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Johnson Electric Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 179)

CONNECTED TRANSACTION ACQUISITION OF REMAINING 20% INTEREST IN HALLA STACKPOLE CORPORATION PURSUANT TO THE EXERCISE OF PUT OPTION

The Board of Johnson Electric announces that after trading hours on 9 September 2022, an indirect wholly-owned subsidiary of the Company entered into a Share Purchase Agreement with HL Holdings Corporation (formerly known as Halla Holdings Corporation) to acquire the Target Shares, representing the remaining 20% interest in Halla Stackpole Corporation for a total consideration of KRW70,270,615,036 (approximately US\$50.9 million) pursuant to the Put Option. On Completion of the Acquisition, Halla Stackpole Corporation will become an indirect wholly-owned subsidiary of the Company.

Completion of the Acquisition under the Share Purchase Agreement is conditional upon, among other things, the Purchaser obtaining all necessary approvals of relevant regulatory bodies in Korea.

As the Seller is a substantial shareholder of Halla Stackpole Corporation which is a subsidiary of the Company, the Seller is a connected person of the Company at the subsidiary level. Accordingly, the Acquisition constitutes a connected transaction of the Company as defined under the Listing Rules and is subject to the reporting and announcement requirements, but is exempt from the circular, independent financial advice and shareholders' approval requirements under Chapter 14A of the Listing Rules.

INTRODUCTION

The Board of Johnson Electric announces that after trading hours on 9 September 2022, the Purchaser entered into a Share Purchase Agreement with the Seller to acquire the Target Shares in HSC for a total consideration of KRW70,270,615,036 (approximately US\$50.9 million) pursuant to the Put Option.

On 16 May 2017, the Group acquired a 50% equity interest in HSC from the Seller (which was in addition to the 30% interest in HSC already owned by the Group). The Seller was granted the Put Option pursuant to which the Seller has the right to require the Group to acquire the Target Shares held by the Seller during the period from May 2022 to May 2026.

The Directors, including the independent non-executive Directors, consider that the Share Purchase Agreement, reflecting the terms of the Put Option, has been entered into the ordinary course of business of the Group on normal commercial terms, and is fair and reasonable and in the interests of the Company and its shareholders as a whole.

The prescribed particulars of the Acquisition and other information relating thereto are set out below:

THE SHARE PURCHASE AGREEMENT

Date

9 September 2022

Parties

Purchaser : Johnson Electric International (UK) Limited, an indirect wholly-owned subsidiary of the Company

Seller : HL Holdings Corporation (formerly known as Halla Holdings Corporation)

Subject of the Acquisition

Pursuant to the Share Purchase Agreement, the Seller, as the registered and beneficial owner of the Target Shares, agreed to sell and the Purchaser agreed to purchase the Target Shares pursuant to the exercise of the Put Option. Details of the Put Option have been disclosed in the notes to financial statements contained in the annual reports published by the Group.

Consideration

The consideration payable for the Target Shares is KRW70,270,615,036 (approximately US\$50.9 million) and was determined with reference to the EBITDA multiples and net debt of HSC Group for the fiscal year immediately preceding the fiscal year when the Put Option is exercised.

The consideration is payable in cash at Completion and will be financed from the Group's internal cash reserves and available credit facilities.

Completion and Conditions Precedent

Subject to satisfaction of regulatory approvals required for the transfer of the Target Shares and satisfaction or waiver of each of conditions set forth in the Share Purchase Agreement, Completion shall take place on 19 September 2022.

On Completion of the Acquisition, HSC will become an indirect wholly-owned subsidiary of the Company.

INFORMATION ON THE HSC GROUP

The HSC Group is a major manufacturer of powder metal components, primarily for automotive applications.

The HSC Group is headquartered in Ochang, Korea. It employs over 500 individuals at three manufacturing facilities, one in Korea, the other two in Beijing and Nanjing, China.

As of the date of this announcement, the HSC is an indirect non wholly-owned subsidiary of the Company and is owned as to 50% by the Purchaser, 30% by SIL (another indirect wholly-owned subsidiary of the Group) and 20% by the Seller.

The table below shows the consolidated financial information of HSC Group for two financial years ended 31 March 2022:

	For the year ended 31 March 2022 (audited) <i>KRW billion</i> <i>approximately</i>	For the year ended 31 March 2021 (audited) <i>KRW billion</i> <i>approximately</i>
(1) Net profits before taxation	23.6	22.7
(2) Net profits after taxation	18.2	17.7

As of 31 March 2022, the consolidated net asset value attributable to 20% of the equity interest of HSC Group was approximately KRW41.7 billion.

The original acquisition cost of the Target Shares to the Seller was KRW8.2 billion.

REASONS FOR AND BENEFITS OF THE ACQUISITION

Johnson Electric Group is a leading global manufacturer of electric motors, actuators, motion subsystems and related electro-mechanical components serving a range of end markets, including the automotive industry.

The Seller, a holding company, engages in aftermarket auto parts distribution and logistics business as its own business, and operates auto parts manufacturing and construction business through its subsidiaries.

The HSC Group has a strong presence in China and Korea, and specializes in the creation of powder metal parts, especially for automotive suspension, steering, braking and power transmission. As the automotive market transitions to electric vehicles, HSC's powder metal components, which are relatively lighter in weight, play an increasingly important role in delivering greater energy efficiency and improved performance compared to their conventional counterparts, while maintaining key functional requirements.

The Acquisition will enable the Group to gain full control over the management and operation of the HSC Group, further strengthen the Group's position in the electric vehicle market and enhance the sharing of global best practices within its global powder metal business.

The Directors, including the independent non-executive Directors, consider the Acquisition to be in the Group's strategic and commercial interest and on terms that are appropriate and reasonable.

IMPLICATIONS UNDER THE LISTING RULES

As the Seller is a substantial shareholder of HSC which is a subsidiary of the Company, the Seller is a connected person of the Company at the subsidiary level. Accordingly, the Acquisition constitutes a connected transaction of the Company as defined under the Listing Rules and is subject to the reporting and announcement requirements, but is exempt from the circular, independent financial advice and shareholders' approval requirements under Chapter 14A of the Listing Rules. This announcement is made in accordance with the requirements of Rule 14A.61 of the Listing Rules.

The Board has approved the Acquisition pursuant to the exercise of the Put Option. The independent non-executive Directors have confirmed that the terms of the Acquisition are fair and reasonable, the Acquisition is on normal commercial terms and in the interests of the Company and its shareholders as a whole. None of the Directors has any material interest in the Acquisition or was required to abstain from voting on the resolutions passed by the Board to approve the Acquisition.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms shall have the following meanings:

Acquisition	the acquisition of the Target Shares by the Purchaser from the Seller pursuant to the Share Purchase Agreement and the exercise of the Put Option
Board	the board of Directors
Company or Johnson Electric	Johnson Electric Holdings Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Stock Exchange

Completion	the completion of the sale and purchase of the Target Shares in accordance with the Share Purchase Agreement
connected person	has the meaning ascribed thereto under the Listing Rules
Directors	the directors of the Company
EBITDA	Earnings before interest, taxes, depreciation and amortisation
Group or Johnson Electric Group	the Company and its subsidiaries
Halla Stackpole (Beijing) Automotive Co., Ltd.	a wholly-owned subsidiary of HSC, a company incorporated and existing under the laws of People's Republic of China
Halla Stackpole (Nanjing) Automotive Co., Ltd.	a wholly-owned subsidiary of HSC, a company incorporated and existing under the laws of People's Republic of China
Hong Kong	the Hong Kong Special Administrative Region of the People's Republic of China
HSC	Halla Stackpole Corporation, a company incorporated and existing under the laws of Korea, an indirect non-wholly owned subsidiary of the Company. The Company currently indirectly owns 80% of the equity interests in HSC through the Purchaser and SIL, both are indirect wholly-owned subsidiaries of the Company
HSC Group	HSC together with Halla Stackpole (Beijing) Automotive Co., Ltd. and Halla Stackpole (Nanjing) Automotive Co., Ltd.
Korea	Republic of Korea
KRW	Korean Won(s), the lawful currency of Korea
Listing Rules	the Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time
Parties	Purchaser and Seller
Put Option	the option which requires the Group to purchase the Target Shares

Purchaser	Johnson Electric International (UK) Limited, a limited liability company incorporated in the United Kingdom, an indirect wholly-owned subsidiary of the Company
Seller	HL Holdings Corporation (formerly known as Halla Holdings Corporation), a holding company incorporated and existing under the laws of Korea
Share Purchase Agreement	a share purchase agreement dated 9 September 2022 and entered into between the Parties in relation to the sale and purchase of the Target Shares pursuant to the exercise of the Put Option
SIL	Stackpole Investments Limited, a limited liability company incorporated in the United Kingdom, an indirect wholly-owned subsidiary of the Company
Stock Exchange	The Stock Exchange of Hong Kong Limited
subsidiary	has the meaning ascribed thereto under the Listing Rules
Target Shares	the Seller's 1,512,000 shares representing 20% of the entire outstanding share capital of HSC
US\$	United States dollar(s), the lawful currency of the United States of America
%	Percentage

The translations of KRW into US\$ throughout this announcement, for reference purpose only, are based on the exchange rate of US\$1.00 to KRW1,380.7.

Board of Directors

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

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

Hong Kong, 9 September 2022

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