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## **Johnson Electric Holdings Limited**

(Incorporated in Bermuda with limited liability)

(Stock Code: **179**)

### **Impairment of Goodwill and Other Intangibles**

This announcement is made by Johnson Electric Holdings Limited (“Johnson Electric” or the “Company”, and together with its subsidiaries, the “Group”) pursuant to Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and Part XIVA of the Securities and Futures Ordinance (Cap.571, Laws of Hong Kong).

The Company is scheduled to report its annual results for the twelve months ended 31 March 2020 on 13 May 2020. Ahead of that results announcement (and prior to the finalisation of the audited consolidated accounts for the said financial year), the Board of Directors of the Company wishes to inform shareholders and potential investors that it expects to record an impairment charge of approximately US\$800 million against goodwill and other intangible assets. The impairment charge is a non-cash item and does not have an impact on the Group’s cash flows, operations, liquidity and debt covenant compliance. However, this non-cash charge will significantly impact reported earnings in the period, and as a result, the Group expects to report a loss for the financial year ended 31 March 2020.

#### **Impact of COVID-19 Pandemic**

Automotive customers across Europe and North America have implemented assembly plant shutdowns to contain the COVID-19 pandemic. Johnson Electric is also affected by these containment measures necessitating the closure of some of our automotive component plants in affected regions. These extreme and unprecedented measures will significantly impact sales, especially in the first half of the year ending 31 March 2021. While the situation remains uncertain, management believes that in the near term, high unemployment will adversely affect disposable income. This is expected to lead to weak consumption that will outlast the social and economic lockdowns related to the corona virus outbreak. Although growth in demand is expected to return in the medium to long term, the immediate impact of the global pandemic on certain segments of the Group’s business, especially automotive, is to reset the base for growth and cause future cash flow to decline before gradually improving.

#### **Impairment of Goodwill and Other Intangible Assets – Management’s Preliminary Assessment**

In the unaudited consolidated accounts of the Company as of 30 September 2019, the goodwill of the business was US\$760 million. This goodwill arose from the Group’s acquisition of various businesses over many years and represents the excess of the purchase consideration paid by Johnson Electric over the identified net assets of the acquired businesses.

As required by the Hong Kong Accounting Standards, a goodwill impairment review is required to be performed at least annually. Forecast sales growth, operating margins and the Group’s weighted average cost of capital

("WACC") are key parameters in this assessment. If the recoverable amount of goodwill and other intangible assets is less than their respective carrying values, then the Company must record an impairment charge.

Management has undertaken a preliminary assessment of goodwill and other intangible assets as of 31 March 2020. Taking into account the combined effect of the COVID-19 pandemic and the expected slow recovery from current market conditions, as well as changes in the Group's WACC, the recoverable amount of goodwill and some other intangible assets is less than their carrying value. As a result, the Company intends to record an impairment charge, which is estimated to be approximately US\$760 million against goodwill and US\$40 million against other intangible assets. These amounts are still subject to audit.

**Shareholders and potential investors should exercise caution when dealing or investing in the shares of the Company.**

#### **Board of Directors**

As of the date of this announcement, the Board of Directors 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.

By Order of the Board  
**Johnson Electric Holdings Limited**  
**Lai-Chu CHENG**  
*Company Secretary*

Hong Kong, 4 May 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](http://www.johnsonelectric.com).*