7,366
Total								30,052

* The EUR to USD is stated in the inverse order

Sensitivity

As of 30 September 2020, a 1% change in the exchange rate for EUR against USD will have the following impact to the Group's income statement:

EUR contracts	Profit before income tax increase / (decrease)
Increase by 1%	US$(3.0) million
Decrease by 1%	US$3.0 million

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

Estimate of future cash flow

In terms of estimating future cash flow, the structured contract rates at maturity compared to spot rates as of 30 September 2020 would give rise to a cash flow benefit of approximately US$40 million (assuming minimum delivery for EUR contracts depending on the contract delivery rate) (31 March 2020: US$56 million).

8. TRADE AND OTHER RECEIVABLES

	30 September 2020 US$'000	31 March 2020 US$'000
Trade receivables – gross *	**588,905**	506,319
Less: impairment of trade receivables	**(3,131)**	(2,025)
Trade receivables – net	**585,774**	504,294
Prepayments and other receivables	**92,554**	88,914
	678,328	593,208

* The balance included bank acceptance drafts from customers amounting to US$24.5 million (31 March 2020: US$22.1 million). The maturity dates of the drafts all fall within 6 months of the balance sheet date

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

Customer credit risk, aging and impairment of gross trade receivables

(a) The Group normally grants credit terms ranging from 30 to 105 days to its trade customers. It has a policy in place to evaluate customer credit risk by considering their current financial position, past payment history, common credit-risk characteristics, and the macroeconomic factor and economic environment in which the customers operate. Management monitors overdue amounts to identify and resolve collection issues. Trade receivables are written off when there is no reasonable expectation of recovery. Indicators of no reasonable expectation of recovery include the failure of a debtor to commit to a repayment plan and a failure to make contractual payments for a period of over 90 days.

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

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

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

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

	Gross carrying amount US$'000	Impairment of trade receivables US$'000	Trade receivables – net US$'000
As of 30 September 2020			
Current	553,264	(45)	**553,219**
1 – 30 days overdue	24,795	(30)	**24,765**
31 – 90 days overdue	6,790	(189)	**6,601**
Over 90 days overdue	4,056	(2,867)	**1,189**
Total	588,905	(3,131)	**585,774**
As of 31 March 2020			
Current	456,887	(134)	456,753
1 – 30 days overdue	33,465	(25)	33,440
31 – 90 days overdue	9,159	(58)	9,101
Over 90 days overdue	6,808	(1,808)	5,000
Total	506,319	(2,025)	504,294

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

	30 September 2020 US$'000	31 March 2020 US$'000
0 – 30 days	**305,460**	213,522
31 – 90 days	**242,022**	256,883
Over 90 days	**41,423**	35,914
Total	**588,905**	506,319

9. TRADE PAYABLES

	30 September 2020 US$'000	31 March 2020 US$'000
Trade payables	**360,728**	350,178

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

	30 September 2020 US$'000	31 March 2020 US$'000
0 – 60 days	**258,326**	207,486
61 – 90 days	**55,732**	69,936
Over 90 days	**46,670**	72,756
Total	**360,728**	350,178

10. CONTRACT BALANCES

Contract assets primarily relate to the deferred contract costs incurred to obtain the customer contract. These costs are subsequently amortized in the consolidated income statement on a systematic basis over the expected contract period.

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

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

	30 September 2020 US$'000	31 March 2020 US$'000
Deferred contract costs included in:		
Trade and other receivables	**2,496**	2,476
Other non-current assets (Note 3)	**7,460**	3,458
Total deferred contract costs	**9,956**	5,934
Contract liabilities balances included in:		
Other payables and deferred income – current	**(22,320)**	(22,799)
Other payables and deferred income – non-current	**(21,776)**	(17,696)
Total contract liabilities	**(44,096)**	(40,495)

In the first half of FY20/21, US$9.4 million (first half of FY19/20: US$7.4 million) included in the contract liability balance at the previous year end date was recognized in profit and loss.

11. BORROWINGS

	30 September 2020			31 March 2020		
	Current	Non-current	Total	Current	Non-current	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Bonds (Note a)	-	299,615	299,615	-	299,324	299,324
Loan from Export Development Canada ("EDC") (Note b)	-	99,744	99,744	-	99,696	99,696
Loans based on trade receivables (Note c)	-	2,349	2,349	-	4,209	4,209
Other borrowings	25,487	5,402	30,889	12,236	-	12,236
Total borrowings	25,487	407,110	432,597	12,236	403,229	415,465

Note:

(a) **Bonds (US$300 million, 4.125% due July 2024)**

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

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

The market value of the bonds was 106.9% of the face value of the bonds as of 30 September 2020 (31 March 2020: 107.2% of the face value of the bonds).

(b) **Loan from EDC**

US$99.7 million (principal US$100.0 million less US$0.3 million transaction costs) was drawn down in June 2018. This is a 5-year loan for the Group's general operating and capital expenditure purposes and the loan will be fully repaid at the maturity date of 6 June 2023. The loan interest rate is fixed at 3.89%.

11. BORROWINGS *(Cont'd)*

(c) **Loans based on trade receivables**

Subsidiary companies have borrowed US$2.3 million based on trade receivables in Europe as of 30 September 2020 (31 March 2020: US$4.2 million). The loans based on trade receivables are backed by committed credit lines. The loans are placed such that the interest expense will match the geography of the operating income as follows:

- Borrowings in Europe of US$2.3 million (EUR2.0 million) (31 March 2020: US$2.2 million (EUR2.0 million)), which are secured by trade receivables and require an over-collateralization level of 20% of the amount loaned (US$2.8 million as of 30 September 2020 and US$2.7 million as of 31 March 2020)
- Borrowings in the USA repaid during the period (31 March 2020: US$2.0 million)

The maturity of borrowings was as follows:

	Bank borrowings		Bonds and other borrowings	
	30 September 2020 US$'000	31 March 2020 US$'000	**30 September 2020 US$'000**	31 March 2020 US$'000
Less than 1 year	**-**	-	**25,487**	12,236
1 – 2 years	**4,519**	4,209	**-**	-
2 – 5 years	**3,232**	-	**399,359**	399,020
	7,751	4,209	**424,846**	411,256

As of 30 September 2020, the interest rate charged on outstanding balances ranged from 0.5% to 4.4% per annum (31 March 2020: 0.5% to 4.7% per annum) and the weighted average effective interest rate of the borrowings including the impact of interest rate swaps (see Note 6(b)) was approximately 2.4% (31 March 2020: 2.7%). Interest expense is disclosed in Note 18.

Johnson Electric subscribes to both Moody's Investors Service and Standard & Poor's (S&P) Ratings Services to provide independent long-term credit ratings. These ratings were reviewed and reaffirmed during the period and as of 30 September 2020, the Group maintained investment grade ratings with a stable outlook from both agencies. These ratings reflect the Group's solid market position, resilience, and prudent financial leverage.

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

12. RETIREMENT BENEFIT OBLIGATIONS

	Defined benefit pension plans US$'000	Defined contribution pension plans and long service payment US$'000	Total US$'000
First half of FY19/20			
As of 31 March 2019	35,853	3,812	39,665
Currency translations	(1,043)	(114)	(1,157)
Charges	3,820	4,519	8,339
Utilizations	(2,436)	(4,609)	(7,045)
Remeasurements *	12,034	-	12,034
As of 30 September 2019	48,228	3,608	51,836
First half of FY20/21			
As of 31 March 2020	39,913	3,834	43,747
Currency translations	3,457	167	3,624
Charges	2,489	4,481	6,970
Utilizations	(2,744)	(4,281)	(7,025)
Remeasurements *	17,351	-	17,351
As of 30 September 2020	**60,466**	**4,201**	**64,667**

* Remeasurements represent actuarial (gains) and losses mainly driven by change in discount rates

The retirement benefit plans were mainly located in Switzerland, the United Kingdom, South Korea, Italy and Germany as of 30 September 2020. Net obligations of US$60.5 million (31 March 2020: US$39.9 million) were comprised of the gross present value of obligations of US$268.2 million (31 March 2020: US$231.9 million) less the fair value of plan assets of US$(207.7) million (31 March 2020: US$(192.0) million).

Retirement benefit plans that are in a net liability position (i.e. plan obligations exceed plan assets) and in a net asset position (i.e. plan assets exceed plan obligations) as of 30 September 2020 are shown below:

	Defined benefit pension plans US$'000	Defined contribution pension plans and long service payment US$'000	Total US$'000
Retirement benefit obligations:			
Current portion	-	436	436
Non-current portion	81,020	3,765	84,785
Defined benefit pension plan assets:			
Non-current portion	(20,554)	-	(20,554)
As of 30 September 2020	**60,466**	**4,201**	**64,667**

13. PROVISIONS AND OTHER LIABILITIES

	Legal and warranty US$'000	Severance US$'000	Reinstatement cost of right-of-use assets US$'000	Total US$'000
First half of FY20/21				
As of 31 March 2020	35,957	785	1,054	37,796
Currency translations	1,485	50	36	1,571
Charges	3,406	-	3	3,409
Utilizations	(6,638)	-	-	(6,638)
As of 30 September 2020	**34,210**	**835**	**1,093**	**36,138**
Current portion	21,442	835	-	22,277
Non-current portion	12,768	-	1,093	13,861
As of 30 September 2020	**34,210**	**835**	**1,093**	**36,138**
First half of FY19/20				
As of 31 March 2019	35,582	975	-	36,557
Currency translations	(641)	(23)	-	(664)
Charges	4,087	-	-	4,087
Utilizations	(5,101)	(60)	-	(5,161)
As of 30 September 2019	33,927	892	-	34,819
Current portion	21,107	892	-	21,999
Non-current portion	12,820	-	-	12,820
As of 30 September 2019	33,927	892	-	34,819

14. PUT OPTION WRITTEN TO A NON-CONTROLLING INTEREST

On 16 May 2017, the Group acquired an additional 50% equity interest in Halla Stackpole Corporation ("HSC"), a 30% associate previously held by the Group, from Halla Holdings Corporation (the "Seller") for consideration of US$83.2 million (KRW93.9 billion). The Group's attributable interest in HSC increased from 30% to 80%.

Pursuant to the Share Purchase Agreement in relation to the acquisition of a 50% equity interest in HSC, the Seller was granted a put option under which the Seller has the right to require the Group to acquire all of its rights in HSC, and the put option is exercisable at any time from May 2022 to May 2026 following the expiration of a 5-year period from the closing date of the acquisition ("Put Exercise Period").

The exercise price of the option shall be based on EBITDA multiples, net of the net debt of HSC for the fiscal year immediately preceding the fiscal year when the option is exercised.

The movement on the carrying amount of expected cash outflows arising from the written put option was as follows:

	2020 **US$'000**	2019 US$'000
As of 31 March	**69,680**	74,245
Currency translations	**2,423**	(4,297)
Accrued interest (Note 18)	**353**	738
Fair value gains * (Note 16)	**(3,048)**	(144)
As of 30 September	**69,408**	70,542

* The fair value gains are mainly driven by a reduction in the liability (estimated value of the put option) as well as due to currency movements

The fair value of the Group's put option written to a non-controlling interest was approximately equal to the carrying value.

15. SHARE CAPITAL

	Share capital – ordinary shares (thousands)	Shares held for incentive share schemes (thousands)	Total shares (thousands)
As of 31 March 2019	885,004	(13,145)	871,859
Shares purchased by trustee for the incentive share schemes	-	(3,477)	(3,477)
Shares vested to Directors and employees for the incentive share schemes	-	4,917	4,917
Shares issued in lieu of cash dividends	17,644	-	17,644
Scrip dividend for shares held for the incentive share schemes	-	(308)	(308)
As of 31 March 2020	902,648	(12,013)	890,635
Shares purchased by trustee for the incentive share schemes	-	(674)	(674)
Shares vested to Directors and employees for the incentive share schemes	-	1,915	1,915
As of 30 September 2020	**902,648**	**(10,772)**	**891,876**

As of 30 September 2020, the total authorized number of ordinary shares was 1,760.0 million (31 March 2020: 1,760.0 million) with a par value of HK$0.05 per share (31 March 2020: HK$0.05 per share). All issued shares were fully paid.

15. SHARE CAPITAL *(Cont'd)*

	Share capital – ordinary shares US$'000	Shares held for the incentive share schemes US$'000	Share premium US$'000	Total US$'000
As of 31 March 2019	5,709	(44,427)	13,265	(25,453)
Shares purchased by trustee for the incentive share schemes	-	(6,321)	-	(6,321)
Shares vested to Directors and employees for the incentive share schemes	-	15,210	(3,648)	11,562
Shares issued in lieu of cash dividends	113	-	32,179	32,292
Scrip dividend for shares held for the incentive share schemes	-	(576)	-	(576)
As of 31 March 2020	5,822	(36,114)	41,796	11,504
Shares purchased by trustee for the incentive share schemes	-	(1,319)	-	(1,319)
Shares vested to Directors and employees for the incentive share schemes	-	5,679	1,301	6,980
As of 30 September 2020	**5,822**	**(31,754)**	**43,097**	**17,165**

Cancellation of issued capital

A general mandate was approved and given to the Board by shareholders at JEHL's AGM held on 15 July 2020 empowering the Board to repurchase shares up to 10% (90.3 million shares) of the aggregate nominal amount of the issued share capital of JEHL. This mandate which had also existed in the previous year was extended to the next 12 month period. No shares were purchased in the first half of FY20/21 for cancellation (first half of FY19/20: nil).

15. SHARE CAPITAL *(Cont'd)*

Incentive share schemes

Share awards under the Long-Term Incentive Share Scheme ("Share Scheme") are granted to Directors, senior management and other employees as recommended by the Chairman and Chief Executive and approved by the Remuneration Committee of the Group. The Share Scheme was approved by the shareholders on 24 August 2009 and was further amended and approved by the shareholders on 20 July 2011. As of 30 September 2020, all of the units under this plan had been vested.

On 9 July 2015, a new share scheme, the Johnson Electric Restricted and Performance Stock Unit Plan ("Stock Unit Plan") was approved by the shareholders and no further grants of share awards under the Share Scheme could be made afterwards. The rules of the Stock Unit Plan provide a better framework to support the use of equity-based compensation on a global scale as Johnson Electric continues to grow its footprint. Under the Stock Unit Plan, the Board may grant time-vested units and performance-vested units to such eligible Directors and employees of the Group as the Remuneration Committee may select at its absolute discretion.

Senior management of the Group receive annual grants of time-vested units (Restricted Stock Units or RSUs) and performance-vested units (Performance Stock Units or PSUs). According to current granting policy, time-vested units typically vest after three years. Performance-vested units vest after three years, subject to achievement of performance conditions over a three-year performance period. The measure for grants since FY19/20 is the three-year cumulative earnings per share.

If the primary condition is met in full, then the entire grant of PSUs will vest at the end of the vesting period. If the primary performance condition is not met, then the secondary performance conditions are considered. The secondary performance conditions consist of a series of one-year earnings per share targets for the Group set at the beginning of each year of the three-year performance period. Partial vesting occurs if one or more of the one-year target for individual divisions are met.

15. SHARE CAPITAL *(Cont'd)*

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

	Number of unvested units granted (thousands)		
	Restricted Stock Units	Performance Stock Units	Total
Unvested units granted, as of 31 March 2019	6,678	6,085	12,763
Units granted to Directors and employees during the year	4,568	2,895	7,463
Units vested to Directors and employees during the year	(3,083)	(2,919)	(6,002)
Forfeited during the year	(288)	(270)	(558)
Unvested units granted, as of 31 March 2020	7,875	5,791	13,666
Units granted to Directors and employees during the period	4,358	1,985	6,343
Units vested to Directors and employees during the period	(1,655)	(698)	(2,353)
Forfeited during the period	-	(873)	(873)
Unvested units granted, as of 30 September 2020	**10,578**	**6,205**	**16,783**

The weighted average fair value of the unvested units granted during the period was HK$13.47 (US$1.73) (first half of FY19/20: HK$14.90 (US$1.91)).

As of 30 September 2020, the number of unvested units outstanding under the Stock Unit Plan was as follows:

	Number of unvested units granted (thousands)		
Vesting year *	Restricted Stock Units	Performance Stock Units	Total
FY20/21	21	-	21
FY21/22	1,724	1,547	3,271
FY22/23	4,214	2,673	6,887
FY23/24	4,619	1,985	6,604
Total unvested units granted	**10,578**	**6,205**	**16,783**

* Shares are typically vested on 1 June of the year

16. OTHER INCOME AND (EXPENSES)

	Six months ended 30 September	
	2020	2019
	US$'000	US$'000
Gross rental income from investment property	**1,165**	1,972
Net gains on financial assets and liabilities at fair value through profit and loss	**31**	75
Fair value gains on put option written to a non-controlling interest (Note 14)	**3,048**	144
Gains / (losses) on disposal of property, plant and equipment	**204**	(214)
Fair value gains, net of transaction costs and other adjustments, on divestment of an investment property	**-**	41,204
Unrealized net (losses) / gains on other financial assets and liabilities (Note 6(f))	**(18,289)**	15,453
Unrealized net gains / (losses) from revaluation of monetary assets and liabilities	**34,071**	(12,764)
Unrealized net (losses) / gains on structured foreign currency contracts	**(14,099)**	13,514
Subsidies and other income	**14,325**	11,741
Other income and (expenses)	**20,456**	71,125

17. SELLING AND ADMINISTRATIVE EXPENSES

	Six months ended 30 September	
	2020	2019
	US$'000	US$'000
Selling expenses	**44,719**	56,039
Administrative expenses	**166,741**	192,182
Legal and warranty	**3,406**	4,087
Net (gains) on realization of other financial assets and liabilities (Note 6(f))	**(21,784)**	(19,955)
Net losses on realization of monetary assets and liabilities	**5,881**	4,343
Net (gains) on realization of structured foreign currency contracts	**(590)**	(229)
Selling and administrative expenses	**198,373**	236,467

18. FINANCE INCOME / (COSTS), NET

	Six months ended 30 September	
	2020	2019
	US$'000	US$'000
Interest income	**1,172**	1,162
Interest (expenses):		
Interest (expenses) on borrowings	**(329)**	(4,336)
Interest (expenses) on bonds	**(6,478)**	(6,455)
Interest (expenses) on convertible bonds (Note 21)	**-**	(120)
	(6,807)	(10,911)
Accrued interest on put option written to a non-controlling interest * (Note 14)	**(353)**	(738)
Interest expense capitalized **	**1,115**	1,413
Total interest (expenses)	**(6,045)**	(10,236)
Net finance (costs) (Note 24)	**(4,873)**	(9,074)

* The interest was calculated by the effective interest method over the estimated gross obligation arising from the put option written to the seller related to the acquisition of Halla Stackpole Corporation

** Interest expense has been capitalized in property, plant and equipment at major new or expanded production sites at an average interest rate of 2.5% per annum (first half of FY19/20: 3.0% per annum)

Borrowings are discussed in Note 11.

19. EXPENSES BY NATURE

Operating profit was stated after crediting and charging the following:

	Six months ended 30 September	
	2020	2019
	US$'000	US$'000
Depreciation		
Depreciation of property, plant and equipment (Note 3)	**106,299**	100,455
Less: amounts capitalized in assets under construction	**(610)**	(846)
Net depreciation (Note 24)	**105,689**	99,609
Engineering expenditure		
Engineering expenditure *	**76,161**	88,805
Less: capitalization of engineering development costs (Note 5)	**(2,925)**	(4,217)
Net engineering expenditure	**73,236**	84,588
Employee compensation		
Wages and salaries	**329,885**	407,650
Share-based payments	**3,549**	2,468
Social security costs	**36,740**	44,058
Pension costs – defined benefit plans	**2,489**	3,820
Pension costs – defined contribution plans	**4,059**	4,556
	376,722	462,552
Less: amounts capitalized in assets under construction	**(1,837)**	(2,805)
	374,885	459,747
Other items:		
Cost of goods sold **	**1,030,696**	1,208,130
Auditors' remuneration	**1,357**	1,355
Amortization of intangible assets (Note 5 & 24)	**15,179**	20,551
Impairment of property, plant and equipment (Note 3 & 24)	**807**	2,764
Impairment of trade receivables / bad debt expense	**1,420**	276

In the first half of FY20/21, the Group received a total sum of US$39.2 million subsidies related to the COVID-19 pandemic. These were set off against relevant costs in the income statement including employee compensation which represents the majority of the subsidies.

* Engineering expenditure as a percentage of sales was 5.7% in the first half of FY20/21 (first half of FY19/20: 5.7%)

** Cost of goods sold comprised materials, direct labour costs (including their social costs) and production overheads

20. TAXATION

The amount of taxation in the consolidated income statement represents:

	Six months ended 30 September 2020 US$'000	2019 US$'000
Current income tax		
Charges for the period	**16,981**	23,394
(Reduction) for tax of prior years *	**(3,671)**	(4,270)
	13,310	19,124
Deferred income tax	**15**	(2,860)
Total income tax expense	**13,325**	16,264
Effective tax rate	**11.4%**	8.9%

* This mainly represents recovery of research and development tax credits

Tax has been provided at the applicable rates on the estimated assessable profit in the respective countries of operations for the period. The effective tax rate was 11.4% for the first half of FY20/21 (first half of FY19/20: excluding the non-taxable net gain on divestment of an investment property of US$41.2 million, 11.5%). The Group's effective tax rate differed from the statutory tax rate of Hong Kong of 16.5% (first half of FY19/20: 16.5%) as follows:

	Six months ended 30 September 2020		Six months ended 30 September 2019	
		US$'000		US$'000
Profit before income tax		**116,942**		182,501
Tax charged at Hong Kong profits tax rate	**16.5%**	**19,295**	16.5%	30,113
Effect of different tax rates in other countries				
– countries with taxable profit	**3.2%**	**3,765**	1.6%	2,955
– countries with taxable loss	**(1.9)%**	**(2,241)**	(1.7)%	(3,121)
Effect of income, net of expenses, not subject to tax	**(9.8)%**	**(11,447)**	(7.9)%	(14,420)
(Reductions) of tax for prior years – current and deferred	**(2.9)%**	**(3,413)**	(2.8)%	(5,067)
Withholding tax	**3.7%**	**4,322**	2.1%	3,775
Other taxes and temporary differences, net of (tax loss recognition) and other (tax benefits)	**2.6%**	**3,044**	1.1%	2,029
Total income tax expense	**11.4%**	**13,325**	8.9%	16,264

21. EARNINGS PER SHARE

Basic earnings per share

Basic earnings per share was calculated by dividing the profit attributable to shareholders by the weighted average number of ordinary shares in issue during the period excluding ordinary shares purchased by JEHL and held for the incentive share schemes.

	Six months ended 30 September	
	2020	2019
Profit attributable to shareholders (thousands US Dollar)	**100,785**	162,045
Weighted average number of ordinary shares in issue (thousands)	**891,742**	876,819
Basic earnings per share (US cents per share)	**11.30**	18.48
Basic earnings per share (HK cents per share)	**87.60**	144.80

Diluted earnings per share

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

	Six months ended 30 September	
	2020	2019
Profit attributable to shareholders (thousands US Dollar)	**100,785**	162,045
Adjustments for convertible bonds		
– interest (thousands US Dollar) (Note 18)	**-**	120
Adjusted profit attributable to shareholders (thousands US Dollar)	**100,785**	162,165
Weighted average number of ordinary shares issued and outstanding (thousands)	**891,742**	876,819
Adjustments for incentive shares granted		
– incentive share schemes - Restricted Stock Units	**2,285**	1,049
– incentive share schemes - Performance Stock Units	**-**	411
Adjustments for convertible bonds		
– assumed conversion of convertible bonds	**-**	1,340
Weighted average number of ordinary shares (diluted) (thousands)	**894,027**	879,619
Diluted earnings per share (US cents per share)	**11.27**	18.44
Diluted earnings per share (HK cents per share)	**87.38**	144.45

22. INTERIM DIVIDEND

	Six months ended 30 September 2020 US$'000	2019 US$'000
Interim, of 17 HK cents (2.18 US cents) per share, to be paid in January 2021 (first half of FY19/20: 17 HK cents or 2.18 US cents)	**19,563** *	19,297

* Interim dividend with a scrip dividend option offered to shareholders, is calculated based on the total number of shares as of 30 September 2020. The interim dividend will be payable on 12 January 2021 to shareholders registered on 2 December 2020

23. COMMITMENTS

	30 September 2020 US$'000	31 March 2020 US$'000
Capital commitments, contracted but not provided for:		
Property, plant and equipment	**107,043**	65,658

24. CASH GENERATED FROM OPERATIONS

	Six months ended 30 September 2020 US$'000	2019 US$'000
Profit before income tax	**116,942**	182,501
Add: Depreciation of property, plant and equipment (Note 19)	**105,689**	99,609
Amortization of intangible assets (Note 5 & 19)	**15,179**	20,551
Net finance costs (Note 18)	**4,873**	9,074
Associate dividend receipts less share of profits	**13**	(37)
EBITDA*	**242,696**	311,698
Other non-cash items		
(Gains) / losses on disposal of property, plant and equipment	**(204)**	214
Impairment of property, plant and equipment (Note 3 & 19)	**807**	2,764
Net (gains) on financial assets and liabilities at fair value through profit and loss	**(31)**	(75)
Fair value (gains) on put option written to a non-controlling interest	**(3,048)**	(144)
Share-based payments	**2,808**	417
Fair value (gains), net of transaction costs and other adjustments, on divestment of an investment property	**-**	(41,204)
Unrealized net losses / (gains) on structured foreign currency contracts	**14,099**	(13,514)
	14,431	(51,542)
EBITDA* net of other non-cash items	**257,127**	260,156
Change in working capital		
(Increase) in inventories	**(10,770)**	(22,335)
(Increase) / decrease in trade and other receivables	**(76,779)**	16,206
(Increase) / decrease in other non-current assets	**(2,125)**	778
Increase in trade payables, other payables and deferred income	**18,344**	34,952
(Decrease) / increase in retirement benefit obligations **	**(55)**	1,294
(Decrease) in provision and other liabilities	**(3,229)**	(1,074)
Change in other financial assets and liabilities	**20,339**	(15,134)
	(54,275)	14,687
Cash generated from operations	**202,852**	274,843

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

** Net of defined benefit pension plan assets

In the first half of FY20/21, short-term lease payments, payments for leases of low-value assets and variable lease payments not included in the measurement of the lease liability within operating activities was US$1.8 million of which US$0.1 million was recognized in "Cost of goods sold" and US$1.7 million was recognized in "Selling and administrative expenses" (first half of FY19/20: US$2.6 million, US$0.7 million in "Cost of goods sold" and US$1.9 million in "Selling and administrative expenses").

25. RELATED PARTY TRANSACTION

25.1 Directors’ remuneration

The remuneration of Directors for the first half of FY20/21 was as follows:

	Six months ended 30 September	
	2020	2019
	US$'000	US$'000
Fees	**242**	221
Salaries *	**719**	1,036
Share-based payments	**585**	2,023
Discretionary bonuses	**444**	58
Employer's contribution to retirement benefit scheme	**124**	124
	2,114	3,462

* Salaries included basic salaries, housing allowances and other benefits in kind

25.2 Senior management compensation

Other than the directors' remuneration disclosed above, emoluments paid to 9 members (first half of FY19/20: 9) of senior management were as follows:

	Six months ended 30 September	
	2020	2019
	US$'000	US$'000
Salaries, allowances and other benefits	**2,744**	3,000
Retirement scheme contributions	**286**	296
Share-based payments	**1,841**	3,555
Bonuses	**873**	562
	5,744	7,413

Except as disclosed above, the Group had no material related party transaction during the period.

26. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and commodity price risk), credit and customer collection risk, liquidity risk and capital risk.

These condensed consolidated interim financial statements do not include all financial risks management information and disclosures required in the annual financial statement, and should be read in conjunction with the Group's annual financial statement as of 31 March 2020.

There has been no change in the Group's risk management policies since 31 March 2020.

27. FAIR VALUE ESTIMATION

The fair value of the Group's assets and liabilities is classified into a 3 levels hierarchy based on measurement according to HKFRS 7 and HKFRS 13 requirements and disclosed as below:

Level 1 : No financial assets and liabilities of the Group are quoted in public markets.

Level 2 : The Group's level 2 investment property is valued on an open market basis. The Group's level 2 other financial assets and liabilities are traded in the market and the fair values are based on bank valuations.

Level 3 : The Group's level 3 investment property is not traded actively in the market and their fair values are obtained by appraisals performed by independent professional qualified valuers. The Group's level 3 financial assets and liabilities at fair value through profit and loss are mainly structured foreign currency contracts with option features and investments in unlisted preference shares. The fair value of the structured foreign currency contracts are based on the valuations issued by the investment banks, which have inputs that were not observable market data. For investments in unlisted companies, the Group establishes fair value by using appropriate valuation techniques. These include the use of recent arm's length transactions, comparable transaction price and discounted cash flow reference to other substantially similar instruments.

27. FAIR VALUE ESTIMATION *(Cont'd)*

The following table presents the Group's assets and liabilities that are measured at fair value as of 30 September 2020 and 31 March 2020.

	Level 1 US$'000	Level 2 US$'000	Level 3 US$'000	Total US$'000
As of 30 September 2020				
Assets				
Investment property				
– industrial property	-	-	25,530	25,530
– residential property and car parks	-	91	7,608	7,699
Other financial assets				
– derivatives used for hedging	-	187,183	3,185	190,368
– derivatives held for trading	-	769	166	935
Financial assets at fair value through profit and loss				
– call option related to the acquisition of Halla Stackpole	-	-	2,297	2,297
– unlisted preference shares	-	-	8,000	8,000
– structured foreign currency contracts	-	-	30,052	30,052
– other investment	-	-	2,580	2,580
Total assets	-	188,043	79,418	267,461
Liabilities				
Other financial liabilities				
– derivatives used for hedging	-	64,512	-	64,512
– derivatives held for trading	-	133	-	133
Total liabilities	-	64,645	-	64,645
As of 31 March 2020				
Assets				
Investment property				
– industrial property	-	-	25,286	25,286
– residential property and car parks	-	91	7,608	7,699
Other financial assets				
– derivatives used for hedging	-	239,332	2,475	241,807
– derivatives held for trading	-	496	335	831
Financial assets at fair value through profit and loss				
– call option related to the acquisition of Halla Stackpole	-	-	2,190	2,190
– unlisted preference shares	-	-	8,000	8,000
– structured foreign currency contracts	-	-	44,151	44,151
– other investment	-	-	1,440	1,440
Total assets	-	239,919	91,485	331,404
Liabilities				
Other financial liabilities				
– derivatives used for hedging	-	122,812	-	122,812
– derivatives held for trading	-	426	-	426
Total liabilities	-	123,238	-	123,238

27. FAIR VALUE ESTIMATION *(Cont'd)*

There was no transfer of assets and liabilities between the level 1, level 2 and level 3 fair value hierarchy during the period.

Discussion of valuation processes and results are held between the Group's senior management, valuers and banks to validate the major inputs and validation process.

The following summarizes the major methods and assumptions used in estimating the fair values of the assets and liabilities classified as level 2 or 3 and the valuation process for assets and liabilities classified as level 3:

(i) Investment property

Level 2

Fair values of car parks are generally derived using the direct comparison method. This valuation method is based on comparing the property to be valued directly with other comparable properties in close proximity, which have recently transacted. The most significant input into this valuation approach is unit price per parking space.

Level 3

Fair values of industrial property and residential property are derived using the income capitalization and market comparison method. Income capitalization method is based on the capitalization of the net income by adopting appropriate capitalization rates, which are derived from analysis of sale transactions and valuers' interpretation of prevailing investor requirements or expectations. The prevailing market rents adopted in the valuation have been referenced to valuers' view of recent lettings, within the subject property and other comparable property. The market comparison method takes into account properties that are similar in nature in the general locality, which have recently transacted, with adjustments made on factors such as size, age, location and condition. The most significant input in this valuation approach is the price per square feet.

Significant inputs used to determine the fair value of investment property are as follows:

		As of 30 September 2020		As of 31 March 2020	
Property	Valuation method	Market rate / rent per month	Market yield	Market rate / rent per month	Market yield
Industrial	Income capitalization	RMB 3.9 to HK$ 7.0 / sq. ft	9.2% to 10.5%	RMB 3.9 to HK$ 7.0 / sq. ft	9.2% to 10.5%
Residential	Market comparison	HK$25,787 / sq.ft		HK$25,787 / sq.ft	

Market rates / rents are estimated based on valuers' view of recent lettings, within the subject property and other comparable property. The higher the rents, the higher the fair value.

Market yields are estimated by valuers based on the risk profile of the property being valued. The lower the rates, the higher the fair value.

27. FAIR VALUE ESTIMATION *(Cont'd)*

(ii) Other financial assets and liabilities

Majority of the Group's other financial assets and liabilities are classified as level 2. The Group relies on bank valuations to determine the fair value of financial assets and liabilities which in turn are determined using discounted cash flow analysis. These valuations maximize the use of observable market data. Commodity price and foreign currency exchange prices are the key observable inputs in the valuation.

(iii) Financial assets and liabilities at fair value through profit and loss

The majority of the Group's financial assets and liabilities at fair value through profit and loss are structured foreign currency contracts with options features and unlisted preference shares which are classified as level 3. For structured foreign currency contracts, the Group relies on bank valuations to determine the fair value of the instruments. Key observable inputs in the valuation are spot rates, strike rates, volatility, time to expiration and risk free rate. For investment in unlisted companies, the Group establishes fair value by using appropriate valuation techniques. These include the use of recent arm's length transactions, comparable transaction price and discounted cash flow reference to other substantially similar instruments.

The following table presents the changes in level 3 assets and (liabilities) for the first half of FY20/21 and the first half of FY19/20:

	Investment property											
	Commercial building		Industrial property		Residential property		Other financial assets and (liabilities)		Financial assets and (liabilities) at fair value through profit and loss		Total	
	Sep 20 US$'000	Sep 19 US$'000	**Sep 20 US$'000**	Sep 19 US$'000	**Sep 20 US$'000**	Sep 19 US$'000	**Sep 20 US$'000**	Sep 19 US$'000	**Sep 20 US$'000**	Sep 19 US$'000	**Sep 20 US$'000**	Sep 19 US$'000
At of 31 March	**-**	77,708	**25,286**	26,498	**7,608**	7,134	**2,810**	-	**55,781**	29,767	**91,485**	141,107
Currency translations	**-**	-	**244**	(383)	**-**	-	**-**	-	**78**	(135)	**322**	(518)
Capitalized expenditure	**-**	12	**-**	-	**-**	-	**-**	-	**-**	-	**-**	12
Addition	**-**	-	**-**	-	**-**	-	**-**	-	**1,140**	720	**1,140**	720
Disposal	**-**	-	**-**	-	**-**	-	**(755)**	-	**(590)**	221	**(1,345)**	221
Transferred to non-current assets held for sale	**-**	(120,908)	**-**	-	**-**	-	**-**	-	**-**	-	**-**	(120,908)
Fair value gains / (losses)	**-**	43,188	**-**	-	**-**	-	**1,296**	(182)	**(13,480)**	13,292	**(12,184)**	56,298
As of 30 September	**-**	-	**25,530**	26,115	**7,608**	7,134	**3,351**	(182)	**42,929**	43,865	**79,418**	76,932
Change in unrealized gains / (losses) for the period included in the income statement for assets held at balance sheet date	**-**	-	**-**	-	**-**	-	**166**	(182)	**(13,357)**	13,513	**(13,191)**	13,331
Total gains / (losses) for the period included in the income statement	**-**	43,188	**-**	-	**-**	-	**585**	(182)	**(13,480)**	13,292	**(12,895)**	56,298

28. FINANCIAL INSTRUMENTS BY CATEGORY

According to HKFRS 7 and HKFRS 9, financial assets represent assets with contractual rights to receive cash flows. Financial liabilities represent liabilities with contractual obligations to pay the cash flows to one or more recipients. The financial instruments of the Group are classified into 2 categories disclosed as below:

	Financial assets and (liabilities) at amortized cost US$'000	Financial assets and (liabilities) at fair value US$'000	Total US$'000
As of 30 September 2020			
Assets as per balance sheet			
Other non-current assets	3,613	-	3,613
Other financial assets	-	191,303	191,303
Financial assets at fair value through profit and loss	-	42,929	42,929
Trade and other receivables excluding prepayments	620,123	-	620,123
Cash and cash equivalents	468,845	-	468,845
Total financial assets	1,092,581	234,232	1,326,813
Liabilities as per balance sheet			
Other financial liabilities	-	(64,645)	(64,645)
Trade payables	(360,728)	-	(360,728)
Other payables	(174,244)	-	(174,244)
Borrowings	(432,597)	-	(432,597)
Lease liabilities	(56,930)	-	(56,930)
Put option written to a non-controlling interest	(69,408)	-	(69,408)
Total financial liabilities	(1,093,907)	(64,645)	(1,158,552)
As of 31 March 2020			
Assets as per balance sheet			
Other non-current assets	3,284	-	3,284
Other financial assets	-	242,638	242,638
Financial assets at fair value through profit and loss	-	55,781	55,781
Trade and other receivables excluding prepayments	534,269	-	534,269
Cash and cash equivalents	384,369	-	384,369
Total financial assets	921,922	298,419	1,220,341
Liabilities as per balance sheet			
Other financial liabilities	-	(123,238)	(123,238)
Trade payables	(350,178)	-	(350,178)
Other payables	(161,422)	-	(161,422)
Borrowings	(415,465)	-	(415,465)
Lease liabilities	(60,189)	-	(60,189)
Put option written to a non-controlling interest	(69,680)	-	(69,680)
Total financial liabilities	(1,056,934)	(123,238)	(1,180,172)

29. EFFECT OF ADOPTING NEW, REVISED AND AMENDED HKFRS

Standards, interpretations and amendments to published standards effective since 1 April 2020 which are relevant to the Group

In the first half of FY20/21, the Group adopted the following new, revised and amended standards of HKFRS below, which are relevant to its operations and have an impact on the consolidated financial statements:

Conceptual Framework for Financial Reporting 2018	Revised conceptual framework for financial reporting
HKAS 1 (amendment) and HKAS 8 (amendment)	Definition of material
HKFRS 3 (amendment)	Definition of business

The adoption of such new, revised and amended standards did not have material impact on the consolidated financial statements.

Standard adopted early by the Group

The Group has adopted early the revised standard of HKFRS below, which is relevant to its operations.

HKFRS 16 (amendment)	COVID-19-Related Rent Concessions

The amendment provides an optional practical expedient allowing lessees to elect not to assess whether a rent concession related to COVID-19 is a lease modification. Lessees adopting this election may account for qualifying rent concessions in the same way as they would if they were not lease modifications. The practical expedient only applies to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all of the following conditions are met: a) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; b) any reduction in lease payments affects only payments due on or before 30 June 2021; and c) there is no substantive change to other terms and conditions of the lease.

The Group has applied the practical expedient to all qualifying COVID-19-related rent concessions. Rent concessions totalling US$0.9 million has been accounted for as negative variable lease payments and recognized in "Cost of goods sold" and "Selling and administrative expenses" in the consolidated income statement for the first half of FY20/21, with a corresponding adjustment to the lease liabilities. There is no impact on the opening balance of equity at 1 April 2020.

CORPORATE AND SHAREHOLDER INFORMATION

Johnson Electric Holdings Limited

(Incorporated in Bermuda with limited liability)

CORPORATE INFORMATION

Board of Directors

Executive Directors

Patrick Shui-Chung WANG *JP*
Chairman and Chief Executive
Winnie Wing-Yee MAK WANG
Vice-Chairman
Austin Jesse WANG

Non-Executive Directors

Yik-Chun WANG KOO
Honorary Chairman
Peter Kin-Chung WANG
Peter Stuart Allenby EDWARDS *
Patrick Blackwell PAUL *CBE, FCA* *
Michael John ENRIGHT *
Joseph Chi-Kwong YAM *GBM, GBS, CBE, JP* *
Christopher Dale PRATT *CBE* *
Catherine Annick Caroline BRADLEY *CBE* *

* *Independent Non-Executive Director*

Company Secretary
Lai-Chu CHENG

Auditor
PricewaterhouseCoopers

Share Registrars and Transfer Offices
Principal Registrar:
MUFG Fund Services (Bermuda) Limited
4th Floor North, Cedar House
41 Cedar Avenue
Hamilton HM 12
Bermuda

Share Registrar in Hong Kong:
Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wan Chai, Hong Kong

Registered Office
Victoria Place, 5th Floor
31 Victoria Street
Hamilton HM 10
Bermuda

Hong Kong Head Office
12 Science Park East Avenue, 6/F
Hong Kong Science Park
Shatin, New Territories
Hong Kong
Tel : (852) 2663 6688
Fax : (852) 2897 2054
Website : www.johnsonelectric.com

Principal Bankers
The Hongkong and Shanghai Banking Corporation Limited
Commerzbank AG
Bank of China (Hong Kong) Limited
Mizuho Bank, Ltd.
MUFG Bank, Ltd.
Hang Seng Bank Limited
Citibank, N.A.
JPMorgan Chase Bank, N.A.
BNP Paribas
Standard Chartered Bank
UniCredit Bank AG
The Export-Import Bank of China

Rating agencies
Moody's Investors Service
Standard & Poor's Ratings Services

LISTING INFORMATION

Share Listing

The Company's shares are listed on The Stock Exchange of Hong Kong Limited

Stock Code

The Stock Exchange of Hong Kong Limited	: 179
Bloomberg	: 179:HK
Reuters	: 0179.HK

SHAREHOLDERS' CALENDAR

Register of Shareholders

Closure of Register (both dates inclusive)
30 November – 2 December 2020 (Mon – Wed)

Dividend (per Share)

Interim Dividend	: 17 HK cents
Dividend Warrants and Share Certificates for interim dividend	: 12 January 2021 (Tue)

PUBLICATION OF RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the websites of the Group (www.johnsonelectric.com) and HKExnews (www.hkexnews.hk). The Company's Interim Report 2020 will be despatched to the shareholders and available on the same websites.

BOARD OF DIRECTORS

As of the date of this announcement, the Board comprises Patrick Shui-Chung WANG, Winnie Wing-Yee MAK WANG, Austin Jesse WANG, being the Executive Directors, and Yik-Chun WANG KOO, Peter Kin-Chung WANG, being the Non-Executive Directors, and Peter Stuart Allenby EDWARDS, Patrick Blackwell PAUL, Michael John ENRIGHT, Joseph Chi-Kwong YAM, Christopher Dale PRATT and Catherine Annick Caroline BRADLEY being the Independent Non-Executive Directors.

On behalf of the Board

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

Hong Kong, 11 November 2020

Johnson Electric is one of the constituent stocks on the Hang Seng Composite MidCap Index under the Hang Seng Composite Index, the Hang Seng Corporate Sustainability Benchmark Index, the China Exchanges Services (CES) Belt and Road Index, the Bloomberg World Index and the S&P Europe Pacific Asia Composite (EPAC) SmallCap Index. For further information, please visit: www.johnsonelectric.com.