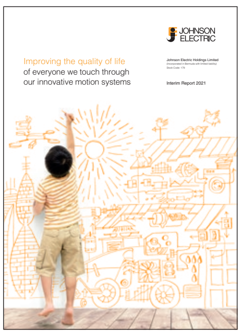
JOHNSON ELECTRIC

Improving the quality of life of everyone we touch through our innovative motion systems

Johnson Electric Holdings Limited
(Incorporated in Bermuda with limited liability)
Stock Code: 179

Interim Report 2021

Contents



Futuristic world through a kid's eyes –
Johnson Electric is an active player in creating a sustainable future for the world through our innovative motion solutions and our positive impact on local communities where we operate.

Highlights

- Group sales US$1,674 million – up 26% compared to first half of the prior year. Excluding the effects of foreign currency movements and an acquisition, sales increased by 21%
- Gross profit US$357 million or 21.3% of sales (compared to US$300 million or 22.5% of sales in first half of the prior year)
- Adjusted EBITA US$138 million (compared to US$135 million in first half of the prior year)
- Net profit attributable to shareholders decreased by 8% to US$93 million or 10.36 US cents per share on a fully diluted basis
- Underlying net profit, excluding the net impact of restructuring costs and non-cash items, decreased by 2% to US$96 million
- Decline in profit margins as a result of various factors, including global supply chain disruptions, commodity price increases and reduced COVID-19 related subsidies
- Free cash outflow from operations US$56 million (compared to a free cash inflow of US$68 million in first half of the prior year)
- Acquisition of E. Zimmermann GmbH, a specialist automotive machining business based in Germany
- Total debt to capital ratio of 18% and cash reserves of US$487 million as of 30 September 2021
- Interim dividend 17 HK cents per share (2.18 US cents per share) with a scrip dividend alternative

Letter to Shareholders

Johnson Electric experienced a strong recovery in demand in the six-month period ended 30 September 2021, as most major economies rebounded from the COVID-19 global pandemic. That rebound has been accompanied by a number of widely reported supply chain headwinds that have had a negative impact on the Group's margins and are continuing to present a challenge to global manufacturing enterprises.

Total Group sales for the first half of FY21/22 totalled US$1,674 million, an increase of 26% over the first half of the prior year. Excluding the effects of foreign currency movements and an acquisition, sales increased by 21%. Net profit attributable to shareholders decreased by 8% to US$93 million or 10.36 US cents per share on a fully diluted basis. Underlying net profit, after adjusting for the effects of a number of non-cash items and restructuring costs, decreased by 2% to US$96 million.

Automotive Products Group

The Automotive Products Group ("APG"), which accounted for 76% of total Group sales, reported a 21% increase in sales on a constant currency basis and excluding an acquisition. A significant part of this increase relates to the fact that in the period from late March to May 2020, much of Johnson Electric's automotive component operations in Europe and the Americas were effectively shut down due to the pandemic.

Although direct comparisons with the same period in the prior year are therefore somewhat misleading, APG achieved sales growth well above global auto industry production growth of approximately 6% during the six months from April to September 2021. The drivers of this sustained outperformance are the division's focus on innovative technology solutions that enable electrification, reduce emissions, improve fuel economy and heighten end-user comfort and safety.

APG's sales performance on a regional level reflected both variations in the progression of the COVID-19 pandemic and the disruptive impact of several supply chain bottlenecks that have hit the global automotive sector over the period under review.

In Europe and the Americas, APG's sales in constant currency and excluding an acquisition increased by 34% and 29%, respectively. As previously noted, the majority of this growth was achieved as OEM assembly plants in these regions were no longer closed for pandemic containment reasons and end-market consumer demand for passenger vehicles was exceptionally strong. However, throughout the period under review, the automotive industry struggled to cope with a prolonged shortage of semiconductors and other components. This has required all major auto OEMs to make frequent changes to production schedules, suspend production of selected vehicle models and temporarily close some factories entirely. In Europe, these disruptions to supply resulted in the lowest number of new passenger vehicle registrations in the month of September since 1995.

APG's sales in Asia increased by 8% in constant currency terms. Light vehicle production volumes in the region were flat compared to the same period in the prior year, with China's production volumes declining by 11%. China's economy recovered quicker from the impact of the pandemic in 2020 and hence the weakness of its automotive industry compared to the prior year's April to September period was largely a reflection of the global microchip shortage and a subdued domestic consumer economy. Demand and production activity in Southeast Asian markets were also negatively impacted by a resurgence in COVID-19 in several countries.

Industry Products Group

The Industry Products Group ("IPG"), which accounted for 24% of total Group sales, reported a 19% increase in sales on a constant currency basis compared to the first half of the prior year.

The changes to consumer behaviour and purchasing preferences that emerged during the pandemic remained a strong growth driver for many of the product applications served by IPG during the first half. Lawn and garden, white goods, window automation, beverages, power tools and other "home-centric" segments experienced particularly high sales growth due to a combination of recent programme launches, new business wins and increased market demand. Sales in the medical segment also increased, as automated surgical tools took market share from manual medical devices.

The global supply chain constraints that have weighed on the automotive sector also held back production in several of IPG's end markets. In addition to semiconductor shortages, these included shortages in other materials and components, and disruptions to shipping schedules. Notwithstanding these supply challenges, IPG's order book throughout the period remained at among its highest levels in recent years.

Profitability and Financial Condition

Gross profit increased by 19% to US$357 million – which as a percentage of sales represented a decline from 22.5% to 21.3%. The decline in the gross margin reflected a combination of factors. Rising labour costs, exacerbated by the inefficiencies caused by components shortages and disruptions to customer production schedules, adversely affected the gross margin. Furthermore, the significant reduction in pandemic-related subsidies and the ending of one-off cost-saving initiatives, as well as the marked increase in underlying raw materials costs (partially offset by hedging contracts) also reduced the gross margin.

Group operating profits amounted to US$117 million compared to US$122 million in the first half of the prior year. The reduction in reported operating income and in net profit attributable to shareholders was primarily due to the substantial increase in freight and logistics expenses that was only partly offset by an increase in the net contribution from Other Income.

The COVID-19 pandemic and its repercussions has created an unprecedented shock to the container shipping sector. The whiplash effect of demand collapsing and then rebounding sharply has resulted in an imbalance in the availability of containers worldwide – with a significant shortage in Asia. Events such as the blockage of the Suez Canal and spikes in COVID-19 cases in several major container ports have further disrupted the normal operations of the global logistics supply chain. As a result, spot market prices for shipping containers on some routes have soared by more than five times their average price over the previous five years.

Excluding costs related to the restructuring of the Group's manufacturing footprint and non-cash items mostly related to foreign currency movements, the underlying net profit margin for the first half decreased to 5.8% compared to 7.4% in the first half year of the prior year.

Higher inventories in response to the rebound in end-market demand and increased capital expenditure on automation and development of the Group's manufacturing footprint resulted in a free cash outflow of US$56 million for the period. Johnson Electric's financial condition remains robust with a total debt to capital ratio of 18% and cash balances of US$487 million as of 30 September 2021.

Interim Dividend

The Board has today declared an interim dividend of 17 HK cents per share, equivalent to 2.18 US cents per share (2020 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 2022 to shareholders registered on 2 December 2021.

Corporate Strategy and Development

Johnson Electric is now into its seventh decade of providing motion solutions to customers worldwide. Although we are operating in a world where the pace of technological change has never been faster or more unpredictable, the range of opportunities open to our business has never been greater.

Several long-term trends driving consumer demand, including increased electrification, emissions reduction, automation, mobility, healthcare and safety, are dependent on the types of product offering and technologies that are at the heart of what we do as a business. Our R&D efforts are therefore focused on anticipating and meeting these customer needs through innovative designs that deliver optimum performance at an attractive price.

Sustaining success over the long term, however, requires a recognition that the context and competitive environment in which we are operating is never stable. Examples include the reintroduction of trade barriers because of rising geopolitical tensions, the shock of the COVID-19 pandemic and, most recently, a near “perfect storm” of disruptions to global manufacturing supply chains.

Our response to these challenges is, in part, to drive forward with the investments we have been making over several years to adapt the shape and nature of our global operations. This means building large-scale production and engineering capabilities in each of the three major economic regions of the world to reduce dependence on any one region and to be closer to our end customers. It also requires investing in advanced, automated production platforms to improve quality and address the increasing scarcity and rising cost of direct labour.

In addition to those significant investments, we are working hard to combine the latest advances in digital technology and our own deep pool of business and product data to enable dramatically faster response times to customers.

The ultimate goal of our strategy is to ensure that our business is aligned with the most promising opportunities for profitable growth and equipped with an operating model that is sufficiently agile and resilient to succeed in rapidly changing conditions.

Supplementing the organic transformation of Johnson Electric’s business model, we are continuing to pursue external opportunities to leverage our existing capabilities and create new growth options.

In May 2021, we completed the acquisition of E. Zimmermann GmbH, a specialist machining business based in Germany. The combination of Zimmermann’s know-how in machining automotive differential housings with Stackpole’s powder metal expertise is set to open a new opportunity for the Group to expand its presence in power transmission systems in new energy vehicles.

In October 2021, IPG formed a new joint venture company with Cortica Ltd., an Israel-based leader in the field of autonomous artificial intelligence. Leveraging Johnson Electric's experience across a wide range of manufacturing processes with Cortica's unique self-learning technology, this new business enterprise will focus on developing and marketing AI-driven quality assurance software for industrial automation processes.

Outlook

The rather mixed picture of the first half of the 2021/22 financial year looks set to continue in the second half. On the one hand, end-market demand remains buoyant and the Group continues to win new business programmes and market share in many of the fastest growing product applications for both our automotive and industry products divisions. On the other hand, there is no clear sign that the global supply chain disruptions and inflationary forces that hampered operations and depressed profit margins in the first half are behind us.

The prolonged shortage of semiconductors continues to weigh heavily on the automotive sector and looks likely to persist through all of 2022. High raw material and logistics costs, combined with rising labour rates, will also remain a burden on the business in the near term given the practical challenges and lag effect of passing additional costs on through pricing changes.

Looking beyond the next six to twelve months, the prospects for improved profitability and cash flow generation are more encouraging given the strong customer pull for Johnson Electric's technology solutions and the progress we are making in transforming our global manufacturing footprint and business processes.

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 2021

Management's Discussion and Analysis

Financial Performance

US$ million	First half of FY21/22	First half of FY20/21
Sales	1,674.1	1,330.3
Gross profit	357.4	299.6
Gross margin	*21.3%*	*22.5%*
EBITA [1]	134.0	137.0
EBITA adjusted [2]	138.4	135.3
EBITA adjusted margin	*8.3%*	*10.2%*
Profit attributable to shareholders	93.2	100.8
Underlying net profit [2]	96.5	98.3
Diluted earnings per share (US cents)	10.36	11.27
Free cash (out) / inflow from operations	(55.9)	68.2

US$ million	30 Sep 2021	31 Mar 2021
Cash	486.5	539.5
Total debt	510.0	426.2
Net (debt) / cash [3]	(23.5)	113.3
Total equity	2,387.5	2,308.0
Market capitalization [4]	1,907.4	2,398.5
Enterprise value [5]	2,013.1	2,368.6

Key Financial Ratios	30 Sep 2021	31 Mar 2021
Total debt to capital (total equity + total debt)	18%	16%
Annualized free cash flow [6] from operations to gross debt (including pension liabilities and leases)	7%	33%
Gross debt to EBITDA adjusted [7]	1.2	0.9
Enterprise value to EBITDA adjusted [7]	3.5	4.3
Interest cover (adjusted EBITA to gross interest expense)	19.9	24.2

1 Earnings before interest, tax and amortization
2 Adjusted to exclude significant non-cash items as well as restructuring and other costs (for further information see page 12)
3 Cash less total debt (including bonds)
4 Outstanding number of shares multiplied by the closing price (HK$16.60 per share as of 30 September 2021 and HK$20.90 per share as of 31 March 2021) converted to USD at the closing exchange rate
5 Enterprise value calculated as market capitalization plus non-controlling interests plus total debt less cash
6 Annualized using the last 12 months' results
7 Earnings before interest, tax, depreciation and amortization annualized using the last 12 months' results and adjusted to exclude significant non-cash items as well as restructuring and other costs, resulting in adjusted EBITDA of US$575.8 million (31 March 2021: US$555.0 million)

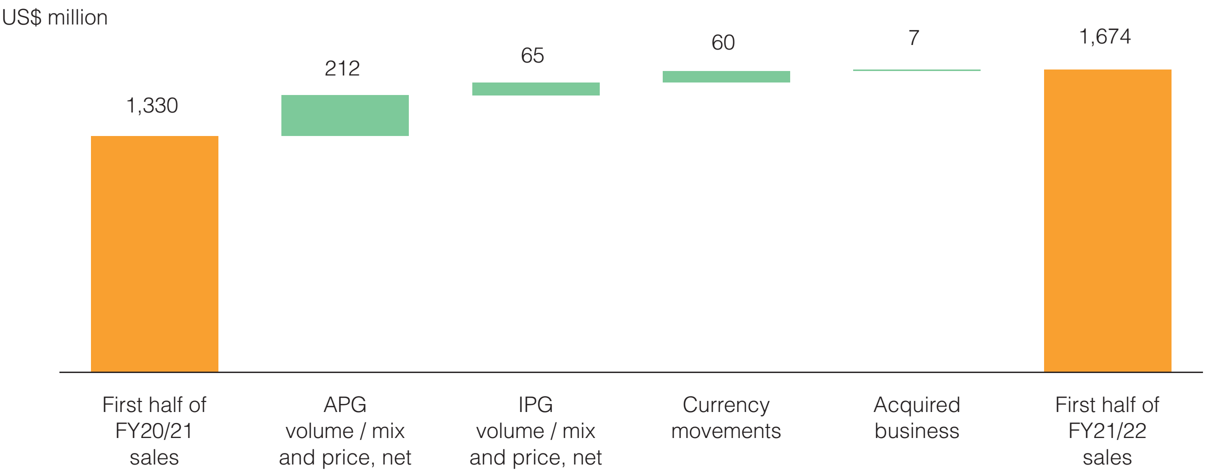
Business Review

Sales

Sales increased by US$343.8 million or 26% to US$1,674.1 million in the first half of FY21/22 (first half of FY20/21: US$1,330.3 million). Excluding currency movements, sales increased by US$284.1 million or 21% compared to the same period last year, as shown below:

US$ million	First half of FY21/22		First half of FY20/21		Increase	
Automotive Products Group ("APG") sales						
Excluding currency movements	1,206.7		994.3		212.4	21%
Acquired business	6.8		n/a		6.8	
Subtotal	1,213.5		994.3		219.2	22%
Currency movements	55.2		n/a		55.2	
APG sales, as reported	1,268.7	76%	994.3	75%	274.4	28%
Industry Products Group ("IPG") sales						
Excluding currency movements	400.9		336.0		64.9	19%
Currency movements	4.5		n/a		4.5	
IPG sales, as reported	405.4	24%	336.0	25%	69.4	21%
Group sales						
Excluding currency movements	1,607.6		1,330.3		277.3	21%
Acquired business	6.8		n/a		6.8	
Subtotal	1,614.4		1,330.3		284.1	21%
Currency movements	59.7		n/a		59.7	
Group sales, as reported	**1,674.1**	100%	**1,330.3**	100%	**343.8**	**26%**

The drivers underlying these movements are shown in the following chart:



It should be noted that volumes in the first half of FY20/21 were significantly impacted by the COVID-19 pandemic. However, as can be seen in the adjacent chart, in the first half of FY21/22, sales, as reported, not only recovered but also increased to above the pre-COVID levels seen in the first half of FY19/20.

Volume / mix and price increased sales by US$277.3 million (APG: US$212.4 million, IPG: US$64.9 million) in the first half of FY21/22, compared to the first half of FY20/21.

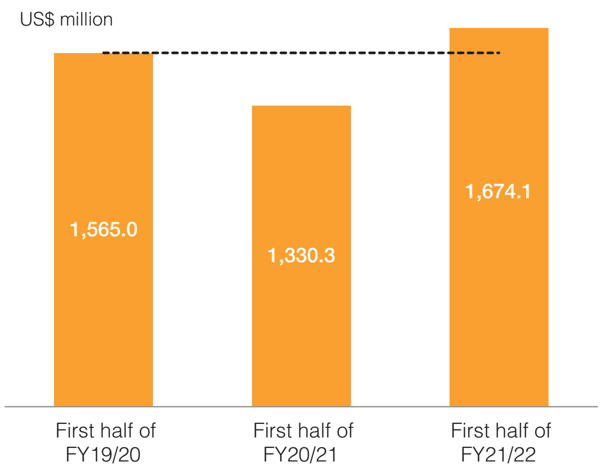
The underlying changes in APG and IPG's sales, are discussed on pages 9 to 10

Currency movements increased sales by US$59.7 million. This was largely due to the impact of stronger average exchange rates for the Euro and Chinese Renminbi, compared 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.

For further information on the Group's foreign exchange risk, see pages 20 to 22 in the Financial Management and Treasury Policy section. Also, see Note 1.3 to the condensed consolidated interim financial statements ("the accounts") for the main foreign currency translation rates

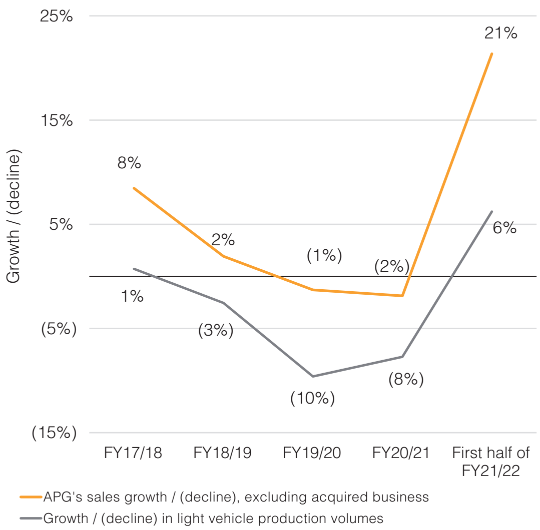
Acquired business: The Group acquired E. Zimmermann GmbH ("Zimmermann"), a specialist automotive machining business based in Germany, on 31 May 2021. This acquired business added US$6.8 million to sales to the first half of FY21/22.

Group sales, as reported



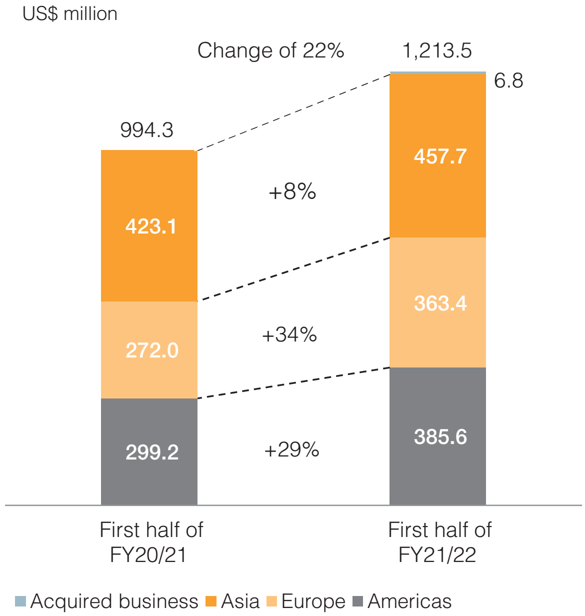
Automotive Products Group

Changes in APG sales[1] vs. global light vehicle production[2]



1 Excluding currency movements
2 Source: IHS & Marklines data on fiscal year basis

APG sales by region[3]



3 Excluding currency movements

APG's sales, excluding currency movements and the acquisition of Zimmermann, increased by 21% (22% including the acquisition), compared to the first half of FY20/21. In the same period, global light vehicle production volumes increased 6%. It should be noted that sales (and light vehicle production) in the first half of the prior year were significantly impacted by the COVID-19 pandemic.

APG's outperformance compared to global light vehicle production was due to the combination of product launches and production increases to meet demand for the electrification of critical automotive functions, especially those required by the growing number of battery-electric and hybrid vehicles. The imperatives to reduce vehicle weight and improve safety, reliability and comfort continue to be key drivers.

In Asia, sales increased by 8% compared to flat light vehicle production in the region. Sales increased across most product segments, with higher growth noted in sales of products for closure (sunroof, window-lift, power lift-gate, door-lock and other power closure systems), steering and thermal management applications as well as powder metal components.

Growth / (decline) in APG sales[4]

Six month period ended	Asia	Europe	Americas	Total
30 September 2021	8%	34%	29%	21%
31 March 2021	31%	8%	10%	16%
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%)

4 Excluding currency movements and acquired business and comparing each 6 months' results to the same period in the previous fiscal year

In Europe, sales increased by 34% compared to a 9% increase in light vehicle production in the region. Sales increased across all segments, with the highest growth noted in sales of products for thermal management, closure, heating, ventilation and air-conditioning ("HVAC"), braking and steering applications.

In the Americas, sales increased by 29% while light vehicle production in the region increased by 19%. Sales increased across all segments, with the highest growth noted in sales of products for thermal management applications and oil pumps as well as powder metal components, including parts for fuel cell applications.

APG accounted for 76% of the Group's total sales in the first half of FY21/22 (first half of FY20/21: 75%). Within this:

- The Stackpole business, primarily engaged in the manufacture and sale of engine and transmission pumps and powder metal components, accounted for 21% of the Group's business (first half of FY20/21: 22%)
- The cooling fan business, including the "Gate" brand, primarily engaged in the manufacture and sale of cooling fan modules for OEM and Tier 1 customers, accounted for 17% of the Group's business (first half of FY20/21: 18%)

Industry Products Group

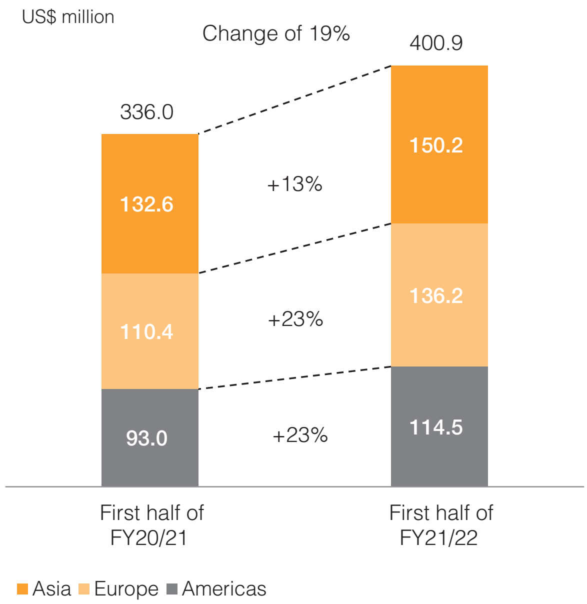
IPG's sales, excluding currency movements, grew 19% compared to the first half of FY20/21. In Asia, sales increased by 13%. In Europe, sales increased by 23%. In the Americas, sales increased by 23%. It should be noted that IPG's segments showed a mixed reaction to the COVID-19 pandemic in the first half of the prior year.

IPG is benefiting from its ongoing efforts to understand how its markets are evolving and to develop and launch the products necessary to exploit these changes – especially the need for zero and low carbon products as well as the precise control required by the smart products revolution. It is also improving its competitive position through the increased use of automation.

Consequently, IPG experienced:

- Increased sales in the lawn and garden, white goods, window automation, ventilation and beverage segments due to a combination of programme launches and new business wins, increased market share and increased market demand
- Increased sales in the medical segment due to the long-term imperative to reduce the labour intensity of hospital procedures through automation
- Increased sales of products for commercial and industrial applications, compared to the reduced levels of business in the first half of the prior year due to the COVID-19 pandemic

IPG sales by region [1]



1 Excluding currency movements

Growth / (decline) in IPG sales [2]

Six month period ended	Asia	Europe	Americas	Total
30 September 2021	13%	23%	23%	19%
31 March 2021	53%	13%	2%	22%
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%)

2 Excluding currency movements and comparing each 6 months' results to the same period in the previous fiscal year

Profitability Review

Profit attributable to shareholders was US$93.2 million in the first half of FY21/22, a decrease of US$7.6 million from US$100.8 million in the first half of FY20/21.

US$ million	First half of FY21/22	First half of FY20/21	Increase / (decrease) in profit
Sales	1,674.1	1,330.3	343.8
Gross profit	357.4	299.6	57.8
Gross margin %	*21.3%*	*22.5%*	
Other income, net	30.1	20.5	9.6
As a % of sales	*1.8%*	*1.5%*	
Intangible assets amortization expense	(17.0)	(15.2)	(1.8)
As a % of sales	*1.0%*	*1.1%*	
Other selling and administrative expenses ("S&A")	(250.1)	(183.2)	(66.9)
As a % of sales	*14.9%*	*13.8%*	
Restructuring and other costs	(3.5)	–	(3.5)
Operating profit	116.9	121.7	(4.8)
Operating profit margin %	*7.0%*	*9.1%*	
Share of profit of associate	–	0.1	(0.1)
Net finance costs	(8.7)	(4.9)	(3.8)
Profit before income tax	108.2	116.9	(8.7)
Income tax expense	(11.9)	(13.3)	1.4
Effective tax rate	*11.0%*	*11.4%*	
Profit for the period	96.3	103.6	(7.3)
Non-controlling interests	(3.1)	(2.8)	(0.3)
Profit attributable to shareholders	93.2	100.8	(7.6)
Basic earnings per share (US cents)	10.43	11.30	(0.87)
Diluted earnings per share (US cents)	10.36	11.27	(0.91)

The profit attributable to shareholders of US$93.2 million included:

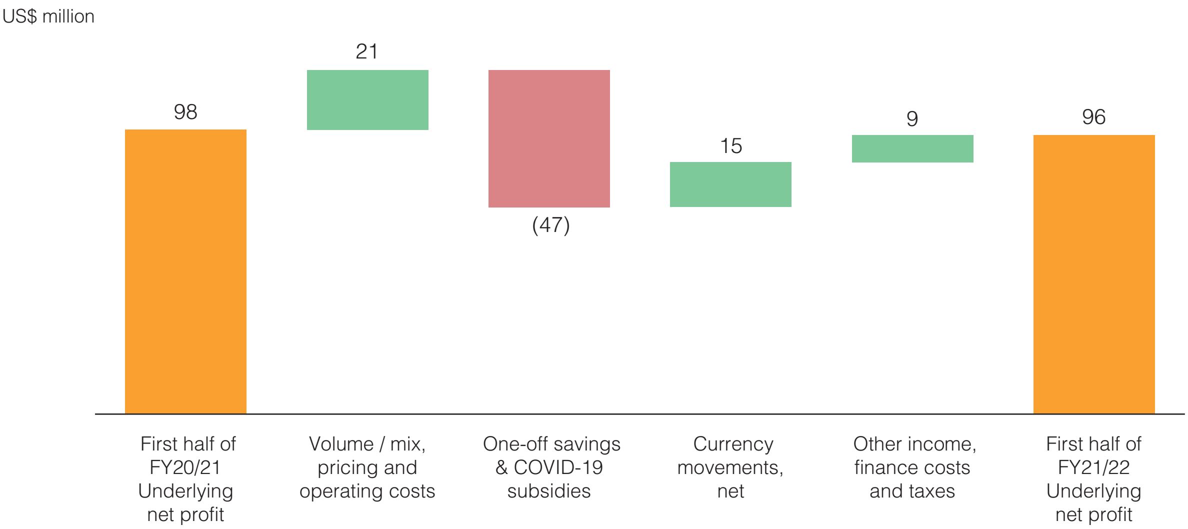
- Restructuring charges and other costs of US$3.0 million, net of tax relating to the Group's initiatives to optimize its global operating footprint as announced in its Annual Report 2021. The US$3.0 million represents additional costs incurred for the closure of a factory in China and a factory in Hungary during the first half of FY21/22. No additional costs were incurred for the closure of a factory in the United Kingdom

- Unrealized currency net gains of US$0.3 million, net of tax

Excluding these items, underlying profit decreased by US$1.8 million to US$96.5 million, as shown in the table below:

	First half of FY20/21			First half of FY21/22		
US$ million	Before tax	Tax effect	Net of tax effect	Before tax	Tax effect	Net of tax effect
Net profit, as reported			100.8			93.2
Unrealized net losses / (gains) on other financial assets and liabilities	18.3	(0.2)	18.1	(4.2)	(0.1)	(4.3)
Unrealized net (gains) / losses from revaluation of monetary assets and liabilities	(34.1)	1.2	(32.9)	9.9	(1.0)	8.9
Unrealized net losses / (gains) on structured foreign currency contracts	14.1	(1.8)	12.3	(4.8)	0.5	(4.3)
Restructuring and other costs	–	–	–	3.5	(0.5)	3.0
Net (gains) / losses of significant non-cash, restructuring and other costs	(1.7)	(0.8)	(2.5)	4.4	(1.1)	3.3
Underlying net profit			98.3			96.5
As a % of sales			*7.4%*			*5.8%*

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



Volume / mix, pricing and operating costs: Increased volumes, improved economies of scale and cost saving activities increased profit. This was partly offset by higher logistics expenses due to port congestion, higher prices for materials due to surging demand for commodities and the shortage of semi-conductors for the automotive market, price reductions under long-term agreements with customers and the increased use of overtime as volumes increased. The net effect of these changes increased net profit by US$20.8 million.

The gross margin decreased to 21.3% in the first half of FY21/22, from 23.2% in the second half of FY20/21, due to increased prices for raw materials and reduced fixed-cost-leverage. The gross margin in the first half of FY20/21 was 22.5% due to the combined effect of COVID-19 related one-off cost saving measures and subsidies. Without these COVID-19 related items the gross margin in the first half of FY20/21 would have been 19.4%. The sequential change in gross margin by half-year is shown in the table below.

	Gross margin %
First half of FY21/22	21.3%
Second half of FY20/21	23.2%
First half of FY20/21	22.5%
Second half of FY19/20	20.9%
First half of FY19/20	22.8%

Selling and administrative expenses (excluding amortization of intangible assets) increased to 14.9% of sales (first half of FY20/21: 13.8%) mainly due to increased logistics expenses.

COVID-19 response: The amount of COVID-19 related subsidies received by the Group and one-off cost saving measures decreased to US$7.0 million in the first half of FY21/22 and hence reduced profits by US$47.4 million (first half of FY20/21: US$54.4 million COVID-related subsidies and one-off cost savings).

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 increased net profit by US$15.4 million in the first half of FY21/22.

For further information on the Group's foreign exchange risk and forward foreign currency contracts, see pages 20 to 22 in the Financial Management and Treasury Policy section

Other income, finance costs and taxes increased profits for the first half of FY21/22 by US$9.4 million.

The Group benefited from fair values gains on the Group's investment in an autonomous car start-up company, partly offset by increased finance costs and reduced government grants.

Finance income and costs are further analyzed in Note 19 to the accounts

Income taxes decreased to US$11.9 million for the first half of FY21/22, from US$13.3 million of the first half of FY20/21. The effective tax rate was 11.0% (first half of FY20/21: 11.4%).

Taxes are further analyzed in Note 21 to the accounts

Working Capital

US$ million	Balance sheet as of 31 Mar 2021	Currency translation	Working capital changes per cash flow	Other	Balance sheet as of 30 Sep 2021
Inventories	514.2	(5.1)	146.0	0.9	656.0
Trade and other receivables	750.5	2.5	(54.7)	6.7	705.0
Other non-current assets	53.5	0.3	(2.1)	12.4	64.1
Trade and other payables [1]	(868.4)	4.6	4.6	(27.6)	(886.8)
Retirement benefit obligations [1, 2]	(34.9)	0.5	(0.6)	0.6	(34.4)
Provision and other liabilities [1]	(59.4)	0.1	14.1	–	(45.2)
Other financial assets / (liabilities), net [1, 3]	179.6	(0.3)	10.1	15.1	204.5
Total working capital per balance sheet	535.1	2.6	117.4	8.1	663.2

1 Current and non-current
2 Net of defined benefit pension plan assets
3 Other financial assets / (liabilities), net represent the aggregate fair values of the Group's hedge contracts. Further details of the Group's hedging activities can be found on pages 20 to 23 in the Financial Management and Treasury Policy section and in Note 6 to the accounts

Inventories increased by US$141.8 million to US$656.0 million as of 30 September 2021. Inventory accumulated as the shortage of semi-conductors for the automotive market disrupted customers production, causing them to reschedule delivery times. The Group also stockpiled certain items to mitigate the impact of component shortages on its own production. Port congestion adversely affected inventory due to longer lead times for delivery to customers. Inventory also increased to support increased business orders in IPG.

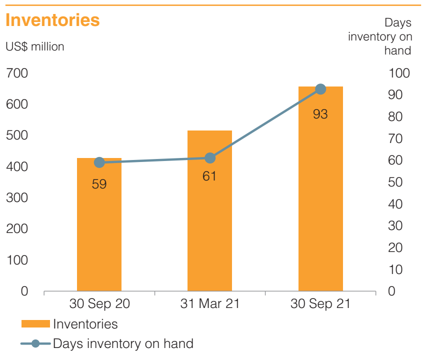
Consequently, days inventory on hand increased to 93 days as of 30 September 2021, from 59 days as of 30 September 2020.

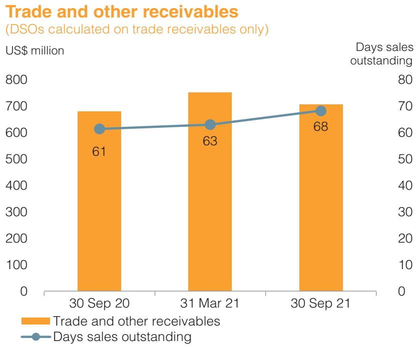
Trade and other receivables decreased by US$45.5 million to US$705.0 million as of 30 September 2021. This was due to a lower rate of sales in the first half of FY21/22 compared to the rate of sales experienced towards the end of FY20/21.

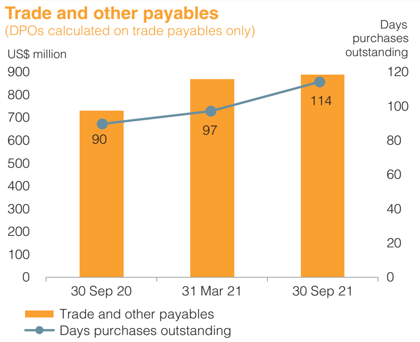
Days sales outstanding ("DSOs") increased to 68 days as of 30 September 2021, from 61 days as of 30 September 2020, broadly in line with the level of DSOs experienced before the COVID-19 pandemic.

The Group's trade receivables are of high quality. Current and overdue balances of less than 30 days were 97% of gross trade receivables.

Trade and other payables increased by US$18.4 million to US$886.8 million as of 30 September 2021. Days purchases outstanding ("DPOs") increased to 114 days as of 30 September 2021, from 90 days as of 30 September 2020. This was mainly due to the Group purchasing certain items to build safety stock and lower consumption of purchased materials in operations due to disruption to customers' production.







Cash Flow

US$ million	First half of FY21/22	First half of FY20/21	Change
Operating profit [1]	116.9	121.8	(4.9)
Depreciation and amortization (including leases)	140.6	120.9	19.7
EBITDA	257.5	242.7	14.8
Other non-cash items	(21.5)	14.5	(36.0)
Working capital changes	(117.4)	(54.4)	(63.0)
Interest paid (including leases)	(8.0)	(6.3)	(1.7)
Interest received	1.3	1.2	0.1
Income taxes paid	(13.9)	(10.3)	(3.6)
Capital expenditure, net of subsidies	(152.3)	(116.8)	(35.5)
Proceeds from disposal of fixed assets	0.5	0.5	–
Capitalization of engineering development costs	(2.1)	(2.9)	0.8
Free cash (out) / inflow from operations	**(55.9)**	**68.2**	**(124.1)**
Acquisition and related costs	(24.2)	–	(24.2)
Dividends paid	(35.5)	–	(35.5)
Purchase of shares for incentive share scheme	(1.8)	(1.3)	(0.5)
Other investing activities	(0.7)	(1.1)	0.4
Dividends paid to non-controlling interests	(3.5)	(0.5)	(3.0)
Payment of lease – principal portion	(12.9)	(10.1)	(2.8)
Borrowings, net	83.5	15.9	67.6
(Decrease) / increase in cash and cash equivalents excluding currency movements	(51.0)	71.1	(122.1)
Currency translation (losses) / gains on cash and cash equivalents	(2.0)	13.3	(15.3)
Net movement in cash and cash equivalents	(53.0)	84.4	(137.4)

1 No dividend was received from associate in the first half of FY21/22 (first half of FY20/21 includes dividend received of US$0.1 million)

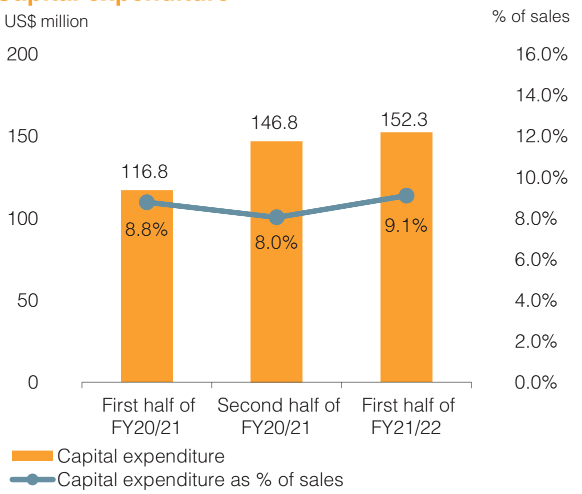
The Group's operations utilized US$55.9 million cash in the first half of FY21/22, a US$124.1 million decrease from the US$68.2 million cash generated in the first half of FY20/21. This movement in free cash flow includes the following:

- **Working capital changes** of US$117.4 million, as explained in the previous section

- **Capital expenditure** increased by US$35.5 million to US$152.3 million in the first half of FY21/22. Capital expenditure was slower in the first half of the prior year due to COVID-related plant shutdowns.

  The Group continues to invest in new product launches and long-term technology and testing development; the expansion of its operating footprint in China and Mexico; enhanced automation to standardize operating processes, further improve product quality and reliability, and mitigate rising labour costs in China; and the ongoing replacement of assets

Capital expenditure



The net movement in cash includes the following:

- **Acquisition and related costs:** The Group utilized US$24.2 million for the acquisition of Zimmermann and its operating premises

- **Dividends and shares:** The Company utilized US$35.5 million cash for dividend payments in the first half of FY21/22, with a further US$3.5 million settled in scrip (first half of FY20/21: the Company did not make any dividend payments). The Company purchased 0.8 million shares for US$1.8 million including brokerage fees for incentive share scheme (first half of FY20/21: 0.7 million shares purchased for US$1.3 million)

  For further details of dividends and shares, including the interim dividend for the first half of FY21/22, see next section

- **Borrowings, net:** The Group's borrowings increased by US$83.5 million (first half of FY20/21: increased US$15.9 million, net)

  For further details of the Group's debt including bonds, loans and other borrowings, see next section

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 ("Moody's") and Standard & Poor's Ratings Services ("S&P") to provide independent long-term credit ratings. As of 30 September 2021, 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 decreased by US$53.0 million to US$486.5 million as of 30 September 2021 (31 March 2021: US$539.5 million).

Net (debt) / cash: As of 30 September 2021, the Group had US$23.5 million net debt (31 March 2021: US$113.3 million net cash).

Available credit lines: The Group had US$796.9 million available unutilized credit lines as of 30 September 2021, as follows:

- Committed revolving credit facilities provided by eleven of its principal bankers, on a bilateral basis, of which US$152.4 million remained unutilized. These facilities have staggered maturity dates ranging from October 2021 to August 2025
- US$644.5 million uncommitted credit facilities

Cash and credit lines

US$ million	30 Sep 2021	31 Mar 2021	Change
Cash	486.5	539.5	(53.0)
Unutilized committed credit lines	152.4	210.9	(58.5)
Unutilized uncommitted credit lines	644.5	689.2	(44.7)
Available unutilized credit lines	796.9	900.1	(103.2)
Combined available funds	1,283.4	1,439.6	(156.2)

Net (debt) / cash

US$ million	30 Sep 2021	31 Mar 2021	Change
Cash	486.5	539.5	(53.0)
Borrowings	(510.0)	(426.2)	(83.8)
Net (debt) / cash	(23.5)	113.3	(136.8)

Cash by currency

US$ million	30 Sep 2021	31 Mar 2021
USD	207.0	241.1
RMB	90.6	95.0
EUR	69.9	86.4
CAD	52.4	62.7
KRW	44.9	29.7
Others	21.7	24.6
Total	486.5	539.5

Borrowings (including bonds) increased by US$83.8 million to US$510.0 million as of 30 September 2021. The most significant changes in borrowings during the first half of FY21/22 were:

- **Loan from the Export-Import Bank of China:** As of 30 September 2021, the Group had drawn down the entire RMB500 million facility, equivalent to US$77.3 million, to partially fund capital expenditure for the Group's new Jiangmen factory (balance as of 31 March 2021: RMB84.2 million, equivalent to US$12.8 million)
- **Loans based on trade receivables:** As of 30 September 2021, the Group had drawn down US$5.8 million (balance as of 31 March 2021: nil)
- **Other borrowings** increased by US$13.1 million

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 2021	31 Mar 2021	Change
Bonds	300.2	299.9	0.3
Loan from Export Development Canada	99.9	99.8	0.1
Loan from The Export-Import Bank of China	77.3	12.8	64.5
Loans based on trade receivables	5.8	–	5.8
Other borrowings	26.8	13.7	13.1
Total borrowings	510.0	426.2	83.8

Borrowings by currency, as of 30 September 2021

US$ million	Gross debt	Swap contracts	Total debt after effect of swaps	%
USD	400.1	(305.2)	94.9	19%
CAD	26.8	–	26.8	5%
EUR	5.8	301.3	307.1	61%
RMB	77.3	–	77.3	15%
Total	510.0	(3.9)	506.1	100%

Repayment schedule

Repayable within one year	36.5
Repayable after more than one year	473.5
Gross debt	510.0
Swap contracts (Other financial assets)	(3.9)
Total debt including swap contracts	506.1

Lease liabilities increased by US$86.0 million to US$134.6 million as of 30 September 2021. This was largely due to the renewal of leases for the Group's Shajing, China operations. The corresponding assets are shown as right-of-use assets under property, plant and equipment.

Changes in lease liabilities

US$ million	30 Sep 2021	31 Mar 2021	Change
Current	32.4	15.6	16.8
Non-current	102.2	33.0	69.2
Total lease liabilities	134.6	48.6	86.0

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 2021 reflected the following changes:

- Total debt to capital was 18% as of 30 September 2021, up from 16% as of 31 March 2021, as borrowings increased
- Annualized free cash flow [1] from operations as a percentage of gross debt (including pension liabilities and leases) decreased to 7%, from 33% as of 31 March 2021, as business levels first returned to pre-COVID-crisis levels and then increased above pre-crisis levels requiring additional investment in working capital
- Gross debt to adjusted EBITDA [2] increased to 1.2 as of 30 September 2021, from 0.9 as of 31 March 2021
- Enterprise value [3] to adjusted EBITDA [2] was 3.5 as of 30 September 2021 and 31 March 2021 was 4.3
- Interest cover (defined as adjusted EBITA [2] divided by gross interest expense [4]) was 19.9 times as of 30 September 2021, compared to 24.2 times as of 31 March 2021

1 Annualized using the last 12 months' results

2 Annualized using the last 12 months' results and adjusted to exclude significant non-cash items as well as restructuring and other costs (for further information see page 12)

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

4 Gross interest expense, annualized using the last 12 months' results and adjusted to exclude notional interest on the Halla Stackpole put option and to include capitalized interest

Dividends

Final dividend: In the first half of FY21/22, the Company paid a final dividend of 34 HK cents per share for FY20/21 equivalent to US$39.0 million (first half of FY20/21: no final dividend paid for FY19/20). US$3.5 million of this final dividend was settled by the issue of 1.7 million new shares under a scrip dividend option and US$35.5 million was paid in cash.

Interim dividend: The Board has declared an interim dividend of 17 HK cents per share for the first half of FY21/22 (first half of FY20/21: 17 HK cents per share) equivalent to US$19.5 million, to be paid in January 2022, with an option to receive scrip in lieu of cash.

Dividend payment

		FY21/22	FY20/21		FY19/20	
		Interim	Final	Interim	Final	Interim
HK cents per share	Dividend	17 *	34	17	–	17
US$ million	Cash	**	35.5	17.0	–	12.0
	New shares	**	3.5	2.6	–	7.3
	Total	19.5	39.0	19.6	–	19.3

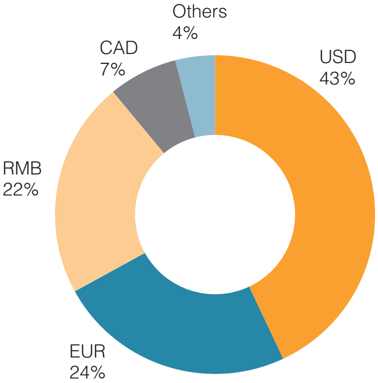
* Proposed dividend

** A scrip dividend will be offered to shareholders

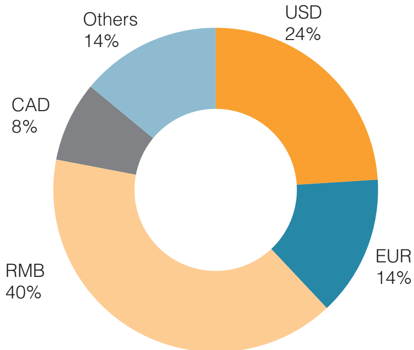
Foreign Exchange Risk

The Group is exposed to foreign exchange risk, largely from sales and costs denominated in a number of currencies. It mitigates the economic risk from this through plain vanilla forward currency contracts and structured foreign currency contracts. These contracts have varying maturity dates, ranging from 1 to 84 months after 30 September 2021, to match the underlying cash flows of the business.

Sales by currency



Costs by currency



The net fair value gains of currency contracts, including plain vanilla forward foreign currency contracts, cross-currency interest rate swaps and structured foreign currency contracts increased by US$36.8 million to US$188.0 million as of 30 September 2021. This was largely due to favourable changes in the mark-to-market value of contracts for the Chinese Renminbi and the Euro.

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 above right

Spot rates of significant currencies

	Spot rates as of 30 Sep 2021	Spot rates as of 31 Mar 2021	
USD per EUR	1.16	1.17	EUR weaken 1%
HUF per EUR	360.16	363.85	EUR weaken 1%
CAD per USD	1.28	1.26	USD strengthen 1%
RMB per USD	6.47	6.56	USD weaken 1%
MXN per USD	20.50	20.60	USD weaken 1%

Net fair value gains / (losses) of currency contracts

US$ million		30 Sep 2021	31 Mar 2021	Change
Euro	Plain vanilla forward contracts	104.1	103.0	1.1
	Structured contracts	35.5	30.7	4.8
	Total	139.6	133.7	5.9
Chinese Renminbi	Plain vanilla forward contracts	51.1	30.4	20.7
Others	Plain vanilla forward contracts and swaps	(2.7)	(12.9)	10.2
Net fair value gains	Plain vanilla forward contracts and swaps	152.5	120.5	32.0
	Structured contracts	35.5	30.7	4.8
	Total	188.0	151.2	36.8

Euro contracts: The Group's plain vanilla and structured forward contracts to sell the Euro ("EUR") and buy US Dollars ("USD") create an economic hedge for Euro-denominated export sales.

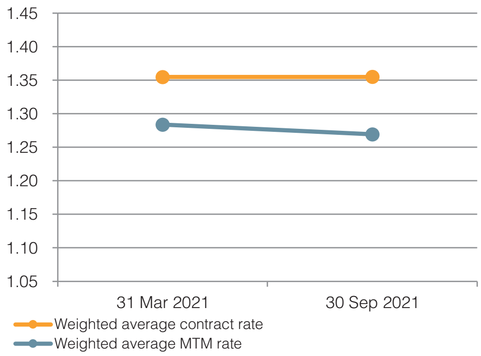
Additionally, the Group hedges its net investment in its European operations to protect itself from exposure to changes in the underlying value of investments from future changes in exchange rates. It also hedges its intragroup Euro monetary balances from changes in exchange rates.

During the period, as the EUR weakened against the USD, mark-to-market gains for plain vanilla and structured forward contracts increased.

Consequently, the financial asset representing the cumulative fair value gains on plain vanilla and structured forward EUR contracts increased by US$5.9 million to US$139.6 million as of 30 September 2021 (31 March 2021: US$133.7 million financial asset).

EUR – Plain vanilla forward

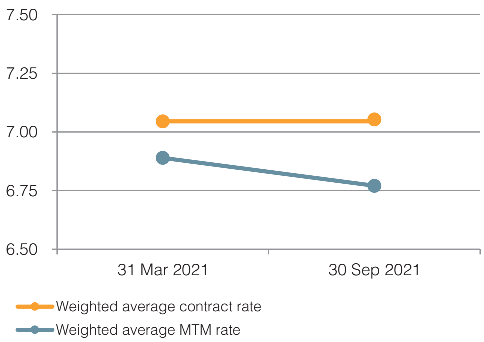
EUR – Structured forward



Renminbi contracts: The Group's plain vanilla contracts to buy the Chinese Renminbi ("RMB") create an economic hedge for production costs, other operating costs and capital expenditure denominated in RMB against the sources of revenue.

During the period, the USD weakened against the RMB. As a result the financial asset representing cumulative mark-to-market gains for plain vanilla contracts increased by US$20.7 million from US$30.4 million as of 31 March 2021 to US$51.1 million as of 30 September 2021.

RMB – Plain vanilla forward



Other currency contracts: The Group's plain vanilla contracts to buy the Hungarian Forint ("HUF"), the Mexican Peso ("MXN"), the Polish Zloty ("PLN"), the Turkish Lira ("TRY"), the Serbian Dinar ("RSD") and the Swiss Franc ("CHF") create an economic hedge for production costs, other operating costs and capital expenditure denominated in these currencies against their sources of revenue.

The Group also holds plain vanilla contracts to sell the Canadian Dollar ("CAD") and buy USD to create an economic hedge for materials purchased in USD for consumption in its operations in Canada.

Estimated future cash flow: 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 2021 would result in approximately:

- US$288 million aggregate cash flow benefit from plain vanilla forward foreign currency contracts and cross-currency interest rate swaps (31 March 2021: US$268 million)
- US$41 million cash flow benefit from structured foreign currency contracts (31 March 2021: US$40 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

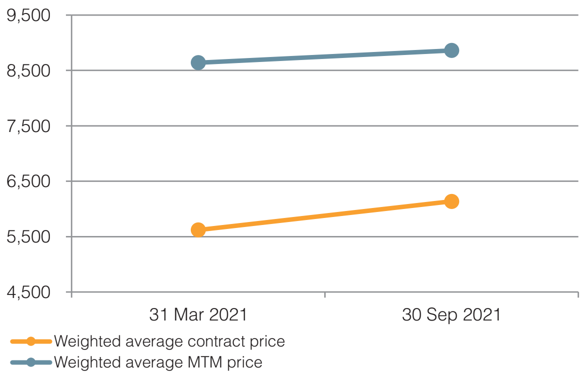
Spot prices of significant raw material commodities

US$ per metric ton	Spot prices as of 30 Sep 2021	Spot prices as of 31 Mar 2021	Strengthen / (weaken)
Copper	9,041	8,851	2%
Iron ore	115.44	161.36	(28)%
Coking coal	354.67	117.67	201%
Silver – US$ per ounce	21.53	24.00	(10)%

Net fair value of commodity contracts

US$ million	30 Sep 2021	31 Mar 2021	Change
Copper	42.2	52.7	(10.5)
Other commodities	9.8	6.4	3.4
Total	52.0	59.1	(7.1)

Copper – Plain vanilla forward



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

Price risk from copper, silver and aluminium is reduced by hedging through cash flow hedge contracts with maturity dates ranging from 1 to 42 months after 30 September 2021.

Price risk from steel is reduced through fixed price purchase contracts for steel up to 3 months and cash flow hedge contracts for iron ore and coking coal with maturity dates ranging from 1 to 42 months after 30 September 2021.

The Group also manages commodity price risk 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 decreased by US$7.1 million. This was largely due to the consumption of contracts.

During the period, the fair value of copper contracts decreased due to the consumption of contracts, partly offset by fair value gains as the market price of copper increased. As a result the financial asset representing cumulative mark-to-market gains for plain vanilla copper contracts decreased by US$10.5 million from US$52.7 million as of 31 March 2021 to US$42.2 million as of 30 September 2021.

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. The Group's commitment to sustainability is reflected in its purpose statement and business framework, strategies, policies and practices and includes its approach to ethics and business conduct, human and labour rights, non-discrimination, community outreach, responsible consumption and production, and environmental management.

Protecting Employees Health during the COVID-19 Pandemic

Johnson Electric continues to monitor the COVID-19 situation and maintains COVID-related safety protocols in all of its facilities. These include:

- Strict entry procedures, with advanced temperature monitoring equipment installed where the Group has large numbers of employees
- Enforced maintenance of high standards of hygiene and robust cleaning requirements for our dormitories, offices and workshops
- Manufacture of the Group's own masks to ensure the supply of high-quality facemasks to all employees and their families
- Providing rapid test kits to each facility for use in case any employee shows COVID symptoms

We strongly encourage employees to be vaccinated. As of 30 September 2021, 85% of the Group's employees were fully vaccinated and a further 4% had received their first shot.

Supply Chain Sustainability

Johnson Electric's engagement with suppliers is driven by its focus on Innovation and Safe Choice.

The Group requires due consideration of cost, quality, environmental awareness, ethical behaviour and social responsibility before ordering regular supplies from any supplier. The Group monitors performance against these requirements throughout the business engagement.

To enhance these processes, during the first half of FY21/22, the Group:

- Published an updated Responsible Minerals Policy (available for download from the supplier information channel at *www.johnsonelectric.com*). This policy requires that any tin, tantalum, tungsten, gold or cobalt used in Johnson Electric products be ethically sourced and conflict-free

  It establishes a group-wide process to identify the use, source, and origin of these minerals in the Group's supply chain. It also requires the Group's suppliers to provide information on the presence of these minerals in their products and to provide data on the smelters and refiners in their respective supply chains

  Suppliers who do not comply with these expectations will be reviewed accordingly for future business and sourcing decisions

- Improved its conflict minerals (CMRT) and cobalt (CRT) reporting, with company-wide reports available to customers on request

- Signed an agreement with a third-party specialist company to streamline and strengthen the Group's supplier sustainability assessment processes through the use and evaluation of dedicated self-assessment questionnaires. For FY21/22, the Group will issue questionnaires to a representative sample of 300 suppliers. The results of this survey will be used to deepen Johnson Electric's knowledge of suppliers sustainability performance and to identify any necessary follow-up actions including supplier improvements, site visits and audits

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 2021, 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 2021.

During the six months ended 30 September 2021, the Company continued to abide by the corporate governance practices set out in the Corporate Governance Report in the Company's Annual Report 2021.

Corporate Governance Code

During the six months ended 30 September 2021, 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

Save as otherwise set out in this Report, there are no substantial changes to the information of Directors during the six months ended 30 September 2021 pursuant to Rule 13.51B(1) of the Listing Rules.

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 2021.

Review of Interim Results and Interim Report

The Company's interim results for the six months ended 30 September 2021 has been reviewed by the Audit Committee and the Company's auditor, PricewaterhouseCoopers.

Disclosure of Interests

Directors

As of 30 September 2021, 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:

Name	Shares of HK$0.05 each of the Company Personal Interests	 Other Interests		Approximate % of shareholding
Wang Koo Yik-Chun	–	517,426,527	(Notes 1 & 2)	57.141
Patrick Shui-Chung Wang	3,329,718	–	(Note 3)	0.367
Mak Wang Wing-Yee Winnie	1,092,259	–	(Note 4)	0.120
Austin Jesse Wang	818,765	–	(Note 5)	0.090
Peter Kin-Chung Wang	–	27,218,144	(Notes 6 & 7)	3.005
Peter Stuart Allenby Edwards	–	43,127	(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 1,793,106 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 597,702 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 597,702 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 2021, 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 2021, 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	Capacity	Numbers of shares held	Approximate % of shareholding
Wang Koo Yik-Chun	Beneficiary of family trusts	517,426,527 (Notes 1 & 2)	57.14
Ansbacher (Bahamas) Limited	Trustee	221,760,000 (Note 1)	24.48
HSBC International Trustee Limited	Trustee	207,808,131 (Note 1)	22.94
Winibest Company Limited	Beneficial owner	206,898,647 (Note 3)	22.84
Federal Trust Company Limited	Trustee	115,865,774 (Note 1)	12.79
Schroders Plc	Investment manager	72,490,959	8.00
Merriland Overseas Limited	Interest of controlled corporation	57,278,280 (Note 4)	6.32

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 88,767,880 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 Wang Koo Yik-Chun was interested as referred to above under Directors' Disclosure of Interests.

2. The shares in which Wang Koo Yik-Chun was interested as referred to above formed part of the shares referred to in Note 1.

3. The interests of Winibest Company Limited in the Company formed part of the interests in the Company held by HSBC International Trustee Limited.

4. 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 2021, 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 Scheme

The Restricted and Performance Stock Unit Plan ("Stock Unit Plan") was approved by the shareholders on 9 July 2015. The long-term incentive share scheme which was adopted on 24 August 2009 was terminated by the shareholders on 9 July 2015. 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 Stock Unit Plan.

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 2021, the Company purchased 800,000 shares of the Company at a cost of HK$14.15 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$19.30 and HK$16.38, respectively.

Movements in the number of unvested units granted as of the date of this report under 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 2021	10,528	5,906	16,434
Units granted to Directors and employees during the period	2,461	1,987	4,448
Shares vested to Directors and employees during the period	(1,614)	(361)	(1,975)
Forfeited during the period	(403)	(1,340)	(1,743)
Unvested units granted, as of 30 September 2021	10,972	6,192	17,164
Forfeited in the second half of FY21/22	(42)	(41)	(83)
Unvested units granted, as of the date of this report	10,930	6,151	17,081

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

	Number of unvested units granted (thousands)		
Vesting period	Restricted Stock Units	Performance Stock Units	Total
FY21/22	125	–	125
FY22/23	4,060	2,380	6,440
FY23/24	4,434	1,830	6,264
FY24/25	2,189	1,941	4,130
FY25/26	122	–	122
Unvested units granted, as of the date of this report	10,930	6,151	17,081

Apart from 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 scheme, 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 2021.

Interim Dividend

The Board has declared an interim dividend of 17 HK cents equivalent to 2.18 US cents per share (2020: 17 HK cents or 2.18 US cents) payable on 12 January 2022 (Wednesday) to shareholders whose names appear on the Register of Shareholders of the Company on 2 December 2021 (Thursday).

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 2021 (Tuesday) to 2 December 2021 (Thursday) 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 share registrar in Bermuda) for registration, not later than 4:30 p.m. on 29 November 2021 (Monday). Shares of the Company will be traded ex-dividend as from 26 November 2021 (Friday).

Condensed Consolidated Interim Financial Statements

Contents

Consolidated Balance Sheet

As of 30 September 2021

	Note	**Unaudited 30 September 2021 US$'000**	Audited 31 March 2021 US$'000
Non-current assets			
Property, plant and equipment	3	**1,684,607**	1,512,762
Investment property	4	**17,599**	35,772
Intangible assets	5	**245,122**	244,967
Investment in associate		**2,583**	2,495
Other financial assets	6	**151,578**	138,058
Financial assets at fair value through profit and loss	7	**60,562**	46,901
Defined benefit pension plan assets	12	**22,412**	19,872
Deferred income tax assets		**66,988**	60,527
Other non-current assets	3	**64,098**	53,470
		2,315,549	2,114,824
Current assets			
Inventories		**655,986**	514,197
Trade and other receivables	8	**704,957**	750,535
Other financial assets	6	**75,087**	81,448
Financial assets at fair value through profit and loss	7	**12,209**	4,781
Income tax recoverable		**9,816**	13,188
Cash and cash equivalents		**486,519**	539,467
		1,944,574	1,903,616
Current liabilities			
Trade and other payables	9	**851,687**	833,583
Current income tax liabilities		**47,650**	40,388
Other financial liabilities	6	**5,928**	10,533
Borrowings	11	**36,468**	13,987
Retirement benefit obligations	12	**432**	465
Lease liabilities		**32,368**	15,559
Provision and other liabilities	13	**30,013**	44,769
Put option written to a non-controlling interest	14	**66,759**	–
		1,071,305	959,284
Net current assets		**873,269**	944,332
Total assets less current liabilities		**3,188,818**	3,059,156

	Note	Unaudited 30 September 2021 US$'000	Audited 31 March 2021 US$'000
Non-current liabilities			
Trade and other payables	9	**35,153**	34,843
Other financial liabilities	6	**16,263**	29,380
Borrowings	11	**473,514**	412,203
Deferred income tax liabilities		**102,606**	101,093
Retirement benefit obligations	12	**56,388**	54,256
Lease liabilities		**102,225**	32,984
Provision and other liabilities	13	**15,203**	14,676
Put option written to a non-controlling interest	14	**–**	71,688
		801,352	751,123
NET ASSETS		**2,387,466**	2,308,033
Equity			
Share capital – Ordinary shares (at par value)	15	**5,841**	5,830
Shares held for incentive share scheme (at purchase cost)	15	**(30,462)**	(34,012)
Share premium	15	**48,735**	45,729
Reserves		**2,281,103**	2,207,054
		2,305,217	2,224,601
Non-controlling interests		**82,249**	83,432
TOTAL EQUITY		**2,387,466**	2,308,033

The notes on pages 40 to 84 form an integral part of these condensed consolidated interim financial statements.

Consolidated Income Statement

For the six months ended 30 September 2021

	Note	Unaudited Six months ended 30 September 2021 US$'000	2020 US$'000
Sales	2	**1,674,071**	1,330,330
Cost of goods sold		**(1,316,706)**	(1,030,696)
Gross profit		**357,365**	299,634
Other income, net	16	**30,072**	20,456
Selling and administrative expenses	17	**(267,037)**	(198,373)
Restructuring and other costs	18	**(3,474)**	–
Operating profit		**116,926**	121,717
Share of profit of associate		**50**	98
Finance income	19	**1,262**	1,172
Finance costs	19	**(9,988)**	(6,045)
Profit before income tax		**108,250**	116,942
Income tax expense	21	**(11,926)**	(13,325)
Profit for the period		**96,324**	103,617
Profit attributable to non-controlling interests		**(3,145)**	(2,832)
Profit attributable to shareholders		**93,179**	100,785
Basic earnings per share for profit attributable to the shareholders for the period (expressed in US cents per share)	22	**10.43**	11.30
Diluted earnings per share for profit attributable to the shareholders for the period (expressed in US cents per share)	22	**10.36**	11.27

The notes on pages 40 to 84 form an integral part of these condensed consolidated interim financial statements.

Please see Note 23 for details of dividend.

Consolidated Statement of Comprehensive Income

For the six months ended 30 September 2021

	Note	Unaudited Six months ended 30 September 2021 US$'000	2020 US$'000
Profit for the period		**96,324**	103,617
Other comprehensive income / (expenses)			
Items that will not be recycled to profit and loss:			
Defined benefit plans			
– remeasurements	12	**606**	(17,351)
– deferred income tax effect		**(1,776)**	1,762
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, net		**14,187**	49,547
– transferred to inventory and subsequently recognized in the income statement	6(e)	**(22,021)**	2,030
– deferred income tax effect		**1,293**	(8,510)
Total items that will not be recycled to profit and loss directly		**(7,711)**	27,478
Items that will be recycled to profit and loss:			
Hedging instruments			
– forward foreign currency exchange contracts			
– fair value gains, net		**50,447**	6,075
– transferred to the income statement		**(29,756)**	(7,742)
– deferred income tax effect		**(2,333)**	(211)
– net investment hedge			
– fair value gains / (losses), net		**6,054**	(23,243)
Currency translations of subsidiaries		**4,102**	51,710
Currency translations of associate		**38**	72
Total items that will be recycled to profit and loss directly		**28,552**	26,661
Other comprehensive income for the period, net of tax		**20,841**	54,139
Total comprehensive income for the period, net of tax		**117,165**	157,756
Total comprehensive income attributable to:			
Shareholders		**114,892**	151,943
Non-controlling interests			
Share of profits for the period		**3,145**	2,832
Currency translations		**(872)**	2,981
		117,165	157,756

The notes on pages 40 to 84 form an integral part of these condensed consolidated interim financial statements.

Consolidated Statement of Changes in Equity

For the six months ended 30 September 2021

		Unaudited								
		Attributable to shareholders of the Company								
	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 2021		17,547	(225,940)	161,358	12,880	127,977	2,130,779	2,224,601	83,432	2,308,033
Profit for the period		–	–	–	–	–	93,179	93,179	3,145	96,324
Other comprehensive income / (expenses):										
Hedging instruments										
– raw material commodity contracts										
– fair value gains, net		–	–	–	–	14,187	–	14,187	–	14,187
– transferred to inventory and subsequently recognized in the income statement	6(e)	–	–	–	–	(22,021)	–	(22,021)	–	(22,021)
– deferred income tax effect		–	–	–	–	1,293	–	1,293	–	1,293
– forward foreign currency exchange contracts										
– fair value gains, net		–	–	–	–	50,447	–	50,447	–	50,447
– transferred to the income statement		–	–	–	–	(29,756)	–	(29,756)	–	(29,756)
– deferred income tax effect		–	–	–	–	(2,333)	–	(2,333)	–	(2,333)
– net investment hedge										
– fair value gains, net		–	–	6,054	–	–	–	6,054	–	6,054
Defined benefit plans										
– remeasurements	12	–	–	–	–	–	606	606	–	606
– deferred income tax effect		–	–	–	–	–	(1,776)	(1,776)	–	(1,776)
Investment property										
– release of revaluation surplus on transfer of investment property to property, plant and equipment		–	(9,376)	–	–	–	9,376	–	–	–
– deferred income tax effect		–	1,547	–	–	–	(1,547)	–	–	–
Currency translations of subsidiaries		–	–	4,958	–	16	–	4,974	(872)	4,102
Currency translations of associate		–	–	38	–	–	–	38	–	38
Total comprehensive income for the first half of FY21/22		–	(7,829)	11,050	–	11,833	99,838	114,892	2,273	117,165
Transactions with shareholders:										
Incentive share scheme										
– shares vested		4,769	–	–	(4,769)	–	–	–	–	–
– vested by cash settlement		94	–	–	(994)	–	–	(900)	–	(900)
– value of employee services		–	–	–	3,959	–	–	3,959	–	3,959
– purchase of shares		(1,827)	–	–	–	–	–	(1,827)	–	(1,827)
Dividends paid to non-controlling interests		–	–	–	–	–	–	–	(3,456)	(3,456)
FY20/21 final dividend paid										
– cash paid		–	–	–	–	–	(35,508)	(35,508)	–	(35,508)
– shares issued in respect of scrip dividend		3,971	–	–	–	–	(3,971)	–	–	–
– scrip dividend for shares held for incentive share scheme		(440)	–	–	–	–	440	–	–	–
Total transactions with shareholders		6,567	–	–	(1,804)	–	(39,039)	(34,276)	(3,456)	(37,732)
As of 30 September 2021		**24,114 ****	**(233,769)**	**172,408**	**11,076**	**139,810**	**2,191,578**	**2,305,217**	**82,249**	**2,387,466**

* 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$24.1 million is comprised of share capital of US$5.8 million, share premium of US$48.7 million and shares held for incentive share scheme of US$(30.4) million

The notes on pages 40 to 84 form an integral part of these condensed consolidated interim financial statements.

Consolidated Statement of Changes in Equity

For the six months ended 30 September 2020

		Unaudited								
		Attributable to shareholders of the Company								
	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(e)	–	–	–	–	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 scheme										
– shares vested		6,230	–	–	(6,230)	–	–	–	–	–
– vested by cash settlement		750	–	–	(1,491)	–	–	(741)	–	(741)
– value of employee services		–	–	–	3,549	–	–	3,549	–	3,549
– purchase of shares		(1,319)	–	–	–	–	–	(1,319)	–	(1,319)
Dividends paid to non-controlling interests		–	–	–	–	–	–	–	(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

Consolidated Cash Flow Statement

For the six months ended 30 September 2021

	Note	Unaudited Six months ended 30 September 2021 US$'000	2020 US$'000
Cash flows from operating activities			
Earnings before interest, tax, depreciation and amortization	25	**257,521**	242,696
Other non-cash items	25	**(21,459)**	14,431
Change in working capital	25	**(117,369)**	(54,275)
Cash generated from operations	25	**118,693**	202,852
Interest paid		**(8,048)**	(6,340)
Income taxes paid		**(13,888)**	(10,279)
Net cash generated from operating activities		**96,757**	186,233
Investing activities			
Purchase of property, plant and equipment, net of subsidies		**(152,305)**	(116,812)
Proceeds from disposal of property, plant and equipment		**510**	537
Capitalized expenditure of engineering development	5 & 20	**(2,075)**	(2,925)
Finance income received		**1,261**	1,172
		(152,609)	(118,028)
Business combination	26	**(24,234)**	–
Purchase of financial assets at fair value through profit and loss		**(750)**	(1,140)
Proceeds from sale of financial assets at fair value through profit and loss		**30**	2
Net cash used in investing activities		**(177,563)**	(119,166)

	Note	Unaudited Six months ended 30 September 2021 US$'000	2020 US$'000
Financing activities			
Principal elements of lease payments		**(12,935)**	(10,077)
Proceeds from borrowings		**97,476**	30,328
Repayments of borrowings		**(13,941)**	(14,379)
Dividends paid to shareholders		**(35,508)**	–
Purchase of shares for incentive share scheme		**(1,827)**	(1,319)
Dividends paid to non-controlling interests		**(3,456)**	(500)
Net cash generated from financing activities		**29,809**	4,053
Net (decrease) / increase in cash and cash equivalents		**(50,997)**	71,120
Cash and cash equivalents at beginning of the period		**539,467**	384,369
Currency translations on cash and cash equivalents		**(1,951)**	13,356
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		**486,519**	468,845

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

	Borrowings (current) US$'000	Borrowings (non-current) US$'000	Lease liabilities US$'000	Total US$'000
As of 31 March 2021	13,987	412,203	48,543	474,733
Currency translations	(277)	182	408	313
Business combination	–	–	710	710
Cash flows				
– inflow from financing activities	36,699	60,777	–	97,476
– outflow from financing activities	(13,941)	–	(12,935)	(26,876)
– outflow from operating activities	–	(6,187)	(1,556)	(7,743)
Non-cash changes				
– new leases / modifications, net of terminations	–	–	96,323	96,323
– finance costs	–	6,539	3,100	9,639
As of 30 September 2021	36,468	473,514	134,593	644,575

The notes on pages 40 to 84 form an integral part of these condensed consolidated interim financial statements.

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

Johnson Electric Holdings Limited, 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 the Company 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 2021. 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 2021, 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 2021, which are disclosed in Note 32.

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 2021.

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 2021	31 March 2021	**2021**	2020
1 foreign currency unit to USD:					
Swiss Franc	CHF	**1.070**	1.061	**1.094**	1.063
Euro	EUR	**1.160**	1.172	**1.192**	1.136
British Pound	GBP	**1.343**	1.374	**1.388**	1.267
1 USD to foreign currency:					
Brazilian Real	BRL	**5.429**	5.747	**5.255**	5.368
Canadian Dollar	CAD	**1.276**	1.263	**1.243**	1.358
Chinese Renminbi	RMB	**6.466**	6.564	**6.465**	6.999
Hong Kong Dollar	HKD	**7.786**	7.775	**7.772**	7.751
Hungarian Forint	HUF	**310.559**	310.559	**296.736**	310.559
Israeli Shekel	ILS	**3.219**	3.335	**3.247**	3.464
Indian Rupee	INR	**74.129**	73.368	**73.910**	75.075
Japanese Yen	JPY	**111.982**	110.375	**109.769**	106.838
South Korean Won	KRW	**1,190.476**	1,136.364	**1,136.364**	1,204.819
Mexican Peso	MXN	**20.496**	20.602	**20.012**	22.691
Polish Zloty	PLN	**3.995**	3.976	**3.814**	3.937
Serbian Dinar	RSD	**101.010**	100.000	**99.010**	103.093
Turkish Lira	TRY	**8.929**	8.358	**8.467**	7.037

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. Given the integrated nature of our business model, the Group has 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	
	2021 US$'000	2020 US$'000
Operating profit presented to management	**86,854**	101,261
Other income, net (Note 16)	**30,072**	20,456
Operating profit per consolidated income statement	**116,926**	121,717

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 from external customers by business unit were as follows:

	Six months ended 30 September	
	2021 US$'000	2020 US$'000
Automotive Products Group ("APG")	**1,268,668**	994,303
Industry Products Group ("IPG")	**405,403**	336,027
	1,674,071	1,330,330

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 21% of the Group's sales for the first half of FY21/22 (first half of FY20/21: 22%).

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 17% of the Group's sales for the first half of FY21/22 (first half of FY20/21: 18%).

Sales by geography

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

	Six months ended 30 September	
	2021 US$'000	2020 US$'000
Europe *	**514,447**	373,891
North America **	**489,047**	381,576
People's Republic of China ("PRC")	**454,077**	410,483
Asia (excluding PRC)	**183,935**	144,422
South America	**21,776**	10,671
Others	**10,789**	9,287
	1,674,071	1,330,330

* Included in Europe were sales to external customers in Germany of US$97.1 million and France of US$71.2 million for the first half of FY21/22 (first half of FY20/21: US$66.1 million and US$48.1 million respectively)

** Included in North America were sales to external customers in the USA of US$406.8 million for the first half of FY21/22 (first half of FY20/21: US$303.1 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 FY21/22, excluding the additions from acquisition, the additions to non-current segment assets were US$277.7 million (first half of FY20/21: US$136.5 million).

	Six months ended 30 September	
	2021	2020
	US$'000	US$'000
Additions to property, plant and equipment – owned assets	**167,480**	107,685
Additions / modifications to property, plant and equipment – right-of-use assets	**97,535**	5,192
Additions to intangible assets	**2,075**	2,925
Additions to other non-current assets	**10,628**	20,721
Additions to non-current segment assets	**277,718**	136,523

The non-current segment assets (representing property, plant and equipment, investment property, intangible assets, investment in associate and other non-current assets) by geographic location as of 30 September 2021 and 31 March 2021 were as follows:

	30 September 2021	31 March 2021
	US$'000	US$'000
Hong Kong ("HK") / PRC	**1,056,711**	857,044
Canada	**414,430**	431,843
Switzerland	**125,978**	124,672
Serbia	**90,028**	87,028
Others	**326,862**	348,879
	2,014,009	1,849,466

3. Property, Plant and Equipment

	Freehold land, leasehold land and buildings US$'000	Machinery and equipment US$'000	Assets under construction US$'000	Moulds and tools US$'000	Other assets ** US$'000	Right-of-use assets US$'000	Total US$'000
First half of FY21/22							
As of 31 March 2021	328,843	682,118	265,686	111,135	43,748	81,232	1,512,762
Currency translations	55	1,583	1,312	803	165	726	4,644
Business combination (Note 26)	6,652	1,937	–	315	121	710	9,735
Additions – owned assets	4,175	29,466	121,591	9,286	2,962	–	167,480
Additions – right-of-use assets	–	–	–	–	–	1,966	1,966
Modification of leases	–	–	–	–	–	95,569	95,569
Transfer	58,445	82,105	(151,330)	10,469	311	–	–
Transfer from investment property (Note 4)	18,320	–	–	–	–	–	18,320
Disposals / termination of leases	(1)	(237)	–	(31)	(20)	(1,145)	(1,434)
Impairment charges (Note 20 & 25)	–	(121)	–	(73)	(1)	–	(195)
Depreciation (Note 20)	(8,540)	(66,315)	–	(26,947)	(6,324)	(16,114)	(124,240)
As of 30 September 2021	**407,949 ***	**730,536**	**237,259**	**104,957**	**40,962**	**162,944**	**1,684,607**
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 / termination of leases	(120)	(161)	–	(40)	(12)	(340)	(673)
Impairment charges (Note 20 & 25)	–	(761)	–	(45)	(1)	–	(807)
Depreciation (Note 20)	(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 2021, freehold land, leasehold land and buildings included US$4.3 million (31 March 2021: US$4.3 million) for the leasehold land portion of buildings located in Hong Kong

** 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

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

3. Property, Plant and Equipment *(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 FY21/22					
As of 31 March 2021	36,189	39,451	2,063	3,529	81,232
Currency translations	479	284	(30)	(7)	726
Business combination	-	-	710	-	710
Additions – right-of-use assets	-	1,460	62	444	1,966
Modification of leases	-	95,573	29	(33)	95,569
Termination of leases	-	(1,111)	-	(34)	(1,145)
Depreciation	(488)	(13,890)	(762)	(974)	(16,114)
As of 30 September 2021	**36,180**	**121,767**	**2,072**	**2,925**	**162,944**
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
Termination of leases	-	(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

* Other assets comprise office equipment and motor vehicles

Purchase deposits for machinery and construction of factory included in **other non-current assets** in the balance sheet amounted to US$53.3 million (31 March 2021: US$41.0 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 2021 and 31 March 2021 were as follows:

	30 September 2021 US$'000	31 March 2021 US$'000
Purchase deposits for machinery and construction of factory	**53,341**	40,980
Deferred contract costs (Note 10)	**6,773**	8,378
Other deposits and prepayments	**3,984**	4,112
Total other non-current assets	**64,098**	53,470

4. Investment Property

	2021 US$'000	2020 US$'000
As of 31 March	**35,772**	32,985
Currency translations	**147**	244
Transfer to property, plant and equipment (Note 3)	**(18,320)**	–
As of 30 September	**17,599**	33,229

5. Intangible Assets

	Technology, patents and engineering development US$'000	Brands US$'000	Client relationships US$'000	Total US$'000
First half of FY21/22				
As of 31 March 2021	46,116	37,769	161,082	244,967
Currency translations	(410)	(319)	(2,904)	(3,633)
Business combination (Note 26)	2,361	–	16,390	18,751
Capitalization of engineering development costs (Note 20)	2,075	–	–	2,075
Amortization (Note 20 & 25)	(6,218)	(2,131)	(8,689)	(17,038)
As of 30 September 2021	**43,924**	**35,319**	**165,879**	**245,122**
First half of FY20/21				
As of 31 March 2020	48,777	37,429	159,911	246,117
Currency translations	2,201	2,130	8,860	13,191
Capitalization of engineering development costs (Note 20)	2,925	–	–	2,925
Amortization (Note 20 & 25)	(5,453)	(1,952)	(7,774)	(15,179)
As of 30 September 2020	48,450	37,607	160,997	247,054

5. Intangible Assets *(Cont'd)*

Total intangible assets as of 30 September 2021 and 31 March 2021 were denominated in the following underlying currencies:

	30 September 2021 US$'000	31 March 2021 US$'000
In CAD	**168,376**	180,410
In EUR	**46,844**	31,176
In KRW	**17,861**	19,538
In USD	**8,219**	9,682
In GBP	**3,822**	4,161
Total intangible assets	**245,122**	244,967

6. Other Financial Assets and Liabilities

	30 September 2021			31 March 2021		
	Assets US$'000	**(Liabilities) US$'000**	**Net US$'000**	Assets US$'000	(Liabilities) US$'000	Net US$'000
Cash flow hedge						
– raw material commodity contracts (Note a (i))	**52,421**	**(414)**	**52,007**	59,800	(658)	59,142
– forward foreign currency exchange contracts (Note a (ii))	**123,884**	**(12,976)**	**110,908**	117,239	(27,045)	90,194
Net investment hedge (Note b)						
– forward foreign currency exchange contracts and cross currency interest rate swaps	**16,889**	**(3,134)**	**13,755**	12,697	(6,379)	6,318
Fair value hedge (Note c)						
– forward foreign currency exchange contracts	**33,303**	**(269)**	**33,034**	29,270	–	29,270
Held for trading (Note d)	**168**	**(5,398)**	**(5,230)**	500	(5,831)	(5,331)
Total (Note f)	**226,665**	**(22,191)**	**204,474**	219,506	(39,913)	179,593
Current portion	**75,087**	**(5,928)**	**69,159**	81,448	(10,533)	70,915
Non-current portion	**151,578**	**(16,263)**	**135,315**	138,058	(29,380)	108,678
Total	**226,665**	**(22,191)**	**204,474**	219,506	(39,913)	179,593

6. Other Financial Assets and Liabilities *(Cont'd)*

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 below 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.

As of 30 September 2021, the Group had the following outstanding contracts:

	Notional amount	Weighted average contract price (US$)	Spot price (US$)	Mark-to-market price (US$)	Remaining maturities range (months)	Settlement value in USD equivalent (US$ million)	Estimated future cash flow (US$ million)	Assets, net carrying value (US$'000)
Cash flow hedge contracts								
Copper commodity	15,500 metric ton	6,138	9,041	8,861	1 – 42	95.1	45.0	42,212
Silver commodity	350,000 oz	18.81	21.53	22.17	1 – 25	6.6	1.0	1,176
Aluminium commodity	425 metric ton	2,298	2,851	2,841	1 – 11	1.0	0.2	231
Iron ore commodity	160,000 metric ton	84.34	115.44	102.12	1 – 42	13.5	5.0	2,845
Coking coal commodity	48,000 metric ton	143.72	354.67	259.19	1 – 18	6.9	10.1	5,543
Total						123.1	61.3	52,007

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).

Estimated future cash flow is calculated based on the contracts' rate at maturity compared to the spot rate for the agreements as of 30 September 2021.

6. Other Financial Assets and Liabilities *(Cont'd)*

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

(ii) Forward foreign currency exchange contracts

The EUR, RMB, MXN, PLN, RSD, CAD, CHF, TRY and HUF forward foreign currency exchange contracts as per the table below 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 RMB, MXN, PLN, RSD, CHF, EUR, TRY 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).

As of 30 September 2021, 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)	Estimated future cash flow (US$ million)	Assets / (liabilities), net carrying value (US$'000)
Cash flow hedge contracts									
Sell EUR forward *	USD	EUR 422.4	1.37	1.16	1.22	1 – 84	577.0	87.1	62,671
Buy RMB forward	USD	RMB 8,623.2	7.05	6.47	6.77	1 – 72	1,222.6	111.0	51,122
Buy MXN forward	USD	MXN 2,151.9	24.94	20.50	23.53	1 – 60	86.3	18.7	5,190
Buy PLN forward	EUR	PLN 490.6	4.82	4.63	4.77	1 – 56	118.1	4.7	1,078
Buy RSD forward	EUR	RSD 3,664.8	120.04	117.14	118.59	1 – 24	35.4	0.9	434
Sell CAD forward	USD	CAD 10.3	1.23	1.28	1.27	1 – 7	8.4	0.3	264
Buy CHF forward	EUR	CHF 11.8	1.09	1.08	1.08	1 – 4	12.5	-	58
Buy EUR forward *	USD	EUR 6.0	1.17	1.16	1.16	1 – 3	7.0	(0.1)	(69)
Buy TRY forward	EUR	TRY 52.0	9.63	10.36	11.57	1 – 24	6.3	(0.4)	(1,048)
Buy HUF forward	EUR	HUF 26,184.1	343.81	360.16	381.82	1 – 56	88.3	(4.0)	(8,792)
Total							2,161.9	218.2	110,908

* The EUR to USD is stated in the inverse order

6. Other Financial Assets and Liabilities *(Cont'd)*

(b) Net investment hedge

The Group hedges its net investment in its European, Canadian and Brazilian operations to protect itself from exposure to future changes in currency exchange rates. The EUR, CAD 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 2021, 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)	Estimated future cash flow (US$ million)	Assets, net carrying value (US$'000)
Net investment hedge contracts									
Sell EUR forward *	USD	EUR 60.0	1.33	1.16	1.19	3 – 39	79.7	10.1	8,495
Cross currency interest rate swaps * (pay EUR, receive USD)	USD	EUR 269.2	1.13	1.16	1.12	4 – 34	305.2	14.4	3,911
Sell CAD forward	USD	CAD 33.5	1.21	1.28	1.27	7	27.6	1.4	1,292
Sell BRL forward	USD	BRL 4.1	5.11	5.43	5.51	1	0.8	–	57
Total							413.3	25.9	13,755

* The EUR to USD is stated in the inverse order

(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 2021, 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)	Estimated future cash flow (US$ million)	Assets / (liabilities), net carrying value (US$'000)
Fair value hedge contracts									
Sell EUR forward *	USD	EUR 215.5	1.37	1.16	1.22	1 – 79	296.0	46.0	33,303
Buy EUR forward *	USD	EUR 13.4	1.18	1.16	1.16	1	15.8	(0.3)	(269)
Total							311.8	45.7	33,034

* The EUR to USD is stated in the inverse order

6. Other Financial Assets and Liabilities *(Cont'd)*

(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.

As of 30 September 2021, 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)	Estimated future cash flow (US$ million)	Assets / (liabilities), net carrying value (US$'000)
Held for trading contracts									
Buy INR forward	USD	INR 470.0	78.33	74.13	76.35	1 – 14	6.0	0.3	155
Buy HUF forward	EUR	HUF 15,450.3	343.46	360.16	382.99	7 – 54	52.2	(2.4)	(5,385)
Total							58.2	(2.1)	(5,230)

(e) 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 FY21/22 was a net gain of US$60.6 million (first half of FY20/21: net loss of US$6.8 million).

	Six months ended 30 September	
Benefit / (expense)	**2021 US$'000**	2020 US$'000
Cost of goods sold includes:		
Effect of raw material commodity contracts	**22,021**	(2,030)
Effect of forward foreign currency exchange contracts	**14,080**	(12,063)
Effect on cost of goods sold	**36,101**	(14,093)
Other income, net includes:		
Effect of unrealized forward foreign currency exchange contracts (Note 16)	**4,226**	(18,289)
Selling and administrative expenses includes:		
Effect of forward foreign currency exchange contracts (Note 17)	**16,796**	21,784
Finance costs includes:		
Cross currency interest rate swaps	**3,512**	3,758
Effect of other financial assets and liabilities in consolidated income statement, net gain / (loss)	**60,635**	(6,840)

6. Other Financial Assets and Liabilities *(Cont'd)*

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

(g) Net cash generated from operating activities due to the realized hedge contracts was US$54.4 million (first half of FY20/21: US$14.8 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 2021 would result in approximately US$349 million cash flow benefit (31 March 2021: US$332 million).

(i) As of 30 September 2021, the balance in the exchange reserve for continuing hedges that are accounted for as a net investment hedge was US$63.9 million (31 March 2021: US$57.9 million).

7. Financial Assets at Fair Value through Profit and Loss

	30 September 2021 US$'000	31 March 2021 US$'000
Call option related to the acquisition of Halla Stackpole (Note a)	**2,244**	2,351
Unlisted preference shares (Note b)	**30,657**	15,789
Structured foreign currency contracts (Note c)	**35,509**	30,692
Other investment	**4,361**	2,850
Total	**72,771**	51,682
Current portion	**12,209**	4,781
Non-current portion	**60,562**	46,901
Total	**72,771**	51,682

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. During the period, the fair value increased by US$14.9 million to US$30.7 million as of 30 September 2021 (balance as of 31 March 2021: US$15.8 million). This fair value gain is based on recent transaction prices, and is reflected in Note 16, Other Income, Net.

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 2021, 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	422.4
Economic hedge – by structured forward contracts	
– minimum possible hedge	158.8
– maximum possible hedge	314.6
Percentage of currency exposure hedged *	
– by plain vanilla contracts	39%
– by plain vanilla and structured forward – minimum	53%
– by plain vanilla and structured forward – maximum	67%

* 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 FY21/22, gains on structured foreign currency contracts increased net profit by US$4.3 million, net of tax (pre-tax US$4.8 million) (first half of FY20/21: losses decreased net profit by US$12.3 million, pre-tax US$14.1 million). Please see Note 16.

As of 30 September 2021, 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)	Estimated future cash flow (US$ million)	Assets, net carrying value (US$'000)
Structured foreign currency contracts									
(With option features: Reduction of notional amount)									
Sell EUR (for sales) *	USD	EUR 158.8	EUR 314.6	1.30 – 1.39	1.35	1.26	1 – 35	29.8	26,387
Sell EUR (for net investment) *	USD	EUR 50.0	EUR 100.0	1.36 – 1.40	1.38	1.29	15 – 39	11.1	9,122
Total								40.9	35,509

* The EUR to USD is stated in the inverse order

Sensitivity

As of 30 September 2021, 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$(2.5) million
Decrease by 1%	US$2.5 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 2021 would give rise to a cash flow benefit of approximately US$41 million (assuming minimum delivery for EUR contracts depending on the contract delivery rate) (31 March 2021: US$40 million).

8. Trade and Other Receivables

	30 September 2021 US$'000	31 March 2021 US$'000
Trade receivables – gross *	**590,215**	643,643
Less: impairment of trade receivables	**(2,463)**	(2,601)
Trade receivables – net	**587,752**	641,042
Prepayments and other receivables	**117,205**	109,493
	704,957	750,535

* The balance included bank acceptance drafts from customers amounting to US$33.2 million (31 March 2021: US$22.6 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 2021			
Current	537,223	(133)	**537,090**
1 – 30 days overdue	36,501	(29)	**36,472**
31 – 90 days overdue	13,550	(223)	**13,327**
Over 90 days overdue	2,941	(2,078)	**863**
Total	590,215	(2,463)	**587,752**
As of 31 March 2021			
Current	608,053	(72)	607,981
1 – 30 days overdue	24,644	(27)	24,617
31 – 90 days overdue	7,436	(53)	7,383
Over 90 days overdue	3,510	(2,449)	1,061
Total	643,643	(2,601)	641,042

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

	30 September 2021 US$'000	31 March 2021 US$'000
0 – 30 days	**300,330**	334,452
31 – 90 days	**256,541**	280,971
Over 90 days	**33,344**	28,220
Total	**590,215**	643,643

9. Trade and Other Payables

	30 September 2021 US$'000	31 March 2021 US$'000
Trade payables	**460,633**	454,370
Accrual for property, plant and equipment and other production consumables	**182,835**	148,364
Accrued payroll and other staff related costs	**104,757**	133,131
Contract liabilities (Note 10)	**41,151**	42,557
Deferred income *	**26,216**	21,206
Other creditors and accrued charges	**71,248**	68,798
	886,840	868,426
Current portion	**851,687**	833,583
Non-current portion	**35,153**	34,843

* Mainly comprised government grants

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 2021 US$'000	31 March 2021 US$'000
0 – 60 days	**299,738**	299,269
61 – 90 days	**87,183**	91,240
Over 90 days	**73,712**	63,861
Total	**460,633**	454,370

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 2021 US$'000	31 March 2021 US$'000
Deferred contract costs included in:		
Trade and other receivables	**2,823**	2,356
Other non-current assets (Note 3)	**6,773**	8,378
Total deferred contract costs	**9,596**	10,734
Contract liabilities balances included in:		
Trade and other payables – current	**(28,377)**	(25,596)
Trade and other payables – non-current	**(12,774)**	(16,961)
Total contract liabilities (Note 9)	**(41,151)**	(42,557)

In the first half of FY21/22, US$11.0 million (first half of FY20/21: US$9.4 million) included in the contract liability balance at the previous year end date was recognized in profit and loss.

11. Borrowings

	30 September 2021			31 March 2021		
	Current US$'000	**Non-current US$'000**	**Total US$'000**	Current US$'000	Non-current US$'000	Total US$'000
Bonds (Note a)	**–**	**300,215**	**300,215**	–	299,912	299,912
Loan from Export Development Canada ("EDC") (Note b)	**–**	**99,840**	**99,840**	–	99,792	99,792
Loan from The Export-Import Bank of China (Note c)	**3,866**	**73,459**	**77,325**	321	12,499	12,820
Loans based on trade receivables (Note d)	**5,799**	**–**	**5,799**	–	–	–
Other borrowings	**26,803**	**–**	**26,803**	13,666	–	13,666
Total borrowings	**36,468**	**473,514**	**509,982**	13,987	412,203	426,190

Note:

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

On 30 January 2019, the Company 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.

The Company 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 106.2% of the face value of the bonds as of 30 September 2021 (31 March 2021: 106.7% of the face value of the bonds).

(b) **Loan from EDC**

US$99.8 million (principal US$100.0 million less US$0.2 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%.

(c) **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 2021, the Group had drawn down the entire RMB500 million facility, equivalent to US$77.3 million, to partially fund capital expenditure for the Group's new Jiangmen factory (31 March 2021: RMB84.2 million, equivalent to US$12.8 million). The first repayment of the loan is due in February 2022, with further repayment every six months until August 2025.

11. Borrowings *(Cont'd)*

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

As of 30 September 2021, the Group had drawn down US$5.8 million (31 March 2021: nil) loans in Europe. The loans are secured by trade receivables and require an over-collateralization level of 20% of the amount loaned (US$7.0 million as of 30 September 2021).

The maturity of borrowings was as follows:

	Bank borrowings		Bonds and other borrowings	
	30 September 2021 US$'000	31 March 2021 US$'000	**30 September 2021 US$'000**	31 March 2021 US$'000
Less than 1 year	**9,665**	321	**26,803**	13,666
1 – 2 years	**11,599**	1,282	**99,840**	–
2 – 5 years	**61,860**	11,217	**300,215**	399,704
	83,124	12,820	**426,858**	413,370

As of 30 September 2021, the interest rate charged on outstanding balances ranged from 0.5% to 4.1% per annum (31 March 2021: 3.4% to 4.1% 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 3.1% (31 March 2021: 2.3%). Interest expense is disclosed in Note 19.

Johnson Electric subscribes to both Moody's Investors Service ("Moody's") and Standard & Poor's Ratings Services ("S&P") to provide independent long-term credit ratings. As of 30 September 2021, 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 FY21/22			
As of 31 March 2021	30,650	4,199	34,849
Currency translations	(341)	(100)	(441)
Charges	3,401	4,926	8,327
Utilizations	(2,704)	(5,017)	(7,721)
Remeasurements *	(606)	–	(606)
As of 30 September 2021	**30,400**	**4,008**	**34,408**
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

The retirement benefit plans are mainly located in Switzerland, the United Kingdom, South Korea, Italy and Germany. Net obligations of US$30.4 million (31 March 2021: US$30.6 million) were comprised of the gross present value of obligations of US$254.7 million (31 March 2021: US$244.7 million) less the fair value of plan assets of US$224.3 million (31 March 2021: US$214.1 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 2021 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	–	432	432
Non-current portion	52,812	3,576	56,388
Defined benefit pension plan assets:			
Non-current portion	(22,412)	–	(22,412)
As of 30 September 2021	**30,400**	**4,008**	**34,408**

13. Provision and Other Liabilities

	Legal and warranty US$'000	Restructuring and severance US$'000	Reinstatement cost of right-of-use assets US$'000	Total US$'000
First half of FY21/22				
As of 31 March 2021	45,070	13,257	1,118	59,445
Currency translations	(145)	78	(36)	(103)
Business combination (Note 26)	29	–	–	29
Charges	8,210	3,474	9	11,693
Utilizations	(15,331)	(10,517)	–	(25,848)
As of 30 September 2021	**37,833**	**6,292**	**1,091**	**45,216**
Current portion	23,721	6,292	–	30,013
Non-current portion	14,112	–	1,091	15,203
As of 30 September 2021	**37,833**	**6,292**	**1,091**	**45,216**
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

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. 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:

	2021 **US$'000**	2020 US$'000
As of 31 March	**71,688**	69,680
Currency translation	**(1,533)**	2,423
Accrued interest (Note 19)	**609**	353
Fair value gains * (Note 16)	**(4,005)**	(3,048)
As of 30 September	**66,759**	69,408
Current portion	**66,759**	–
Non-current portion	**–**	69,408

* The fair value gains represent the estimated reduction in the put option liability as well as the revaluation of this monetary liability from Korean Won to the British Pound, the functional currency of the company that holds the put option

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 scheme (thousands)	Total shares (thousands)
First half of FY21/22			
As of 31 March 2021	903,815	(11,572)	892,243
Shares purchased by trustee for incentive share scheme	–	(800)	(800)
Shares vested to Directors and employees for incentive share scheme	–	1,638	1,638
Shares issued in lieu of cash dividends	1,700	–	1,700
Scrip dividend for shares held for incentive share scheme	–	(188)	(188)
As of 30 September 2021	**905,515**	**(10,922)**	**894,593**
First half of FY20/21			
As of 31 March 2020	902,648	(12,013)	890,635
Shares purchased by trustee for incentive share scheme	–	(674)	(674)
Shares vested to Directors and employees for incentive share scheme	–	1,915	1,915
As of 30 September 2020	902,648	(10,772)	891,876

As of 30 September 2021, the total authorized number of ordinary shares was 1,760.0 million (31 March 2021: 1,760.0 million) with a par value of HK$0.05 per share (31 March 2021: HK$0.05 per share). All issued shares were fully paid.

15. Share Capital *(Cont'd)*

	Share capital – ordinary shares US$'000	Shares held for incentive share scheme US$'000	Share premium US$'000	Total US$'000
First half of FY21/22				
As of 31 March 2021	5,830	(34,012)	45,729	17,547
Shares purchased by trustee for incentive share scheme	–	(1,827)	–	(1,827)
Shares vested to Directors and employees for incentive share scheme	–	5,817	(954)	4,863
Shares issued in lieu of cash dividends	11	–	3,960	3,971
Scrip dividend for shares held for incentive share scheme	–	(440)	–	(440)
As of 30 September 2021	**5,841**	**(30,462)**	**48,735**	**24,114**
First half of FY20/21				
As of 31 March 2020	5,822	(36,114)	41,796	11,504
Shares purchased by trustee for incentive share scheme	–	(1,319)	–	(1,319)
Shares vested to Directors and employees for incentive share scheme	–	5,679	1,301	6,980
As of 30 September 2020	5,822	(31,754)	43,097	17,165

Scrip dividend

During the period, 1.7 million shares were issued to shareholders who elected to receive shares in lieu of cash dividends pursuant to the scrip dividend scheme in relation to the final dividend of FY20/21. The Group's scrip price was the average closing price in the period during 19 July 2021 to 23 July 2021 discounted by 4% on the average price – the actual scrip price was HK$18.18 (US$2.33). The date of allotment of the scrip shares was 2 September 2021.

Cancellation of issued capital

A general mandate was approved and given to the Board by shareholders at the Company's AGM held on 14 July 2021 empowering the Board to repurchase shares up to 10% (90.4 million shares) of the aggregate nominal amount of the issued share capital of the Company. 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 FY21/22 for cancellation (first half of FY20/21: nil).

15. Share Capital *(Cont'd)*

Incentive share scheme

The Restricted and Performance Stock Unit Plan ("Stock Unit Plan") was approved by the shareholders on 9 July 2015. The long-term incentive share scheme which was adopted on 24 August 2009 was terminated by the shareholders on 9 July 2015. The Board may grant time-vested units (Restricted Stock Units or RSUs) and performance-vested units (Performance Stock Units or PSUs) or cash payment in lieu of shares to such eligible employees and directors as the Board may select at its absolute discretion under the Stock Unit Plan.

Senior management of the Group receive annual grants of RSUs and PSUs. According to current granting policy, RSUs typically vest after three years. PSUs 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.

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

	Number of unvested units granted (thousands)		
	Restricted Stock Units	Performance Stock Units	Total
First half of FY21/22			
Unvested units granted, as of 31 March 2021	10,528	5,906	16,434
Units granted to Directors and employees during the period	2,461	1,987	4,448
Units vested to Directors and employees during the period	(1,614)	(361)	(1,975)
Forfeited during the period	(403)	(1,340)	(1,743)
Unvested units granted, as of 30 September 2021	**10,972**	**6,192**	**17,164**
First half of FY20/21			
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$20.75 (US$2.66) (first half of FY20/21: HK$13.47 (US$1.73)).

15. Share Capital *(Cont'd)*

As of 30 September 2021, the number of unvested units outstanding under the Stock Unit Plan was as follows:

Vesting year *	Number of unvested units granted (thousands) Restricted Stock Units	Performance Stock Units	Total
FY21/22	125	–	125
FY22/23	4,076	2,403	6,479
FY23/24	4,460	1,848	6,308
FY24/25	2,189	1,941	4,130
FY25/26	122	–	122
Total unvested units granted	**10,972**	**6,192**	**17,164**

* Shares are typically vested on 1 June of the year

16. Other Income, Net

	Six months ended 30 September	
	2021 US$'000	2020 US$'000
Gross rental income from investment property	**699**	1,165
Net gains on financial assets and liabilities at fair value through profit and loss	**15,604**	31
Fair value gains on put option written to a non-controlling interest (Note 14)	**4,005**	3,048
Gains on disposal of property, plant and equipment	**288**	204
Unrealized net gains / (losses) on other financial assets and liabilities (Note 6(e))	**4,226**	(18,289)
Unrealized net (losses) / gains from revaluation of monetary assets and liabilities	**(9,916)**	34,071
Unrealized net gains / (losses) on structured foreign currency contracts	**4,817**	(14,099)
Subsidies and other income	**10,349**	14,325
Other income, net	**30,072**	20,456

17. Selling and Administrative Expenses

	Six months ended 30 September	
	2021	2020
	US$'000	US$'000
Selling expenses	**73,826**	44,719
Administrative expenses	**207,258**	166,741
Legal and warranty	**8,210**	3,406
Net (gains) on realization of other financial assets and liabilities (Note 6(e))	**(16,796)**	(21,784)
Net (gains) / losses on realization of monetary assets and liabilities	**(4,359)**	5,881
Net (gains) on realization of structured foreign currency exchange contracts	**(1,102)**	(590)
Selling and administrative expenses	**267,037**	198,373

18. Restructuring and Other Costs

	Six months ended 30 September	
	2021	2020
	US$'000	US$'000
Restructuring costs	**3,358**	–
Other costs	**116**	–
Restructuring and other costs	**3,474**	–

Note: The restructuring costs primarily consisted of severance payments in relation to initiatives to simplify the manufacturing footprint in Asia and Europe

19. Finance Income / (Costs), Net

	Six months ended 30 September	
	2021	2020
	US$'000	US$'000
Interest income	**1,262**	1,172
Interest expense on:		
Borrowings	**(3,461)**	(329)
Bonds	**(6,491)**	(6,478)
	(9,952)	(6,807)
Accrued interest on put option written to a non-controlling interest * (Note 14)	**(609)**	(353)
Interest expense capitalized **	**573**	1,115
Total interest expense	**(9,988)**	(6,045)
Net finance (costs) (Note 25)	**(8,726)**	(4,873)

* 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 FY20/21: 2.5% per annum)

Borrowings are discussed in Note 11.

20. Expenses by Nature

Operating profit was stated after crediting and charging the following:

	Six months ended 30 September	
	2021	2020
	US$'000	US$'000
Depreciation		
Depreciation of property, plant and equipment (Note 3)	**124,240**	106,299
Less: amounts capitalized in assets under construction	**(683)**	(610)
Net depreciation (Note 25)	**123,557**	105,689
Engineering expenditure		
Engineering expenditure *	**92,894**	76,161
Less: capitalization of engineering development costs (Note 5)	**(2,075)**	(2,925)
Net engineering expenditure	**90,819**	73,236
Employee compensation		
Wages and salaries	**445,324**	329,885
Share-based payments	**3,959**	3,549
Social security costs	**60,283**	36,740
Pension costs – defined benefit plans	**3,401**	2,489
Pension costs – defined contribution plans	**4,575**	4,059
	517,542	376,722
Less: amounts capitalized in assets under construction	**(2,095)**	(1,837)
	515,447	374,885
Other items:		
Cost of goods sold **	**1,316,706**	1,030,696
Auditors' remuneration	**1,390**	1,357
Amortization of intangible assets (Note 5 & 25)	**17,038**	15,179
Impairment of property, plant and equipment (Note 3 & 25)	**195**	807
(Write back of impairment) / impairment of trade receivables / bad debt expense	**(81)**	1,420

In the first half of FY21/22, the Group received a total sum of US$7.0 million (first half of FY20/21: 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 5.5% in the first half of FY21/22 (first half of FY20/21: 5.7%)

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

21. Taxation

The amount of taxation in the consolidated income statement represents:

	Six months ended 30 September	
	2021 US$'000	2020 US$'000
Current income tax		
Charges for the period	**23,666**	16,981
Additions / (reductions) of tax for prior years	**693**	(3,671)
	24,359	13,310
Deferred income tax	**(12,433)**	15
Total income tax expense	**11,926**	13,325
Effective tax rate	**11.0%**	11.4%

Tax has been provided at the applicable rates on the estimated assessable profit in the respective countries of operations for the period. The overall global effective tax rate for the first half of FY21/22 was 11.0% (first half of FY20/21: 11.4%). The Group's effective tax rate differed from the statutory tax rate of Hong Kong of 16.5% (first half of FY20/21: 16.5%) as follows:

	Six months ended 30 September 2021		Six months ended 30 September 2020	
		US$'000		US$'000
Profit before income tax		**108,250**		116,942
Tax charged at Hong Kong profits tax rate	**16.5%**	**17,861**	16.5%	19,295
Effect of different tax rates in other countries				
– countries with taxable profit	**2.1%**	**2,283**	3.2%	3,765
– countries with taxable loss	**(3.1)%**	**(3,350)**	(1.9)%	(2,241)
Effect of income, net of expenses, not subject to tax	**(10.4)%**	**(11,303)**	(9.8)%	(11,447)
(Reductions) of tax for prior years – current and deferred	**(0.4)%**	**(402)**	(2.9)%	(3,413)
Withholding tax	**1.0%**	**1,049**	3.7%	4,322
Other taxes and temporary differences, net of (tax loss recognition) and other (tax benefits)	**5.3%**	**5,788**	2.6%	3,044
Total income tax expense	**11.0%**	**11,926**	11.4%	13,325

22. 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 the Company for incentive share scheme.

	Six months ended 30 September	
	2021	2020
Profit attributable to shareholders (thousands US Dollar)	**93,179**	100,785
Weighted average number of ordinary shares in issue (thousands)	**893,305**	891,742
Basic earnings per share (US cents per share)	**10.43**	11.30
Basic earnings per share (HK cents per share)	**81.07**	87.60

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	
	2021	2020
Profit attributable to shareholders (thousands US Dollar)	**93,179**	100,785
Weighted average number of ordinary shares issued and outstanding (thousands)	**893,305**	891,742
Adjustments for incentive shares granted		
– incentive share scheme – Restricted Stock Units	**5,234**	2,285
– incentive share scheme – Performance Stock Units	**1,063**	–
Weighted average number of ordinary shares (diluted) (thousands)	**899,602**	894,027
Diluted earnings per share (US cents per share)	**10.36**	11.27
Diluted earnings per share (HK cents per share)	**80.50**	87.38

23. Interim Dividend

	Six months ended 30 September	
	2021	2020
	US$'000	US$'000
Interim, of 17 HK cents (2.18 US cents) per share, to be paid in January 2022 (FY20/21: 17 HK cents or 2.18 US cents)	**19,533** *	19,563

* Interim dividend, with a scrip dividend option offered to shareholders, is calculated based on the total number of shares as of 30 September 2021. The interim dividend will be payable on 12 January 2022 to shareholders registered on 2 December 2021

24. Commitments

	30 September	31 March
	2021	2021
	US$'000	US$'000
Capital commitments, contracted but not provided for:		
Property, plant and equipment	**99,523**	104,735

25. Cash Generated from Operations

	Six months ended 30 September	
	2021	2020
	US$'000	US$'000
Profit before income tax	**108,250**	116,942
Add: Depreciation of property, plant and equipment (Note 20)	**123,557**	105,689
Amortization of intangible assets (Note 5 & 20)	**17,038**	15,179
Net finance costs (Note 19)	**8,726**	4,873
Associate dividend receipts less share of profits	**(50)**	13
EBITDA *	**257,521**	242,696
Other non-cash items		
(Gains) on disposal of property, plant and equipment	**(288)**	(204)
Impairment of property, plant and equipment (Note 3 & 20)	**195**	807
Net (gains) on financial assets and liabilities at fair value through profit and loss	**(15,604)**	(31)
Fair value (gains) on put option written to a non-controlling interest (Note 14)	**(4,005)**	(3,048)
Share-based payments	**3,060**	2,808
Unrealized net (gains) / losses on structured foreign currency contracts	**(4,817)**	14,099
	(21,459)	14,431
EBITDA * net of other non-cash items	**236,062**	257,127
Change in working capital		
(Increase) in inventories	**(145,967)**	(10,770)
Decrease / (increase) in trade and other receivables	**54,682**	(76,779)
Decrease / (increase) in other non-current assets	**2,112**	(2,125)
(Decrease) / increase in trade and other payables	**(4,553)**	18,344
Increase / (decrease) in retirement benefit obligations **	**606**	(55)
(Decrease) in provision and other liabilities	**(14,163)**	(3,229)
Change in other financial assets and liabilities	**(10,086)**	20,339
	(117,369)	(54,275)
Cash generated from operations	**118,693**	202,852

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

** Net of defined benefit pension plan assets

In the first half of FY21/22, 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$1.5 million of which US$0.1 million was recognized in "Cost of goods sold" and US$1.4 million was recognized in "Selling and administrative expenses" (first half of FY20/21: US$1.8 million, US$0.1 million in "Cost of goods sold" and US$1.7 million in "Selling and administrative expenses").

26. Business Combination

On 31 May 2021, the Group acquired the entire share capital of E. Zimmermann GmbH ("Zimmermann") for a consideration of EUR 24.1 million (US$29.3 million).

Zimmermann, located in Germany, is a leading machining specialist in the area of automotive differential housings. This acquisition is closely adjacent to the Johnson Electric's powder metal components business and will allow the Group to provide its automotive customers with a more comprehensive product offering. It will also increase the powder metal components business' presence in the European market.

The aggregate revenue and net profit contributed by this acquisition are insignificant to the Group's results for the period. The acquisition would not have had any significant impact to the Group's revenue and profit for the period if it had occurred on 1 April 2021.

Details of net assets acquired and goodwill are as follows:

	2021 US$'000
Purchase consideration	29,343
Fair value of net assets acquired – shown as below	(29,343)
Goodwill	–

	Fair value US$'000
Property, plant and equipment	9,735
Intangible assets	18,751
Inventories	898
Trade and other receivables	2,796
Cash and cash equivalents	5,109
Trade and other payables	(1,298)
Current income tax liabilities	(119)
Lease liabilities	(710)
Provision and other liabilities	(29)
Deferred tax liabilities	(5,790)
Net assets acquired	29,343
Purchase consideration settled in cash	
Cash	29,343
Cash and cash equivalents acquired	(5,109)
Cash outflow on acquisition	24,234

As of 30 September 2021, the Group has substantially completed the fair value assessments for net assets acquired (including intangible assets) from the business combination activities. The fair values of net assets stated above are on a provisional basis subject to the final valuation of certain assets and liabilities.

27. Post Balance Sheet Event

On 18 October 2021, Nanomotion Ltd., a fully owned subsidiary of the Group, and Cortica Ltd. (“Cortica”), an Israeli autonomous artificial intelligence (“AI”) technology company, announced the formation of a joint venture (“Lean AI”). Combining Johnson Electric’s deep manufacturing expertise, and Cortica’s proven autonomous AI technology, Lean AI will focus on providing AI-driven unsupervised quality assurance software in the manufacturing automation process.

The Group has committed US$8.5 million to the investment, of which the first tranche of US$4.0 million has already been invested.

28. Related Party Transaction

28.1 Directors' remuneration

The remuneration of Directors was as follows:

	Six months ended 30 September	
	2021 US$'000	2020 US$'000
Fees	**242**	242
Salary *	**1,194**	719
Discretionary bonus	**900**	444
Share-based payment	**1,561**	585
Employer's contribution to retirement benefit scheme	**124**	124
	4,021	2,114

Directors' remuneration represents the amounts paid during the period

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

28.2 Senior management compensation

Other than the directors' remuneration disclosed above, emoluments paid to 8 members (first half of FY20/21: 9) of senior management were as follows:

	Six months ended 30 September	
	2021 US$'000	2020 US$'000
Salaries, allowances and other benefits	**2,535**	2,744
Retirement scheme contributions	**214**	286
Share-based payment	**1,172**	1,841
Bonuses	**2,142**	873
	6,063	5,744

Senior management compensation represents the amounts paid during the period

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

29. 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 2021.

There has been no change in the Group's risk management policies since 31 March 2021.

30. 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 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 reference to other substantially similar instruments.

30. 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 2021 and 31 March 2021.

	Level 1 US$'000	Level 2 US$'000	Level 3 US$'000	Total US$'000
As of 30 September 2021				
Assets				
Investment property				
– industrial property	–	–	9,855	9,855
– residential property and car parks	–	91	7,653	7,744
Other financial assets				
– derivatives used for hedging	–	221,245	5,252	226,497
– derivatives held for trading	–	168	–	168
Financial assets at fair value through profit and loss				
– call option related to the acquisition of Halla Stackpole	–	–	2,244	2,244
– unlisted preference shares	–	–	30,657	30,657
– structured foreign currency contracts	–	–	35,509	35,509
– other investment	–	–	4,361	4,361
Total assets	–	221,504	95,531	317,035
Liabilities				
Other financial liabilities				
– derivatives used for hedging	–	16,793	–	16,793
– derivatives held for trading	–	5,398	–	5,398
Total liabilities	–	22,191	–	22,191
As of 31 March 2021				
Assets				
Investment property				
– industrial property	–	–	28,028	28,028
– residential property and car parks	–	91	7,653	7,744
Other financial assets				
– derivatives used for hedging	–	214,586	4,420	219,006
– derivatives held for trading	–	500	–	500
Financial assets at fair value through profit and loss				
– call option related to the acquisition of Halla Stackpole	–	–	2,351	2,351
– unlisted preference shares	–	–	15,789	15,789
– structured foreign currency contracts	–	–	30,692	30,692
– other investment	–	–	2,850	2,850
Total assets	–	215,177	91,783	306,960
Liabilities				
Other financial liabilities				
– derivatives used for hedging	–	34,082	–	34,082
– derivatives held for trading	–	5,831	–	5,831
Total liabilities	–	39,913	–	39,913

30. 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 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 2021		As of 31 March 2021	
Property	Valuation method	Market rate / rent per month	Market yield	Market rate / rent per month	Market yield
Industrial	Income capitalization	RMB5.0 / sq.ft	10.5%	RMB5.0 to HK$7.0 / sq.ft	8.5% to 10.5%
Residential	Market comparison	HK$26,005 / sq.ft		HK$26,005 / 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.

30. 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 at fair value through profit and loss

The majority of the Group's financial assets 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 reference to other substantially similar instruments.

The following table presents the changes in level 3 assets and (liabilities) for the first half of FY21/22 and FY20/21:

	Investment property									
	Industrial property		Residential property		Other financial assets and (liabilities)		Financial assets at fair value through profit and loss		Total	
	2021 US$'000	2020 US$'000	2021 US$'000	2020 US$'000	2021 US$'000	2020 US$'000	2021 US$'000	2020 US$'000	**2021 US$'000**	2020 US$'000
As of 31 March	28,028	25,286	7,653	7,608	4,420	2,810	51,682	55,781	**91,783**	91,485
Currency translations	147	244	–	–	–	–	(52)	78	**95**	322
Transfer to property, plant and equipment	(18,320)	–	–	–	–	–	–	–	**(18,320)**	–
Additions	–	–	–	–	–	–	750	1,140	**750**	1,140
Disposal	–	–	–	–	–	(755)	(1,132)	(590)	**(1,132)**	(1,345)
Fair value gains / (losses)	–	–	–	–	832	1,296	21,523	(13,480)	**22,355**	(12,184)
As of 30 September	9,855	25,530	7,653	7,608	5,252	3,351	72,771	42,929	**95,531**	79,418
Change in unrealized gains / (losses) for the period included in the income statement for assets held at balance sheet date	–	–	–	–	–	166	20,391	(13,357)	**20,391**	(13,191)
Total gains / (losses) for the period included in the income statement	–	–	–	–	–	585	21,523	(13,480)	**21,523**	(12,895)

31. 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 2021			
Assets as per balance sheet			
Other non-current assets	3,444	–	3,444
Other financial assets	–	226,665	226,665
Financial assets at fair value through profit and loss	–	72,771	72,771
Trade and other receivables excluding prepayments	620,758	–	620,758
Cash and cash equivalents	486,519	–	486,519
Total financial assets	1,110,721	299,436	1,410,157
Liabilities as per balance sheet			
Other financial liabilities	–	(22,191)	(22,191)
Trade and other payables	(701,374)	–	(701,374)
Borrowings	(509,982)	–	(509,982)
Lease liabilities	(134,593)	–	(134,593)
Put option written to a non-controlling interest	(66,759)	–	(66,759)
Total financial liabilities	(1,412,708)	(22,191)	(1,434,899)
As of 31 March 2021			
Assets as per balance sheet			
Other non-current assets	3,284	–	3,284
Other financial assets	–	219,506	219,506
Financial assets at fair value through profit and loss	–	51,682	51,682
Trade and other receivables excluding prepayments	669,059	–	669,059
Cash and cash equivalents	539,467	–	539,467
Total financial assets	1,211,810	271,188	1,482,998
Liabilities as per balance sheet			
Other financial liabilities	–	(39,913)	(39,913)
Trade and other payables	(657,521)	–	(657,521)
Borrowings	(426,190)	–	(426,190)
Lease liabilities	(48,543)	–	(48,543)
Put option written to a non-controlling interest	(71,688)	–	(71,688)
Total financial liabilities	(1,203,942)	(39,913)	(1,243,855)

32. Effect of Adopting New, Revised and Amended HKFRS

Standards, interpretation and amendments to published standards effective since 1 April 2021 which are relevant to the Group

In the first half of FY21/22, 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:

HKAS 39 (amendment), HKFRS 4 (amendments), HKFRS 7 (amendments), HKFRS 9 (amendments) and HKFRS 16 (amendments)	Interest Rate Benchmark Reform – Phase 2

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

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
MAK WANG Wing-Yee Winnie
Vice-Chairman
Austin Jesse WANG

Non-Executive Directors

WANG KOO Yik-Chun
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
Certified Public Accountants
Registered Public Interest Entity Auditor

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
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Hong Kong Head Office

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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 2021 (Tue – Thu)

Dividends (per Share)

Interim Dividend	: 17 HK cents
Dividend Warrants and Share Certificates for Interim Dividend	: 12 January 2022 (Wed)

JOHNSON ELECTRIC

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