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## **Johnson Electric Holdings Limited**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code : 179)**

### **ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2021**

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#### **HIGHLIGHTS**

- For the financial year ended 31 March 2021, total sales amounted to US\$3,156 million – an increase of 3% compared to the prior year. Excluding the effects of foreign currency movements, underlying sales increased by 1%
  - Gross profit totalled US\$723 million – an increase of 8%
  - EBITA, adjusted to exclude restructuring charges and significant non-cash and unusual items, increased by 18% to US\$335 million or 10.6% of sales (compared to 9.3% of sales in FY2019/20)
  - Net profit attributable to shareholders totalled US\$212 million – compared to a net loss of US\$494 million in the prior financial year which included a non-cash impairment charge against intangible assets of US\$796 million
  - Underlying net profit totalled US\$251 million – an increase of 31%
  - As of 31 March 2021, cash reserves amounted to US\$539 million and the ratio of total debt to capital at year end was 16% (a decrease from 18% a year earlier)
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## Letter to Shareholders

The past twelve months have been truly extraordinary for most people and most businesses in virtually every country worldwide. When I wrote to shareholders a year ago, the COVID-19 pandemic had forced many major economies into unprecedented government-mandated “lockdowns” and the timing and nature of an “exit” point was impossible to project.

One year on – and after more than three million COVID-related deaths – the global pandemic is still far from over. However, the successful development of vaccines against the virus has at last provided the world with a credible path towards a lifting of restrictions and created rising expectations of a return to social and economic “normality”.

For Johnson Electric, with manufacturing facilities in 18 countries on four continents, the financial year 2020/21 was a period of unique challenges that I am pleased to report the Company navigated with a good deal of success. After a particularly difficult first two months to the financial year, when large parts of our operations in Europe and the Americas were essentially shut down, a strong business recovery began to take hold in June 2020 and was sustained through to the end of the financial year in March 2021. It is a testament to Johnson Electric’s diverse global customer base, sought-after technology and highly committed workforce, that the Company was able to deliver both sales and earnings improvements compared to the prior financial year.

### Divisional Sales Performance

The Automotive Products Group (“APG”), Johnson Electric’s largest operating division, achieved sales of US\$2,443 million. Excluding currency effects, APG’s sales declined by 2%. This compares to a reduction in global light vehicle production volumes of approximately 8% over the same period.

APG continues to deliver results that exceed those of the automotive sector overall – even during cyclical periods of contraction – due to a product portfolio that is focused on the key long-term technology trends that are transforming the industry. These include innovative technologies that enable electrification, reduce emissions, enhance safety and comfort, and heat, cool or lubricate critical vehicle systems.

The strongest regional performance was in Asia, where APG increased sales by 15% in constant currency terms against a market where light vehicle production volumes grew by 2%. Asia was the only major region to achieve a growth in automotive industry volumes in the period due primarily to the fact that China bore the brunt of its pandemic-induced demand contraction in the fourth quarter of the prior financial year.

In contrast, the majority of automotive OEM assembly plants in Europe largely ceased operations in the period from late March to May 2020. Production resumed over the course of the summer and by autumn was matching the levels of the prior year. However, the industry’s recovery was somewhat tempered towards the end of the financial year due to the resurgence of COVID-19 in some countries and by shortages of electronic components, especially semiconductors. For the financial year as a whole, European light vehicle production volumes declined by approximately 18%. Over the same period, APG’s European sales in constant currency were down by 13%.

Automotive industry production and demand trends in North America over the period were broadly similar to those in Europe. APG’s sales in the region declined by 8% in constant currency terms, compared to a 19% fall in North American light vehicle production over the same twelve month period.

The Industry Products Group (“IPG”) achieved sales of US\$713 million, which represented 23% of total Group sales. Excluding currency effects, IPG’s sales increased by 12%. This very satisfactory performance reflected the contrasting fortunes of the diverse range of end markets served by IPG as the pandemic reshaped consumer behaviour and altered demand patterns.

For example, sales to product applications such as aerospace subsystems, vending machines, professional power tools and commercial printers all suffered as a direct result of the reduced activity in those end-markets caused by social distancing and COVID-19 containment measures. In contrast, IPG benefitted from a surge in the consumption of consumer goods because of a redirecting of spending away from travel and entertainment and towards more “home-centric” lifestyles. Product applications that saw a strong increase in sales for Johnson Electric’s precision motors, motion subsystems, switches and solenoids included coffee machines, lawn and garden products, kitchen appliances, floor care equipment, inkjet printers, medical devices and healthcare products.

### **Gross Margins and Operating Profitability**

The Group’s gross profit rose by US\$51 million to US\$723 million, which as a percentage of sales represented an increase from 21.9% to 22.9%. This improvement was primarily due to the combination of volume growth, hedging contract gains, staff cost savings and COVID-19 related government subsidies, partly offset by increased depreciation, higher freight costs and pricing pressure.

A number of non-cash charges and gains, restructuring costs, and other unusual items distort year-on-year comparisons of the Group’s reported operating profit. For the 2020/21 financial year, these included US\$28 million in restructuring charges associated with the streamlining of the Group’s manufacturing footprint in Europe and China and a US\$91 million decrease in Other Income and Expenses. In addition, in the prior 2019/20 financial year, the Company recorded an impairment charge against goodwill and other intangible assets.

Earnings before interest, tax and amortization (“EBITA”), adjusted to exclude the effects of restructuring charges and non-cash and unusual items referred to above, amounted to US\$335 million – compared to US\$285 million in the prior year. Adjusted EBITA margins increased from 9.3% to 10.6%.

### **Underlying Net Profit and Financial Condition**

Net profit attributable to shareholders totalled US\$212 million or 23.6 US cents per share on a fully diluted basis. Underlying net profit was US\$251 million, an increase of 31% compared to the prior year.

Free cash flow from operations totalled US\$171 million – a decline of US\$87 million. This decrease was almost entirely due to an expansion in working capital that occurred as business volumes recovered from the depressed levels reached during the first stages of the COVID-19 outbreak a year ago.

The overall financial condition and liquidity position of the Group remains robust. Total cash at year end amounted to US\$539 million and debt stood at US\$426 million. The ratio of total debt to capital at year end was 16% (a reduction from 18% a year earlier).

## Dividends

In view of the Company's financial performance over the course of the 2020/21 financial year and markedly improved macro-economic conditions, the Board has recommended a resumption in final dividend payments in the amount of 34 HK cents per share. Together with the interim dividend of 17 HK cents per share, this represents a total dividend of 51 HK cents per share, equivalent to 6.54 US cents per share. The final 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.

## Outlook

The same factors that underpinned Johnson Electric's positive business trajectory in the second half of the past financial year have continued to support an encouraging start to FY2021/22.

At the macro-economic level, these include the rebound in the global economy that is benefitting from unprecedented fiscal support from governments, and improving consumer sentiment as vaccines against COVID-19 become more widely available.

For Johnson Electric, customer demand in both our automotive and industry products divisions remains strong. APG is gaining share in important thermal management, braking and transmission applications for new energy vehicles, as well as winning new business awards based on our compelling ability to serve global OEM customers in every major regional market. IPG also continues to experience robust demand from many end-product applications that have seen significant volume growth as a result of "stay at home" measures that remain in effect in a number of countries.

Based on prevailing trading conditions and customer orders, the Group's sales growth in the current financial year is on track to exceed 10%. Margins, however, will face downward pressure if raw material price inflation stays at or exceeds its present level.

There remain, of course, numerous uncertainties that could affect this outlook in the coming months. Among them, on the demand side, are whether a resurgence in the pandemic will negatively impact consumer sentiment, the effectiveness of government stimulus to provide a bridge until higher levels of vaccinations are achieved, and the uneven length of time that it may take for different economies to return to pre-pandemic levels of output and growth. On the supply side, global shortages of semiconductors and plastic resins, combined with other supply chain bottlenecks, are causing disruptions to OEM production lines that by some estimates could last well into the second half of calendar 2021.

Nonetheless, it is reasonable to view the short to medium outlook with a much higher degree of optimism than was the case a year ago. I remain confident that Johnson Electric's prospects for sustainable growth and value creation are highly attractive in the longer term.

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, 12 May 2021

# Management's Discussion and Analysis

## Financial Performance

US\$ million	FY20/21	FY19/20
Sales	3,156.2	3,070.5
Gross profit	723.3	672.3
<i>Gross margin</i>	22.9%	21.9%
EBITA <sup>1</sup>	290.1	(413.5)
EBITA adjusted <sup>2</sup>	335.5	284.5
<i>EBITA adjusted margin</i>	10.6%	9.3%
Profit / (loss) attributable to shareholders	212.0	(493.7)
Underlying net profit <sup>2</sup>	250.9	191.0
Diluted earnings per share (US cents)	23.60	(55.55)
Free cash flow from operations <sup>3</sup>	171.1	258.4
US\$ million	31 Mar 2021	31 Mar 2020
Cash	539.5	384.4
Total debt	426.2	415.5
Net cash / (debt) <sup>4</sup>	113.3	(31.1)
Total equity	2,308.0	1,901.7
Market capitalization <sup>5</sup>	2,398.5	1,401.2
Enterprise value <sup>6</sup>	2,368.6	1,505.8
EBITDA <sup>7</sup>	509.6	(209.2)
EBITDA adjusted <sup>2, 7</sup>	555.0	488.8
Key Financial Ratios	31 Mar 2021	31 Mar 2020
Total debt to capital (total equity + total debt)	16%	18%
Free cash flow from operations <sup>3</sup> to gross debt (including pension liabilities and leases)	33%	48%
Gross debt to EBITDA adjusted	0.9	1.1
Enterprise value to EBITDA adjusted	4.3	3.1
Interest cover (adjusted EBITA to gross interest expense)	24.2	13.9

1 Earnings before interest, tax and amortization

2 Adjusted to exclude the impairment of goodwill and other intangible assets and significant non-cash, divested items and restructuring costs (for further information see page 11)

3 Principal portion of leases previously reported as a component of free cash flow in FY19/20 reclassified as a financing activity to conform to the current accounting treatment, see page 14

4 Cash less total debt (including bonds)

5 Outstanding number of shares multiplied by the closing price (HK\$20.90 per share as of 31 March 2021 and HK\$12.20 per share as of 31 March 2020) converted to USD at the closing exchange rate

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

7 Earnings before interest, tax, depreciation and amortization

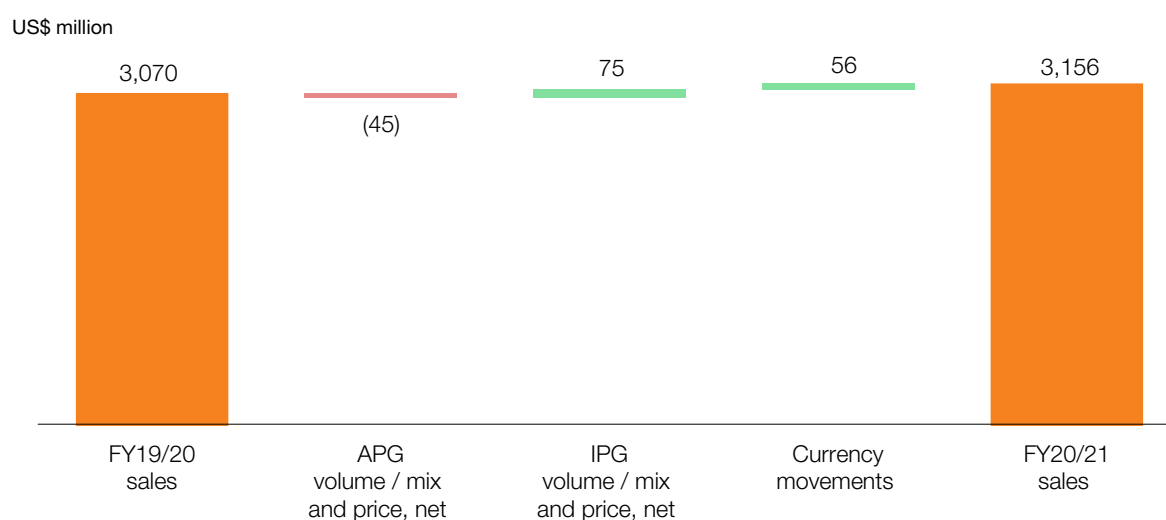
## Business Review

### Sales

Sales increased by US\$85.7 million or 3% to US\$3,156.2 million in FY20/21 (FY19/20: US\$3,070.5 million). Excluding currency movements, sales increased by US\$29.3 million or 1% compared to the prior financial year, as shown below:

US\$ million	FY20/21		FY19/20		Change	
<b>Automotive Products Group ("APG") sales</b>						
Excluding currency movements	2,393.4	77%	2,438.8	79%	(45.4)	(2%)
Currency movements	50.1		n/a		50.1	
<b>APG sales, as reported</b>	<b>2,443.5</b>		<b>2,438.8</b>		<b>4.7</b>	<b>0%</b>
<b>Industry Products Group ("IPG") sales</b>						
Excluding currency movements	706.4	23%	631.7	21%	74.7	12%
Currency movements	6.3		n/a		6.3	
<b>IPG sales, as reported</b>	<b>712.7</b>		<b>631.7</b>		<b>81.0</b>	<b>13%</b>
<b>Group sales</b>						
Excluding currency movements	3,099.8	100%	3,070.5	100%	29.3	1%
Currency movements	56.4		n/a		56.4	
<b>Group sales, as reported</b>	<b>3,156.2</b>		<b>3,070.5</b>		<b>85.7</b>	<b>3%</b>

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



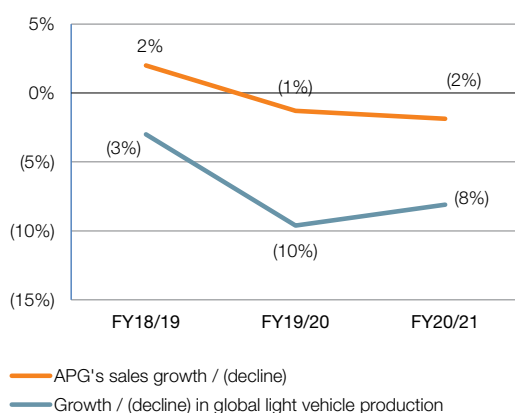
**Volume / mix and price** increased sales by US\$29.3 million. This was largely due to an increase in volumes in IPG, partly offset by a decrease in volumes in APG. The underlying changes in APG and IPG's sales, including the impact of the COVID-19 pandemic are discussed on pages 7 to 10.

**Currency movements** increased sales by US\$56.4 million. This was largely due to the impact of stronger average exchange rates for the Euro and Chinese Renminbi, comparing FY20/21 to FY19/20. 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 19 to 21, in the Financial Management and Treasury Policy section. Also, see Note 1.2 to the consolidated financial statements ("the accounts") for the main foreign currency translation rates

## Automotive Products Group

### Changes in APG sales \* vs. global light vehicle production \*\*

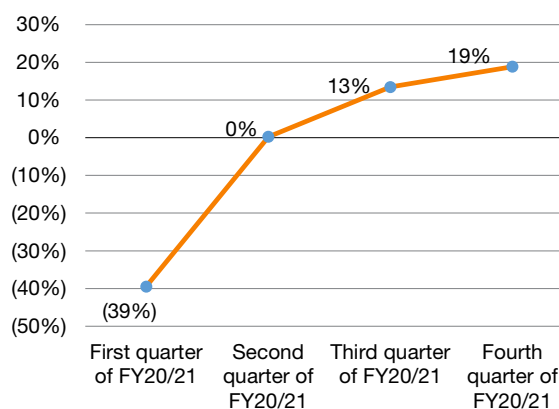


\* Excluding currency movements

\*\* Source: IHS & Marklines data on fiscal year basis

APG's sales, excluding currency movements, decreased by 2%, compared to FY19/20. In the same period, global light vehicle production declined 8%.

### APG sales growth by quarter \*



\* Compared to the same quarter in the prior financial year, excluding currency movements

The COVID-19 pandemic severely impacted APG's sales in the first quarter of FY20/21, compared to the same quarter in the prior financial year. Sales in Europe and the Americas were particularly impacted as customers and Johnson Electric shutdown assembly plants to contain the pandemic. However, by the second quarter, sales had recovered to pre-crisis levels. Sales then accelerated, showing strong growth in all regions in the third quarter. This growth trend continued across all regions in the fourth quarter of FY20/21. It should be noted that in the fourth quarter of the prior financial year, sales in Asia were already impacted by the pandemic.

In Asia, sales increased by 15%, excluding currency effects. Light vehicle production in the region increased by 2%. Sales increased across most segments, with higher growth noted in sales of products for braking, thermal management, heating, ventilation and air conditioning, sunroof, window lift and doorlock applications in China.

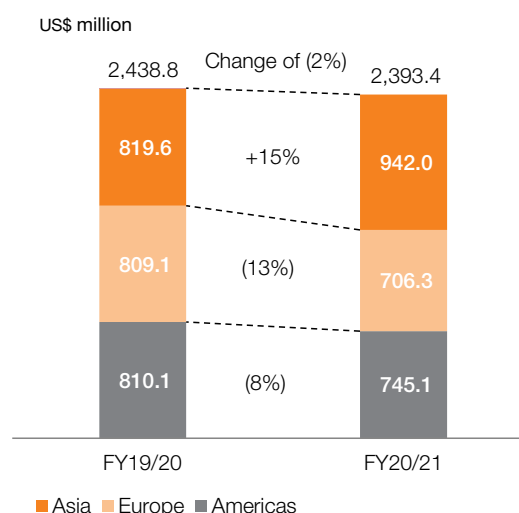
In Europe, APG's sales decreased by 13% as the recovery in demand was slowed by repeated lockdowns. Light vehicle production in the region decreased by 18%. Sales decreased across most segments, partially offset by growth in sales of products for coolant circulation and transmission management applications.

In the Americas, sales decreased by 8% compared to a 20% decrease in light vehicle production in the region. Sales decreased across most segments, however sales of powder metal products for fuel cell applications grew. Sales of braking, coolant circulation and lighting applications also increased due to product launches.

APG accounted for 77% of the Group's sales in FY20/21 (FY19/20: 79%). Within this:

- The Stackpole business, primarily engaged in the manufacture and sale of engine and transmission pumps and powder metal components, accounted for 22% of the Group's sales (FY19/20: 23%)
- 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 18% of the Group's sales (FY19/20: 19%)

### APG sales by region \*



\* Excluding currency movements

### Growth / (decline) in APG sales \*

Year ended	Asia	Europe	Americas	Total
31 March 2021	15%	(13%)	(8%)	(2%)
31 March 2020	(9%)	(2%)	8%	(1%)
31 March 2019	2%	(3%)	8%	2%
31 March 2018	15%	2%	9%	8%
31 March 2017	20%	2%	3%	9%

\* Excluding currency movements



## Industry Products Group

IPG's sales, excluding currency movements, grew 12% compared to FY19/20. In Asia, sales increased by 29%. In Europe, sales increased by 6%. In the Americas, sales decreased by 1%.

Sales were flat in the first quarter of FY20/21 as China recovered from COVID-19 while the rest of the world started to grapple with the pandemic. Sales returned to growth in the second quarter, then accelerated in the third and fourth quarters. In Asia, this was driven by the rapid recovery of China's industrial sector and strong global demand for the country's manufactured goods. In Europe, sales recovered despite continuing rounds of lockdown. Sales in the Americas were hampered by delays from port congestion as well as land and rail logistical bottlenecks in the third quarter, but recovered in the fourth quarter. It should be noted that in the fourth quarter of the prior financial year, sales in Asia were already impacted by the pandemic.

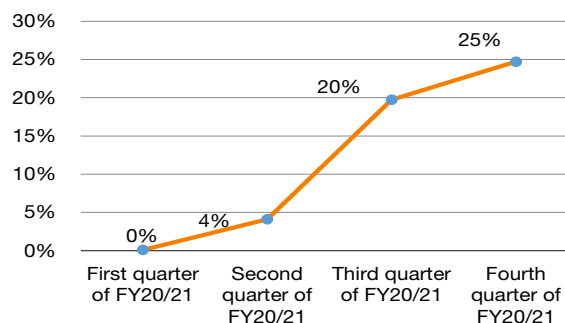
The pandemic had a mixed impact on IPG's diversified end-markets. Consumer and medical focused segments experienced growth, partly offset by decreases in commercial and infrastructure focused segments. In Europe and the Americas, sales to many small and medium enterprises decreased as consumers switched to purchasing through the online sales channels of larger competitors.

IPG also benefited from its efforts to understand how its markets are evolving and to develop and launch the products necessary to exploit these changes. It is also improving its competitive position through automation and the achievement of better economies of scale.

As a result of these changes, IPG experienced:

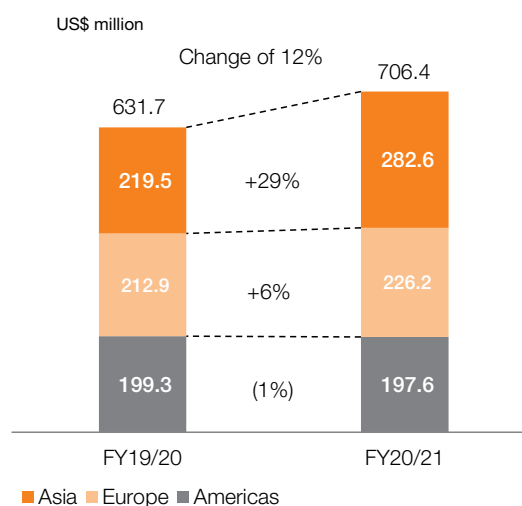
- Increased sales in the medical segment, especially from programs launched last year for diagnostic and minimally invasive surgery applications. IPG is benefiting from the long-term imperative to reduce the labour intensity of hospital procedures

### IPG sales growth by quarter \*



\* Compared to the same quarter in the prior financial year, excluding currency movements

### IPG sales by region \*



\* Excluding currency movements

### Growth / (decline) in IPG sales \*

Year ended	Asia	Europe	Americas	Total
31 March 2021	29%	6%	(1%)	12%
31 March 2020	(18%)	(14%)	(14%)	(15%)
31 March 2019	(2%)	0%	6%	1%
31 March 2018	13%	6%	2%	7%
31 March 2017	3%	18%	(3%)	5%

\* Excluding currency movements

- Increased sales in the lawn and garden, beverage, window automation, white goods and ventilation segments, due to a combination of new programme launches, new business wins and increased market demand. The business also experienced COVID-related demand for products for sanitation applications
- Decreased sales in the metering segment due to factory shutdowns and the postponement of some government led customer programs due to the pandemic. Sales of products for commercial and industrial applications were also slower than usual

## Profitability Review

Profit attributable to shareholders was US\$212.0 million in FY20/21, an increase of US\$705.7 million from the loss of US\$493.7 million incurred in FY19/20.

US\$ million	FY20/21	FY19/20	Increase / (decrease)
Sales	3,156.2	3,070.5	85.7
Gross profit	723.3	672.3	51.0
<i>Gross margin %</i>	<i>22.9%</i>	<i>21.9%</i>	
Other income and (expenses)	30.0	121.0	(91.0)
<i>As a % of sales</i>	<i>1.0%</i>	<i>3.9%</i>	
Intangible assets amortization expense	(31.3)	(41.4)	10.1
<i>As a % of sales</i>	<i>1.0%</i>	<i>1.3%</i>	
Other selling and administrative expenses ("S&A")	(436.0)	(411.3)	(24.7)
<i>As a % of sales</i>	<i>13.8%</i>	<i>13.4%</i>	
Restructuring and other costs	(27.5)	-	(27.5)
Operating profit	258.5	340.6	(82.1)
<i>Operating profit margin %</i>	<i>8.2%</i>	<i>11.1%</i>	
Impairment of goodwill and other intangible assets	-	(795.5)	795.5
Share of profit of associate	0.3	-	0.3
Net finance costs	(10.4)	(16.8)	6.4
Profit / (loss) before income tax	248.4	(471.7)	720.1
Income tax expense	(29.2)	(15.2)	(14.0)
Profit / (loss) for the year	219.2	(486.9)	706.1
Non-controlling interests	(7.2)	(6.8)	(0.4)
Profit / (loss) attributable to shareholders	212.0	(493.7)	705.7
Basic earnings per share (US cents)	23.77	(55.84)	79.61
Diluted earnings per share (US cents)	23.60	(55.55)	79.15

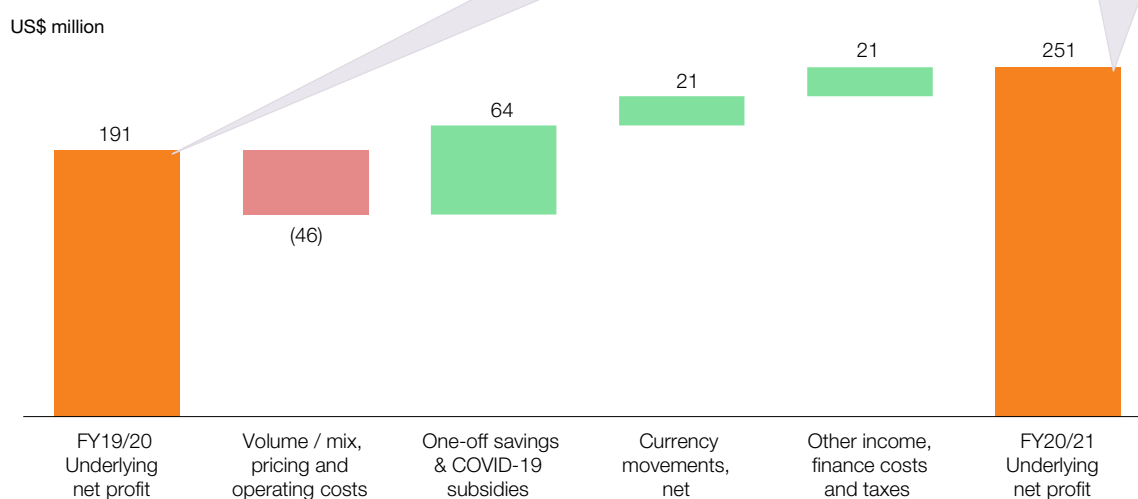
The profit attributable to shareholders of US\$212.0 million included:

- Restructuring charges and other costs of US\$23.9 million, net of tax. This comprises severance costs, the impairment of tangible fixed assets and other costs associated with the Group's initiatives to optimize its global operating footprint. This includes the planned closure of a factory in China, a factory in Hungary and a factory in the United Kingdom. Manufacturing operations will be transferred from these sites to other factories within the Group
- Unrealized currency net losses of US\$15.0 million, net of tax

Excluding these items, underlying profit increased by US\$59.9 million to US\$250.9 million, as show in the table below:

US\$ million	FY19/20			FY20/21		
	Before tax	Tax effect	Net of tax effect	Before tax	Tax effect	Net of tax effect
Net (loss) / profit, as reported			(493.7)			212.0
Unrealized net (gains) / losses on other financial assets and liabilities	(29.5)	-	(29.5)	23.1	(0.1)	23.0
Unrealized net losses / (gains) from revaluation of monetary assets and liabilities	1.1	0.5	1.6	(18.7)	(1.0)	(19.7)
Unrealized net (gains) / losses on structured foreign currency contracts	(28.0)	3.4	(24.6)	13.5	(1.8)	11.7
Fair value (gains) on a divested item	(41.1)	-	(41.1)	-	-	-
Impairment of goodwill and other intangible assets	795.5	(17.2)	778.3	-	-	-
Restructuring and other costs	-	-	-	27.5	(3.6)	23.9
Net losses of significant non-cash, divested items, restructuring and other costs	698.0	(13.3)	684.7	45.4	(6.5)	38.9
Underlying net profit			191.0			250.9
As a % of sales			6.2%			7.9%

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



**Volume / mix, pricing and operating costs:** Price reductions, wage inflation and incentives, increased depreciation charges and higher logistics expenses adversely affected profit compared to the same period last year. This was partly offset by cost saving activities, increased volumes, as well as reduced travel and entertainment expenses. The net effect of these changes decreased net profit by US\$46.0 million.

**COVID-19 response:** As the COVID-19 pandemic spread globally during the year, the Group quickly responded to implement a range of actions to protect its employees' health whilst maintaining the Group's liquidity, competitive strengths and profit generating abilities in this black swan event. Additionally, the Group obtained COVID-19 related subsidies in several jurisdictions in which it has operations. The overall effect of these one-off cost saving activities and COVID-19 related subsidies increased net profit by US\$64.0 million.

The gross margin increased to 23.2% in the second half of FY20/21, from 22.5% in the first half, due to better fixed cost leverage as volumes increased. The sequential change in gross margin by half-year is shown in the table below.

	Gross margin %
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%
Second half of FY18/19	22.0%
First half of FY18/19	23.8%

Selling and administrative expenses (excluding amortization of intangible assets) increased to 13.8% of sales (FY19/20: 13.4%) due to increased logistics expenses.

**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\$21.0 million in FY20/21.

For further information on the Group's foreign exchange risk and forward foreign currency contracts see pages 19 to 21, in the Financial Management and Treasury Policy section

**Other income, finance costs and taxes** increased profits for FY20/21 by US\$20.9 million due to fair value gains on the Group's investment in an autonomous car start-up company, decreased finance costs and increased amounts of non-COVID government grants.

Finance income and costs are further analyzed in Note 24 to the accounts

Income taxes increased to US\$29.2 million for FY20/21, from US\$15.2 million of FY19/20. The effective tax rate was 11.8% (FY19/20: underlying effective tax rate of 11.5%, excluding a non-taxable net gain on divestment of an investment property of US\$41.1 million and the impairment of goodwill and other intangible assets of US\$795.5 million).

Taxes are further analyzed in Note 17 to the accounts

## Working Capital

US\$ million	Balance sheet as of 31 Mar 2020	Currency translation	Working capital changes per cash flow	Other	Balance sheet as of 31 Mar 2021
Inventories	413.9	12.1	88.2	-	514.2
Trade and other receivables	593.2	22.2	131.8	3.3	750.5
Other non-current assets	29.7	2.5	2.0	19.3	53.5
Trade and other payables <sup>1</sup>	(671.7)	(49.4)	(123.3)	(24.0)	(868.4)
Retirement benefit obligations <sup>1,2</sup>	(43.7)	(2.1)	(0.4)	11.3	(34.9)
Provision and other liabilities <sup>1</sup>	(37.8)	(2.1)	(19.5)	-	(59.4)
Other financial assets / (liabilities), net <sup>1,3</sup>	119.4	3.0	(36.4)	93.6	179.6
<b>Total working capital per balance sheet</b>	<b>403.0</b>	<b>(13.8)</b>	<b>42.4</b>	<b>103.5</b>	<b>535.1</b>

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. For further details of the Group's hedging activities can be found on pages 19 to 21, in the Financial Management and Treasury Policy section and in Note 7 to the accounts

**Inventories** increased by US\$100.3 million to US\$514.2 million as of 31 March 2021. This was to support the growth in sales experienced from October onwards.

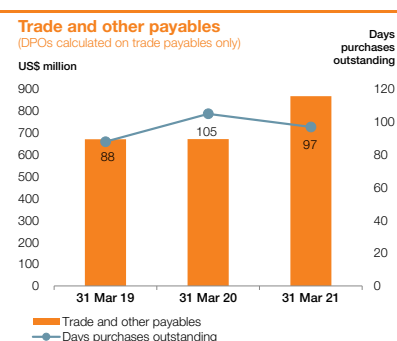
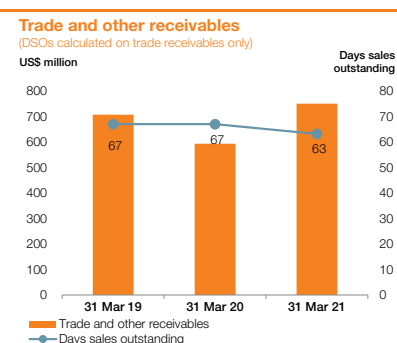
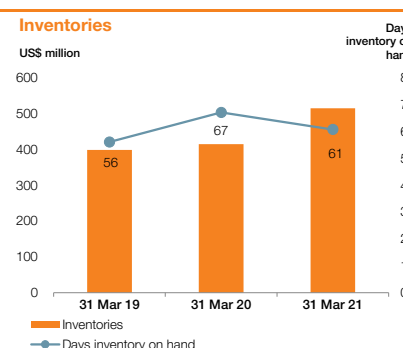
Days inventory on hand decreased to 61 days as of 31 March 2021, from 67 days as of 31 March 2020 as inventory turnover sped up, driven by higher sales.

**Trade and other receivables** increased by US\$157.3 million to US\$750.5 million as of 31 March 2021 due to increased sales towards the end of the year. Days sales outstanding ("DSOs") decreased to 63 days as of 31 March 2021, from 67 days as of 31 March 2020. This was largely due to a change in customer mix with an increase in the proportion of sales on shorter credit terms.

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

**Trade and other payables** increased by US\$196.7 million to US\$868.4 million as of 31 March 2021. This was due to increased purchases and VAT payables driven by sales growth in the fourth quarter of the year.

Days purchases outstanding ("DPOs") decreased to 97 days as of 31 March 2021. The 105 days as of 31 March 2020 was abnormally high due to the reduction of production at the end of FY19/20 caused by the COVID-19 pandemic.



## Cash Flow

US\$ million	FY20/21	FY19/20	Change
Operating profit <sup>1</sup>	258.6	341.2	(82.6)
Depreciation and amortization (including leases)	251.0	245.1	5.9
<b>EBITDA</b>	<b>509.6</b>	<b>586.3</b>	<b>(76.7)</b>
Other non-cash items	17.1	(61.9)	79.0
Working capital changes	(42.4)	81.9	(124.3)
Interest paid (including leases)	(12.8)	(19.3)	6.5
Interest received	3.1	2.8	0.3
Income taxes paid	(37.2)	(41.2)	4.0
Capital expenditure, net of subsidies	(263.6)	(282.1)	18.5
Proceeds from disposal of fixed assets	2.9	1.0	1.9
Capitalization of engineering development costs	(5.6)	(9.1)	3.5
<b>Free cash flow from operations <sup>2</sup></b>	<b>171.1</b>	<b>258.4</b>	<b>(87.3)</b>
Dividends paid	(17.0)	(25.6)	8.6
Purchase of shares held for the incentive share schemes	(3.8)	(6.3)	2.5
Other investing activities	(1.3)	(0.9)	(0.4)
Dividends paid to non-controlling interests	(2.7)	(0.5)	(2.2)
Payment of lease - principal portion <sup>2</sup>	(21.8)	(17.2)	(4.6)
Borrowings / (repayments), net	8.2	(112.3)	120.5
Divestment of an investment property	-	119.6	(119.6)
Redemption of convertible bonds	-	(158.9)	158.9
Increase in cash and cash equivalents excluding currency movements	132.7	56.3	76.4
Currency translation gains / (losses) on cash and cash equivalents	22.4	(11.9)	34.3
<b>Net movement in cash and cash equivalents</b>	<b>155.1</b>	<b>44.4</b>	<b>110.7</b>

1 Includes US\$0.1 million dividend received from associate in FY20/21 (FY19/20: US\$0.5 million)

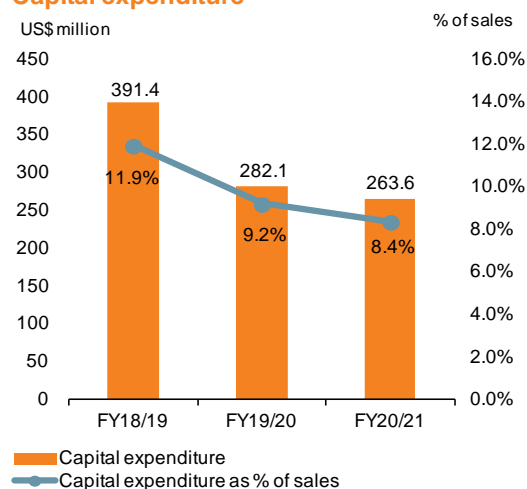
2 The US\$17.2 million payment of lease – principal portion reported in FY19/20, previously reported as a component of free cash flow has been reclassified as a financing activity to conform to the current accounting treatment

The Group generated US\$171.1 million free cash flow from operations in FY20/21, a US\$87.3 million decrease from US\$258.4 million in FY19/20. This movement in free cash flow includes the following:

- **Working capital changes** of US\$42.4 million, as explained in the previous section
- **Capital expenditure** decreased by US\$18.5 million to US\$263.6 million in FY20/21. This decrease was partially due to the COVID-19 pandemic related plant shut downs in April and May, and due to enhanced capital expenditure management.

The Group continues to invest in new product launches and long-term technology and testing development; the expansion of its operating footprint in China; 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:

- **Dividends and shares:** The Company utilized US\$17.0 million cash for dividend payments in FY20/21, with a further US\$2.6 million settled in scrip (FY19/20: US\$25.6 million cash utilized for dividend payments with a further US\$31.7 million settled in scrip). The Company purchased 1.5 million shares for US\$3.8 million including brokerage fees for the long-term incentive share scheme (FY19/20: 3.5 million shares purchased for US\$6.3 million)

For further details of dividends and shares, including the proposed final dividend for FY20/21, see page 18, in the Financial Management and Treasury Policy section

- **Borrowings / (repayments), net:** The Group's borrowings increased by US\$8.2 million. In FY19/20, the Group made repayments of US\$112.3 million, net

For further details of the Group's debt including bonds, loans and other borrowings, see page 17 in the Financial Management and Treasury Policy 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. These ratings were reviewed and reaffirmed during the year and as of 31 March 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** increased by US\$155.1 million to US\$539.5 million as of 31 March 2021 (31 March 2020: US\$384.4 million).

**Net cash:** As of 31 March 2021, the Group had US\$113.3 million net cash (31 March 2020: US\$31.1 million net debt).

**Available credit lines:** The Group had US\$900.1 million available unutilized credit lines as of 31 March 2021, as follows:

- Committed revolving credit facilities provided by eleven of its principal bankers, on a bilateral basis, of which US\$210.9 million remained unutilized. These facilities have staggered maturity dates ranging from September 2021 to August 2025
- US\$689.2 million uncommitted credit facilities

#### Cash and credit lines

US\$ million	31 Mar 2021	31 Mar 2020	Change
Cash	539.5	384.4	155.1
Unutilized committed credit lines	210.9	155.0	55.9
Unutilized uncommitted credit lines	689.2	764.9	(75.7)
Available unutilized credit lines	900.1	919.9	(19.8)
Combined available funds	1,439.6	1,304.3	135.3

#### Net cash / (debt)

US\$ million	31 Mar 2021	31 Mar 2020	Change
Cash	539.5	384.4	155.1
Borrowings	(426.2)	(415.5)	(10.7)
Net cash / (debt)	113.3	(31.1)	144.4

#### Cash by currency

US\$ million	31 Mar 2021	31 Mar 2020
USD	241.1	137.5
RMB	95.0	125.8
EUR	86.4	57.5
CAD	62.7	9.0
KRW	29.7	31.7
Others	24.6	22.9
Total	539.5	384.4



**Borrowings (including bonds)** increased by US\$10.7 million to US\$426.2 million as of 31 March 2021. The most significant changes in borrowings during FY20/21 were:

- **Loan from The Export-Import Bank of China:** The Group received a RMB500 million five-year credit facility from The Export-Import Bank of China. As of 31 March 2021, the Group had drawn down RMB84.2 million (equivalent to US\$12.8 million). The Group plans to draw down on this facility to partially fund capital expenditure for the Group's new Jiangmen factory
- **Loans based on trade receivables:** The Group chose to repay this in full during FY20/21 (balance as of 31 March 2020: US\$4.2 million)
- **Other borrowings** increased by US\$1.4 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

**Lease liabilities** decreased by US\$11.6 million to US\$48.6 million as of 31 March 2021. The corresponding assets are shown as right-of-use assets under property, plant and equipment.

### Changes in borrowings (including bonds)

US\$ million	31 Mar 2021	31 Mar 2020	Change
Bonds	299.9	299.3	0.6
Loan from Export Development Canada	99.8	99.7	0.1
Loan from The Export-Import Bank of China	12.8	-	12.8
Loans based on trade receivables	-	4.2	(4.2)
Other borrowings	13.7	12.3	1.4
<b>Total borrowings</b>	<b>426.2</b>	<b>415.5</b>	<b>10.7</b>

### Borrowings by currency, as of 31 March 2021

US\$ million	Total debt	Swap contracts	Total after effect of swaps	%
USD	399.7	(302.7)	97.0	23%
CAD	13.7	-	13.7	3%
EUR	-	303.6	303.6	71%
RMB	12.8	-	12.8	3%
<b>Total</b>	<b>426.2</b>	<b>0.9</b>	<b>427.1</b>	<b>100%</b>

### Repayment schedule

Repayable within one year	14.0
Repayable after more than one year	412.2
<b>Gross debt</b>	<b>426.2</b>
Swap contracts (Other financial liabilities)	0.9
<b>Total debt including swap contracts</b>	<b>427.1</b>

### Changes in lease liabilities

US\$ million	31 Mar 2021	31 Mar 2020	Change
Current	15.6	22.0	(6.4)
Non-current	33.0	38.2	(5.2)
<b>Total lease liabilities</b>	<b>48.6</b>	<b>60.2</b>	<b>(11.6)</b>

**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 31 March 2021, reflected the following changes:

- Total debt to capital was 16% as of 31 March 2021, down from 18% as of 31 March 2020, as equity increased
- Free cash flow from operations as a percentage of gross debt (including pension liabilities and leases) decreased to 33%, from 48% as of 31 March 2020, as the Group's investment in working capital increased as business levels first returned to pre-COVID-crisis levels and then grew to higher than pre-crisis levels
- Gross debt to adjusted EBITDA<sup>1</sup> decreased to 0.9 as of 31 March 2021, from 1.1 as of 31 March 2020
- Enterprise value<sup>2</sup> to adjusted EBITDA<sup>1</sup> was 4.3 as of 31 March 2021 and 31 March 2020 was 3.1
- Interest cover (defined as adjusted EBITA<sup>1</sup> divided by gross interest expense<sup>3</sup>) was 24.2 times as of 31 March 2021, compared to 13.9 times as of 31 March 2020

1 Adjusted to exclude impairment of goodwill and other intangible assets and significant non-cash, divested items and restructuring costs (for further information see page 11)

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

3 Gross interest expense, adjusted to exclude notional interest on the Halla Stackpole put option and to include capitalized interest

## Dividends

**Final dividend:** The Board has recommended a final dividend of 34 HK cents per share for FY20/21 equivalent to US\$39.0 million (FY19/20: nil), to be paid in September 2021, with an option to receive scrip in lieu of cash.

**Interim dividend:** The Company paid an interim dividend of 17 HK cents per share for the first half of FY20/21 (first half of FY19/20: 17 HK cents per share) equivalent to US\$19.6 million.

### Dividend payment

		FY20/21		FY19/20		FY18/19	
		<i>Final</i>	Interim	Final	Interim	Final	Interim
HK cents per share	Dividend	34 <sup>*</sup>	17	-	17	34	17
	Cash	**	17.0	-	12.0	13.6	5.8
US\$ million	New shares	**	2.6	-	7.3	24.4	13.0
	Total	39.0	19.6	-	19.3	38.0	18.8

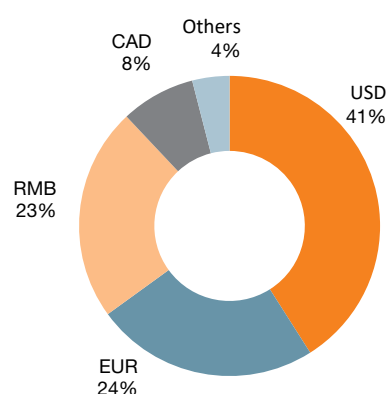
\* Proposed dividend

\*\* Proposed dividend, with a scrip dividend will be offered to shareholders

## Foreign Exchange Risk

The Group is exposed to foreign exchange risk and mitigates this through plain vanilla forward currency contracts and structured foreign currency contracts. These contracts have varying maturity dates, ranging from 1 to 84 months after 31 March 2021, to match the underlying cash flows of the business.

### Sales by currency



### Spot rates of significant currencies

	Spot rates as of 31 Mar 2021	Spot rates as of 31 Mar 2020	
USD per EUR	1.17	1.10	EUR strengthen 6%
HUF per EUR	363.85	358.57	EUR strengthen 1%
CAD per USD	1.26	1.42	USD weaken 11%
RMB per USD	6.56	7.04	USD weaken 7%
MXN per USD	20.60	24.28	USD weaken 15%

### 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 decreased by US\$30.9 million to US\$151.2 million as of 31 March 2021. This was largely due to unfavourable changes in the mark-to-market \* value of Euro contracts, partly offset by favourable changes in the mark-to-market value of contracts for the Chinese Renminbi.

### Net fair value gains / (losses) of currency contracts

US\$ million		31 Mar 2021	31 Mar 2020	Change
Euro	Plain vanilla forward contracts	103.0	194.9	(91.9)
	Structured contracts	30.7	44.2	(13.5)
	Total	133.7	239.1	(105.4)
Chinese Renminbi	Plain vanilla forward contracts	30.4	(59.7)	90.1
Others	Plain vanilla forward contracts and swaps	(12.9)	2.7	(15.6)
Net fair value gains	Plain vanilla forward contracts and swaps	120.5	137.9	(17.4)
	Structured contracts	30.7	44.2	(13.5)
	Total	151.2	182.1	(30.9)

\* 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

**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.

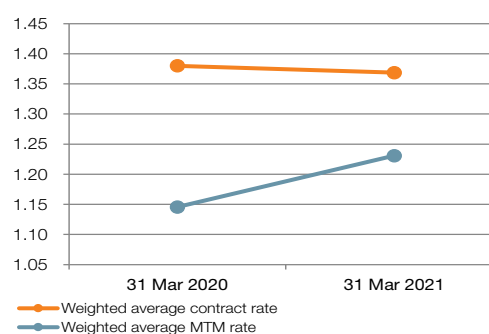
During the year, as the EUR strengthened against the USD, **mark-to-market** gains for plain vanilla and structured forward contracts decreased.

Consequently, the financial asset representing the cumulative fair value gains on plain vanilla and structured forward EUR contracts decreased by US\$105.4 million to US\$133.7 million as of 31 March 2021 (31 March 2020: US\$239.1 million financial asset).

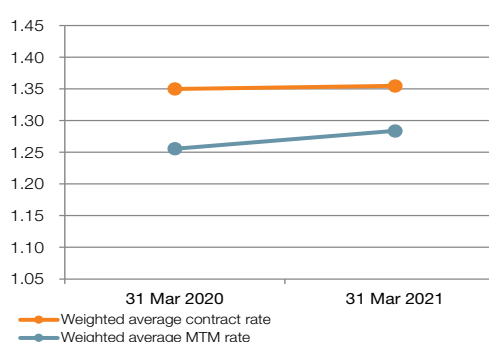
**Renminbi contracts:** The Group's plain vanilla contracts to buy the Chinese Renminbi ("RMB") create an economic hedge for production costs, other operating costs and capital expenditure denominated in RMB against the sources of revenue.

During the year, the USD weakened against the RMB. As a result the financial liability representing cumulative **mark-to-market** losses for plain vanilla contracts decreased by US\$90.1 million from a financial liability of US\$59.7 million as of 31 March 2020 to become a financial asset of US\$30.4 million as of 31 March 2021.

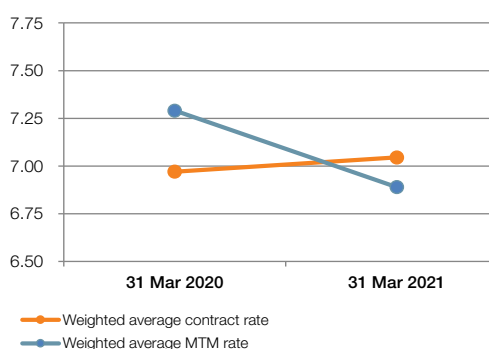
### EUR – Plain vanilla forward



### EUR – Structured forward



### 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"), the Swiss Franc ("CHF") and the Israeli Shekel ("ILS") 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 31 March 2021 would result in approximately:

- US\$268 million aggregate cash flow benefit from plain vanilla forward foreign currency contracts and cross-currency interest rate swaps (31 March 2020: US\$233 million)
- US\$40 million cash flow benefit from structured foreign currency contracts (31 March 2020: US\$56 million)

Further information about the Group's forward foreign currency exchange contracts can be found in Notes 7 and 8 to the accounts

## Raw Material Commodity Price Risk

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

Price risk from copper, silver and aluminium is reduced by hedging through cash flow hedge contracts with maturity dates ranging from 1 to 48 months after 31 March 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 24 months after 31 March 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

increased by US\$77.6 million. This was largely due to changes in the mark-to-market value of copper contracts, partly offset by the consumption of contracts.

During the year, the market price of copper increased. As a result the financial liability representing cumulative mark-to-market losses for plain vanilla copper contracts decreased by US\$69.3 million from a financial liability of US\$16.6 million as of 31 March 2020 to become a financial asset of US\$52.7 million as of 31 March 2021.

Further information about the Group's raw material commodity contracts can be found in Note 7 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.

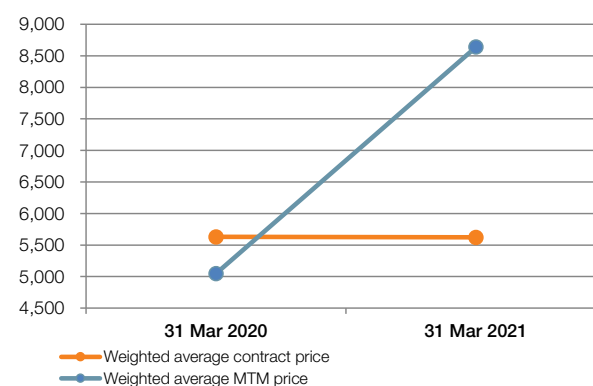
### Spot prices of significant raw material commodities

US\$ per metric ton	Spot prices as of 31 Mar 2021	Spot prices as of 31 Mar 2020	Strengthen/(weaken)
Copper	8,851	4,797	85%
Iron ore	161.36	80.77	100%
Coking coal	117.67	145.47	(19)%
Silver - US\$ per ounce	24.00	13.93	72%

### Net fair value of commodity contracts

US\$ million	31 Mar 2021	31 Mar 2020	Change
Copper	52.7	(16.6)	69.3
Other commodities	6.4	(1.9)	8.3
Total	59.1	(18.5)	77.6

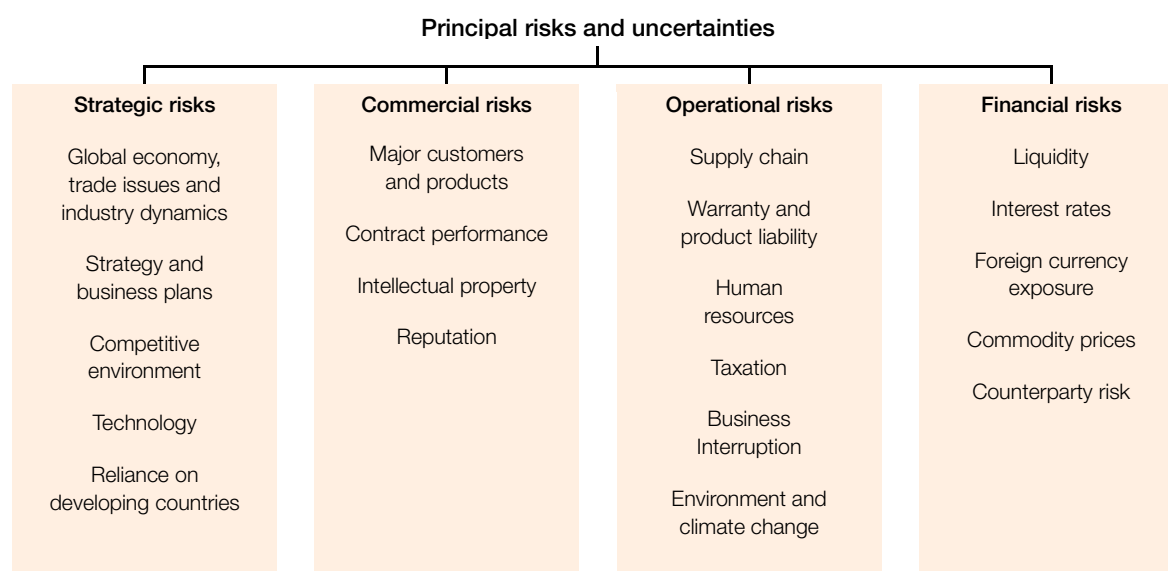
### Copper – Plain vanilla forward



## Enterprise Risk Management

The Group identifies, mitigates and manages its exposure to risk and uncertainty through proactive oversight and robust business processes. Management monitors these business processes, testing them periodically to ensure their continued effectiveness.

Existing and emerging risks are analyzed and tracked on a quarterly basis by the Group's Enterprise Risk Management Steering Committee. This is chaired by the Group's Chief Executive and includes the Chief Financial Officer, the Chief Information Officer, the Senior Vice Presidents of Human Resources, Supply Chain Services, Global Operations and Corporate Engineering, and the Group's leaders from the Environment, Health and Safety departments, Legal, Intellectual Property and Internal Audit. There are additional management committees to ensure that risks are managed in timely and sufficient manners.



This list is not exhaustive as the nature, severity and frequency of risk changes over time due to the complexity of the Group's business environment and global operations. The Group may be exposed to new emerging risks or to other existing risks that are not significant now but that may become significant in the future.

The nature of these risks and the Group's policies for managing its exposure to them is set out below:

Strategic risks	How we respond
<p><b>Global economy, trade issues and industry dynamics</b></p> <p>The Group's business is sensitive to the global economic and geopolitical environment. The following factors could lead to decline in demand for the Group's products or adversely affect the Group's financial condition, results of operations, asset values and liabilities:</p> <ul style="list-style-type: none"> <li>• Severe or prolonged instability in the global economy, for example, due to COVID-19 pandemic</li> <li>• Market changes arising from changes in consumer behaviour, for example, potential changes in behaviour after the COVID-19 pandemic such as social distancing and mobility choices</li> <li>• The effect of global trade issues (in particular the ongoing trade dispute between the United States and the PRC) on industries in countries where the Group manufactures, sources or exports goods. Actual and threatened trade protectionism due to trade disputes between nations could disrupt global trade and manufacturing supply chains</li> <li>• The performance of the Group's Automotive and Industry Product Groups depends on conditions in the industries in which they operate. Production and sales in these industries are cyclical and sensitive to consumer preferences, general economic conditions and the impact of trade issues</li> </ul>	<p>To mitigate risks arising from the global economy, trade issues and industry dynamics, the Group continually seeks:</p> <ul style="list-style-type: none"> <li>• To establish and strengthen its global footprint to ensure that the Group is effectively positioned to respond over time to changing customer demands, production and transportation costs, as well as indirect taxes, tariffs and import duties</li> <li>• To grow, both organically and through acquisitions, across all regions to mitigate the impact of an economic downturn in any particular region</li> <li>• To diversify its customer and product portfolios through internal development and acquisition to mitigate the adverse impact of an economic downturn or market changes in any particular industry</li> <li>• To continuously evaluate consumer behaviour and practices</li> </ul>
<p><b>Strategy and business plans</b></p> <p>The successful implementation of the Group's future business plans depends on a number of factors, some of which may be beyond the Group's control:</p> <ul style="list-style-type: none"> <li>• The Group's success requires the further expansion of production capacity and finding suitable locations for this</li> <li>• The growth of the Group places a significant burden on its management, operational and financial resources</li> <li>• Many of the Group's businesses require significant capital expenditure and continued investment to support long-term growth</li> </ul>	<p>To mitigate risks to the successful implementation of the Group's strategy and business plans, Johnson Electric stipulates procedures and support for:</p> <ul style="list-style-type: none"> <li>• The close oversight of the construction of new sites and expansion of existing sites</li> <li>• The review and approval of all capital expenditure</li> <li>• A comprehensive appraisal, before acquiring new business, to establish its commercial potential and fit with the Group's strategy and product portfolio, to evaluate the assets and liabilities that will be acquired and identify potential issues</li> </ul>



Strategic risks	How we respond
<p><b>Competitive environment</b></p> <p>The Group faces competition in its existing markets as well as in those markets into which it is trying to expand its business. The Group is under intense competitive pressure to reduce prices as both large multinational and smaller niche competitors attempt to expand their market share. Additionally, volumes may fluctuate as the Group's customers are also subject to competitive pressures.</p>	<p>The Group seeks to maintain its competitiveness in its core markets and enhance its competitiveness in those markets into which it is attempting to expand its business through:</p> <ul style="list-style-type: none"> <li>Investing in developing cost effective solutions in order to be the definitive supplier of motion solutions to its customers</li> <li>Continuously seeking and investing in productivity and efficiency improvements</li> <li>Ensuring the suitability of the operational footprint to respond quickly and cost-effectively</li> <li>Formal, disciplined review of new business quotations</li> <li>Regular review of market trends, products and prices</li> </ul>
<p><b>Technology (and related regulatory) changes</b></p> <p>The Group's product and manufacturing technologies and capabilities must continually demonstrate Johnson Electric's ability to innovate and be cost-effective or the Group may lose customers to competitors who adapt their businesses to such technological changes or develop and offer more suitable or technologically advanced products.</p> <p>Changes in regulations or standards for products and for industrial processes may necessitate the development of new or improved products and the use of new or improved manufacturing processes.</p> <p>The automotive market is experiencing disruptive change due to rapidly rising demand for new energy vehicles.</p> <p>Changes are also arising from disruptive digitalization including:</p> <ul style="list-style-type: none"> <li>Increasing automation, artificial intelligence and data exchange in manufacturing technologies to create the smart factory</li> <li>Challenges in implementation including controlling investment, resolving IT security and reliability issues</li> <li>Maintaining the integrity of production and managing disruption to the workforce as required skill-sets change and as some positions are eliminated through automation</li> </ul>	<p>The Group mitigates its risk from and seeks opportunities to exploit technology and related regulation changes through:</p> <ul style="list-style-type: none"> <li>Developing cost-effective solutions and managing technological competitiveness through innovation and creating intellectual property to be the definitive supplier of motion solutions to its customers</li> <li>Diversifying customer and product portfolios through internal development and acquisitions to mitigate the adverse impact or exploit the favourable opportunities presented by technology, business model and regulatory changes in a particular industry, including the risks and opportunities presented by new energy vehicles</li> <li>Strategic planning and risk assessment aligned to a technology roadmap that considers the converging capabilities of robot process automation and cyber-physical systems, advanced analytics, artificial intelligence and the internet of things</li> <li>Reskilling employees</li> <li>IT security protocols enabled through software and business processes including virus, malware and intrusion protection, identity management and building employee awareness</li> <li>Monitoring the level of threat to the Group's IT and identification of emerging security issues</li> </ul>

Strategic risks	How we respond
<p><b>Reliance on developing countries</b></p> <p>The Group's expansion of its manufacturing and sales into emerging markets makes it susceptible to potential instability or weaknesses in political, regulatory, social and economic situations in these countries.</p>	<p>Risks from the Group's exposure to developing countries are mitigated by:</p> <ul style="list-style-type: none"> <li>• The Group's continued commitment to development and strengthening of its global footprint. This ensures that the Group is effectively positioned to respond over time to changing political, regulatory, social and economic situations in the countries where it operates and reduces reliance on any single country</li> <li>• Core values <sup>1</sup> that include a commitment to "Lead by example". The Group's code of conduct applies wherever it does business and requires uncompromising standards of integrity, openness and fairness. Group-wide policies and practices protect internationally recognized human and labour rights <sup>2</sup>, including the prevention of child labour, elimination of forced labour and set out a rigorous management framework for environmental, health and safety matters <sup>3</sup></li> </ul>
<p><b>Commercial risks</b></p> <p><b>Major customers and products</b></p> <p>The Group relies on sales to certain major customers, who contribute significantly to the Group's total revenue. Additionally, the Group relies on sales of certain major product lines, with the Stackpole business accounting for 22% of total sales and sales of products for Cooling Fan business applications accounting for 18% of the Group's total sales for FY20/21. As a result, the Group could be adversely affected both by specific declines in major customer and products and by decline in the global automotive market.</p>	<p>The Group mitigates the risk of relying on major customers and products by diversifying customer and product portfolios through internal development and acquisitions. Consequently, no single customer contributes 10% or more to the Group's total sales and the Group has brought a consistent stream of new products to the market.</p>
<p><b>Contract performance</b></p> <p>Potential losses arising from failure in contract performance or onerous contract terms.</p>	<p>Contract risks are mitigated by managing customer relationships, including contract terms and conditions, in accordance with industry standards.</p>

1 The Group's MARBLE values and imperatives are set out on page 32

2 Additional information on the protection of internationally recognized human and labour rights can be found on pages 35 to 36 and in the Sustainability Report

3 Additional information on the Group's environmental, health and safety performance can be found in the Sustainability Report

Commercial risks	How we respond
<p><b>Intellectual property</b></p> <p>The Group's business is dependent on its ability to enforce its patents against infringement and to protect its trade secrets, know-how and other intellectual property. Potential risks arising from this include the substantial cost of protecting its intellectual rights and the legal costs of defending claims of infringement.</p>	<p>Risks arising from intellectual property are mitigated by:</p> <ul style="list-style-type: none"> <li>Protecting the Group's proprietary position by safeguarding trade secrets and know-how and by filing patent applications for technologies and process improvements that are important to the development of the Group's business</li> <li>Enforcement action against infringement by competitors</li> <li>Patent searches to avoid infringing others' intellectual property rights</li> </ul>
<p><b>Reputation</b></p> <p>The Group may lose potential business if its ethics or quality is called into question.</p>	<p>Risks to the Group's reputation are mitigated by:</p> <ul style="list-style-type: none"> <li>Setting a strong tone at the top, ensuring that this is reflected at all levels of the global organization. High integrity, sound ethics and good business practices are expected from all employees, with zero-tolerance for non-compliance</li> <li>Continuously improving engineering, manufacturing processes and quality standards to maintain the Group's position as the safe choice for customers</li> <li>Maintaining and improving the Group's environmental, social and governance performance<sup>1</sup>. Johnson Electric has an "A" rating for sustainability from the Hong Kong Quality Assurance Agency and is a constituent of the Hang Seng Corporate Sustainability Benchmark Index</li> </ul>
Operational risks	How we respond
<p><b>Supply chain</b></p> <p>If the Group was to experience a prolonged shortage of raw materials or critical components, without being able to procure replacements for these items, it would be unable to meet its production schedules and could miss customer deliver deadlines and expectations.</p>	<p>Supply chain risks are mitigated by:</p> <ul style="list-style-type: none"> <li>Ensuring supply chain resilience, including supplier continuity, quality and reliability</li> <li>Continuously seeking opportunities to insource the supply chain to assure supply</li> </ul>

<sup>1</sup> The Group's environmental, social and governance performance is discussed in detail in the Sustainability Report

Operational risks	How we respond
<p><b>Warranty and product liability</b></p> <p>The Group manufactures complex products and is exposed to potential warranty and product liability claims arising from alleged or actual defects in products. Risks arising from this include customer dissatisfaction and potential liabilities for the cost of replacing faulty products, product recalls and lawsuits.</p>	<p>Warranty and product liability risks are mitigated by:</p> <ul style="list-style-type: none"> <li>Continuously improving engineering and manufacturing processes and quality standards to reduce the likelihood of quality issues</li> <li>Conducting product safety reviews to ensure that products are fail-safe and meet the highest market standards</li> <li>Continuously seeking opportunities to insource the supply chain to ensure that components meet the Group's rigorous quality requirements</li> </ul>
<p><b>Human resources <sup>1</sup></b></p> <p>The Group's business success depends on attracting and retaining qualified personnel and on maintaining an established workforce.</p>	<p>The Group mitigates its exposure to human resources risks by:</p> <ul style="list-style-type: none"> <li>Attracting and retaining high-calibre management and other key personnel</li> <li>Building effective networks of employees and partners including maintaining good labour relationships</li> <li>Seeking synergies between making an effective contribution to the resolution of social issues and recruiting a motivated and committed workforce. Successful examples include actions to break the cycle of poverty and provide quality education through the Johnson Electric Technical College, creating access to decent work for single mothers in Mexico and targeting youth unemployment in Serbia</li> <li>Minimizing the impact of unexpected staff turnover through succession planning and standardization of work procedures</li> </ul>
<p><b>Taxation</b></p> <p>The Group may be subject to direct and indirect tax audits by government authorities in all jurisdictions where it conducts business. These tax audits are by nature, both ongoing and uncertain as to outcome. Negative or uncertain outcomes or changes to tax laws in the various jurisdictions in which the Group operates could adversely affect the Group's business, financial condition, results of operations and deferred tax asset valuations.</p>	<p>The Group mitigates its exposure to tax risks by:</p> <ul style="list-style-type: none"> <li>Complying with relevant tax laws and regulations</li> <li>Seeking professional guidance where tax laws and regulations are changing or unclear</li> </ul>

<sup>1</sup> The Group's policies on investing in people are further discussed on pages 32 to 41 and are in the Sustainability Report

Operational risks	How we respond
<p><b>Business interruption</b></p> <p>The Group's operations are affected by inherent risks and hazards that may or may not be under the Group's control that may result in business disruption and interruption.</p> <p>The Group's operations require production facilities, skilled labour and specialized manufacturing equipment. Industrial accidents, equipment failures, fires, floods or other natural disasters, epidemics, strikes or other labour difficulties, disruption of transportation networks and markets could disrupt the Group's business.</p> <p>Additionally, incidents causing injury to people or damage to the Group's facilities may give rise to compensation claims and lawsuits, and adverse impact on the communities in which the Group operates.</p>	<p>The Group mitigates the risks of business interruption by:</p> <ul style="list-style-type: none"> <li>• Developing its footprint in each region, strengthening production facilities and the supply chain to increase the resilience of its operations and reduce reliance on any single site</li> <li>• Maintaining good labour relationships</li> <li>• Meeting or exceeding requirements for employee health and safety <sup>1</sup>. This year we introduced additional safety protocols, in response to the COVID-19 pandemic. These were positively received by staff and acknowledged as models of good corporate citizenship by several local governmental authorities</li> </ul>
<p><b>Environment and climate change</b></p> <p>The Group's operations create environmental challenges through:</p> <ul style="list-style-type: none"> <li>• Resource depletion as the manufacture of the Group's products consumes raw materials such as steel, copper, aluminium and plastic resins</li> <li>• Potential ground and water pollution</li> <li>• Actual and potential air emissions including volatile organic compounds and particulate matter</li> <li>• Waste generation</li> </ul> <p>Climate change is a source of both opportunity and risk for the Group. The Group's contributes to a more sustainable automotive industry, enhancing the capabilities of new energy vehicles and improving fuel efficiency and reduce emissions from internal combustion engines. However, the Group's operations emit greenhouse gases from its factories, upstream in its supply chain and through the transport of its products.</p>	<p>The Group's management has established a Sustainability Committee with direct responsibility for managing the Group's environmental and social and governance risks <sup>2</sup> and has implemented a Global EHS management system.</p> <p>The Group seeks to:</p> <ul style="list-style-type: none"> <li>• Minimize the ecological impact of its operations</li> <li>• Design environmentally friendly products and processes</li> <li>• Comply with applicable environmental laws and regulations and maintain rigorous standards for environmental performance</li> <li>• Promote environmental awareness in its workforce</li> <li>• Communicate its environmental performance to stakeholders and involves them where applicable</li> </ul> <p>The Group's engineers strive to create products that consume less resources in their manufacture and that consume less energy in use. Many of the Group's products directly target reducing or eliminating CO<sub>2</sub> emissions.</p> <p>The Group has set a target to reduce the greenhouse gas intensity of its operations by 30% by 2030.</p> <p>The Group is optimizing its operating footprint, to be close to its customers operations and is increasingly localizing its internal and external supply chains.</p>

<sup>1</sup> The Group's health and safety management is discussed briefly on pages 38 to 39 and in greater detail in the Sustainability report

<sup>2</sup> The Group's environmental management is discussed briefly on pages 42 to 44 and in greater detail in the Sustainability report

Financial risks	How we respond
Liquidity, interest rates, foreign currency exposure, commodity prices and counterparty risk	<p>The Group mitigates its exposure to financial risks through a variety of measures including:</p> <ul style="list-style-type: none"> <li>• Maintaining investment grade credit ratings, with a long-term debt maturity profile and a mixture of fixed and floating interest rates for the borrowings outstanding</li> <li>• Ensuring that the combination of cash on hand, available credit lines and expected future operating cash flows is sufficient to satisfy current and planned cash needs</li> <li>• Applying appropriate strategies to manage risk from interest rates, foreign exchange rates, commodity prices and counterparty risks</li> </ul>

## Social and Environmental Responsibility

### Purpose and Promises

Johnson Electric's purpose is to "improve the quality of life of everyone we touch through our innovative motion systems".

To that end, Johnson Electric promises to:

- Make its **customers** successful with motion solutions that deliver more comfortable, safer and healthier products for end users
- Inspire its **employees** to grow, act with ownership and find fulfilment and meaning in the work they do
- Enrich its **local communities**
- Protect the **environment** for future generations
- Maintain its financial strength and deliver sustainable growth in profits and cash generation for its **shareholders**

This is underpinned by the Group's MARBLE values and by its policies and practices on environmental, social and governance matters. A Global Social Impact and Sustainability Committee, established in January 2021, is creating a focused, structured approach and providing support for social impact and sustainability activities around the globe.

See page 32 for more information about Johnson Electric's "MARBLE" values

## Relationships with Customers

The Group creates solutions that delight the end-user of a product and that meet the business needs of its direct customers. An intensive dialogue between the Group's sales and engineering departments and its customers allows it to listen to customers' needs while sharing knowledge of the Group's products and capabilities. A disciplined development path with rigorous reviews and testing from concept to start of production ensures that the Group's products meet safety, quality and performance requirements at a competitive cost. We aim to be the "safe choice" solution.

Our vertically integrated, global manufacturing footprint brings us close to customers and enables us to respond with speed and agility to changes in demand. In support of this, we are further strengthening "in-region" production capabilities, introducing advanced resource- and energy-efficient manufacturing technologies and increasingly localizing internal and external supply chains.

The Group believes that its products should stand on the strength of their own competitive merits. The Johnson Electric Code of ethics contains strict requirements to ensure fair competition. The Group does not sign or enter into agreements with competitors that harm customers, nor does it abuse a dominant position in the market to prevent others from competing.

## Relationships with Suppliers

The Group's engagement with suppliers is driven by its focus on "Innovation" and "Safe Choice". These operating principles are ingrained in the Group's supplier selection and supplier performance monitoring process.

Robust supplier qualification procedures before ordering regular supplies from any new supplier ensure that the Group has the right supplier to source the right item. These procedures give due consideration to cost, quality, safety, environmental protection, ethical behaviour and social responsibility. The Group's suppliers are:

- Contractually required to be certified under relevant international quality and environmental management standards such as ISO9001, ISO14001, ISO/TS16949 and ISO13485. Additionally, the Group supports suppliers to strive for continuous improvement and better performance, and encourages compliance with various environmental and conflict minerals requirements
- Required to be committed to ethical practices in dealings with the Group. Every supplier must comply with Johnson Electric's Code of Ethics and Business Conduct, which prohibits offering of gifts, certificates, loans, hospitality, service or favour in an improper manner. Suppliers are also required to comply with the US Foreign Corrupt Practices Act, the UK Bribery Act 2010 and the Criminal Law of the PRC
- Required by the Group's purchase terms and conditions to adhere to directives set by the International Labour Organization's "ILO Declaration on Fundamental Principles on Business and Human Rights at Work" and the United Nations' "UN Guiding Principles on Business and Human Rights". These set out principles of the freedom of association, right of collective bargaining, abolition of child labour and the elimination of forced or compulsory labour or discrimination at work

The Group continuously gauges and calibrates suppliers' ability to meet the above requirements through its Supplier Performance Rating System. This includes annual risk assessments, supplier self-declarations and on-site audits.

## Investing in people

Johnson Electric's global team is bound together by its shared "MARBLE" values. These values are the foundation of the "One Johnson" culture that provides a common identity for employees to operate as a global team both at times of growth and in times of adversity.

The Group recognizes that the talent and diversity of its people drives business results. In its Global Headquarters, in Hong Kong, close to 20 nationalities are represented and 13 languages are spoken. Global collaboration is the norm for how work is done in the Group's functions and business units.

Attracting and developing the Right People, putting them in the Right Jobs and providing them with the Right Environment to excel at what they do are the pillars that underlie Johnson Electric's people strategy and talent management processes. Our ultimate vision is to become "One Johnson around the world, a great company and a great place to work!"

### The MARBLE values \*

<b>M</b> ake customers successful and end users delighted	Delivering what our customers need to delight their end users is the primary goal of Johnson Electric. We are committed to making our customers successful in <i>their</i> business, as the basis for long-term success in <i>our</i> business.
<b>A</b> tttract and empower great people	Johnson Electric aims to offer its people career development that rewards results, enterprise, mentorship and teamwork. We achieve business results by empowering our people. We have employees all around the world and recognize that our business thrives on the diversity of our people and their ideas.
<b>R</b> each higher	Johnson Electric people set stretch goals for themselves to drive business growth and personal career fulfilment. We know from experience that bold thinking and bold action will bring about extraordinary results.
<b>B</b> e sustainable	Our business model must take into account long term social and environmental impacts of our own operations as well as the operations of our partners and suppliers. Our products should also contribute to the sustainability of the planet. We will reduce greenhouse gas emissions and energy consumption in our own business operations.
<b>L</b> ead by example	Johnson Electric believes that good corporate citizenship requires uncompromising standards of integrity, openness and fairness. We are committed to demonstrating leadership wherever we do business through the promotion of a safe, healthy and fair environment for our people.
<b>E</b> xcel in execution with practical solutions	Johnson Electric's customers expect the highest standards of quality and performance. We work not only to meet those expectations but also to exceed them through continuous cycles of learning, shop-floor practicality and a "can do" mindset. We aim to put innovative ideas into practice quickly as a team and refuse to be stalled by complexity.

\* The Group's MARBLE values were updated in 2021 to better reflect the Group's Purpose Statement and Promises (see page 30)

## One Johnson Around the World, A Great Company and a Great Place to Work!



*We are a truly global team bound together by our shared values. We recognize that the talent and diversity of our people drive business results.*



*We thrive on innovation and excel in execution. We are committed to making our customers successful and our world a better place.*



*We are highly selective. We believe that hiring the right people and putting them in the right jobs maximizes the success of our people and the business.*



## Talent Management Processes

The Group's Executive Committee is committed to fulfilling the Group's promise to "inspire our employees to grow, act with ownership and find fulfilment and meaning in the work they do".

The Group's Human Capital Committee ("HCC") meets monthly with the most senior executives. Its mission is to drive the talent pipeline and continuously improve organizational effectiveness. The agenda for these meetings includes:

- Talent management strategies and initiatives
- Appointments to senior roles
- Succession planning for key positions
- Development of senior high-potential individuals through job rotation, job expansion, promotion, transfer and executive coaching
- Other key people initiatives

Annual succession planning workshops for Senior Vice Presidents and mission critical positions aim to build the Group's bench strength for long term success.

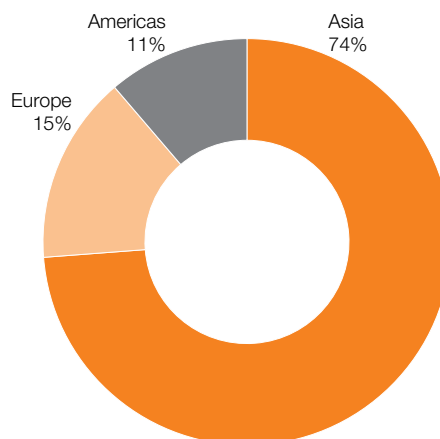
Regular talent calibration is used to assess employees' growth potential and identify high potential employees who are then targeted for additional development opportunities. The Group has been involving additional levels of management in this process, with the aim of identifying high potential employees much deeper in our organization. All identified high potential employees are then vetted by the Executive Committee to qualify for inclusion in Johnson Electric's talent pool. This talent pool is regularly reviewed when considering key appointments in organizational reviews.

Managers are empowered to drive talent development and are expected to create individual development plans for their identified talent. Corporate Talent Management supports this by offering psychometric assessments for development, 360 feedback, executive coaching and formal executive education programmes.

In FY20/21, the Group launched an improved Performance Management process for all staff, to improve the fairness, equity and alignment of

## Global Workforce

As of 31 March 2021, the Group's total global headcount stood at over 39,000 across Asia, Europe and the Americas.



performance standards globally. The updated process also gives greater emphasis to development planning and behaviors in the annual goal setting and performance review process. We emphasize the importance of performance discussions to ensure employees are provided with recognition and constructive feedback to support their growth. Furthermore, the Group placed greater emphasis on making data-driven people decisions and improved its people analytics capability. Key demographic and people performance data is built into easy-to-navigate data visualizations for Executive Committee members to track.

FY20/21 also saw the pilot launch of "feedback requests". This allows staff and managers to request feedback from anyone in the organization on themselves or their subordinates. This is aligned with the Group's promise to employees, and allows them to proactively collect recognition and constructive feedback from those they work closely with. Feedback tied to strategic goals has allowed tighter alignment across functional teams and cross-functional recognition of staff achievements in town hall meetings.

Additionally, the Group's "My Career in Motion" programme enables employees to take greater accountability for their career growth and development, working in partnership with their managers and other employees. At the heart of this programme is a formal self-nomination process that encourages employees to apply for open positions for which they are qualified. To enhance and broaden career opportunities for Johnson Electric people, we foster a culture of "promoting from within".

A "JE Career Paths" resource is available to business unit and engineering employees. This gives a better understanding of available career pathways and the areas that they may need to build upon when driving their own career development.

The Group is conscious of the need to develop its pipeline of technical experts. Engineering talent has always been a key priority, but as Johnson Electric transforms, digital know-how is now also crucial to the Group's future. The Group is recruiting new talent with the necessary future skillsets. It is also upskilling its current workforce through internships, job rotations, technical seminars and peer-learning collaborative projects. Through these actions, the Group will strengthen its engineering centres of excellence and enhance business units' engineering and digital capabilities.

The Group thrives on innovation and never stops investing in the next generation of engineers. It is Johnson Electric's ambition to become the employer of choice for engineers. The Group partners with technical colleges and renowned universities worldwide to recruit top engineering students each year. Through these partnerships, the Group offers scholarships and cooperative education programmes including capstone projects, doctoral research assignments, design competitions, trainee programmes and internships. For example:

- In France, youth unemployment is relatively high (OECD, July 2020: approximately 20% of people under 24 years of age are unemployed). The Group's factory in Hirson, France addresses this social need through a robust apprenticeship programme and hosted 17 apprentices in FY20/21. This scheme offers experience and knowledge that helps these youths develop their employability. In the previous year, more than 70% of the apprentices were able to find a job within 7 months of completing the programme
- In Murten, Switzerland, the Group is launching an AI Summer Internship Programme for students pursuing Engineering, Data and Technology undergraduate or postgraduate studies. The interns will take part in projects related to Robotics and Industry 4.0, Smart Manufacturing, Artificial Intelligence and Big Data Analytics, and Digital Twin (virtual representations of our products and process)

## Providing the Right Environment

Johnson Electric is committed to respecting the labour and human rights of all its employees and to providing a safe workplace in which the dignity of every individual is respected. The Group's subsidiaries around the world set their labour standards in line with Group policy and with local labour laws and regulations so that employment conditions fully comply with Johnson Electric's commitments and with applicable labour laws and regulations.

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### Johnson Electric employment standards

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<b>Labour and human rights</b>	The Group adheres to the directives set by the International Labour Organization's "ILO Declaration on Fundamental Principles and Right at Work" and the United Nations' "UN Guiding Principles on Business and Human Rights." These set out principles on freedom of association, right of collective bargaining, the abolition of child labour and the elimination of all forms of forced or compulsory labour or discrimination in the workplace.
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<b>Equal employment opportunity</b>	Johnson Electric is committed to treating all applicants and employees in a fair and non-discriminatory manner without regard to age, disability, marital status, race or colour, national origin, veteran status, religion, gender, sexual orientation, or any other legal protected status.
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<b>Open communication</b>	Johnson Electric is committed to maintaining open two-way communication throughout the Group, keeping employees informed of current happenings and fostering an environment where employees are comfortable voicing their opinions, ideas, suggestions and concerns.
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<b>Harassment free workplace</b>	Johnson Electric is committed to providing a workplace in which the dignity of every individual is respected.
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<b>Workplace violence and weapons</b>	Johnson Electric's objective is to provide a safe work environment that is free from acts and threats of violence.
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As part of its corporate governance, Johnson Electric monitors its compliance with these Human Resources policies and relevant labour laws and regulations. As part of this:

***At any time***

- Employees may report any breach of our labour standards. Reports may be submitted anonymously via the Group's whistle-blower hotline, accessible globally at any time by phone or email. All such reports are investigated promptly and confidentially. If it is determined that there has been a violation, prompt action is taken to prevent reoccurrence, if necessary including appropriate disciplinary action

***Every year***

- The Group's regional and country Human Resources teams acknowledge and certify their full compliance to the Human Resources policies and to relevant labour laws and regulations
- All managers and above, as well as other employees in sensitive positions, must certify that they have read and comply with the Johnson Electric Code of Ethics and Business Conduct. The Code guides every employee in the use of good judgment and ethical decision-making, ensuring employees uphold Johnson Electric's belief in conducting our business lawfully and ethically. In relation to labour and human rights, the Code includes specific requirements on preventing child labour and forced labour, ensuring equal employment opportunity, keeping open communication, ensuring a harassment free workplace and preventing workplace violence and weapons

***Every two years***

- All managers and above, as well as other employees in sensitive positions, must undergo refresher training on the Code and its application in the workplace, including the protection of labour and human rights. On completing this training, they must pass a test on the Code. Only then are they allowed to certify that they have read and comply with the Johnson Electric Code of Ethics and Business Conduct

***This year***

- Johnson Electric does not tolerate child labour or forced labour. We hire only employees aged 18 years or older (except in the case of government-recognized apprenticeships). We adhere to the principles of freely chosen employment. However, on assessing child labour and forced labour risks, we identified that some of our sites are located in countries that were ranked as Tier 2, Tier 2 Watchlist, or Tier 3 in the US Department of State's Trafficking in Persons Report. Consequently, we reviewed and strengthened our global child labour and forced labour policies for all sites

**Compensation and Rewards**

The Group maintains a global compensation structure to ensure competitive pay levels and benefit offerings in each market in which it operates. Annual incentive pay is tied to the achievement of revenue, profitability and liquidity goals and is an important component of compensation for more than 80% of staff-level employees, including all management staff. Additionally, the Group's long-term incentive share scheme forms a critical part of the competitive compensation package for senior executives, encouraging retention while aligning rewards to shareholder value. The scheme includes not only time-vested restricted stock units, but also a high proportion of performance stock units which vest only if stringent financial conditions are achieved.

### Training and Development

The Johnson Electric Learning Institute ("JELI") provides global direction for all employee learning, development and reskilling activities in the Group. A Steering Committee, comprising representatives from all regions, meets once a month to guide and shape policies and practices. This is supported by a strong network of learning and development teams in each location to deliver local learning programs in response to business priorities and the organization's talent needs. A wide variety of development channels includes stretch assignments and international secondments that provide employees with opportunities to gain global exposure and broaden their horizons.

The Group also offers just-in-time classroom and eLearning programs to grow employees' soft and technical skills.







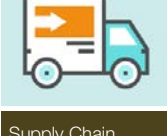





Learning and development activities are facilitated by the "Learning In Motion" hub, a global learning platform provides over 300 courses to employees, covering key business and soft-skill areas and allowing employees to learn anytime, anywhere, on any device, at their own pace. A leadership curriculum provides training via a variety of format.

Also, as part of cultivating a learning culture, the Group organizes a Learning Month every September. This emphasizes continuous learning as a key attribute required in every Johnson Electric employee.

The Johnson Electric Technical College ("JETC") provides a mix of general and technical education to youth over a three-year course. Operating from campuses in China and Mexico, JETC targets underprivileged youth and provides a way for the new generation to choose engineering as a viable career option. Most JETC students choose to join the Group's workforce upon graduation.

In Serbia, Johnson Electric provides a similar training scheme in partnership with a local secondary technical school. Students participating in this scheme spend two days a week in the factory, following detailed programs based on the JETC concept, bringing theory and practical experience together.

Youth may also gain technical training and work experience through apprenticeship programmes offered by our various sites.

	
Engineering	Quality
	
Manufacturing	Environmental, Health and Safety
	
MARBLE Values and Leadership	Personal Development
	
Supply Chain Services	Business
	
Compliance	JE Competencies & BU / Functional Curriculum
	
Orientation	Leadership Moment

Key business and soft-skill categories available on the "Learning in Motion" hub

## Employee Health and Wellbeing

At a time when the world is plagued by COVID-19, Johnson Electric stands strong in its commitment to protect employees' good health and wellbeing wherever it operates around the world. The Group maintains a safety culture with unceasing emphasis on safety matters in the workforce and continuous improvement to eliminate potential causes of incidents. Activities to promote safety awareness, especially toward COVID-19, during the year included:

- Safety Month: Every June is Safety Month across the entire Group. Activities are organized at both the global and site level to raise plant and office workers' awareness of safety risks. In 2020, the theme of the month was "Managing the COVID-19

Pandemic" to address the health and safety challenge facing the organization and its employees

- Safety Moment: All-staff meetings begin with a Safety Moment. This regular practice draws employees' attention to prevailing safety topics, both within and outside of Johnson Electric
- Local initiatives: Throughout the year, local teams organize activities to promote safety awareness, employee health and wellbeing. Activities in FY20/21 included onsite flu shots, first aid and emergency brigade training, talks on COVID-19 awareness and a mobile mammography program, amongst others



*Emergency Brigade training in Arujá Brazil*



## Protecting Employees' Health during the COVID-19 Pandemic

The Group established a Corporate Health Committee soon after the outbreak of COVID-19 to provide directions and enact timely measures to protect Johnson Electric employees around the world.

The safety protocols announced as a result were positively received by the Group's employees and have been acknowledged as models of good corporate citizenship by several local governments. These early actions included:

- Installing a production line in Hong Kong to manufacture facemasks for supply to all of the Group's employees worldwide
- Installing automated temperature monitoring equipment in most of the Group's locations
- Providing the IT infrastructure to enable many staff to work from home
- Reviewing and upgrading ventilation in facilities to improve airflow and prevent cross-contamination
- Encouraging employees to be vaccinated

The Group also strongly encouraged conscious efforts of colleagues to be considerate and maintain high standards of hygiene. This in turn has contributed to protecting employees' families, local healthcare professionals and the local communities where the Group operates.



*Employee pledges in Johnson Electric USA to help prevent transmission of COVID-19*

*Spring Festival blessing bags provided to 14,000 employees who were unable to travel home for reunion with family due to COVID-19 (Shajing, China)*



## Employee Engagement and Social Impact

### Employee Engagement

Johnson Electric pledges to maintain open and honest communication with employees through a variety of channels, as a foundation for building a high performance engagement culture across the Group. The Group's employee communication includes:

- **One Johnson Global Celebration**, an annual event, for all Johnson Electric employees around the globe
- **JE in Motion**, a digital platform for sharing multimedia content with all global employees or specific employee groups, facilitating knowledge sharing and team collaboration
- Regular **all-staff meetings** held in every Johnson Electric location to provide updates on business performance and developments on key projects
- **MARBLE Snapshot**, a regular survey to measure the organization's engagement level. This provides a confidential route for employee feedback. Follow up actions ensure that employees' voices are heard and responded to at both corporate and team levels
- **Local initiatives** such as recreational and team building activities, held throughout the year to boost engagement, build social skills and promote recognition. Local teams organized festive celebrations, outings, cultural excursions, appreciation days, parent-child activities and other events

Other means to ensure employees' alignment with Johnson Electric's strategy and direction include newsflashes, open forums and global and local employee contests.



*Shajing, China:  
Weekend cultural  
classes include  
Latin dance,  
aerobics and  
guitar playing*



## Social Impact

The Global Social Impact and Sustainability Committee, including key members of the Executive Committee, provides focus and support and ensures a structured approach to social impact activities around the globe. The ultimate objectives are to enrich local communities and, through individual contribution, allow employees to find additional fulfilment and meaning in the work they do.

The flagship theme of Johnson Electric's community engagement is "technical education". This comprises two main initiatives:

- Johnson Electric Technical College:** The JETC serves a dual purpose. It provides the Group with a stream of well-educated future employees. It also gives back to society by supporting underprivileged youngsters in China and Mexico by providing a quality general and technical education. In Serbia, using similar concepts to JETC, the Group works in partnership with a local technical high school providing access to Johnson Electric's facilities and staff to assist students in receiving a quality technical education
- Junior Engineer:** This global community outreach programme is a simple but effective way to encourage early interest in science, technology, engineering and mathematics subjects. Participating children, from 6 to 12 years old, build a toy powered by a Johnson Electric motor

Technical Education is also a recurring theme in the Group's local social impact activities. Local teams collaborate with educational institutions in their neighbourhoods to provide internship opportunities for students, reward outstanding performers and organize open house events for students.



Above left: Facemasks donated to elderly homes, city government, fire and police departments in Arujá, Brazil



Above right: Facemasks donated to the needy through the Society for Community Organization in Hong Kong, China

Below: Donation of ozone generators in Hungary



Additionally, around the world, local Johnson Electric sites partner with non-governmental organizations (NGOs) to take part in charitable activities and actions including health education, poverty action, children, elderly, underprivileged groups, environmental protection and community order amongst others.

In FY20/21 many of these activities revolved around the COVID-19 pandemic. Around the world, local Johnson Electric sites reached out to provide facemasks and shields, disinfectant, gloves and other supplies to hospitals, fire and police departments, local government, the elderly and the needy. Employees also remained mindful of other needs and took part in caring for the elderly, fundraising for the disabled, donating to animal shelters and more.



Left to right:

Caring for elder orphans in Shajing, China

Fundraising for the disabled through a charity run in Bedzin, Poland

Donation to animal shelters by Johnson Electric, Hungary

## Environmental responsibility

Johnson Electric is committed to responsible manufacturing and takes practical steps to protect the environment wherever it operates around the world. The Group believes that excellent environmental performance will contribute to the sustainable growth of the Group for generations to come.

**Environmental management:** Johnson Electric takes a proactive approach to addressing environmental issues. The Group has established a progressive structure to monitor, manage and control environmental risks and track environmental performance, worldwide. All Johnson Electric manufacturing locations are required to apply this system and to track their performance in reaching specific environmental objectives and targets. Compliance with the Group's environmental management system and standards and local environmental regulations, is subject to verification through internal audit programmes and by accredited external auditors. The Group's leadership receives regular reports on key environmental performance indicators.

### Energy consumption and greenhouse gases:

The Group is actively seeking to reduce its energy consumption and greenhouse gas emissions in all of its plants around the world. It has set a goal to reduce the greenhouse gas intensity of its facilities by 30% by 2030. Initially announced to be measured by unit of production, the Group is now modifying this target to be measured per million dollars of sales to better reflect its diverse product base.

Some of the reduction in greenhouse gas intensity will be delivered through the Group's existing energy-saving and technology improvement projects. For example, the Group's investment in high-speed automation lines will give a significant reduction in carbon intensity compared to the manual lines they are replacing.



*In Murten, Switzerland the Group installed 900m<sup>2</sup> of photovoltaic cells on the roof of the factory, generating an estimated 123 MWh per year.*

The Group is actively exploring additional avenues to meet its carbon intensity target. This includes seeking further opportunities to reduce energy consumption, shifting production to low carbon locations and increasing its use of renewable energy. For example, this year the Group has made a number of improvements to facilities and production processes in sites around the world, to lower energy consumption. Additionally, the Group has implemented a number of solar projects including the installation of photovoltaic cells in some sites, the use of solar water heating for dormitories and is conducting feasibility studies for more.

**Pollution prevention and management:** The Group seeks to prevent pollution from its operations. It assesses the environmental risk before building new facilities, expanding sites, or changing its processes. In the event that emissions or wastewater generation occur, appropriate treatment facilities are installed to mitigate possible pollution risks.

Johnson Electric's non-CO<sub>2</sub> emissions are mainly volatile organic compounds ("VOCs"). These come from glues used in product assembly, solvents used for parts cleaning, injection moulding and ink printing. The Group is taking steps to reduce its VOC emissions, by eliminating the use of VOCs in some processes, substituting inks and cleaning solutions with alternatives with lower VOC levels, and exhaust gas emission controls.



*Laser marking equipment installed in Wuxi, China to replace ink marking with solvents*

The Group also has some particulate matter emissions from various powder processes. The Group has previously implemented process improvements to capture and reuse epoxy particulate matter. This year,

the Group has carried out a project to capture and reuse copper powder from its copper bushing process.

**Materials consumption:** The Group consumes raw materials such as steel, copper, aluminium and plastic resins. It addresses the environmental challenges posed by this by adopting the concept of reduce, recycle and reuse.

The Group seeks to design products and processes that consume fewer raw materials. It also seeks to minimize waste from production processes and packaging.



*Hot runner mold installed to reduce scrap, saving 25 tons of plastic raw material per year*

The Group recycles scrap from production processes to recover as much of these valuable resources as possible.

Where economically and technically feasible, waste (including aluminium, copper, plastic and epoxy powder) recovered from our manufacturing lines is reused in the Group's production processes. If scrap cannot be reused directly in the Group, it is sold for further recycling.

**Waste management:** The Group seeks to prevent or minimize general and hazardous waste produced by its operations. This is a key goal in its environmental management system. All of the Group's manufacturing facilities are required to develop and continuously improve site-specific programs to prevent or minimize solid or hazardous waste generation.

**Water stewardship:** The Group's operations do not consume a significant amount of water and none of its major operations are in water-stressed regions. Nevertheless, the Group takes a responsible approach to water stewardship, seeking to maximize efficiency, minimize waste and prevent poor quality wastewater.



*Maintenance work and improvements to chillers and other HVAC systems resulted in a 43% reduction in water consumption from FY19/20 to FY20/21 in Springfield, USA*

**Bio-diversity:** Following the success of its bio-diversity project in Arujá, Brazil, the Group has established a policy of planting only native species of flora in future. This in turn will provide an environment that is hospitable to native wildlife. This policy applies to landscaping for new or extended facilities and to the maintenance of landscaping around the Group's existing facilities. Through this, the Group aims to contribute to the preservation of bio-diversity where it operates.

## Sustainability Report

For further information about Johnson Electric's sustainability policies, performance and activities, please refer to the Group's Sustainability Report which is available on the Group's website: [www.johnsonelectric.com](http://www.johnsonelectric.com).

# Corporate Governance Report

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.

## Board of Directors

The board of directors of the Company (“Board”) currently consists of three executive directors and eight non-executive directors (of whom six are independent) (“Directors”).

The independent non-executive directors are all experienced individuals from a range of industries and geographies. Their mix of professional skills and experience is an important element in the proper functioning of the Board and in ensuring a high standard of objective debate and overall input to the decision-making process. The Board has received from each independent non-executive director a written confirmation of their independence and has satisfied itself of such independence up to the approval date of this report in accordance with the Rules Governing the Listing of Securities (“Listing Rules”) on The Stock Exchange of Hong Kong Limited (“Stock Exchange”).

In accordance with Rule 13.51B(1) of the Listing Rules, the Company is required to disclose changes in information of Directors subsequent to the date of the Interim Report 2020. Mrs. Catherine Annick Caroline Bradley has become a senior independent director of Kingfisher plc since 29 January 2021. She was appointed as a director of the Board of International Integrated Reporting Council since January 2021. Upon the combination of Groupe PSA and Fiat Chrysler Automobiles in January 2021, Mrs. Bradley ceased as a member of the Supervisory Board, Chairman of its Finance and Audit Committee and a member of the Appointments, Compensation and Governance Committee of Peugeot S.A.

## The Board at Work

The Board is accountable to shareholders for the activities and performance of the Company and its subsidiaries (“Group”). Directors meet in person on a quarterly basis and on other occasions when a board-level decision on a particular matter is required. The Board has reserved for its decision or consideration matters covering corporate strategy, annual and interim results, directors’ appointment, succession planning, enterprise risk management, environment, social and governance reporting, major acquisitions, disposals and capital transactions and other significant operational and financial matters.

The Company seeks to provide its independent non-executive directors with extensive exposure and access to its operations and management. The board meeting agendas are structured to address the broad spectrum of key governance issues on a regular and systematic basis. Forming part of the continuous professional development program for Directors, visits to the Group’s principal operating facilities are arranged and relevant subject area experts are invited to address the Board from time to time.

The Board recognizes the importance and benefits of conducting regular evaluations of its performance to ensure the effectiveness of its functioning. On an annual basis, a board effectiveness survey is sent to each Director in order to enable the performance of the Board to be evaluated. Responses to the survey are analyzed and discussed at the



Board meeting. Suggestions made by the Directors have been implemented to further improve the performance of the Board.

Major corporate matters that are specifically delegated by the Board to management include the preparation of annual and interim accounts for board approval before public reporting, execution of business strategies and initiatives adopted by the Board, implementation of adequate systems of internal controls and enterprise risk management procedures, environment, social and governance assessments and compliance with relevant statutory requirements and rules and regulations.

Under the Company's Bye-law 109(A), one-third of the directors except the director holding office as executive chairman, who have served longest on the Board since their last election, shall retire from office and be eligible for re-election at each annual general meeting. As such, except for the executive chairman, no director has a term of appointment longer than three years.

## Committees

The monitoring and assessment of certain governance matters are delegated to four committees which operate under defined terms of reference and are required to report to the Board on a regular basis. The composition of the committees during FY20/21 and up to the date of this report is set out in the table below.

Directors	Audit Committee	Remuneration Committee	Nomination and Corporate Governance Committee	Board Committee
<b>Executive Directors</b>				
Patrick Shui-Chung Wang			M	M
Mak Wang Wing-Yee Winnie		M		M
<b>Non-Executive Director</b>				
Peter Kin-Chung Wang	M			
<b>Independent Non-Executive Directors</b>				
Peter Stuart Allenby Edwards			C	
Patrick Blackwell Paul	C		M	
Michael John Enright	M	M		
Joseph Chi-Kwong Yam		M		
Christopher Dale Pratt	M	C		
Catherine Annick Caroline Bradley		M		

*C – Chairman*

*M – Member*

Notes:

1. Prof. Michael John Enright stepped down as chairman, but remains as a member of the Remuneration Committee with effect from 1 July 2020.
2. Mr. Christopher Dale Pratt was designated the chairman of the Remuneration Committee with effect from 1 July 2020.

## Audit Committee

The Audit Committee comprises three independent non-executive directors and one non-executive director who together have substantial experience in the fields of accounting, taxation, business, corporate governance and regulatory affairs. The current members are Mr. Patrick Blackwell Paul (Committee Chairman), Prof. Michael John Enright, Mr. Christopher Dale Pratt and Mr. Peter Kin-Chung Wang.

The Committee is responsible for monitoring the financial reporting, accounting, enterprise risk management and internal control aspects of the Group's activities. It has full access to the Group's Global Head of Internal Audit to hear directly any concerns of the internal audit function that may have arisen during the course of the department's work. The Committee also monitors the appointment, function and remuneration of the Group's external auditor. The Committee's authority and duties are set out in the terms of reference which are available on the websites of the Group and HKEXnews.

Five committee meetings were held in FY20/21 to discuss and review relevant matters together with senior management and the independent auditor, including the following:

1. The FY19/20 annual results and interim results for FY20/21, to ensure that the related disclosures in the financial statements were complete, accurate and fair and complied with accounting standards, the Listing Rules and legal requirements, and to submit the same to the Board for approval;
2. The work done by the external auditor, the relevant fees and terms of engagement and appropriate actions required on any significant control weaknesses;
3. The external auditor's independence, including consideration of their provision of non-audit services;
4. The Internal Audit Department's staffing and team competencies, its internal audit plan and budget for approval, its report on work performed and the status of open issues for remedial action;
5. The overall adequacy and effectiveness of internal controls;
6. The Group's enterprise risk management activity, namely the processes by which risks are assessed and registered and by which such risks are addressed for mitigation and management;
7. The status and adequacy of the Group's insurance coverage;
8. The status of the Group's global tax position and any fiscal audits by the various jurisdictions;
9. The status of litigation;
10. Information technology strategy and cybersecurity controls;
11. Global supply chain, tariff and logistics issues and their implications for the Group;
12. Assessment of goodwill impairment and other intangibles; and
13. The Group's Sustainability Report, and recommendation to the Board for its approval.

## Remuneration Committee

The Remuneration Committee consists of four independent non-executive directors and one executive director. The current members are Mr. Christopher Dale Pratt (Committee Chairman), Mr. Joseph Chi-Kwong Yam, Prof. Michael John Enright, Mrs. Catherine Annick Caroline Bradley and Ms. Mak Wang Wing-Yee Winnie.

The Committee determines the compensation structure and rewards for the Chief Executive and other executive directors and monitors the policies being applied in remunerating the senior management on behalf of the Board.

In addition, it has responsibility for reviewing and making appropriate recommendations to the Board on retirement plans and provisions and on management development and succession plans for executive directors and senior management. The Committee's authority and duties are set out in the terms of reference which are available on the websites of the Group and HKEXnews.

At Johnson Electric, remuneration and incentive schemes are linked to the achievement of annual and long term performance goals. By providing total compensation at competitive industry levels, for on-target performance, the Group seeks to attract, motivate and retain the key executives essential to its long term success. To this end, the Committee directs the management in the engagement of outside remuneration experts and stays abreast of remuneration practices among comparable companies around the world. Senior management incentive schemes include an equity component that is designed to align the long term interest of management with those of shareholders.

All global staff positions, including senior management, are governed by an evaluation methodology which takes into account management / technical know-how, problem solving and accountability. Individual senior management remuneration acknowledges scope of responsibilities, contribution and performance. The base salary takes into account factors such as contribution to the business, employee retention and market remuneration. Annual incentives, when payable, are performance-based and include Company's and Group's financial objectives as well as individual objectives which may be non-financial. The Johnson Electric Restricted and Performance Stock Unit Plan for senior management provides for the grant of Johnson Electric Restricted Stock Units ("RSUs") and Performance Stock Units ("PSUs"). Vesting of these is subject to attainment of service milestones in the case of RSUs and, in the case of PSUs, the attainment over time of identified group wide financial goals. RSUs and PSUs are used to retain and motivate senior staff and are designed to maximize long term shareholder value.

In determining the level of remuneration and fees paid to non-executive directors for the Board approval, a review of current practices in comparable companies is regularly conducted with the aid of an independent consultant. Board remuneration consists of an annual retainer with additional fees payable for committee memberships. Executive directors are not eligible for any remuneration or fees for board activities.

The Remuneration Committee reviews the overall remuneration program of the Group over the short, medium and long term while addressing the goals of management development and retention and the enhancement of shareholder value.

No individual director or member of senior management team approves his or her own remuneration.



Four committee meetings were held in FY20/21. During the year, the Committee addressed the following:

1. Review of the Executive Directors and Senior Executive Compensation and Benefits;
2. Long-Term Incentive Share Scheme Awards;
3. Annual Incentive Plan Measurement; and
4. Review of Succession Planning.

### Nomination and Corporate Governance Committee

The Nomination and Corporate Governance Committee comprises two independent non-executive directors and one executive director. The current members are Mr. Peter Stuart Allenby Edwards (Committee Chairman), Mr. Patrick Blackwell Paul and Dr. Patrick Shui-Chung Wang.

The Committee is responsible for the identification and evaluation of candidates for appointment or re-appointment as a director, as well as the development and maintenance of the Group's overall corporate governance policies and practices. The Committee's authority and duties are set out in the terms of reference which are available on the websites of the Group and HKEXnews.

The Board has formalized its existing practices into a Nomination Policy and adopted it in 2018. The Nomination Policy (which is available on the website of the Group), as administered by the Nomination and Corporate Governance Committee, sets out the criteria and procedures for identifying and nominating suitably qualified candidates for appointment to the Board. The selection criteria specified in the Policy include:

- The highest personal and professional ethics and integrity;
- Contribution to the Board in terms of qualifications, skills, business experience, independence and such other factors as the Committee may consider relevant;
- Commitment in respect of available time and relevant interests;
- Board succession planning considerations;
- Consideration of the requirement of the minimum number of independent non-executive directors; and
- Diversity in all its aspects as set out in the Board Diversity Policy (incorporating relevant provisions of the Listing Rules) adopted by the Board in 2013.

In respect of the Board Diversity Policy, the Board is cognisant of the benefits of diversity and the Committee monitors implementation of this policy as part of the process of selecting and nominating candidates for appointment to the Board. Candidates are considered against the broad and diverse range of aspects specified in the Nomination Policy, which among other aspects also include gender, ethnicity and cultural background.

In reviewing Board composition, the Committee considers the benefits of all aspects of diversity including, but not limited to those described above, in order to maintain an appropriate range and balance of skills, experience and diversity of perspectives appropriate to the requirements of the Group's business globally.

In accordance with the Bye-laws of the Company, every newly appointed director is subject to re-election at the next annual general meeting.

One committee meeting was held in FY20/21. The following is a summary of work performed by the Committee during the year:

1. Consideration and recommendation of the retiring directors for re-election at the Annual General Meeting;
2. Consideration of the independence of all independent non-executive directors;
3. Consideration and recommendation of the change of chairman and member of the Remuneration Committee;
4. Review and approval of the corporate governance report and information for the Annual Report and the Interim Report;
5. Review of the Group's report on compliance with laws and regulations in the countries in which it operates;
6. Review of the continuous professional development of Directors and senior management;
7. Review of the structure, size and composition of the Board; and
8. Consideration of suitable independent non-executive director candidates for joining the Company.

### **Board Committee**

The Board Committee comprises two executive directors, Dr. Patrick Shui-Chung Wang and Ms. Mak Wang Wing-Yee Winnie. Its primary function is to undertake and supervise the day to day management and operating affairs of the Group. It exercises leadership and develops and keeps under review strategy and business development initiatives of the Group and supervises their implementation. The Committee's authority and duties are set out in the terms of reference and a summary of which are available on the Group's website.

## Attendance of Directors at Various Meetings

The Board held five board meetings in FY20/21 and the average attendance rate was 92.7%. Details of the attendance of individual directors at board meetings, committee meetings and the annual general meeting during FY20/21 are set out in the table below:

Directors	Number of meetings attended/held					Annual General Meeting	Continuous Professional Development *
	Board Meeting	Audit Committee Meeting	Remuneration Committee Meeting	Nomination and Corporate Governance Committee Meeting			
<b>Executive Directors</b>							
Patrick Shui-Chung Wang (Chairman and Chief Executive)	5/5	-	-	1/1	1/1	1/1	√
Mak Wang Wing-Yee Winnie (Vice-Chairman)	5/5	-	4/4	-	1/1	1/1	√
Austin Jesse Wang	5/5	-	-	-	1/1	1/1	√
<b>Non-Executive Directors</b>							
Wang Koo Yik-Chun (Honorary Chairman)	1/5	-	-	-	0/1	0/1	√
Peter Kin-Chung Wang	5/5	5/5	-	-	0/1	0/1	√
<b>Independent Non-Executive Directors</b>							
Peter Stuart Allenby Edwards	5/5	-	-	1/1	0/1	0/1	√
Patrick Blackwell Paul	5/5	5/5	-	1/1	1/1	1/1	√
Michael John Enright	5/5	5/5	4/4	-	0/1	0/1	√
Joseph Chi-Kwong Yam	5/5	-	4/4	-	0/1	0/1	√
Christopher Dale Pratt	5/5	5/5	4/4	-	1/1	1/1	√
Catherine Annick Caroline Bradley	5/5	-	4/4	-	0/1	0/1	√
Average attendance rate	92.7%	100%	100%	100%	45.5%		
Date of meetings	13/05/2020 09/09/2020 11/11/2020 10/03/2021 11/03/2021	29/04/2020 08/05/2020 27/07/2020 09/11/2020 18/01/2021	12/05/2020 08/09/2020 10/11/2020 09/03/2021	10/03/2021	15/07/2020		

\* This includes (i) continuous professional development through attending expert briefings / seminars / conferences relevant to the Company's business or directors' duties arranged by external organizations and (ii) reading regulatory / corporate governance or industry related updates.

## Continuous Professional Development

On appointment to the Board, each Director receives an induction package covering the Group's businesses and operations, and the statutory and regulatory obligations of being a director to ensure sufficient awareness of responsibilities under the Listing Rules and other relevant regulatory requirements. Thereafter, the Company provides the Directors with regular updates relating to the Group's business and the business environment in which the Group operates.

All Directors have complied with the code provision in relation to continuous professional development. The Company continuously updates the Directors on the latest developments regarding the Listing Rules and other applicable regulatory requirements, to ensure compliance and enhance their awareness of good corporate governance practices.

## Internal Control and Enterprise Risk Management

The Board is responsible for ensuring that a sound and effective system of internal control and enterprise risk management is maintained within the Group and for reviewing its design and operational adequacy and effectiveness through the Audit Committee.

The internal control and enterprise risk management system, which includes a defined management structure with specified limits of authority and control responsibilities, is designed to (a) help the achievement of business objectives and safeguard the Group's assets; (b) ensure proper maintenance of accounting records and reliability of financial reporting; (c) ensure compliance with relevant legislation and regulations; and (d) identify, manage and mitigate key risks to the Group, including environmental, social and governance risks.

The internal control and enterprise risk management system is established to ensure reasonable, but not absolute, assurance against material misstatement or loss and to manage, but not to eliminate, risks of failure in achieving the Group's objectives.

Following a risk-based approach, the Group's Internal Audit Department independently reviews and tests the controls over various operations and activities and evaluates their adequacy, effectiveness and compliance. Audit findings and recommendations are reported to the Audit Committee, senior management and the external auditor. In addition, progress on audit recommendations implementation is followed up on a regular basis and discussed with the Audit Committee.

During its annual review, the Audit Committee also considers the adequacy of resources, qualifications and experience of staff of the Group's Internal Audit Department, accounting and financial reporting function and their training programs and budgets.

To supplement the above, under the Code of Ethics and Business Conduct, employees can report any ethical misconduct, impropriety or fraud cases within the Group to the Johnson Electric Whistle blower Hotline anonymously, or in writing in confidence without the fear of recrimination.

Details of the enterprise risk management are set out on pages 23 to 30 of this announcement.

Based on the results of evaluations and representations made by the management, the Group's Internal Audit Department and the external auditor in FY20/21, the Audit Committee is satisfied that:

- There is an ongoing process for identifying, evaluating and managing the significant risks faced by the Group that threaten the achievement of its business objectives; and
- An appropriate, effective and adequate system of internal control and enterprise risk management has been in place in FY20/21 and up to the date of approval of the Annual Report.

## Auditor

The Company's independent external auditor is PricewaterhouseCoopers. The Audit Committee is responsible for considering the appointment of the external auditor and also reviews any non-audit functions performed by the external auditor for the Group. In particular, the Committee will consider whether such non-audit functions could lead to any potential material conflict of interest.

During FY20/21 and FY19/20, the services and associated remuneration provided to the Group by PricewaterhouseCoopers were as follows:

US\$ million	FY20/21	FY19/20
Audit	2.73	2.68
Tax compliance	1.20	1.86
Other advisory services	0.29	0.14

## Corporate Governance Code

During the year ended 31 March 2021, the Company complied with the code provisions set out in the Corporate Governance Code contained in Appendix 14 of the Listing Rules, 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.

## Shareholders' Rights

### Convening a Special General Meeting

Pursuant to Section 74 of the Bermuda Companies Act 1981, shareholder(s) holding at the date of the deposit of the requisition not less than one-tenth of the paid-up capital of the Company carrying the right of voting at general meetings of the Company shall have the right to submit a written requisition requiring a special general meeting ("SGM") to be called by the Board. The written requisition (i) must state the purposes of the SGM, and (ii) must be signed by the requisitionists and deposited at the registered office of the Company for attention of the Company Secretary of the Company, and may consist of several documents in like form, each signed by one or more requisitionists. Such requisitions will be verified with the Company's share registrars and upon their confirmation that the requisition is proper and in order, the Company Secretary will ask the Board to convene a SGM by serving sufficient notice to all shareholders. On the contrary, if the requisition has been verified as not in order, the requisitionists will be advised of this outcome and accordingly, the SGM will not be convened as requested.

If the Board does not within 21 days from the date of the deposit of the requisition proceed duly to convene a SGM, the requisitionists or any of them representing more than one-half of the total voting rights of all of them may convene a SGM, but any SGM so convened shall not be held after expiration of three months from the said date of deposit of the requisition. A SGM convened by the requisitionists shall be convened in the same manner, as nearly as possible, as that in any SGM to be convened by the Board.

### Putting Forward Proposals at General Meetings

Pursuant to Sections 79 and 80 of the Bermuda Companies Act 1981, either any number of shareholders representing not less than one-twentieth of the paid-up capital of the Company carrying the right of voting at general meetings of the Company, or not less than 100 shareholders, can request the Company in writing to (a) give to shareholders entitled to receive notice of the next annual general meeting notice of any resolution which may properly be moved and is intended to be moved at that meeting; and (b) circulate to shareholders entitled to have notice of any general meeting sent to them any statement of not more than 1,000 words with respect to the matter referred to in any proposed resolution or the business to be dealt with at that meeting. The requisition signed by all the requisitionists must be deposited at the registered office of the Company with a sum reasonably sufficient to meet the Company's relevant expenses and not less than six weeks before the meeting in case of a requisition requiring notice of a resolution or not less than one week before the meeting in case of any other requisition.

### Proposing a Person for Election as a Director

The procedures for proposing candidate(s) for election as director(s) at a general meeting are set out in the Shareholder Information under the Investor Relations section of the website of the Group.

## Enquiries to the Board

Shareholders may send their enquiries and concerns, in written form, to the Board by addressing them to the Company Secretary at 12 Science Park East Avenue, 6/F., Hong Kong Science Park, Shatin, New Territories, Hong Kong. Shareholders may also make enquiries to the Board at the general meetings of the Company. In addition, shareholders can contact Computershare Hong Kong Investor Services Limited, the share registrar of the Company in Hong Kong, if they have any enquiries about their shareholdings and entitlements to dividend.

## Constitutional Documents

There was no significant change to the Company's constitutional documents during FY20/21.

## 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 year ended 31 March 2021.

## Communications with Shareholders

The Company uses a number of formal communication channels to account to shareholders for the performance of the Group. These include the annual report and accounts, the interim report, periodic announcements made through the Stock Exchange, as well as through the annual general meeting. Copies of relevant corporate and financial information are also made available through the Group's website: [www.johnsonelectric.com](http://www.johnsonelectric.com).

The Company aims to provide its shareholders and potential investors with high standards of disclosure and financial transparency. In order to provide effective disclosure to investors and potential investors and to ensure they all receive equal access to the same information at the same time, inside information is released by way of formal public announcements as required by the Listing Rules. The Company supplements and follows up such announcements through periodic presentations, investor road shows and conference calls with the international investment community. The Company also welcomes comments and questions from shareholders at its annual general meeting.

The Board has adopted a set of Internal Control and Reporting Measures in respect of Inside Information which provides guidance to Directors and management in handling and disseminating inside information. The Media and Investor Communication Policy adopted by the Group sets out guidelines to all staff to ensure inside information of the Group is to be handled in compliance with the legal requirement.



# Report of the Directors

The Directors have pleasure in submitting their report together with the audited consolidated financial statements for the year ended 31 March 2021.

## Principal Activities

The principal activity of the Company is investment holding.

## Business Review

The business review of the Group for the year ended 31 March 2021 are provided in the Letter to Shareholders and Management's Discussion and Analysis sections respectively from pages 2 to 4 and pages 5 to 44 of this announcement.

## Results and Dividends

The results of the Group for the year ended 31 March 2021 are set out in the consolidated income statement on page 70 of this announcement.

The Directors declared an interim dividend of 17 HK cents (2.18 US cents) per share, totalling US\$19.6 million which was paid on 12 January 2021.

In line with the Company's dividend policy, the Board recommends the payment of a final dividend of 34 HK cents (4.36 US cents) per share payable on 2 September 2021. A scrip dividend alternative will be offered to allow shareholders to elect to receive the final dividend wholly or partly in the form of new shares in lieu of cash.

## Distributable Reserves

As of 31 March 2021, the distributable reserves of the Company available for distribution as dividends amounted to US\$1,909.8 million, comprising retained earnings of US\$1,851.6 million and contributed surplus of US\$58.2 million.

Under the Bermuda Companies Act 1981 (as amended), the contributed surplus shall not be distributed to the shareholders if there are reasonable grounds for believing that:

- (i) The Company is, or would after the payment be, unable to pay its liabilities as they become due; or
- (ii) The realizable value of the Company's assets would thereby be less than its liabilities.

## Directors

The Directors during the year and up to the date of this report were:

### Executive Directors

Patrick Shui-Chung Wang *JP*

Mak Wang Wing-Yee Winnie

Austin Jesse Wang

### Non-Executive Directors

Wang Koo Yik-Chun

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*

In accordance with Bye-law 109(A) of the Company's Bye-laws, Mr. Austin Jesse Wang, Mr. Peter Kin-Chung Wang and Mr. Joseph Chi-Kwong Yam shall retire from office by rotation and being eligible, offer themselves for re-election.

None of the directors proposed for re-election at the forthcoming Annual General Meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

No transactions, arrangements and contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a Director of the Company or an entity connected with the Directors of the Company had a material interests, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

## Donations

During the year, the Group made donations of US\$0.3 million (FY19/20: US\$0.5 million).

## Share Capital

Details of the movements in share capital of the Company during FY20/21 are set out in Note 19 to the accounts. Shares of the Company were issued during the year on election of scrip in lieu of cash dividend for the 2020 interim dividend pursuant to the Company's scrip dividend scheme. Details are set out in the Note 27 to the accounts.

## Bonds

Details of the Company's US\$300 million 4.125% p.a. Bonds due 2024 are set out in Note 14 to the accounts.

## Disclosure of Interests

### Directors

As of 31 March 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		Approximate % of shareholding
	Personal Interests	Other Interests	
Wang Koo Yik-Chun	-	517,426,525 (Notes 1 & 2)	57.249
Patrick Shui-Chung Wang	3,070,199	- (Note 3)	0.339
Mak Wang Wing-Yee Winnie	1,005,696	- (Note 4)	0.111
Austin Jesse Wang	723,746	- (Note 5)	0.080
Peter Kin-Chung Wang	-	27,218,144 (Notes 6 & 7)	3.011
Peter Stuart Allenby Edwards	-	42,337 (Note 8)	0.004
Patrick Blackwell Paul	32,750	-	0.003
Michael John Enright	15,250	-	0.001
Joseph Chi-Kwong Yam	11,750	-	0.001
Christopher Dale Pratt	56,000	-	0.006
Catherine Annick Caroline Bradley	6,500	-	0.000

#### Notes:

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

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

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

## Substantial Shareholders

As of 31 March 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	517,426,525 (Notes 1 & 2)	57.24
Ansbacher (Bahamas) Limited	Trustee	221,760,000 (Note 1)	24.53
HSBC International Trustee Limited	Trustee	207,808,131 (Note 1)	22.99
Winibest Company Limited	Beneficial owner	206,898,647 (Note 3)	22.89
Federal Trust Company Limited	Trustee	115,865,772 (Note 1)	12.81
Schroders Plc	Investment manager	62,579,172	6.92
Merriland Overseas Limited	Interest of controlled corporation	57,278,278 (Note 4)	6.33

Notes:

1. The shares in which Ansbacher (Bahamas) Limited was interested, 206,898,647 of the shares in which HSBC International Trustee Limited was interested and 88,767,878 of the shares in which Federal Trust Company Limited was interested were held, directly or indirectly, by them as trustees of various trusts associated with the Wang family and were included in the shares in which 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 31 March 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.

The following is a summary of the Stock Unit Plan:

### 1. Participants

The participants of the Stock Unit Plan are the Directors, the directors of the Company’s subsidiaries and the employees of the Group who the Board considers, in its sole and absolute discretion, have contributed or will contribute significantly to the Group.

### 2. Awards

A contingent right to receive either fully paid ordinary shares of the Company or a cash payment, in either case is awarded pursuant to the Stock Unit Plan (“Awards”).

### 3. Term

Subject to any early termination of the Stock Unit Plan in accordance with the Stock Unit Plan, the Stock Unit Plan shall be valid and effective for a term of 10 years commencing from the date of adoption of the Stock Unit Plan (“Term”).

### 4. Eligibility

The Board may, at its discretion, invite directors and employees of the Group, who the Board considers, in its sole and absolute discretion, have contributed or will contribute to the Group, to participate in the Stock Unit Plan.

### 5. Administration

The Stock Unit Plan shall be subject to the administration of the Board. The Company may appoint a professional trustee to assist with the administration and vesting of Awards granted.

## **6. Grant of Awards**

The Board may, at any time during the Term, at its sole and absolute discretion, make an offer of the grant of an Award to any participant as the Board may in its sole and absolute discretion select, subject to the terms of the Stock Unit Plan.

Any offer of the grant of an Award to any Director, chief executive or substantial shareholder of the Company, or any of their respective associates, shall be subject to the prior approval of the remuneration committee (excluding any member of the remuneration committee who is the proposed grantee of the grant in question) of the Company and all grants to connected persons shall be subject to compliance with the requirements of the Listing Rules.

## **7. Vesting of Awards**

Subject to the terms of the Stock Unit Plan, the Board may determine from time to time such vesting conditions or vesting periods for an Award to be vested. For the purpose of satisfying the grant of Awards, the Board shall determine whether the Company shall, at its sole and absolute discretion, (a) allot and issue new shares (by using the general mandate to issue and allot shares for grantees who are not connected persons); and/or (b) direct and procure the trustee of the Stock Unit Plan appointed by the Company to acquire through on-market purchases of shares; and/or (c) pay or procure the payment of a cash payment.

## **8. Maximum Number of Shares to be Granted**

The total number of shares that may underlie the Awards granted pursuant to the Stock Unit Plan and any other equity-based incentive awards granted under any other equity-based incentive schemes of the Company shall not exceed 10% of the aggregate number of shares of the Company in issue as of the date of adoption of the Stock Unit Plan ("Scheme Mandate Limit").

The Scheme Mandate Limit may be renewed subject to prior approval of the shareholders of the Company but, in any event, the total number of shares that may underlie the Awards granted following the new approval date under the limit as renewed must not exceed 10% of the aggregate number of shares of the Company in issue as of the new approval date. Shares underlying the Awards granted pursuant to the Stock Unit Plan (including those outstanding, cancelled or vested Awards) prior to the new approval date will not be counted for the purpose of determining the maximum aggregate number of shares that may underlie the Awards granted following the new approval date under the limit as renewed. For the avoidance of doubt, shares issued prior to the new approval date pursuant to the vesting of Awards granted pursuant to the Stock Unit Plan will be counted for the purpose of determining the aggregate number of shares in issue as of the new approval date.

## **9. Dividends and Voting Rights**

The Awards do not carry any right to vote at general meetings of the Company. A grantee shall not be entitled to any dividends or distributions in respect of any shares underlying the Awards granted until such shares have been allotted and issued or transferred (as the case may be) to the grantee.

## 10. Transferability

Subject to the terms of the Stock Unit Plan, an Award shall be personal to the grantee and shall not be assignable or transferable. A grantee shall not in any way sell, transfer, charge, mortgage, encumber or create any interests in favour of any third party over or in relation to any Award.

## 11. Alteration

The Board may alter any of the terms of the Stock Unit Plan at any time provided that any changes to the authority of the Board in relation to any alteration of the terms of the Stock Unit Plan shall not be made without the prior approval of shareholders of the Company in general meeting or any alterations to the terms and conditions of the Stock Unit Plan which are of a material nature or any changes to the terms of the Awards granted must be approved by the shareholders of the Company in general meeting, except where the alterations or changes take effect automatically under the existing terms of the Stock Unit Plan.

## 12. Termination

The Company by ordinary resolution in general meeting or the Board may at any time terminate the Stock Unit Plan and, in such event, no further Awards may be granted but in all other respects the terms of the Stock Unit Plan shall remain in full force and effect in respect of Awards which are granted during the Term and which remain unvested immediately prior to the termination.

During the year ended 31 March 2021, the Company purchased 1,524,000 shares of the Company at a cost of HK\$29.24 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\$23.25 and HK\$12.00, 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 2020	7,875	5,791	13,666
Units granted to Directors and employees during the year	4,706	2,033	6,739
Shares vested to Directors and employees during the year	(1,815)	(698)	(2,513)
Forfeited during the year	(238)	(1,220)	(1,458)
Unvested units granted, as of 31 March 2021 and as of the date of this report	10,528	5,906	16,434

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

Vesting period	Number of unvested units granted (thousands)		Total
	Restricted Stock Units	Performance Stock Units	
FY21/22	1,724	1,459	3,183
FY22/23	4,172	2,525	6,697
FY23/24	4,510	1,922	6,432
FY25/26	122	–	122
Unvested units granted, as of the date of this report	10,528	5,906	16,434

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 19 to the accounts 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 year ended 31 March 2021.

### Johnson Electric Group Ten-Year Summary

A summary of the results and of the assets and liabilities of the Group for the previous ten financial years are set out on pages 141 to 142.

### Pre-emptive Rights

No pre-emptive rights exist under the laws of Bermuda in relation to issues of new shares by the Company.

### Major Suppliers and Customers

During the year, the Group purchased less than 30% of its goods and services from its five largest suppliers and sold less than 30% of its goods and services to its five largest customers.

### Management Contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or existed during the year.



## Equity-Linked Agreements

Other than the Incentive Share Scheme of the Company as disclosed, no equity-linked agreements were entered into by the Company during the year or subsisted at the end of the year.

Particulars of the incentive share scheme are set out in Note 19 to the accounts.

## Permitted Indemnity Provision

During the financial year and up to the date of this report, subject to the applicable laws, the directors of the Company and its subsidiaries are entitled to be indemnified pursuant to the provisions in force for the benefit of directors against liabilities incurred in the execution and discharge of their duties in accordance with the respective articles of associations or constitutional documents of the Company and its subsidiaries.

## Public Float

Based on the information that is publicly available to the Company and within the knowledge of the Directors of the Company, as of the date of this report, there is sufficient public float of more than 25% of the Company's issued shares as required under the Listing Rules.

## Corporate Governance

Principal corporate governance practices as adopted by the Company are set out in the Corporate Governance Report on pages 45 to 56.

## Auditor

The financial statements have been audited by PricewaterhouseCoopers, who retire and, being eligible, offer themselves for re-appointment.

# Dividend

## Dividend Policy

Johnson Electric seeks to provide shareholders with stable and sustainable dividends that form a meaningful contribution to long-term “total shareholder return”. Among the factors that the Board considers in determining the amount of dividends paid in any financial year are current and projected net profits, current and projected free cash flow (net of capital expenditure), and the maintenance of a prudent capital structure to fund organic growth. The Company offers a scrip dividend alternative to shareholders.

## Final Dividend

The Board will recommend at the Annual General Meeting to be held on 14 July 2021 (Wednesday) a final dividend of 34 HK cents equivalent to 4.36 US cents per share (2020: nil ) payable on 2 September 2021 (Thursday) to persons who are registered shareholders of the Company on 23 July 2021 (Friday).

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 this scrip dividend scheme will be dispatched to shareholders.

## Closing Register of Shareholders

### Attending Annual General Meeting

The Register of Shareholders of the Company will be closed from 9 July 2021 (Friday) to 14 July 2021 (Wednesday) inclusive, during which no transfer of shares will be registered.

In order to qualify for attending and voting at the Annual General Meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong (not the share registrar in Bermuda) for registration, not later than 4:30 p.m. on 8 July 2021 (Thursday).

### Final Dividend

The Register of Shareholders of the Company will be closed from 21 July 2021 (Wednesday) to 23 July 2021 (Friday) inclusive, during which no transfer of shares will be registered.

In order to qualify for the proposed final dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong (not the share registrar in Bermuda) for registration, not later than 4:30 p.m. on 20 July 2021 (Tuesday). Shares of the Company will be traded ex-dividend as from 19 July 2021 (Monday).

## Consolidated Balance Sheet

As of 31 March 2021

	Note	2021 US\$'000	2020 US\$'000
<b>Non-current assets</b>			
Property, plant and equipment	3	1,512,762	1,372,002
Investment property	4	35,772	32,985
Intangible assets	5	244,967	246,117
Investment in associate	6	2,495	2,129
Other financial assets	7	138,058	186,400
Financial assets at fair value through profit and loss	8	46,901	53,678
Defined benefit pension plan assets	15	19,872	23,130
Deferred income tax assets	17	60,527	53,647
Other non-current assets	3	53,470	29,700
		<b>2,114,824</b>	<b>1,999,788</b>
<b>Current assets</b>			
Inventories	9	514,197	413,885
Trade and other receivables	10	750,535	593,208
Other financial assets	7	81,448	56,238
Financial assets at fair value through profit and loss	8	4,781	2,103
Income tax recoverable		13,188	10,764
Cash and cash equivalents	11	539,467	384,369
		<b>1,903,616</b>	<b>1,460,567</b>
<b>Current liabilities</b>			
Trade and other payables	12	833,583	634,496
Current income tax liabilities		40,388	29,444
Other financial liabilities	7	10,533	45,027
Borrowings	14	13,987	12,236
Retirement benefit obligations	15	465	552
Lease liabilities		15,559	21,985
Provision and other liabilities	16	44,769	23,924
		<b>959,284</b>	<b>767,664</b>
<b>Net current assets</b>		<b>944,332</b>	<b>692,903</b>
<b>Total assets less current liabilities</b>		<b>3,059,156</b>	<b>2,692,691</b>

	Note	2021 US\$'000	2020 US\$'000
<b>Non-current liabilities</b>			
Trade and other payables	12	34,843	37,251
Other financial liabilities	7	29,380	78,211
Borrowings	14	412,203	403,229
Deferred income tax liabilities	17	101,093	84,203
Put option written to a non-controlling interest	18	71,688	69,680
Retirement benefit obligations	15	54,256	66,325
Lease liabilities		32,984	38,204
Provision and other liabilities	16	14,676	13,872
		751,123	790,975
<b>NET ASSETS</b>		<b>2,308,033</b>	1,901,716
<b>Equity</b>			
Share capital - Ordinary shares (at par value)	19	5,830	5,822
Shares held for incentive share schemes (at purchase cost)	19	(34,012)	(36,114)
Share premium	19	45,729	41,796
Reserves	20	2,207,054	1,816,705
		2,224,601	1,828,209
<b>Non-controlling interests</b>		<b>83,432</b>	73,507
<b>TOTAL EQUITY</b>		<b>2,308,033</b>	1,901,716

## Consolidated Income Statement

For the year ended 31 March 2021

	Note	2021 US\$'000	2020 US\$'000
Sales	2	3,156,163	3,070,485
Cost of goods sold		(2,432,869)	(2,398,222)
Gross profit		723,294	672,263
Other income and (expenses)	21	29,965	120,967
Selling and administrative expenses	22	(467,260)	(452,634)
Restructuring and other costs	23	(27,507)	-
Operating profit		258,492	340,596
Impairment of goodwill and other intangible assets	5	-	(795,505)
Share of profit of associate	6	318	41
Finance income	24	3,087	2,779
Finance costs	24	(13,516)	(19,614)
Profit / (loss) before income tax		248,381	(471,703)
Income tax expense	17	(29,188)	(15,168)
Profit / (loss) for the year		219,193	(486,871)
Profit attributable to non-controlling interests		(7,158)	(6,786)
Profit / (loss) attributable to shareholders		212,035	(493,657)
Basic earnings per share for profit / (loss) attributable to the shareholders for the year (expressed in US cents per share)	26	23.77	(55.84)
Diluted earnings per share for profit / (loss) attributable to the shareholders for the year (expressed in US cents per share)	26	23.60	(55.55)

Please see Note 27 for details of dividend.

# Consolidated Statement of Comprehensive Income

For the year ended 31 March 2021

	Note	2021 US\$'000	2020 US\$'000
<b>Profit / (loss) for the year</b>		<b>219,193</b>	(486,871)
<b>Other comprehensive income / (expenses)</b>			
Items that will not be recycled to profit and loss:			
Defined benefit plans			
– remeasurements	15 & 20	<b>11,296</b>	(7,483)
– deferred income tax effect	17 & 20	<b>(1,555)</b>	(175)
Long service payment			
– remeasurements	15 & 20	<b>13</b>	(122)
– deferred income tax effect	17 & 20	<b>(11)</b>	8
Hedging instruments for transactions resulting in the recognition of inventories and subsequently recognized in the income statement upon consumption			
– raw material commodity contracts			
– fair value gains / (losses), net	20	<b>92,988</b>	(35,654)
– transferred to inventory and subsequently recognized in the income statement	7(f) & 20	<b>(4,748)</b>	(4,751)
– deferred income tax effect		<b>(14,560)</b>	6,667
<b>Total items that will not be recycled to profit and loss directly</b>		<b>83,423</b>	(41,510)
Items that will be recycled to profit and loss:			
Hedging instruments			
– forward foreign currency exchange contracts			
– fair value gains / (losses), net	20	<b>67,140</b>	(43,380)
– transferred to the income statement	20	<b>(30,227)</b>	(21,482)
– deferred income tax effect	20	<b>(6,839)</b>	8,891
– net investment hedge			
– fair value (losses) / gains, net	20	<b>(28,250)</b>	31,011
Currency translations of subsidiaries		<b>116,463</b>	(73,998)
Currency translations of associate	20	<b>160</b>	(122)
<b>Total items that will be recycled to profit and loss directly</b>		<b>118,447</b>	(99,080)
<b>Other comprehensive income / (expenses) for the year, net of tax</b>		<b>201,870</b>	(140,590)
<b>Total comprehensive income / (expenses) for the year, net of tax</b>		<b>421,063</b>	(627,461)
<b>Total comprehensive income / (expenses) attributable to:</b>			
Shareholders		<b>408,438</b>	(630,212)
Non-controlling interests			
Share of profits for the year		<b>7,158</b>	6,786
Currency translations		<b>5,467</b>	(4,035)
		<b>421,063</b>	(627,461)

# Consolidated Statement of Changes in Equity

For the year ended 31 March 2021

	Note	Attributable to shareholders of the Company					Total equity US\$'000
		Share capital and share premium US\$'000	Other reserves *	Retained earnings US\$'000	Total US\$'000	Non- controlling interests US\$'000	
<b>As of 31 March 2020</b>		11,504	(113,721)	1,930,426	1,828,209	73,507	1,901,716
<b>Profit for the year</b>		-	-	212,035	212,035	7,158	219,193
<b>Other comprehensive income / (expenses):</b>							
Hedging instruments							
- raw material commodity contracts							
- fair value gains, net	20	-	92,988	-	92,988	-	92,988
- transferred to inventory and subsequently recognized in the income statement	7(f) & 20	-	(4,748)	-	(4,748)	-	(4,748)
- deferred income tax effect	20	-	(14,560)	-	(14,560)	-	(14,560)
- forward foreign currency exchange contracts							
- fair value gains, net	20	-	67,140	-	67,140	-	67,140
- transferred to the income statement	20	-	(30,227)	-	(30,227)	-	(30,227)
- deferred income tax effect	20	-	(6,839)	-	(6,839)	-	(6,839)
- net investment hedge							
- fair value (losses), net	20	-	(28,250)	-	(28,250)	-	(28,250)
Defined benefit plans							
- remeasurements	15 & 20	-	-	11,296	11,296	-	11,296
- deferred income tax effect	17 & 20	-	-	(1,555)	(1,555)	-	(1,555)
Long service payment							
- remeasurements	15 & 20	-	-	13	13	-	13
- deferred income tax effect	17 & 20	-	-	(11)	(11)	-	(11)
Currency translations of subsidiaries	20	-	110,996	-	110,996	5,467	116,463
Currency translations of associate	20	-	160	-	160	-	160
<b>Total comprehensive income for FY20/21</b>		-	186,660	221,778	408,438	12,625	421,063
<b>Transactions with shareholders:</b>							
Appropriation of retained earnings to statutory reserve	20	-	1,867	(1,867)	-	-	-
Incentive share schemes							
- shares vested	20	6,552	(6,552)	-	-	-	-
- vested by cash settlement	20	750	(1,515)	-	(765)	-	(765)
- value of employee services	20	-	9,536	-	9,536	-	9,536
- purchase of shares	19	(3,783)	-	-	(3,783)	-	(3,783)
Dividend paid to non-controlling shareholders of a subsidiary		-	-	-	-	(2,700)	(2,700)
FY20/21 interim dividend paid							
- cash paid	20	-	-	(17,034)	(17,034)	-	(17,034)
- shares issued in respect of scrip dividend	20	2,760	-	(2,760)	-	-	-
- scrip dividend for shares held for the incentive share schemes	20	(236)	-	236	-	-	-
<b>Total transactions with shareholders</b>		6,043	3,336	(21,425)	(12,046)	(2,700)	(14,746)
<b>As of 31 March 2021</b>		<b>17,547 **</b>	<b>76,275</b>	<b>2,130,779</b>	<b>2,224,601</b>	<b>83,432</b>	<b>2,308,033</b>

\* Other reserves mainly represent capital reserve, exchange reserve, share-based employee compensation reserve, hedging reserve, property revaluation reserve, statutory reserve, reserve arising from put option written to a non-controlling interest and goodwill on consolidation

\*\* The total of US\$17.5 million is comprised of share capital of US\$5.8 million, share premium of US\$45.7 million and shares held for incentive share schemes of US\$(34.0) million



# Consolidated Statement of Changes in Equity

For the year ended 31 March 2020

	Note	Attributable to shareholders of the Company					Total equity US\$'000
		Share capital and share premium US\$'000	Other reserves * US\$'000	Retained earnings US\$'000	Total US\$'000	Non- controlling interests US\$'000	
As of 31 March 2019		(25,453)	24,514	2,488,138	2,487,199	71,278	2,558,477
(Loss) / profit for the year		-	-	(493,657)	(493,657)	6,786	(486,871)
Other comprehensive income / (expenses):							
Hedging instruments							
– raw material commodity contracts							
– fair value (losses), net	20	-	(35,654)	-	(35,654)	-	(35,654)
– transferred to inventory and subsequently recognized in the income statement	7(f) & 20	-	(4,751)	-	(4,751)	-	(4,751)
– deferred income tax effect	20	-	6,667	-	6,667	-	6,667
– forward foreign currency exchange contracts							
– fair value (losses), net	20	-	(43,380)	-	(43,380)	-	(43,380)
– transferred to the income statement	20	-	(21,482)	-	(21,482)	-	(21,482)
– deferred income tax effect	20	-	8,891	-	8,891	-	8,891
– net investment hedge							
– fair value gains, net	20	-	31,011	-	31,011	-	31,011
Defined benefit plans							
– remeasurements	15 & 20	-	-	(7,483)	(7,483)	-	(7,483)
– deferred income tax effect	17 & 20	-	-	(175)	(175)	-	(175)
Long service payment							
– remeasurements	15 & 20	-	-	(122)	(122)	-	(122)
– deferred income tax effect	17 & 20	-	-	8	8	-	8
Currency translations of subsidiaries	20	-	(69,963)	-	(69,963)	(4,035)	(73,998)
Currency translations of associate	20	-	(122)	-	(122)	-	(122)
Total comprehensive income / (expenses) for FY19/20		-	(128,783)	(501,429)	(630,212)	2,751	(627,461)
Transactions with shareholders:							
Appropriation of retained earnings to statutory reserve	20	-	(582)	582	-	-	-
Convertible bonds							
– release of equity component upon redemption / repurchase	20	-	(694)	500	(194)	-	(194)
Incentive share schemes							
– shares vested	20	11,222	(11,222)	-	-	-	-
– vested by cash settlement	20	340	(2,427)	-	(2,087)	-	(2,087)
– value of employee services	20	-	5,473	-	5,473	-	5,473
– purchase of shares	19	(6,321)	-	-	(6,321)	-	(6,321)
Dividend paid to non-controlling shareholders of a subsidiary		-	-	-	-	(522)	(522)
FY18/19 final dividend paid							
– cash paid	20	-	-	(13,565)	(13,565)	-	(13,565)
– shares issued in respect of scrip dividend	20	24,797	-	(24,797)	-	-	-
– scrip dividend for shares held for the incentive share schemes	20	(374)	-	374	-	-	-
FY19/20 interim dividend paid							
– cash paid	20	-	-	(12,084)	(12,084)	-	(12,084)
– shares issued in respect of scrip dividend	20	7,495	-	(7,495)	-	-	-
– scrip dividend for shares held for the incentive share schemes	20	(202)	-	202	-	-	-
Total transactions with shareholders		36,957	(9,452)	(56,283)	(28,778)	(522)	(29,300)
As of 31 March 2020		11,504	(113,721)	1,930,426	1,828,209	73,507	1,901,716

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

## Consolidated Cash Flow Statement

For the year ended 31 March 2021

	Note	2021 US\$'000	2020 US\$'000
<b>Cash flows from operating activities</b>			
Earnings before interest, taxes, depreciation and amortization	29	509,635	(209,236)
Other non-cash items	29	17,135	733,599
Change in working capital	29	(42,431)	81,917
Cash generated from operations	29	484,339	606,280
Interest paid		(12,753)	(19,293)
Income taxes paid		(37,203)	(41,195)
<b>Net cash generated from operating activities</b>		<b>434,383</b>	<b>545,792</b>
<b>Investing activities</b>			
Purchase of property, plant and equipment and capitalized expenditure of investment property, net of subsidies		(263,573)	(282,082)
Proceeds from disposal of property, plant and equipment	29	2,850	1,016
Capitalized expenditure of engineering development	5 & 25	(5,642)	(9,119)
Finance income received		3,087	2,779
		(263,278)	(287,406)
Divestment of an investment property		-	119,618
Purchase of financial assets at fair value through profit and loss		(1,410)	(1,080)
Proceeds from sale of financial assets at fair value through profit and loss		61	135
<b>Net cash used in investing activities</b>		<b>(264,627)</b>	<b>(168,733)</b>

Note	2021 US\$'000	2020 US\$'000
<b>Financing activities</b>		
Principal elements of lease payments	(21,842)	(17,193)
Proceeds from borrowings	40,489	26,421
Repayments of borrowings	(32,275)	(138,700)
Redemption / repurchase of convertible bonds	-	(158,865)
Dividends paid to shareholders	(17,034)	(25,649)
Purchase of shares held for the incentive share schemes	(3,783)	(6,321)
Dividends paid to non-controlling interests	(2,700)	(522)
<b>Net cash used in financing activities</b>	<b>(37,145)</b>	<b>(320,829)</b>
<b>Net increase in cash and cash equivalents</b>	<b>132,611</b>	<b>56,230</b>
<b>Cash and cash equivalents at beginning of the year</b>	<b>384,369</b>	<b>339,986</b>
<b>Currency translations on cash and cash equivalents</b>	<b>22,487</b>	<b>(11,847)</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<b>539,467</b>	<b>384,369</b>

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 2020	12,236	403,229	60,189	475,654
Currency translations	1,429	399	3,295	5,123
Cash flows				
– inflow from financing activities	28,388	12,101	-	40,489
– outflow from financing activities	(30,275)	(2,000)	(21,842)	(54,117)
– outflow from operating activities	-	(12,375)	(2,175)	(14,550)
Non-cash changes				
– new leases net of termination	-	-	6,482	6,482
– finance costs	-	13,058	2,594	15,652
– reclassification	2,209	(2,209)	-	-
As of 31 March 2021	13,987	412,203	48,543	474,733

# Notes to the Consolidated Financial Statements

## 1. General Information and Basis of Preparation

### 1.1 General Information and basis of preparation

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 consolidated financial statements are presented in US Dollars, unless otherwise stated and have been approved for issue by the Board of Directors on 12 May 2021. They have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRS”) using the historical cost convention, as modified by the revaluation of financial assets and financial liabilities (including derivative instruments) at fair value through profit and loss, and investment property, which are carried at fair value.

The preparation of financial statements in conformity with HKFRS 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. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements.

The principal accounting policies applied in the preparation of these consolidated financial statements are set out in corresponding notes.

## 1. General Information and Basis of Preparation (Cont'd)

### 1.2 Exchange rates

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

		Closing rate		Average rate for the year	
		2021	2020	2021	2020
<b>1 foreign currency unit to USD:</b>					
Swiss Franc	CHF	<b>1.061</b>	1.043	<b>1.084</b>	1.014
Euro	EUR	<b>1.172</b>	1.104	<b>1.167</b>	1.111
British Pound	GBP	<b>1.374</b>	1.242	<b>1.308</b>	1.271
<b>1 USD to foreign currency:</b>					
Brazilian Real	BRL	<b>5.747</b>	5.179	<b>5.400</b>	4.095
Canadian Dollar	CAD	<b>1.263</b>	1.416	<b>1.320</b>	1.330
Chinese Renminbi	RMB	<b>6.564</b>	7.045	<b>6.781</b>	6.953
Hong Kong Dollar	HKD	<b>7.775</b>	7.755	<b>7.753</b>	7.817
Hungarian Forint	HUF	<b>310.559</b>	324.675	<b>305.810</b>	296.736
Israeli Shekel	ILS	<b>3.335</b>	3.569	<b>3.381</b>	3.526
Indian Rupee	INR	<b>73.368</b>	75.529	<b>74.239</b>	70.872
Japanese Yen	JPY	<b>110.375</b>	107.875	<b>106.045</b>	108.696
South Korean Won	KRW	<b>1,136.364</b>	1,219.512	<b>1,162.791</b>	1,176.471
Mexican Peso	MXN	<b>20.602</b>	24.284	<b>21.580</b>	19.444
Polish Zloty	PLN	<b>3.976</b>	4.110	<b>3.854</b>	3.870
Serbian Dinar	RSD	<b>100.000</b>	106.383	<b>101.010</b>	106.383
Turkish Lira	TRY	<b>8.358</b>	6.573	<b>7.316</b>	5.854

## 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:

	<b>2021</b>	2020
	<b>US\$'000</b>	US\$'000
Operating profit presented to management	<b>228,527</b>	219,629
Other income and (expenses) (Note 21)	<b>29,965</b>	120,967
Operating profit per consolidated income statement	<b>258,492</b>	340,596

## 2. Segment Information (Cont'd)

### 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:

	2021 US\$'000	2020 US\$'000
Automotive Products Group ("APG")	2,443,444	2,438,800
Industry Products Group ("IPG")	712,719	631,685
	<b>3,156,163</b>	3,070,485

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

The cooling fan business, under APG, primarily engaged in the manufacture and sale of cooling fan modules for OEM and Tier 1 customers, accounted for 18% of the Group's sales for FY20/21 (FY19/20: 19%).

### Sales by geography

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

	2021 US\$'000	2020 US\$'000
Europe *	946,195	1,001,162
North America **	909,134	971,860
People's Republic of China ("PRC")	904,930	719,623
Asia (excluding PRC)	337,778	318,919
South America	34,827	37,555
Others	23,299	21,366
	<b>3,156,163</b>	3,070,485

\* Included in Europe were sales to external customers in Germany of US\$167.1 million and France of US\$132.1 million for FY20/21 (FY19/20: US\$188.0 million and US\$136.5 million respectively)

\*\* Included in North America were sales to external customers in the USA of US\$731.6 million for FY20/21 (FY19/20: US\$766.5 million)

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

## 2. Segment Information (Cont'd)

### Accounting policy

Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group. Revenue from the sales of goods is recognized when performance obligations under the terms of a contract are satisfied, which generally occurs with the transfer of control of the Group's products.

Customers are invoiced according to the agreed billing schedule set out in the customer contracts. If consideration is received from customers in advance of transferring goods promised in a contract, a contract liability is recognized, see Note 13.

No significant financing component exists as the period between payments for goods by the customers and transfer of goods is within 1 year.

The Group's obligation to warranty and claims is recognized as a provision.

### Segment assets

For FY20/21, the additions to non-current segment assets were US\$307.0 million (FY19/20: US\$294.3 million).

	2021 US\$'000	2020 US\$'000
Addition to property, plant and equipment - owned assets	271,082	281,279
Addition to property, plant and equipment - right-of-use assets	6,539	19,284
Addition to intangible assets	5,642	9,119
Investment property - capitalized expenditure	-	12
Addition / (reduction) to other non-current assets	23,770	(15,390)
<b>Addition to non-current segment assets</b>	<b>307,033</b>	<b>294,304</b>

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 31 March 2021 and 31 March 2020 were as follows:

	2021 US\$'000	2020 US\$'000
Hong Kong ("HK") / PRC	857,044	767,338
Canada	431,843	384,013
Switzerland	124,672	105,078
Serbia	87,028	83,138
Others	348,879	343,366
	<b>1,849,466</b>	<b>1,682,933</b>



### 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
As of 31 March 2019							
Cost	359,494	1,356,276	275,433	416,188	178,809	-	2,586,200
Accumulated depreciation and impairment	(146,950)	(764,714)	-	(305,066)	(129,535)	-	(1,346,265)
Net book amount	212,544	591,562	275,433	111,122	49,274	-	1,239,935
FY19/20							
As of 31 March 2019	212,544	591,562	275,433	111,122	49,274	-	1,239,935
Adoption of HKFRS 16 – recognition of right-of-use assets	-	-	-	-	-	74,483	74,483
– transfer from intangible assets (Note 5)	-	-	-	-	-	22,351	22,351
As of 1 April 2019	212,544	591,562	275,433	111,122	49,274	96,834	1,336,769
Currency translations	(9,480)	(26,219)	(8,157)	(4,327)	(1,260)	(3,743)	(53,186)
Additions – owned assets	18,929	40,142	194,394	19,163	8,651	-	281,279
Additions – right-of-use assets	-	-	-	-	-	19,284	19,284
Transfer	28,838	133,281	(199,525)	34,862	2,544	-	-
Disposals / termination of leases	(122)	(1,505)	-	(200)	(174)	(77)	(2,078)
Impairment charges (Note 25 & 29)	-	(4,546)	-	(386)	(8)	-	(4,940)
Depreciation (Note 25)	(14,348)	(107,818)	-	(49,489)	(12,775)	(20,696)	(205,126)
As of 31 March 2020	236,361 *	624,897	262,145	110,745	46,252	91,602	1,372,002
As of 31 March 2020							
Cost	390,734	1,445,797	262,145	446,790	179,558	114,155	2,839,179
Accumulated depreciation and impairment	(154,373)	(820,900)	-	(336,045)	(133,306)	(22,553)	(1,467,177)
Net book amount	236,361	624,897	262,145	110,745	46,252	91,602	1,372,002

\* As of 31 March 2020, freehold land, leasehold land and buildings included US\$4.9 million for the leasehold land portion of buildings located in Hong Kong

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

### 3. Property, Plant and Equipment (Cont'd)

	Freehold land, leasehold land and buildings US\$'000	Machinery and equipment US\$'000	Assets under construction US\$'000	Moulds and tools US\$'000	Other assets ** US\$'000	Right-of-use assets US\$'000	Total US\$'000
<b>FY20/21</b>							
As of 31 March 2020	236,361	624,897	262,145	110,745	46,252	91,602	1,372,002
Currency translations	19,143	47,347	17,615	7,128	1,554	5,541	98,328
Additions – owned assets	45,931	37,603	164,577	16,989	5,982	-	271,082
Additions – right-of-use assets	-	-	-	-	-	6,539	6,539
Transfer	45,824	100,390	(178,651)	28,694	2,756	987	-
Disposals / termination of leases	(431)	(497)	-	(58)	(17)	(119)	(1,122)
Impairment charges (Note 25 & 29)	(3,117)	(9,095)	-	(684)	(127)	(36)	(13,059)
Depreciation (Note 25)	(14,868)	(118,527)	-	(51,679)	(12,652)	(23,282)	(221,008)
As of 31 March 2021	<b>328,843 *</b>	<b>682,118</b>	<b>265,686</b>	<b>111,135</b>	<b>43,748</b>	<b>81,232</b>	<b>1,512,762</b>
As of 31 March 2021							
Cost	509,168	1,678,889	265,686	514,134	192,947	127,432	3,288,256
Accumulated depreciation and impairment	(180,325)	(996,771)	-	(402,999)	(149,199)	(46,200)	(1,775,494)
Net book amount	<b>328,843</b>	<b>682,118</b>	<b>265,686</b>	<b>111,135</b>	<b>43,748</b>	<b>81,232</b>	<b>1,512,762</b>

\* As of 31 March 2021, freehold land, leasehold land and buildings included 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
<b>FY19/20</b>					
As of 31 March 2019	-	-	-	-	-
Adoption of HKFRS 16					
– recognition of right-of-use assets	-	67,625	3,277	3,581	74,483
– transfer from intangible assets (Note 5)	22,351	-	-	-	22,351
As of 1 April 2019	22,351	67,625	3,277	3,581	96,834
Currency translations	(1,186)	(2,453)	(111)	7	(3,743)
Additions – right-of-use assets	13,088	3,837	273	2,086	19,284
Termination of leases	-	-	(21)	(56)	(77)
Depreciation	(483)	(17,688)	(910)	(1,615)	(20,696)
As of 31 March 2020	33,770	51,321	2,508	4,003	91,602
<b>FY20/21</b>					
As of 31 March 2020	33,770	51,321	2,508	4,003	91,602
Currency translations	2,386	2,736	221	198	5,541
Additions – right-of-use assets	-	4,825	405	1,309	6,539
Transfer from assets under construction	987	-	-	-	987
Termination of leases	-	-	(38)	(81)	(119)
Impairment charges	-	-	-	(36)	(36)
Depreciation	(954)	(19,431)	(1,033)	(1,864)	(23,282)
As of 31 March 2021	<b>36,189</b>	<b>39,451</b>	<b>2,063</b>	<b>3,529</b>	<b>81,232</b>

\* 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\$41.0 million (31 March 2020: US\$21.6 million). The amount will be transferred to property, plant and equipment on receipt of the assets. The other non-current assets by nature as of 31 March 2021 and 31 March 2020 were as follows:

	2021 US\$'000	2020 US\$'000
Purchase deposits for machinery and construction of factory	40,980	21,634
Deferred contract costs (Note 13)	8,378	3,458
Other deposits and prepayments	4,112	4,608
Total other non-current assets	<b>53,470</b>	29,700

### 3. Property, Plant and Equipment (Cont'd)

#### **Accounting policy**

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Freehold land is not amortized. No depreciation is provided for assets under construction.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its estimated recoverable amount if this is lower.

The Group begins depreciating an item of property, plant and equipment when it is available for use. Depreciation of property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Leasehold land	Shorter of lease term or useful life
Buildings on leasehold land	Shorter of lease term or useful life
Buildings on freehold land	10 to 50 years *
Machinery, equipment, moulds and tools	2 to 12 years
Furniture and fixtures and computers	3 to 10 years
Motor vehicles	3 to 7 years
Aircraft	18 years

\* 50 years for buildings in Hungary, Germany and Switzerland

Interest expense directly attributable to the acquisition and construction of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use, is capitalized until the assets are ready for their intended use.

#### **Right-of-use assets**

Leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option, and
- leases payments to be made under reasonably certain extension options are also included in the measurement of the liability.

### 3. Property, Plant and Equipment *(Cont'd)*

#### **Accounting policy *(Cont'd)***

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received, and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

Right-of-use assets are initially measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less without a purchase option. Leases of low-value assets are leases with total lease payments lower than US\$5,000.

#### 4. Investment Property

	2021 US\$'000	2020 US\$'000
At beginning of the year	32,985	111,431
Currency translations	595	(351)
Fair value gains	2,192	42,801
Capitalized expenditure	-	12
Divestment	-	(120,908)
At end of the year	35,772	32,985

The Group's investment property portfolio in HK/PRC was valued on an open market basis as of 31 March 2021. The appraisals were performed by independent, professionally qualified valuers, Chung, Chan & Associates, Chartered Surveyors.

As of 31 March 2021, the Group's investment property portfolio has tenancies expiring in the period from October 2021 to June 2027 (31 March 2020: from October 2020 to June 2027).

##### **Accounting policy**

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the companies in the Group, is classified as investment property.

Investment property is measured initially at its cost, including related transaction costs. After initial recognition, investment property is carried at fair value. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. These valuations are reviewed annually determined by external appraisers. Changes in fair values are recognized in the income statement within "Other income and (expenses)".

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

If an item of property, plant and equipment becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is recognized in equity. If a fair value gain reverses a previous impairment loss, the gain is recognized in the income statement. Any balance of the decrease is recognized as an expense in the income statement.

## 5. Intangible Assets

	Goodwill US\$'000	Technology US\$'000	Patents and engineering development US\$'000	Brands US\$'000	Client relationships US\$'000	Land use rights US\$'000	Total US\$'000
As of 31 March 2019							
Cost	758,073	172,227	58,199	100,691	317,146	24,749	1,431,085
Accumulated amortization and impairment	-	(132,529)	(29,085)	(32,005)	(125,360)	(2,398)	(321,377)
Net book amount	758,073	39,698	29,114	68,686	191,786	22,351	1,109,708
<b>FY19/20</b>							
As of 31 March 2019	758,073	39,698	29,114	68,686	191,786	22,351	1,109,708
Adoption of HKFRS 16 *	-	-	-	-	-	(22,351)	(22,351)
As of 1 April 2019	758,073	39,698	29,114	68,686	191,786	-	1,087,357
Currency translations	(2,280)	(539)	(481)	(1,739)	(8,439)	-	(13,478)
Capitalization of engineering development costs (Note 25)	-	-	9,119	-	-	-	9,119
Amortization (Note 25 & 29)	-	(13,614)	(5,863)	(2,590)	(19,309)	-	(41,376)
Impairment charges (Note 25 & 29)	(755,793)	(8,657)	-	(26,928)	(4,127)	-	(795,505)
As of 31 March 2020	-	16,888	31,889	37,429	159,911	-	246,117
As of 31 March 2020							
Cost	755,793	175,176	63,937	100,991	309,827	-	1,405,724
Accumulated amortization and impairment	(755,793)	(158,288)	(32,048)	(63,562)	(149,916)	-	(1,159,607)
Net book amount	-	16,888	31,889	37,429	159,911	-	246,117
<b>FY20/21</b>							
As of 31 March 2020	-	16,888	31,889	37,429	159,911	-	246,117
Currency translations	-	1,444	1,582	4,354	17,155	-	24,535
Capitalization of engineering development costs (Note 25)	-	-	5,642	-	-	-	5,642
Amortization (Note 25 & 29)	-	(4,492)	(6,837)	(4,014)	(15,984)	-	(31,327)
As of 31 March 2021	-	<b>13,840</b>	<b>32,276</b>	<b>37,769</b>	<b>161,082</b>	-	<b>244,967</b>
As of 31 March 2021							
Cost	755,793	181,006	73,043	106,611	334,628	-	1,451,081
Accumulated amortization and impairment	(755,793)	(167,166)	(40,767)	(68,842)	(173,546)	-	(1,206,114)
Net book amount	-	<b>13,840</b>	<b>32,276</b>	<b>37,769</b>	<b>161,082</b>	-	<b>244,967</b>

\* Land use rights was transferred to right-of-use assets under property, plant and equipment (see Note 3) to conform to the presentation according to HKFRS 16 "Leases"

## 5. Intangible Assets (Cont'd)

Total intangible assets as of 31 March 2021 and 31 March 2020 were denominated in the following underlying currencies:

	<b>2021</b> <b>US\$'000</b>	2020 US\$'000
In CAD	<b>180,410</b>	178,806
In EUR	<b>31,176</b>	30,784
In KRW	<b>19,538</b>	19,747
In USD	<b>9,682</b>	11,923
In GBP	<b>4,161</b>	4,857
Total intangible assets	<b>244,967</b>	246,117

As of 31 March 2021, except goodwill of US\$755.8 million which was fully impaired in FY19/20, all the intangible assets have a definite useful life.

### Impairment tests for intangible assets

In accordance with the Group's accounting policy on asset impairment, intangible assets with a definite life are tested if there are indicators of potential impairment. In FY20/21, the Group considered there is no indicator of potential impairment.



## 5. Intangible Assets (Cont'd)

### Accounting policy

#### (a) Goodwill

Goodwill arising on the acquisition of subsidiaries is initially measured at cost and it represents the excess of the cost of acquisition over the net fair value of the Group's share of the net identifiable assets and the non-controlling interest of the acquired subsidiary. Goodwill on acquisitions of subsidiaries is included in intangible assets.

Goodwill of the Group is managed at operating segment level for the purpose of testing goodwill impairment in accordance with HKAS 36 "Impairment of Assets". Goodwill is tested annually for impairment or more frequently if events or changes in circumstances indicate a potential impairment. The impairment test for goodwill is carried out by comparing the recoverable amount (i.e. higher of value-in-use and the fair value less costs of disposal) of the segment assets to the carrying amount of those assets as of the balance sheet date.

#### (b) Research and development costs

Research and development costs are expensed as incurred and are only recognized as an intangible asset where the technical feasibility and intention of completing the product under development has been demonstrated and the resources are available to do so, costs are identifiable, can be reliably measured and there is an ability to sell or use the asset that will generate probable future economic benefits. Research and development costs that do not meet the above criteria are expensed as incurred.

#### (c) Other intangible assets

Patents, technology, brands and client relationships that are acquired by the Group are stated in the balance sheet at fair value at the date of acquisition less accumulated amortization and impairment losses.

Amortization is calculated using the straight-line method to allocate the cost over the estimated useful life. The amortization charge was included in "Selling and administrative expenses" in the consolidated income statement. The estimated useful life for amortization purpose is:

Technology, patents and engineering development	8 to 15 years
Brands	10 years
Client relationships	15 years

## 6. Investment in Associate

	2021 US\$'000	2020 US\$'000
At beginning of the year	2,129	2,742
Currency translations	160	(122)
Share of associate's profit for the year	318	41
Dividends received	(112)	(532)
At end of the year	2,495	2,129

The investment in associate represents the 49% equity interest in Shenzhen SMART Micromotor Co Ltd ("SMART"), which is accounted for using the equity method.

### **Accounting policy**

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associate are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognized at cost and the carrying amount is increased or decreased to recognize the investor's share of the profit and loss of the investee after the date of acquisition less dividends received. The Group's investment in associates includes goodwill identified on acquisition.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognized in other comprehensive income is reclassified to profit and loss where appropriate.

The Group's share of post-acquisition profits or losses is recognized in the income statement and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other long-term unsecured receivables, the Group does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

Unrealized gains on transactions between the Group and its associate are eliminated to the extent of the Group's interest in the associate. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associate have been changed where necessary to ensure consistency with the policies adopted by the Group.

## 7. Other Financial Assets and Liabilities

	2021			2020		
	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))	59,800	(658)	59,142	2,632	(21,149)	(18,517)
– forward foreign currency exchange contracts (Note a (ii))	117,239	(27,045)	90,194	153,832	(100,592)	53,240
Net investment hedge (Note b)						
– forward foreign currency exchange contracts and cross currency interest rate swaps	12,697	(6,379)	6,318	34,795	-	34,795
Fair value hedge (Note c)						
– forward foreign currency exchange contracts	29,270	-	29,270	50,548	(1,071)	49,477
Held for trading (Note d)	500	(5,831)	(5,331)	831	(426)	405
<b>Total (Note e)</b>	<b>219,506</b>	<b>(39,913)</b>	<b>179,593</b>	<b>242,638</b>	<b>(123,238)</b>	<b>119,400</b>
Current portion	81,448	(10,533)	70,915	56,238	(45,027)	11,211
Non-current portion	138,058	(29,380)	108,678	186,400	(78,211)	108,189
<b>Total</b>	<b>219,506</b>	<b>(39,913)</b>	<b>179,593</b>	<b>242,638</b>	<b>(123,238)</b>	<b>119,400</b>

Note:

(a) Cash flow hedge

(i) Raw material commodity contracts

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

## 7. Other Financial Assets and Liabilities (Cont'd)

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

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

As of 31 March 2021, the Group had the following outstanding contracts:

	Notional amount	Settlement value (US\$ million)	Weighted average contract price (US\$)	Spot price (US\$)	Mark-to-market price (US\$)	Remaining maturities range (months)	Assets/(liabilities), net carrying value (US\$'000)
<b>Cash flow hedge contracts</b>							
Copper commodity	17,450 metric ton	98.1	5,621	8,851	8,641	1 – 48	52,692
Silver commodity	255,000 oz	3.7	14.62	24.00	24.42	1 – 24	2,500
Aluminium commodity	400 metric ton	0.7	1,743	2,213	2,217	1 – 12	190
Iron ore commodity	74,000 metric ton	5.4	73.00	161.36	127.76	1 – 24	4,052
Coking coal commodity	74,500 metric ton	10.8	144.81	117.67	140.88	1 – 24	(292)
Total							59,142

The weighted average contract price is a ratio defined as notional amount / settlement value.

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

#### (ii) Forward foreign currency exchange contracts

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

- Sell EUR contracts to create an economic hedge for EUR denominated export sales into USD
- Sell CAD contracts to create an economic hedge for material purchased in USD for its operations in Canada
- Buy RMB, MXN, PLN, RSD, ILS, EUR, CHF, 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).

## 7. Other Financial Assets and Liabilities (Cont'd)

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

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

As of 31 March 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)	Assets / (liabilities), net carrying value (US\$'000)
<b>Cash flow hedge contracts</b>								
Sell EUR forward *	USD	EUR 429.9	1.38	1.17	1.23	1 – 84	595.2	66,711
Buy RMB forward	USD	RMB 9,460.1	7.05	6.56	6.89	1 – 72	1,342.8	30,401
Buy MXN forward	USD	MXN 2,377.2	24.32	20.60	23.20	1 – 66	97.7	4,708
Buy PLN forward	EUR	PLN 549.7	4.81	4.66	4.78	1 – 62	133.8	989
Buy RSD forward	EUR	RSD 4,338.0	120.91	117.16	118.50	1 – 24	42.0	857
Sell CAD forward	USD	CAD 13.3	1.23	1.26	1.26	1 – 9	10.8	244
Buy ILS forward	USD	ILS 4.9	3.31	3.33	3.34	1 – 2	1.5	(13)
Buy EUR forward *	USD	EUR 10.0	1.19	1.17	1.17	1 – 5	11.9	(194)
Buy CHF forward	EUR	CHF 25.0	1.10	1.10	1.11	1 – 4	26.7	(234)
Buy TRY forward	EUR	TRY 69.9	8.99	9.79	11.72	1 – 24	9.1	(2,122)
Buy HUF forward	EUR	HUF 30,736.2	341.29	363.85	381.63	1 – 62	105.5	(11,153)
Total								90,194

\* The EUR to USD is stated in the inverse order

### (b) Net investment hedge

The Group hedges its net investment in its European operations to protect itself from exposure to future changes in currency exchange rates. The EUR 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 31 March 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)	Assets / (liabilities), net carrying value (US\$'000)
<b>Net investment hedge contracts</b>								
Sell EUR forward *	USD	EUR 60.0	1.33	1.17	1.21	9 – 45	79.7	7,205
Cross currency interest rate swaps *								
(pay EUR, receive USD)	USD	EUR 269.2	1.12	1.17	1.13	1 – 40	302.7	(887)
Total								6,318

\* The EUR to USD is stated in the inverse order

## 7. Other Financial Assets and Liabilities (Cont'd)

### (c) Fair value hedge

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

As of 31 March 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)	Assets, net carrying value (US\$'000)
<b>Fair value hedge contracts</b>								
Sell EUR forward *	USD	EUR 229.0	1.37	1.17	1.24	1 – 85	313.0	28,806
Buy EUR forward *	USD	EUR 14.1	1.20	1.17	1.24	1	17.0	464
Total								29,270

\* The EUR and USD is stated in the inverse order

### (d) Held for trading

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

As of 31 March 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)	Assets / (liabilities), net carrying value (US\$'000)
<b>Held for trading contracts</b>								
Buy INR forward	USD	INR 698.3	80.26	73.37	76.29	1 – 20	8.7	453
Buy HUF forward	EUR	HUF 15,450.3	343.46	363.85	385.79	13 – 60	52.7	(5,784)
Total								(5,331)

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

## 7. Other Financial Assets and Liabilities (Cont'd)

- (f) The income statement effect from raw material commodity and foreign currency exchange contracts (excluding structured contracts, see Note 8) and the cross currency interest rate swaps recognized in FY20/21 was a net gain of US\$17.1 million (FY19/20: net gain of US\$64.2 million).

Benefit / (expense)	2021 US\$'000	2020 US\$'000
Cost of goods sold includes:		
Effect of raw material commodity contracts (Note 20)	4,748	4,751
Effect of forward foreign currency exchange contracts	(5,227)	(20,253)
Effect on cost of goods sold	(479)	(15,502)
Other income and (expenses) includes:		
Effect of unrealized forward foreign currency exchange contracts (Note 21)	(23,137)	29,476
Selling and administrative expenses includes:		
Effect of forward foreign currency exchange contracts (Note 22)	39,158	43,735
Restructuring and other costs:		
Ineffective portion of forward foreign currency exchange contracts resulted from restructuring activities	(5,761)	-
Finance costs includes:		
Cross currency interest rate swaps	7,355	6,497
Effect of other financial assets and liabilities in consolidated income statement, net gain	17,136	64,206

- (g) Net cash generated from operating activities due to the realized hedge contracts was US\$56.9 million (FY19/20: US\$47.0 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 31 March 2021 would result in approximately US\$332 million cash flow benefit (31 March 2020: US\$214 million).
- (i) As of 31 March 2021, the balance in the exchange reserve for continuing hedges that are accounted for as a net investment hedge was US\$57.9 million (31 March 2020: US\$86.1 million).

## 7. Other Financial Assets and Liabilities (Cont'd)

### **Accounting policy**

(a) Other financial assets and liabilities related to hedging activities

Other financial assets and liabilities are forward and swap contracts related to hedging activities.

Hedging instruments are initially recognized at fair value on the date a contract is entered into and are subsequently remeasured at their fair value. The method of recognizing the resulting gain or loss depends on the nature of the item being hedged:

- Hedges of a particular risk associated with a recognized asset or liability or a highly probable forecast transaction (cash flow hedge); or
- Hedges of a net investment in a foreign operation (net investment hedge); or
- Hedges of the fair value of recognized assets or liabilities or a firm commitment (fair value hedge).

The Group documents, at the inception of the transaction, the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the hedging instruments that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

Hedge effectiveness is determined at the inception of the hedge relationship and through periodic prospective effectiveness assessments to ensure that an economic relationship exists between the hedged item and hedging instrument. The Group enters into hedge relationships where the critical terms of the hedging instrument match exactly with the terms of the hedged item and so a qualitative assessment of effectiveness is performed.

(i) Cash flow hedge

A cash flow hedge of the Group hedges a particular risk associated with a highly probable forecast transaction. The effective portion of changes in the fair value of financial instruments designated and qualified as cash flow hedges are recognized in hedging reserve within equity.

Ineffectiveness is recognized on a cash flow hedge where the cumulative change in the value of the hedging instrument exceeds on an absolute basis the change in value of the hedged item attributable to the hedged risk.

When a hedging instrument expires, or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative deferred gain or loss and deferred costs of hedging in equity at that time remains in equity until the forecast transaction occurs, resulting the recognition of a non-financial asset such as inventory.

When the forecast transaction is no longer expected to occur, the cumulative gain or loss and deferred costs of hedging that were reported in equity are immediately reclassified to profit or loss.



## 7. Other Financial Assets and Liabilities (Cont'd)

### **Accounting policy (Cont'd)**

(a) Other financial assets and liabilities related to hedging activities (Cont'd)

(ii) Net investment hedge

A net investment hedge of the Group hedges net investments in foreign operations. Any unrealized and realized gain or loss of the hedging instrument is recognized in other comprehensive income within exchange reserve.

Gains and losses accumulated in equity are recycled to income statement when the foreign operation is partially disposed of or sold.

(iii) Fair value hedge

A fair value hedge of the Group hedges the intercompany and external loan balances. Unrealized and realized gain or loss of the hedging instrument is recognized in the income statement to offset the loss or gain on the revaluation of loans attributable to the risk being hedged.

(b) Financial instruments held for trading that do not qualify for hedge accounting

Financial instruments designated as held for trading do not qualify for hedge accounting and are accounted for at fair value through profit and loss. Changes in the fair value of these financial instruments are recognized immediately in the income statement.

The full fair value of a hedging financial instrument is classified as a non-current asset or liability when the remaining maturity of the hedge item is more than 12 months and is classified as a current asset or liability when the remaining maturing of the hedge item is less than 12 months.

## 8. Financial Assets and Liabilities at Fair Value Through Profit and Loss

	2021 US\$'000	2020 US\$'000
Call option related to the acquisition of Halla Stackpole (Note a)	2,351	2,190
Unlisted preference shares (Note b)	15,789	8,000
Structured foreign currency contracts (Note c)	30,692	44,151
Other investment	2,850	1,440
<b>Total</b>	<b>51,682</b>	<b>55,781</b>
Current portion	4,781	2,103
Non-current portion	46,901	53,678
<b>Total</b>	<b>51,682</b>	<b>55,781</b>

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. As of 31 March 2021, the fair value of the unlisted preference shares is approximately US\$15.8 million (31 March 2020: US\$8.0 million) based on recent transaction prices.

## 8. Financial Assets and Liabilities 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 31 March 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	429.9
Economic hedge – by structured forward contracts	
– minimum possible hedge	165.8
– maximum possible hedge	328.6
Percentage of currency exposure hedged *	
– by plain vanilla contracts	39%
– by plain vanilla and structured forward – minimum	55%
– by plain vanilla and structured forward – maximum	69%

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

## 8. Financial Assets and Liabilities at Fair Value Through Profit and Loss (Cont'd)

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

In FY20/21, losses on structured foreign currency contracts decreased net profit by US\$11.7 million, net of tax (US\$13.5 million pre-tax loss) (FY19/20: gains increased net profit by US\$24.6 million, pre-tax US\$28.0 million). Please see Note 21.

As of 31 March 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)	Assets net carrying value (US\$'000)
<b>Structured foreign currency contracts</b>								
(With option features: Reduction of notional amount)								
Sell EUR (for sales) *	USD	EUR 165.8	EUR 328.6	1.30 – 1.39	1.35	1.28	1 – 41	23,184
Sell EUR (for net investment) *	USD	EUR 50.0	EUR 100.0	1.36 – 1.40	1.38	1.31	21 – 45	7,508
Total								30,692

\* The EUR to USD is stated in the inverse order

### Sensitivity

As of 31 March 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\$(2.8) million
Decrease by 1%	US\$2.8 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 31 March 2021 would give rise to a cash flow benefit of approximately US\$40 million (assuming minimum delivery for EUR contracts depending on the contract delivery rate) (31 March 2020: US\$56 million).

## 9. Inventories

	2021 US\$'000	2020 US\$'000
Raw materials	291,061	255,513
Finished goods	223,136	158,372
	<b>514,197</b>	413,885

### Accounting policy

Inventories are stated at the lower of actual cost on first-in-first-out basis (FIFO) or net realizable value. Cost comprises materials, direct labour and an appropriate proportion of all production overhead expenditure. The value calculated approximates the weighted-average actual cost. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

## 10. Trade and Other Receivables

	2021 US\$'000	2020 US\$'000
Trade receivables – gross *	643,643	506,319
Less: impairment of trade receivables	(2,601)	(2,025)
Trade receivables – net	641,042	504,294
Prepayments and other receivables	109,493	88,914
	<b>750,535</b>	593,208

\* The balance included bank acceptance drafts from customers amounting to US\$22.6 million (31 March 2020: US\$22.1 million). The maturity dates of the drafts all fall within 6 months of the balance sheet date

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

## 10. Trade and Other Receivables (Cont'd)

### 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.

- (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
<b>As of 31 March 2021</b>			
Current	608,053	(72)	<b>607,981</b>
1 – 30 days overdue	24,644	(27)	<b>24,617</b>
31 – 90 days overdue	7,436	(53)	<b>7,383</b>
Over 90 days overdue	3,510	(2,449)	<b>1,061</b>
<b>Total</b>	<b>643,643</b>	<b>(2,601)</b>	<b>641,042</b>
<b>As of 31 March 2020</b>			
Current	456,887	(134)	456,753
1 – 30 days overdue	33,465	(25)	33,440
31 – 90 days overdue	9,159	(58)	9,101
Over 90 days overdue	6,808	(1,808)	5,000
<b>Total</b>	<b>506,319</b>	<b>(2,025)</b>	<b>504,294</b>

## 10. Trade and Other Receivables (Cont'd)

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

	2021 US\$'000	2020 US\$'000
0 – 30 days	334,452	213,522
31 – 90 days	280,971	256,883
Over 90 days	28,220	35,914
<b>Total</b>	<b>643,643</b>	<b>506,319</b>

The carrying amount of the Group's trade receivables was denominated in the following currencies:

	2021 US\$'000	2020 US\$'000
USD	239,431	204,134
EUR	162,876	138,509
RMB	171,538	106,049
CAD	42,227	36,001
Others	27,571	21,626
<b>Total</b>	<b>643,643</b>	<b>506,319</b>

Movements on the impairment of trade receivables were as follows:

	2021 US\$'000	2020 US\$'000
At beginning of the year	2,025	1,870
Currency translations	41	8
Receivables written off during the year as uncollectible	(803)	(58)
Impairment of trade receivables / bad debt expense (Note 25)	1,338	205
<b>At end of the year</b>	<b>2,601</b>	<b>2,025</b>

The maximum exposure to credit risk at the reporting date is the fair value of the receivables mentioned above.

## 10. Trade and Other Receivables (Cont'd)

### Accounting policy

Trade and other receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. The Group applies the simplified approach permitted by HKFRS 9, which requires the recognition of lifetime expected losses for trade receivables and contract assets from initial recognition of such assets. At every reporting date, the Group reviews and adjusts its historically observed default rates based on current conditions and changes in the future forecasts. A provision for impairment of trade and other receivables is determined using the forward-looking expected credit loss method; that is, the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the original effective interest rate. The impairment charge is recognized within "Selling and administrative expenses" in the income statement. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries are credited in the income statement.

## 11. Cash and Cash Equivalents

	2021 US\$'000	2020 US\$'000
Cash at bank and in hand	419,831	244,272
Short term bank deposits	119,636	140,097
Total cash and cash equivalents	539,467	384,369

The carrying amounts of the Group's cash and cash equivalents are denominated in the following currencies:

	2021 US\$'000	2020 US\$'000
USD	241,093	137,515
RMB	94,954	125,771
EUR	86,417	57,512
CAD	62,726	9,019
KRW	29,698	31,735
Others	24,579	22,817
Total	539,467	384,369

### Accounting policy

Cash and cash equivalents comprise cash in hand and demand deposits with banks that are readily convertible into known amounts of cash that are subject to an insignificant risk of change in value, with original maturities of three months or less.



## 12. Trade and Other Payables

	2021 US\$'000	2020 US\$'000
Trade payables	454,370	350,178
Accrual for property, plant and equipment and other production consumables	148,364	122,429
Accrued payroll and other staff related costs	133,131	87,539
Contract liabilities (Note 13)	42,557	40,495
Deferred income *	21,206	22,962
Other creditors and accrued charges	68,798	48,144
	<b>868,426</b>	671,747
<b>Current portion</b>	<b>833,583</b>	634,496
<b>Non-current portion</b>	<b>34,843</b>	37,251

\* Mainly comprised government grants

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

	2021 US\$'000	2020 US\$'000
0 – 60 days	299,269	207,486
61 – 90 days	91,240	69,936
Over 90 days	63,861	72,756
Total	<b>454,370</b>	350,178

The carrying amount of the Group's trade payables was denominated in the following currencies:

	2021 US\$'000	2020 US\$'000
RMB	197,386	119,803
USD	135,631	106,549
EUR	76,801	80,176
HKD	22,811	21,896
CAD	8,010	9,025
Others	13,731	12,729
Total	<b>454,370</b>	350,178

## 12. Trade and Other Payables (Cont'd)

### Accounting policy

Trade and other payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method. Trade and other payables with obligations to pay within 12 months are classified as current liabilities. Trade and other payables with obligations to pay for at least 12 months after the end of reporting period are classified as non-current liabilities.

## 13. 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:

	2021 US\$'000	2020 US\$'000
Deferred contract costs included in:		
Trade and other receivables	2,356	2,476
Other non-current assets (Note 3)	8,378	3,458
<b>Total deferred contract costs</b>	<b>10,734</b>	5,934
Contract liabilities balances included in:		
Trade and other payables - current	(25,596)	(22,799)
Trade and other payables - non-current	(16,961)	(17,696)
<b>Total contract liabilities (Note 12)</b>	<b>(42,557)</b>	(40,495)

In FY20/21, US\$17.2 million (FY19/20: US\$16.5 million) included in the contract liability balance at the previous year end date was recognized in profit and loss.

## 14. Borrowings

	2021			2020		
	Current US\$'000	Non-current US\$'000	Total US\$'000	Current US\$'000	Non-current US\$'000	Total US\$'000
Bonds (Note a)	-	299,912	299,912	-	299,324	299,324
Loan from Export Development Canada ("EDC") (Note b)	-	99,792	99,792	-	99,696	99,696
Loan from The Export-Import Bank of China (Note c)	321	12,499	12,820	-	-	-
Loans based on trade receivables (Note d)	-	-	-	-	4,209	4,209
Other borrowings	13,666	-	13,666	12,236	-	12,236
<b>Total borrowings</b>	<b>13,987</b>	<b>412,203</b>	<b>426,190</b>	12,236	403,229	415,465

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 106.7% of the face value of the bonds as of 31 March 2021 (31 March 2020: 107.2% 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 31 March 2021, the Group had drawn down RMB84.2 million (equivalent to US\$12.8 million). The Group plans to draw down on this facility to partially fund capital expenditure for the Group's new Jiangmen factory. The first repayment of the loan is due in February 2022, with further repayment every six months until August 2025.

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

Loans based on trade receivables were fully repaid during the year (31 March 2020: US\$4.2 million).

## 14. Borrowings (Cont'd)

The maturity of borrowings was as follows:

	Bank borrowings		Bonds and other borrowings	
	2021 US\$'000	2020 US\$'000	2021 US\$'000	2020 US\$'000
Less than 1 year	321	-	13,666	12,236
1 – 2 years	1,282	4,209	-	-
2 – 5 years	11,217	-	399,704	399,020
	<b>12,820</b>	4,209	<b>413,370</b>	411,256

As of 31 March 2021, the interest rate charged on outstanding balances ranged from 3.4% to 4.1% per annum (31 March 2020: 0.5% to 4.7% per annum) and the weighted average effective interest rate of the borrowings including the impact of interest rate swaps (see Note 7(b)) was approximately 2.3% (31 March 2020: 2.7%). Interest expense is disclosed in Note 24.

Johnson Electric subscribes to both Moody's Investors Service and Standard & Poor's (S&P) Ratings Services to provide independent long-term credit ratings. These ratings were reviewed and reaffirmed during the year and as of 31 March 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.

The carrying amounts of the borrowings were denominated in the following currencies:

	2021 US\$'000	2020 US\$'000
USD	399,704	401,020
CAD	13,666	12,236
RMB	12,820	-
EUR	-	2,209
Total borrowings	<b>426,190</b>	415,465

### **Accounting policy**

Borrowings / bonds are initially recognized at fair value, net of transaction costs incurred and are subsequently stated at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the income statement over the period of the borrowings / bonds using the effective interest method.

Borrowings / bonds are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the end of reporting period.

## 15. Retirement Benefit Obligations

	Defined benefit pension plans US\$'000	Defined contribution pension plans and long service payment US\$'000	Total US\$'000
<b>FY19/20</b>			
As of 31 March 2019	35,853	3,812	39,665
Currency translations	(624)	(236)	(860)
Charges	2,205	9,497	11,702
Utilizations	(5,004)	(9,361)	(14,365)
Remeasurements (Note 20) *	7,483	122	7,605
As of 31 March 2020	39,913	3,834	43,747
Retirement benefit obligations:			
Current portion	-	552	552
Non-current portion	63,043	3,282	66,325
Defined benefit pension plan assets:			
Non-current portion	(23,130)	-	(23,130)
As of 31 March 2020	39,913	3,834	43,747
<b>FY20/21</b>			
As of 31 March 2020	39,913	3,834	43,747
Currency translations	2,107	-	2,107
Charges	7,093	9,288	16,381
Utilizations	(7,167)	(8,910)	(16,077)
Remeasurements (Note 20) *	(11,296)	(13)	(11,309)
As of 31 March 2021	<b>30,650</b> **	<b>4,199</b>	<b>34,849</b>
Retirement benefit obligations:			
Current portion	-	465	465
Non-current portion	50,522	3,734	54,256
Defined benefit pension plan assets:			
Non-current portion	(19,872)	-	(19,872)
As of 31 March 2021	<b>30,650</b>	<b>4,199</b>	<b>34,849</b>

\* 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\$30.6 million (31 March 2020: US\$39.9 million) were comprised of the gross present value of obligations of US\$244.7 million (31 March 2020: US\$231.9 million) less the fair value of plan assets of US\$214.1 million (31 March 2020: US\$192.0 million)

## 15. Retirement Benefit Obligations (Cont'd)

### 15.1 Defined benefit pension plans

The Group operates defined benefit pension plans in various countries, providing benefits to members in the form of a guaranteed level of pension payable for life. These defined benefit plans are valued by independent external actuaries using the projected unit credit method. The main actuaries are listed below and the latest actuarial valuation was completed as of 31 March 2021.

Country of pension plan	Firm	Qualifications of valuers
Switzerland	Mercer Schweiz AG	Members of the Swiss Association of Actuaries
United Kingdom	Quantum Actuarial LLP	Fellow of the Institute and Faculty of Actuaries
South Korea	Hyundai Motor Securities	Fellow, the Institute of Actuaries of Korea
Canada	Towers Watson Canada Inc	Fellow, Canadian Institute of Actuaries

The Group's defined benefit plans provide pensions to employees after meeting specific retirement ages / periods of service. Pensions are based on specific pension rates applied to each participating employee's years of service. The assets of funded plans are held independently of the Group's assets in separate trustee administered funds.

The amounts recognized in the balance sheet were determined as follows:

	2021 US\$'000	2020 US\$'000
Present value of obligations that are funded	222,218	207,917
Present value of obligations that are unfunded	22,482	24,012
Gross present value of obligations	244,700	231,929
Less : Fair value of plan (assets)	(214,050)	(192,016)
Total retirement benefit obligations - net liability	30,650	39,913
Represented by:		
Defined benefit pension plan (assets)	(19,872)	(23,130)
Retirement benefit obligations	50,522	63,043

## 15. Retirement Benefit Obligations (Cont'd)

### 15.1 Defined benefit pension plans (Cont'd)

The movement of the retirement benefit obligations was as follows:

	Present value of obligations US\$'000	Fair value of plan (assets) US\$'000	Total net liability US\$'000
As of 31 March 2019	183,351	(147,498)	35,853
Current service cost	7,140	-	7,140
Interest cost / (income)	3,051	(2,670) *	381
Past service cost	(5,316)	-	(5,316)
Net cost / (income) to the income statement (Note 25)	4,875	(2,670)	2,205
Remeasurements:			
– (gains) from change in demographic assumptions	(804)	-	(804)
– (gains) from change in financial assumptions	(5,467)	-	(5,467)
– experience losses / (gains)	60,988	(88)	60,900
– return on plan assets, excluding amounts included in interest income	-	(47,146)	(47,146)
Losses / (gains) recognized in equity (Note 20)	54,717	(47,234)	7,483
Currency translations	(1,030)	406	(624)
Contributions by plan participants	2,738	(2,738)	-
Contributions by employer	-	(2,959)	(2,959)
Benefits paid	(12,722)	10,677	(2,045)
As of 31 March 2020	231,929	(192,016)	39,913
As of 31 March 2020	231,929	(192,016)	39,913
Current service cost	6,759	-	6,759
Interest cost / (income)	2,878	(2,544) *	334
Net cost / (income) to the income statement (Note 25)	9,637	(2,544)	7,093
Remeasurements:			
– (gains) from change in demographic assumptions	(11,128)	-	(11,128)
– losses from change in financial assumptions	12,018	-	12,018
– experience losses / (gains)	2,601	(27)	2,574
– return on plan assets, excluding amounts included in interest income	-	(14,760)	(14,760)
Losses / (gains) recognized in equity (Note 20)	3,491	(14,787)	(11,296)
Currency translations	11,241	(9,134)	2,107
Contributions by plan participants	2,960	(2,960)	-
Contributions by employer	-	(3,169)	(3,169)
Benefits paid	(14,558)	10,560	(3,998)
As of 31 March 2021	<b>244,700</b>	<b>(214,050)</b>	<b>30,650</b>

\* The interest income on plan assets was calculated at discount rates shown on the next page

## 15. Retirement Benefit Obligations (Cont'd)

### 15.1 Defined benefit pension plans (Cont'd)

The principal actuarial assumptions used were as follows:

	2021 Percentage	2020 Percentage
Discount rate	0.4% – 3.5%	0.8% – 3.5%
Future pension obligation growth rate	0.0% – 2.4%	0.0% – 2.4%

Future pension obligation growth rate is primarily related to the statutory inflation rates.

#### Sensitivity analysis

The sensitivity of the defined benefit obligations to changes in the weighted principal assumptions was:

	Impact on defined benefit obligations	
	Increase in assumption	Decrease in assumption
Discount rate – change by 0.5%	Decrease by 6.3%	Increase by 6.9%
Future pension growth rate – change by 0.25%	Increase by 1.5%	Decrease by 1.5%

This is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability recognized in the balance sheet.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous year.

The discount rates of major pension plans were as follow:

	2021 Percentage	2020 Percentage
Switzerland	0.4%	0.8%
United Kingdom	1.9%	2.2%
South Korea	3.5%	3.2%
Canada	3.3%	3.5%



## 15. Retirement Benefit Obligations (Cont'd)

### 15.1 Defined benefit pension plans (Cont'd)

The weighted average duration of the defined benefit obligations is 16.1 years (31 March 2020: 18.5 years).

The expected maturity of undiscounted pension benefits as of 31 March 2021 and 31 March 2020 was:

	2021 US\$'000	2020 US\$'000
Less than 1 year	10,746	11,425
1 – 2 years	12,562	11,093
2 – 5 years	32,536	28,045
Over 5 years	246,617	241,639
	<b>302,461</b>	292,202

### Plan assets

Plan assets comprised the following:

	2021		2020	
	US\$'000	Percentage	US\$'000	Percentage
<u>Quoted</u>				
Equities				
Asia	-	0%	906	0%
Europe	12,665	6%	17,382	9%
Americas	-	0%	1,578	1%
Global	34,744	16%	30,028	16%
Bonds				
Asia	2,369	1%	2,173	1%
Europe	55,897	26%	47,351	25%
Americas	24,641	12%	20,671	11%
Global	39,772	19%	33,004	17%
Others				
Europe	20,274	9%	6,083	3%
Global	-	0%	11,226	6%
	<b>190,362</b>	<b>89%</b>	170,402	89%
<u>Unquoted</u>				
Property investment – Europe	22,737	11%	20,252	10%
Others – Europe	951	0%	1,362	1%
	<b>23,688</b>	<b>11%</b>	21,614	11%
	<b>214,050</b>	<b>100%</b>	192,016	100%

## 15. Retirement Benefit Obligations *(Cont'd)*

### 15.1 Defined benefit pension plans *(Cont'd)*

#### Plan assets *(Cont'd)*

The plan asset mix is established through consideration of many factors including assumptions of tolerance for fluctuations in market values, portfolio diversification and the targeted long-term rate of return for the assets. Foreign exchange risk is inherent in the asset mix policy and foreign currency fluctuations may significantly affect the return on the assets held by the trustees of the funds.

Asset-liability matching has been undertaken to reduce risk.

For the pension plan in Switzerland, Swiss law prescribes ranges of percentages within which the assets have to be invested (bank, shares, bonds, real estate, etc.). This is to ensure a segregation of risk.

For the pension plan in the United Kingdom, the trustees of the scheme invest the assets in line with the statement of investment principles, which was established taking into consideration the liabilities of the scheme and the investment risk that the trustees are willing to accept. The trustees are required to carry out regular scheme funding valuations and establish a schedule of contributions and a recovery plan if there is a shortfall in the scheme.

The Group expects to make contributions of US\$3.8 million to post-employment benefit plans for FY21/22 (FY20/21: US\$3.9 million).

### 15.2 Defined contribution pension plans

The largest defined contribution schemes are in Hong Kong where the Group operates two defined contribution schemes. These comply with all the respective requirements under the Occupational Retirement Schemes Ordinance ("ORSO") and the Mandatory Provident Fund ("MPF") Ordinance. All scheme assets are held separately from the Group in independently administered funds. Contributions to the MPF Scheme follow the MPF Ordinance while contributions made by the employer to the ORSO Scheme range between 5% and 12% of basic salary depending on level and years of service.

If employees leave the ORSO scheme prior to the contributions fully vesting, these may be forfeited and the charge to income statement reduced accordingly. There were no forfeited contributions as of 31 March 2021 (31 March 2020: nil).

The Group also operates other defined contribution retirement schemes which are available to certain employees in the United States of America, PRC, the United Kingdom and France.

Contributions made by the Group are charged to the income statement as incurred. The charge to the income statement for all defined contribution plans for FY20/21 was US\$8.5 million (FY19/20: US\$8.9 million) as shown in Note 25.

## 15. Retirement Benefit Obligations (Cont'd)

### Accounting policy

Group companies operate various pension schemes. The schemes are generally funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations. The Group has both defined benefit and defined contribution plans.

(a) Defined benefit plan

Defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. The Group's long service payment is a kind of defined benefit plan.

The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

Past-service costs are recognized immediately in the income statement.

(b) Defined contribution plan

For defined contribution plans, the Group and the employees pay fixed contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. Contributions are recognized as employee compensation when they are due and are reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions.

## 16. 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
<b>FY19/20</b>				
As of 31 March 2019	35,582	975	-	36,557
Currency translations	(505)	(14)	(26)	(545)
Charges	13,037	-	-	13,037
Addition	-	-	1,080	1,080
Utilizations	(12,157)	(176)	-	(12,333)
As of 31 March 2020	35,957	785	1,054	37,796
Current portion	23,139	785	-	23,924
Non-current portion	12,818	-	1,054	13,872
As of 31 March 2020	35,957	785	1,054	37,796
<b>FY20/21</b>				
As of 31 March 2020	35,957	785	1,054	37,796
Currency translations	1,697	361	52	2,110
Charges	18,433	13,415	12	31,860
Utilizations	(11,017)	(1,304)	-	(12,321)
As of 31 March 2021	<b>45,070</b>	<b>13,257</b>	<b>1,118</b>	<b>59,445</b>
Current portion	31,512	13,257	-	44,769
Non-current portion	13,558	-	1,118	14,676
As of 31 March 2021	<b>45,070</b>	<b>13,257</b>	<b>1,118</b>	<b>59,445</b>

## 17. Taxation

### 17.1 Income tax expense

The amount of taxation in the consolidated income statement represents:

	2021 US\$'000	2020 US\$'000
Current income tax		
Charges for the year	49,127	35,803
(Reductions) of tax for prior years *	(4,652)	(4,239)
	44,475	31,564
Deferred income tax (Note 17.2)	(15,287)	(16,396)
Total income tax expense	29,188	15,168
Effective tax rate	11.8%	(3.2)%

\* This mainly represents recovery of research and development tax credits

Tax has been provided at the applicable rates on the estimated assessable profit in the respective countries of operations for the period. The overall global effective tax rate for FY20/21 was 11.8% (FY19/20: excluding the non-taxable net gain on divestment of an investment property of US\$41.1 million, and the impairment of goodwill and other intangible assets of US\$795.5 million, 11.5%). The Group's effective tax rate differed from the statutory tax rate of Hong Kong of 16.5% (FY19/20: 16.5%) as follows:

	2021		2020	
		US\$'000		US\$'000
Profit / (loss) before income tax		248,381		(471,703)
Add: Impairment of goodwill and other intangibles		-		795,505
Less: Fair value (gains) and divested item		-		(41,096)
Profit before income tax, as adjusted		248,381		282,706
Tax charged at Hong Kong profits tax rate	16.5%	40,983	16.5%	46,646
Effect of different tax rates in other countries				
– countries with taxable profit	2.1%	5,260	0.8%	2,277
– countries with taxable loss	(0.7)%	(1,710)	(1.7)%	(4,914)
Effect of income, net of expenses, not subject to tax	(8.7)%	(21,702)	(4.5)%	(12,547)
(Reductions) of tax for prior years – current and deferred	(1.9)%	(4,782)	(2.0)%	(5,734)
Withholding tax	3.3%	8,164	3.9%	10,934
Other taxes and temporary differences, net of (tax loss recognition) and other (tax benefits)	1.2%	2,975	(1.5)%	(4,279)
Underlying effective tax rate	11.8%	29,188	11.5%	32,383
Deferred tax benefit released due to impairment of goodwill and other intangibles		-		(17,215)
Total income tax expense, as reported	11.8%	29,188	(3.2)%	15,168

## 17. Taxation (Cont'd)

### 17.2 Deferred income tax

Deferred tax assets and liabilities are offset when the deferred income taxes relate to the same fiscal authority and when there is a legally enforceable right to offset current tax assets against current tax liabilities. Income tax expense is discussed in Note 17.1.

The following amounts, determined after appropriate offsetting within a tax jurisdiction, are shown in the consolidated balance sheet:

	2021 US\$'000	2020 US\$'000
Deferred income tax assets	60,527	53,647
Deferred income tax liabilities	(101,093)	(84,203)
Deferred income tax liabilities, net	(40,566)	(30,556)

The gross differences between book and tax accounting, before netting were as follows:

	2021 US\$'000	2020 US\$'000
Gross deferred income tax assets	91,867	93,505
Gross deferred income tax liabilities	(132,433)	(124,061)
Deferred income tax liabilities, net	(40,566)	(30,556)

## 17. Taxation (Cont'd)

### 17.2 Deferred income tax (Cont'd)

The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, was as follows:

	Provisions US\$'000	Accelerated tax depreciation US\$'000	Tax losses US\$'000	Fair value (gains) / losses US\$'000	Others US\$'000	Total US\$'000
<b>FY19/20</b>						
<b>Deferred income tax assets</b>						
As of 31 March 2019	24,277	9,499	23,046	7,344	22,110	86,276
Currency translations	(193)	(743)	(626)	(7)	(496)	(2,065)
Credited / (charged) to income statement	(373)	8,375	(11,694)	228	353	(3,111)
Credited to equity	-	-	-	11,622	783	12,405
<b>Assets as of 31 March 2020</b>	<b>23,711</b>	<b>17,131</b>	<b>10,726</b>	<b>19,187</b>	<b>22,750</b>	<b>93,505</b>
<b>Deferred income tax (liabilities)</b>						
As of 31 March 2019	(2,589)	(13,926)	-	(102,214)	(31,277)	(150,006)
Currency translations	52	70	-	2,700	630	3,452
Credited to income statement	90	4,971	-	11,997	2,449	19,507
Credited / (charged) to equity	-	-	-	3,888	(902)	2,986
<b>(Liabilities) as of 31 March 2020</b>	<b>(2,447)</b>	<b>(8,885)</b>	<b>-</b>	<b>(83,629)</b>	<b>(29,100)</b>	<b>(124,061)</b>
<b>Deferred income tax assets / (liabilities), net as of 31 March 2020</b>	<b>21,264</b>	<b>8,246</b>	<b>10,726</b>	<b>(64,442)</b>	<b>(6,350)</b>	<b>(30,556)</b>
<b>FY20/21</b>						
<b>Deferred income tax assets</b>						
As of 31 March 2020	23,711	17,131	10,726	19,187	22,750	93,505
Currency translations	818	1,525	1,657	22	1,105	5,127
Credited / (charged) to income statement	5,008	5,353	93	(4,083)	1,609	7,980
(Charged) to equity	-	-	-	(12,489)	(2,256)	(14,745)
<b>Assets as of 31 March 2021</b>	<b>29,537</b>	<b>24,009</b>	<b>12,476</b>	<b>2,637</b>	<b>23,208</b>	<b>91,867</b>
<b>Deferred income tax (liabilities)</b>						
As of 31 March 2020	(2,447)	(8,885)	-	(83,629)	(29,100)	(124,061)
Currency translations	(135)	(332)	-	(5,974)	(1,018)	(7,459)
Credited / (charged) to income statement	1,991	(40)	-	10,711	(5,355)	7,307
Credited / (charged) to equity	-	-	-	(8,910)	690	(8,220)
<b>(Liabilities) as of 31 March 2021</b>	<b>(591)</b>	<b>(9,257)</b>	<b>-</b>	<b>(87,802)</b>	<b>(34,783)</b>	<b>(132,433)</b>
<b>Deferred income tax assets / (liabilities), net as of 31 March 2021</b>	<b>28,946</b>	<b>14,752</b>	<b>12,476</b>	<b>(85,165)</b>	<b>(11,575)</b>	<b>(40,566)</b>

Deferred income tax liabilities of US\$1.8 million (FY19/20: US\$1.8 million) have not been recognized in respect of the withholding or other tax payable on the unremitted profits of certain subsidiaries where the Company controls the dividend policy and it has been determined that these undistributed profits will not be distributed in the foreseeable future.

## 17. Taxation *(Cont'd)*

### 17.2 Deferred income tax *(Cont'd)*

The movement table describes the component parts of the deferred income tax assets and liabilities shown on the balance sheet.

#### Provisions:

Certain tax authorities do not allow provisions as deductions against current taxable profit until utilized, which gives rise to a different basis for calculating accounting and taxable profit.

#### Accelerated tax depreciation:

This represents the difference between the rate of depreciation which is charged against accounting profit and the accelerated rate of depreciation which is charged against taxable profit.

#### Tax losses:

This represents the value of current tax losses that can be offset against future taxable profits to reduce future taxation charges. As of 31 March 2021, the Group's subsidiaries in Canada had accumulated net operating losses carried forward of US\$23.3 million (31 March 2020: the USA of US\$5.7 million, Canada of US\$30.5 million and Japan of US\$1.1 million respectively) to offset future taxable income.

#### Fair value (gains) / losses:

The extent to which a change in value resulting from the reassessment of an asset's carrying value is not treated as current year taxable income until realized.

#### Others:

This mainly represents other temporary differences arising from taxation on profit distribution from foreign subsidiaries, unrealized profits on unsold inventory from intragroup sales, tax credits available to offset future tax payments, temporary differences arising from deduction of expenses and adjustments from past reorganizations and the capitalization of engineering development costs.



## 17. Taxation (Cont'd)

### 17.2 Deferred income tax (Cont'd)

The recoverability of the deferred tax assets and liabilities was as follows:

	2021 US\$'000	2020 US\$'000
Deferred income tax assets:		
Deferred income tax assets to be recovered after more than twelve months	64,226	72,027
Deferred income tax assets to be recovered within twelve months	27,641	21,478
Deferred income tax assets	91,867	93,505
Deferred income tax liabilities:		
Deferred income tax liabilities to be settled after more than twelve months	(109,806)	(109,466)
Deferred income tax liabilities to be settled within twelve months	(22,627)	(14,595)
Deferred income tax liabilities	(132,433)	(124,061)
Deferred income tax liabilities, net	(40,566)	(30,556)

The movement on the deferred income tax account, net was as follows:

	2021 US\$'000	2020 US\$'000
At beginning of the year, net (liability)	(30,556)	(63,730)
Currency translations	(2,332)	1,387
Credited to income statement (Note 17.1)	15,287	16,396
(Charged) / credited to equity	(22,965)	15,391
At end of the year, net (liability)	(40,566)	(30,556)

## 17. Taxation (Cont'd)

### 17.2 Deferred income tax (Cont'd)

The deferred income tax (charged) / credited to equity in FY20/21 and FY19/20 was as follows:

	2021 US\$'000	2020 US\$'000
Net fair value (gains) / losses of hedging instruments	(21,399)	15,558
Remeasurements of defined benefit plans (Note 20)	(1,555)	(175)
Remeasurements of long service payment (Note 20)	(11)	8
	<b>(22,965)</b>	15,391

Deferred income tax assets are recognized for tax losses carried forward to the extent that it is probable that future taxable profit or temporary differences will be available against which the unused tax losses can be utilized.

The movement in the Group's unrecognized tax losses for FY20/21 and FY19/20 is presented below:

	2021 US\$'000	2020 US\$'000
At beginning of the year	51,201	56,921
Currency translations	58	(1,764)
(Utilized / recognized) during the year	(3,616)	(3,008)
(Reduction) for tax positions of prior years	(3,358)	(948)
At end of the year	<b>44,285</b>	51,201

Deferred income tax assets in respect of tax losses amounting to US\$44.3 million (FY19/20: US\$51.2 million) have not been recognized primarily due to the uncertainty over the availability of future profit generation or temporary differences in the legal entities where such losses were incurred.

## 17. Taxation (Cont'd)

### 17.2 Deferred income tax (Cont'd)

The ageing of unrecognized tax losses by expiry date is as follows:

	2021 US\$'000	2020 US\$'000
Less than 1 year	334	4,702
1 – 2 years	960	2,324
2 – 5 years	2,098	1,451
5 – 20 years	21,805	24,731
Unlimited	19,088	17,993
	<b>44,285</b>	51,201

Deferred income tax assets have not been recognized with respect to other deductible temporary differences amounting to US\$1.8 million (FY19/20: US\$1.5 million) for which no taxable profit or temporary differences will be available to offset the deductible temporary difference.

#### **Accounting policy**

The tax expense for the period comprises current and deferred tax. Tax is recognized in the income statement, except to the extent that it relates to items recognized in comprehensive income or directly in equity. In this case, the tax is also recognized in comprehensive income or directly in equity.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company's subsidiaries and associate operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The Group measures its tax balances either based on the most likely amount or expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit and loss at the time of such a transaction. Deferred income tax is determined using tax rates enacted or substantively enacted at the balance sheet date or expected to be applied in future.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

The deferred tax liability in relation to investment property that is measured at fair value is determined assuming the property will be recovered entirely through use.

Deferred income tax liability is recognized in respect of the undistributed profits of subsidiaries which is expected to be distributed in the foreseeable future.

## 18. 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
At beginning of the year	69,680	74,245
Currency translation	7,161	(3,523)
Accrued interest (Note 24)	1,242	1,470
Fair value gains * (Note 21 & 29)	(6,395)	(2,512)
At end of the year	71,688	69,680

\* The fair value gains represent the estimated reduction in the put option liability as well as the revaluation of the monetary liability from Korea Won to British Pound (which is the functional currency of the holding company)

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

## 19. Share Capital

	Share capital – ordinary shares (thousands)	Shares held for incentive share schemes (thousands)	Total shares (thousands)
As of 31 March 2019	885,004	(13,145)	871,859
Shares purchased by trustee for the incentive share schemes	-	(3,477)	(3,477)
Shares vested to Directors and employees for the incentive share schemes	-	4,917	4,917
Shares issued in lieu of cash dividends	17,644	-	17,644
Scrip dividend for shares held for the incentive share schemes	-	(308)	(308)
As of 31 March 2020	902,648	(12,013)	890,635
Shares purchased by trustee for the incentive share schemes	-	(1,524)	(1,524)
Shares vested to Directors and employees for the incentive share schemes	-	2,065	2,065
Shares issued in lieu of cash dividends	1,167	-	1,167
Scrip dividend for shares held for the incentive share schemes	-	(100)	(100)
As of 31 March 2021	<b>903,815</b>	<b>(11,572)</b>	<b>892,243</b>

As of 31 March 2021, the total authorized number of ordinary shares was 1,760.0 million (31 March 2020: 1,760.0 million) with a par value of HK\$0.05 per share (31 March 2020: HK\$0.05 per share). All issued shares were fully paid.

## 19. Share Capital (Cont'd)

	Share capital – ordinary shares US\$'000	Shares held for the incentive share schemes US\$'000	Share premium US\$'000	Total US\$'000
As of 31 March 2019	5,709	(44,427)	13,265	(25,453)
Shares purchased by trustee for the incentive share schemes	-	(6,321)	-	(6,321)
Shares vested to Directors and employees for the incentive share schemes	-	15,210	(3,648)	11,562
Shares issued in lieu of cash dividends	113	-	32,179	32,292
Scrip dividend for shares held for the incentive share schemes	-	(576)	-	(576)
As of 31 March 2020	5,822	(36,114)	41,796	11,504
Shares purchased by trustee for the incentive share schemes	-	(3,783)	-	(3,783)
Shares vested to Directors and employees for the incentive share schemes	-	6,121	1,181	7,302
Shares issued in lieu of cash dividends	8	-	2,752	2,760
Scrip dividend for shares held for the incentive share schemes	-	(236)	-	(236)
As of 31 March 2021	<b>5,830</b>	<b>(34,012)</b>	<b>45,729</b>	<b>17,547</b>

### Scrip dividend

During the year, 1.2 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 interim dividend of FY20/21. The Group's scrip price was the average closing price in the period during 26 November 2020 to 2 December 2020 discounted by 4% on the average price – the actual scrip price was HK\$18.34 (US\$2.41). The date of allotment of the scrip shares was 12 January 2021.

### Cancellation of issued capital

A general mandate was approved and given to the Board by shareholders at the Company's AGM held on 15 July 2020 empowering the Board to repurchase shares up to 10% (90.3 million shares) of the aggregate nominal amount of the issued share capital of 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 FY20/21 for cancellation (FY19/20: nil).

## 19. Share Capital *(Cont'd)*

### **Incentive share schemes**

Share awards under the Long-Term Incentive Share Scheme ("Share Scheme") are granted to Directors, senior management and other employees as recommended by the Chairman and Chief Executive and approved by the Remuneration Committee of the Group. The Share Scheme was approved by the shareholders on 24 August 2009 and was further amended and approved by the shareholders on 20 July 2011. As of 31 March 2021, all of the units under this plan had been vested.

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

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

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

## 19. Share Capital (Cont'd)

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

	Number of unvested units granted (thousands)		
	Restricted Stock Units	Performance Stock Units	Total
Unvested units granted, as of 31 March 2019	6,678	6,085	12,763
Units granted to Directors and employees during the year	4,568	2,895	7,463
Units vested to Directors and employees during the year	(3,083)	(2,919)	(6,002)
Forfeited during the year	(288)	(270)	(558)
Unvested units granted, as of 31 March 2020	7,875	5,791	13,666
Units granted to Directors and employees during the year	4,706	2,033	6,739
Units vested to Directors and employees during the year	(1,815)	(698)	(2,513)
Forfeited during the year	(238)	(1,220)	(1,458)
Unvested units granted, as of 31 March 2021	<b>10,528</b>	<b>5,906</b>	<b>16,434</b>

The weighted average fair value of the unvested units granted during the year was HK\$14.21 (US\$1.82) (FY19/20: HK\$14.95 (US\$1.92)).

As of 31 March 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	1,724	1,459	3,183
FY22/23	4,172	2,525	6,697
FY23/24	4,510	1,922	6,432
FY25/26	122	-	122
Total unvested units granted	<b>10,528</b>	<b>5,906</b>	<b>16,434</b>

\* Shares are typically vested on 1 June of the year



## 19. Share Capital (Cont'd)

### Accounting policy

#### (a) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any group company purchases the Company's equity share capital, the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity until the shares are vested, cancelled or reissued. Where such shares are subsequently sold or reissued, any consideration received (net of any directly attributable incremental transaction costs and the related income tax effects) is included in equity attributable to the Company's shareholders.

#### (b) Share-based compensation

The Group operates a number of share-based compensation plans, settled by equity, under which the entity receives services from employees as consideration for equity instruments of the Group. The fair value of such employee services is recognized as an expense. The total amount to be expensed is determined by reference to the fair value of the shares granted.

For share-based compensation settled by equity, shares granted to eligible employees for their services are charged as an expense based on the share price at the grant date.

Non-market vesting conditions are included in assumptions about the number of shares expected to vest. The total expense is recognized over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting period, the entity revises its estimates of the number of shares that are expected to vest. Any impact of the revision to original estimates are recognized in the income statement, with a corresponding adjustment to equity.

The grant by the Company of shares over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognized over the vesting period, with a credit to equity in the parent entity accounts.

## 20. Reserves

	Note	Capital reserve US\$'000	Goodwill on consolidation US\$'000	Exchange reserve US\$'000	Share-based employee compensation reserve US\$'000	Hedging reserve US\$'000	Miscellaneous reserves *	Retained earnings US\$'000	Total US\$'000
As of 31 March 2020		17,338	(233,885)	78,241	11,411	24,434	(11,260)	1,930,426	1,816,705
Hedging instruments									
– raw material commodity contracts									
– fair value gains, net		-	-	-	-	92,988	-	-	92,988
– transferred to inventory and subsequently recognized in the income statement	7(f)	-	-	-	-	(4,748)	-	-	(4,748)
– deferred income tax effect		-	-	-	-	(14,560)	-	-	(14,560)
– forward foreign currency exchange contracts									
– fair value gains, net		-	-	-	-	67,140	-	-	67,140
– transferred to income statement		-	-	-	-	(30,227)	-	-	(30,227)
– deferred income tax effect		-	-	-	-	(6,839)	-	-	(6,839)
– net investment hedge									
– fair value (losses), net		-	-	(28,250)	-	-	-	-	(28,250)
Defined benefit plans									
– remeasurements	15	-	-	-	-	-	-	11,296	11,296
– deferred income tax effect	17	-	-	-	-	-	-	(1,555)	(1,555)
Long service payment									
– remeasurements	15	-	-	-	-	-	-	13	13
– deferred income tax effect	17	-	-	-	-	-	-	(11)	(11)
Currency translations of subsidiaries		-	-	111,207	-	(211)	-	-	110,996
Currency translations of associate		-	-	160	-	-	-	-	160
Net comprehensive income recognized directly in equity		-	-	83,117	-	103,543	-	9,743	196,403
Profit for the year		-	-	-	-	-	-	212,035	212,035
Total comprehensive income for the year		-	-	83,117	-	103,543	-	221,778	408,438
Appropriation of retained earnings to statutory reserve		-	-	-	-	-	1,867	(1,867)	-
Incentive share schemes									
– shares vested		-	-	-	(6,552)	-	-	-	(6,552)
– vested by cash settlement		-	-	-	(1,515)	-	-	-	(1,515)
– value of employee services		-	-	-	9,536	-	-	-	9,536
FY20/21 interim dividend paid									
– cash paid		-	-	-	-	-	-	(17,034)	(17,034)
– shares issued in respect of scrip dividend		-	-	-	-	-	-	(2,760)	(2,760)
– scrip dividend for shares held for the incentive share schemes		-	-	-	-	-	-	236	236
		-	-	83,117	1,469	103,543	1,867	200,353	390,349
As of 31 March 2021		<b>17,338</b>	<b>(233,885)</b>	<b>161,358</b>	<b>12,880</b>	<b>127,977</b>	<b>(9,393)</b>	<b>2,130,779</b>	<b>2,207,054</b>
Final dividend proposed	27	-	-	-	-	-	-	39,019	39,019
Others		17,338	(233,885)	161,358	12,880	127,977	(9,393)	2,091,760	2,168,035
As of 31 March 2021		<b>17,338</b>	<b>(233,885)</b>	<b>161,358</b>	<b>12,880</b>	<b>127,977</b>	<b>(9,393)</b>	<b>2,130,779</b>	<b>2,207,054</b>

\* Miscellaneous reserves mainly represent property revaluation reserve, statutory reserve and reserve arising from put option written to a non-controlling interest

## 20. Reserves (Cont'd)

	Note	Capital reserve US\$'000	Goodwill on consolidation US\$'000	Exchange reserve US\$'000	Share-based employee compensation reserve US\$'000	Hedging reserve US\$'000	Miscellaneous reserves * US\$'000	Retained earnings US\$'000	Total US\$'000
As of 31 March 2019		17,338	(233,885)	116,896	19,587	114,562	(9,984)	2,488,138	2,512,652
Hedging instruments									
– raw material commodity contracts									
– fair value (losses), net		-	-	-	-	(35,654)	-	-	(35,654)
– transferred to inventory and subsequently recognized in the income statement	7(f)	-	-	-	-	(4,751)	-	-	(4,751)
– deferred income tax effect		-	-	-	-	6,667	-	-	6,667
– forward foreign currency exchange contracts									
– fair value (losses), net		-	-	-	-	(43,380)	-	-	(43,380)
– transferred to income statement		-	-	-	-	(21,482)	-	-	(21,482)
– deferred income tax effect		-	-	-	-	8,891	-	-	8,891
– net investment hedge									
– fair value gains, net		-	-	31,011	-	-	-	-	31,011
Defined benefit plans									
– remeasurements	15	-	-	-	-	-	-	(7,483)	(7,483)
– deferred income tax effect	17	-	-	-	-	-	-	(175)	(175)
Long service payment									
– remeasurements	15	-	-	-	-	-	-	(122)	(122)
– deferred income tax effect	17	-	-	-	-	-	-	8	8
Currency translations of subsidiaries		-	-	(69,544)	-	(419)	-	-	(69,963)
Currency translations of associate		-	-	(122)	-	-	-	-	(122)
Net comprehensive (expenses) recognized directly in equity		-	-	(38,655)	-	(90,128)	-	(7,772)	(136,555)
(Loss) for the year		-	-	-	-	-	-	(493,657)	(493,657)
Total comprehensive (expenses) for the year		-	-	(38,655)	-	(90,128)	-	(501,429)	(630,212)
Appropriation of retained earnings to statutory reserve		-	-	-	-	-	(582)	582	-
Convertible bonds									
– release of equity component upon redemption / repurchase		-	-	-	-	-	(694)	500	(194)
Incentive share schemes									
– shares vested		-	-	-	(11,222)	-	-	-	(11,222)
– vested by cash settlement		-	-	-	(2,427)	-	-	-	(2,427)
– value of employee services		-	-	-	5,473	-	-	-	5,473
FY18/19 final dividend paid									
– cash paid		-	-	-	-	-	-	(13,565)	(13,565)
– shares issued in respect of scrip dividend		-	-	-	-	-	-	(24,797)	(24,797)
– scrip dividend for shares held for the incentive share schemes		-	-	-	-	-	-	374	374
FY19/20 interim dividend paid									
– cash paid		-	-	-	-	-	-	(12,084)	(12,084)
– shares issued in respect of scrip dividend		-	-	-	-	-	-	(7,495)	(7,495)
– scrip dividend for shares held for the incentive share schemes		-	-	-	-	-	-	202	202
		-	-	(38,655)	(8,176)	(90,128)	(1,276)	(557,712)	(695,947)
As of 31 March 2020		17,338	(233,885)	78,241	11,411	24,434	(11,260)	1,930,426	1,816,705
Final dividend proposed	27	-	-	-	-	-	-	-	-
Others		17,338	(233,885)	78,241	11,411	24,434	(11,260)	1,930,426	1,816,705
As of 31 March 2020		17,338	(233,885)	78,241	11,411	24,434	(11,260)	1,930,426	1,816,705

\* Miscellaneous reserves mainly represent property revaluation reserve, equity component of convertible bonds (net of tax), statutory reserve and reserve arising from put option written to a non-controlling interest

## 21. Other Income and (Expenses)

	2021 US\$'000	2020 US\$'000
Gross rental income from investment property	1,915	3,018
Net gains on financial assets and liabilities at fair value through profit and loss	7,780	29
Fair value gains on put option written to a non-controlling interest (Note 18)	6,395	2,512
Gains / (losses) on disposal of property, plant and equipment	1,786	(985)
Fair value gains / (losses) on investment property	2,192	(387)
Fair value gains, net of transaction costs and other adjustments, on divestment of an investment property	-	41,096
Unrealized net (losses) / gains on other financial assets and liabilities (Note 7(f))	(23,137)	29,476
Unrealized net gains / (losses) from revaluation of monetary assets and liabilities	18,761	(1,129)
Unrealized net (losses) / gains on structured foreign currency contracts	(13,458)	27,967
Subsidies and other income	27,731	19,370
Other income and (expenses)	29,965	120,967

### Accounting policy

(a) Rental income

Rental income is recognized on a straight-line basis over the period of the lease.

(b) Government grants

Grants from the government are recognized at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to future operating costs are recognized in the income statement over the period necessary to match them with the costs that they are intended to compensate.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in income statement in the period in which they become receivable.

Government grants relating to assets are included in liabilities as deferred government grants and are credited to the income statement on a straight-line basis over the expected lives of the related assets.

## 22. Selling and Administrative Expenses

	2021 US\$'000	2020 US\$'000
Selling expenses	113,416	108,470
Administrative expenses	376,130	365,821
Legal and warranty	18,433	13,037
Net (gains) on realization of other financial assets and liabilities (Note 7(f))	(39,158)	(43,735)
Net (gains) / losses on realization of monetary assets and liabilities	(75)	9,390
Net (gains) on realization of structured foreign currency exchange contracts	(1,486)	(349)
<b>Selling and administrative expenses</b>	<b>467,260</b>	<b>452,634</b>

## 23. Restructuring and Other Costs

	2021 US\$'000	2020 US\$'000
Restructuring costs	13,076	-
Impairment of property, plant and equipment	8,331	-
Other costs	6,100	-
<b>Restructuring and other costs</b>	<b>27,507</b>	<b>-</b>

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

## 24. Finance Income / (Cost), Net

	2021 US\$'000	2020 US\$'000
Interest income	3,087	2,779
Interest expense on:		
Borrowings	(910)	(7,566)
Bonds	(12,962)	(12,927)
Convertible bonds	-	(35)
	<b>(13,872)</b>	<b>(20,528)</b>
Accrued interest on put option written to a non-controlling interest * (Note 18)	(1,242)	(1,470)
Interest expense capitalized **	1,598	2,384
Total interest expense	<b>(13,516)</b>	<b>(19,614)</b>
Net finance (cost) (Note 29)	<b>(10,429)</b>	<b>(16,835)</b>

\* 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 (FY19/20: 2.9% per annum)

Borrowings are discussed in Note 14.

### **Accounting policy**

Interest income is recognized when it is earned on a time-proportion basis using the effective interest method.

## 25. Expenses by Nature

Operating profit was stated after crediting and charging the following:

	2021 US\$'000	2020 US\$'000
Depreciation		
Depreciation of property, plant and equipment (Note 3)	221,008	205,126
Less: amounts capitalized in assets under construction	(1,304)	(1,361)
Net depreciation (Note 29)	<b>219,704</b>	<b>203,765</b>
Engineering expenditure		
Engineering expenditure *	164,574	167,482
Less: capitalization of engineering development costs (Note 5)	(5,642)	(9,119)
Net engineering expenditure	<b>158,932</b>	<b>158,363</b>

## 25. Expenses by Nature *(Cont'd)*

Operating profit was stated after crediting and charging the following: *(Cont'd)*

	2021 US\$'000	2020 US\$'000
Employee compensation		
Wages and salaries	799,217	804,273
Share-based payments	9,536	5,473
Social security costs	97,644	84,548
Pension costs - defined benefit plans (Note 15.1)	7,093	2,205
Pension costs - defined contribution plans (Note 15.2)	8,503	8,890
	<b>921,993</b>	905,389
Less: amounts capitalized in assets under construction	<b>(3,600)</b>	(4,640)
	<b>918,393</b>	900,749
Other items:		
Cost of goods sold **	2,432,869	2,398,222
Auditors' remuneration	2,732	2,683
Amortization of intangible assets (Note 5 & 29)	31,327	41,376
Impairment of property, plant and equipment (Note 3 & 29)	13,059	4,940
Impairment of goodwill and other intangible assets (Note 5 & 29)	-	795,505
Impairment of trade receivables / bad debt expense (Note 10)	1,338	205

In FY20/21, the Group received a total sum of US\$48.8 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 5.2% in FY20/21 (FY19/20: 5.5%)

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

### **Accounting policy**

#### (a) Profit sharing and bonus plans

The Group recognize charges for profit sharing and bonus plans due wholly within twelve months after balance sheet date when it has a legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

#### (b) Judgemental accruals and provisions

Judgemental accruals and provisions are recognized when the company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made.

## 26. 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 year excluding ordinary shares purchased by the Company and held for the incentive share schemes.

	2021	2020
Profit / (loss) attributable to shareholders (thousands US Dollar)	212,035	(493,657)
Weighted average number of ordinary shares in issue (thousands)	892,035	884,018
Basic earnings per share (US cents per share)	23.77	(55.84)
Basic earnings per share (HK cents per share)	184.28	(436.51)

### 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.

	2021	2020
Profit / (loss) attributable to shareholders (thousands US Dollar)	212,035	(493,657)
Adjustments for convertible bonds		
– interest (thousands US Dollar)	-	35
Adjusted profit / (loss) attributable to shareholders (thousands US Dollar)	212,035	(493,622)
Weighted average number of ordinary shares issued and outstanding (thousands)	892,035	884,018
Adjustments for incentive shares granted		
– incentive share schemes - Restricted Stock Units	5,262	3,005
– incentive share schemes - Performance Stock Units	1,207	698
Adjustments for convertible bonds		
– assumed conversion of convertible bonds	-	951
Weighted average number of ordinary shares (diluted) (thousands)	898,504	888,672
Diluted earnings per share (US cents per share)	23.60	(55.55)
Diluted earnings per share (HK cents per share)	182.95	(434.19)



## 27. Dividends

	2021 US\$'000	2020 US\$'000
Interim, of 17 HK cents (2.18 US cents) per share, paid in January 2021 (FY19/20: 17 HK cents or 2.18 US cents)	19,563	19,297
Final, proposed, of 34 HK cents (4.36 US cents) per share, to be paid in September 2021 (FY19/20: nil) (Note 20)	39,019 *	-
	<b>58,582</b>	19,297

\* Proposed dividend, with a scrip dividend option offered to shareholders, is calculated based on the total number of shares as of 31 March 2021. The final dividend will be payable on 2 September 2021 to shareholders registered on 23 July 2021

For FY20/21 interim dividends, scrip dividend elections were offered to all shareholders and shareholders accounting for approximately 14% of total issued shares elected for scrip dividends. Total share costs of the scrip shares were HK\$21 million (US\$2.8 million). Dividends for shares held by incentive share schemes of US\$0.2 million were deducted from the total dividends.

At a meeting held on 12 May 2021 the Directors recommended a final dividend of 34 HK cents (4.36 US cents) per share to be paid out in September 2021. The recommended final dividend will be reflected as an appropriation of retained earnings for FY21/22.

Dividends for the periods FY11/12 through FY20/21 are shown in the table below:

	Interim HK cents per share	Final HK cents per share	Total HK cents per share	Total dividend US\$'000
FY11/12 *	12.0	28.0	40.0	46,118
FY12/13 *	12.0	32.0	44.0	50,396
FY13/14 *	12.0	34.0	46.0	52,648
FY14/15	14.0	34.0	48.0	53,290
FY15/16	15.0	34.0	49.0	54,117
FY16/17	16.0	34.0	50.0	55,323
FY17/18	17.0	34.0	51.0	56,123
FY18/19	17.0	34.0	51.0	56,594
FY19/20	17.0	-	17.0	19,297
FY20/21	17.0	34.0	51.0	58,582

\* The interim and final dividends per share for prior periods have been adjusted to reflect the impact of the 1 for 4 share consolidation in FY14/15

### **Accounting policy**

Dividend distribution to the Company's shareholders is recognized as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

## 28. Commitments

### 28.1 Capital commitments

	2021 US\$'000	2020 US\$'000
Capital commitments, contracted but not provided for:		
Property, plant and equipment	<b>104,735</b>	65,658

### 28.2 Non-cancellable operating leases

The Group's future aggregate minimum lease rental receivables under non-cancellable operating leases on land and buildings as of 31 March 2021 and 31 March 2020 were as follows:

	2021 US\$'000	2020 US\$'000
Less than 1 year	<b>1,419</b>	1,276
1 - 2 year	<b>1,273</b>	1,233
2 - 3 year	<b>1,262</b>	1,135
3 - 4 year	<b>1,283</b>	1,176
4 - 5 year	<b>1,283</b>	1,195
Over 5 years	<b>1,693</b>	2,773
	<b>8,213</b>	8,788

#### Accounting policy

Lease income from operating leases where the Group is a lessor is recognized in income on a straight-line basis over lease term (Note 3 and 4). The respective leased assets are included in the consolidated balance sheet based on their natures. The Group did not need to make any adjustments to the accounting for assets held as lessor as a result of adopting the new leasing standard.

## 29. Cash Generated from Operations

	2021 US\$'000	2020 US\$'000
Profit / (loss) before income tax	248,381	(471,703)
Add: Depreciation of property, plant and equipment (Note 25)	219,704	203,765
Amortization of intangible assets (Note 5 & 25)	31,327	41,376
Net finance costs (Note 24)	10,429	16,835
Associate dividend receipts less share of profits	(206)	491
<b>EBITDA*</b>	<b>509,635</b>	<b>(209,236)</b>
<b>Other non-cash items</b>		
(Gains) / losses on disposal of property, plant and equipment	(1,786)	985
Impairment of property, plant and equipment (Note 3 & 25)	13,059	4,940
Impairment of goodwill and other intangible assets (Note 5 & 25)	-	795,505
Net (gains) on financial assets and liabilities at fair value through profit and loss	(7,780)	(29)
Fair value (gains) on put option written to a non-controlling interest (Note 18)	(6,395)	(2,512)
Share-based payments	8,771	3,386
Fair value (gains) / losses on investment property	(2,192)	387
Fair value (gains), net of transaction costs and other adjustments, on divestment of an investment property	-	(41,096)
Unrealized net losses / (gains) on structured foreign currency contracts	13,458	(27,967)
	<b>17,135</b>	<b>733,599</b>
<b>EBITDA * net of other non-cash items</b>	<b>526,770</b>	<b>524,363</b>
<b>Change in working capital</b>		
(Increase) in inventories	(88,165)	(23,030)
(Increase) / decrease in trade and other receivables	(131,797)	102,380
(Increase) / decrease in other non-current assets	(1,998)	763
Increase in trade and other payables	123,268	20,933
Increase / (decrease) in retirement benefit obligations **	304	(2,663)
Increase in provision and other liabilities	19,539	704
Change in other financial assets and liabilities	36,418	(17,170)
	<b>(42,431)</b>	<b>81,917</b>
<b>Cash generated from operations</b>	<b>484,339</b>	<b>606,280</b>

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

\*\* Net of defined benefit pension plan assets

In FY20/21, short-term lease payments, payments for leases of low-value assets and variable lease payments not included in the measurement of the lease liability within operating activities was US\$3.4 million of which US\$0.1 million was recognized in "Cost of goods sold" and US\$3.3 million was recognized in "Selling and administrative expenses" (FY19/20: US\$5.0 million, US\$1.4 million in "Cost of goods sold" and US\$3.6 million in "Selling and administrative expenses").

## 29. Cash Generated from Operations (Cont'd)

In the cash flow statement, proceeds from disposal of property, plant and equipment comprise:

	2021 US\$'000	2020 US\$'000
Net book amount	1,064	2,001
Gains / (losses) on disposal of property, plant and equipment (Note 21)	1,786	(985)
Proceeds from disposal of property, plant and equipment	2,850	1,016

## 30. Post Balance Sheet Event

On 19 March 2021, the Group entered into an agreement to acquire the entire share capital of E.Zimmermann GmbH ("Zimmermann") for consideration of EUR 24 million (US\$28 million), subject to post-closing adjustments and transaction expenses.

Zimmermann, located in Germany, is a leading machinery 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 transaction is expected to close in May 2021, subject to customary conditions including regulatory approval. The consideration is payable in cash on completion and will be financed from the Group's cash reserves.

The process of determining the fair value of Zimmermann and the related purchase price allocation has not been completed as of 12 May 2021, therefore it is impractical to disclose the goodwill and major assets and liabilities assumed in the acquisition.

Transaction costs of US\$0.4 million were incurred in FY20/21 and have been recognized in the income statement within selling and administrative expenses.

## Johnson Electric Group Ten-Year Summary

US\$ million	2021	2020	2019
<b>Consolidated income statement</b>			
Sales	3,156.2	3,070.5	3,280.4
Earnings before interest and tax (EBIT) <sup>1</sup>	258.8	(454.9)	344.4
Profit / (loss) before income tax	248.4	(471.7)	327.9
Income tax expense	(29.2)	(15.2)	(38.3)
Profit / (loss) for the year	219.2	(486.9)	289.6
Non-controlling interests	(7.2)	(6.8)	(8.3)
Profit / (loss) attributable to shareholders	212.0	(493.7)	281.3
<b>Consolidated balance sheet</b>			
Fixed assets	1,548.5	1,405.0	1,351.4
Goodwill and intangible assets	245.0	246.1	1,109.7
Cash and cash equivalents	539.5	384.4	340.0
Other current and non-current assets	1,685.4	1,424.9	1,476.9
Total assets	4,018.4	3,460.4	4,278.0
Equity attributable to shareholders	2,224.6	1,828.2	2,487.2
Non-controlling interests	83.4	73.5	71.3
Total equity	2,308.0	1,901.7	2,558.5
Total debt <sup>2</sup>	426.2	415.5	685.7
Other current and non-current liabilities	1,284.2	1,143.2	1,033.8
Total equity and liabilities	4,018.4	3,460.4	4,278.0
<b>Per share data <sup>3</sup></b>			
Basic earnings per share (US cents)	23.8	(55.8)	32.5
Dividend per share (US cents)	6.5	2.2	6.5
Closing stock price (HKD)	20.9	12.2	18.2
<b>Other information</b>			
Free cash flow from operations <sup>4</sup>	171.1	258.4	73.5
Earnings before interest, tax and amortization (EBITA) <sup>5</sup>	335.5	284.5	332.9
EBITA to sales %	10.6%	9.3%	10.1%
Earnings before interest, tax, depreciation and amortization (EBITDA) <sup>5</sup>	555.0	488.8	517.6
EBITDA to sales%	17.6%	15.9%	15.8%
Capital expenditure (CAPEX)	263.6	282.1	391.4
CAPEX to sales %	8.4%	9.2%	11.9%
Market capitalization	2,398.5	1,401.2	2,019.2
Enterprise value (EV)	2,368.6	1,505.8	2,436.2
<b>Ratios</b>			
Return on average total equity % <sup>6</sup>	10.4%	(21.8)%	11.8%
Total debt to capital %	16%	18%	21%
Free cash flow from operations to gross debt %	33%	48%	9%
Gross debt to EBITDA (times) <sup>5</sup>	0.9	1.1	1.6
EV / EBITDA <sup>5</sup>	4.3	3.1	4.7
Interest coverage (times) <sup>5 &amp; 7</sup>	24.2	13.9	17.7

1 Earnings before interest and tax (EBIT) is defined as operating profit plus share of profits / (losses) of associates

2 Total debt calculated as borrowings plus convertible bonds

3 Per share data had been adjusted to reflect the impact of a 1 for 4 share consolidation on 15 July 2014

4 Net interest received, net capital expenditure and capitalization of engineering development costs are included in free cash flow from operations

5 We adjusted EBITA and EBITDA to exclude the impairment of goodwill and other intangible assets and significant non-cash, divested items and restructuring costs. Where a business is acquired part way through the year, we adjusted EBITA and EBITDA to include 12 months for that year on a pro forma basis. EBITDA for FY11/12 to FY18/19 included a corresponding adjustment to annual lease expense on the effect of adoption of HKFRS 16 in FY19/20

6 Return on average total equity is calculated as profit for the year divided by average total equity during the year

7 Interest coverage (times) is calculated as adjusted EBITA (see note 5) divided by gross interest expense, adjusted to exclude notional interest on the Halla Stackpole put option and to include capitalized interest

2018	2017	2016	2015	2014	2013	2012
3,236.6	2,776.1	2,235.9	2,136.1	2,097.6	2,059.7	2,140.8
336.3	300.3	209.8	243.5	233.9	213.2	221.6
322.8	290.3	206.6	249.0	243.0	218.0	220.5
(48.6)	(43.8)	(23.9)	(29.2)	(28.1)	(21.1)	(31.6)
274.2	246.5	182.7	219.8	214.9	196.9	188.9
(10.2)	(8.6)	(10.0)	(8.9)	(7.0)	(5.6)	(2.2)
264.0	237.9	172.7	210.9	207.9	191.3	186.7
1,214.6	892.8	759.0	492.6	460.6	425.6	433.1
1,178.6	1,076.7	1,083.4	595.6	650.7	621.5	757.8
168.9	127.7	193.3	773.2	644.0	480.9	385.1
1,440.1	1,257.5	1,113.7	986.6	745.4	715.9	704.0
4,002.2	3,354.7	3,149.4	2,848.0	2,500.7	2,243.9	2,280.0
2,298.4	1,992.2	1,842.6	1,862.3	1,732.3	1,568.5	1,461.6
67.4	32.8	42.2	38.6	34.0	30.3	25.9
2,365.8	2,025.0	1,884.8	1,900.9	1,766.3	1,598.8	1,487.5
492.2	384.0	422.5	291.3	116.9	125.0	205.4
1,144.2	945.7	842.1	655.8	617.5	520.1	587.1
4,002.2	3,354.7	3,149.4	2,848.0	2,500.7	2,243.9	2,280.0
30.6	27.7	20.1	24.1	23.4	21.4	20.7
6.5	6.4	6.3	6.2	5.9	5.6	5.1
29.5	23.2	24.0	27.3	28.7	23.1	19.3
104.5	176.2	86.0	170.8	246.6	128.3	183.4
402.3	345.3	283.0	284.7	258.4	233.5	249.8
12.4%	12.4%	12.7%	13.3%	12.3%	11.3%	11.7%
569.7	478.1	390.3	373.6	343.5	319.8	335.0
17.6%	17.2%	17.5%	17.5%	16.4%	15.5%	15.6%
305.8	240.2	186.2	119.9	92.2	82.6	91.3
9.4%	8.7%	8.3%	5.6%	4.4%	4.0%	4.3%
3,236.1	2,565.6	2,643.3	3,032.5	3,282.2	2,646.2	2,229.5
3,626.7	2,854.7	2,914.7	2,589.3	2,789.1	2,320.5	2,075.6
12.5%	12.6%	9.7%	12.0%	12.8%	12.8%	13.0%
17%	16%	18%	13%	6%	7%	12%
17%	35%	16%	43%	115%	55%	55%
1.1	1.1	1.4	1.1	0.6	0.7	1.0
6.4	6.0	7.5	6.9	8.1	7.3	6.2
29.7	31.1	30.1	33.7	141.2	86.5	36.4

# 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  
 31 Victoria Street  
 Hamilton HM 10  
 Bermuda

#### Hong Kong Head Office

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

#### Principal Bankers

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

#### Rating Agencies

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

### Listing Information

#### Share Listing

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

#### Stock Code

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

### Shareholders' Calendar

#### Annual General Meeting (AGM)

14 July 2021 (Wed)

#### Register of Shareholders

Closure of Register (both dates inclusive)  
 For attending AGM : 9 – 14 July 2021 (Fri – Wed)  
 For final dividend : 21 – 23 July 2021 (Wed – Fri)

#### Dividends (per Share)

Interim Dividend : 17 HK cents  
 Paid on : 12 January 2021 (Tue)  
Final Dividend : 34 HK cents  
 Dividend Warrants and Share  
 Certificates for Final Dividend : 2 September 2021 (Thu)

## Review of Annual Results

The Company's annual results for the year ended 31 March 2021 has been reviewed by the Audit Committee.

## Board of Directors

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

On behalf of the Board

**Patrick Shui-Chung WANG** *JP*

*Chairman and Chief Executive*

**Hong Kong, 12 May 2021**

*Johnson Electric is one of the constituent stocks on the Hang Seng Composite MidCap Index under the Hang Seng Composite Index, the Hang Seng Corporate Sustainability Benchmark Index, the Bloomberg World Index and the S&P Europe Pacific Asia Composite (EPAC) SmallCap Index. For further information, please visit [www.johnsonelectric.com](http://www.johnsonelectric.com).*