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Johnson Electric Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 179)

Discloseable Transaction Disposal of the Entire Issued Share Capital in a Subsidiary for HK\$948 million

The Board announces that, on 29 July 2019, two wholly-owned subsidiaries of the Company (the “Vendors”) entered into a Provisional Agreement with Fortune Creation Developments Limited 創福發展有限公司 (the “Purchaser”) for the disposal of the Sale Shares representing the entire issued share capital of Harbour Sky (BVI) Ltd. (the “Target Company”) and the sale and assignment of the Sale Loan to the Purchaser at the Consideration, which is HK\$948 million, subject to the Adjustment.

The Target Company is an indirect wholly-owned subsidiary of the Company which is the owner of a commercial property held for investment purposes at 14-16 Lee Chung Street, Hong Kong (the “Property”). On Completion, the Target Company will cease to be a subsidiary of the Company.

Completion is subject to the fulfillment or waiver of certain conditions precedent and therefore the Disposal may or may not proceed. Shareholders and potential investors should exercise caution when dealing in the shares of the Company.

As one or more of the applicable percentage ratios under Rule 14.07 of Chapter 14 of the Listing Rules exceed 5% but all of the applicable percentage ratios are less than 25%, the Disposal contemplated under the Provisional Agreement constitutes a discloseable transaction of the Company under the Listing Rules.

The Provisional Agreement

Date: 29 July 2019

Parties: (i) the Vendors, the wholly-owned subsidiaries of the Company;
(ii) the Purchaser; and
(iii) the Vendors’ Guarantor

Sale Interest: the Sale Shares and the Sale Loan

Consideration: HK\$948 million, subject to Adjustment

Particulars of the Disposal

On 29 July 2019, the Vendors, the Purchaser and the Vendors' Guarantor entered into a Provisional Agreement for the sale to the Purchaser of the entire issued share capital of the Target Company and the shareholder's loan owing by the Target Company.

Subject to the terms and conditions of the Provisional Agreement, the Vendors agreed to sell and the Purchaser agreed to purchase: (a) the Sale Shares, representing the entire issued share capital of the Target Company; and (b) the aggregate amount of the Sale Loan owed by the Target Company to Johnson Properties Ltd.

The performance of the Vendors' obligations under the Provisional Agreement is guaranteed by Vendors' Guarantor.

Consideration

The Consideration is a cash consideration of HK\$948 million, subject to the Adjustment. The Consideration is to be satisfied as follows:

- (a) the Purchaser has paid to the Vendors' solicitors an initial deposit of HK\$45 million upon signing of the Provisional Agreement;
- (b) the Purchaser shall pay to the Vendors' solicitors a further deposit of HK\$49.8 million within 40 business days from the date of the Provisional Agreement; and
- (c) the Purchaser shall pay to the Vendors the balance of the Consideration of HK\$853.2 million on Completion.

The Consideration was determined based on arm's length negotiations between the parties, having taken into account of various factors, including, among others, recent market transactions and the prevailing market conditions in Hong Kong.

Conditions Precedent

Completion is conditional upon the following conditions precedent being satisfied:

- (a) the Purchaser completes and is satisfied with the conduct and results of the due diligence review on the Target Company and the Property;
- (b) the Vendors shall have proved good title to the Sale Shares and the Sale Loan;
- (c) the Target Company shall be able to prove and give a good title to the Property in accordance with sections 13 and 13A of Conveyancing and Property Ordinance (Chapter 219 of the Laws of Hong Kong); and
- (d) the Vendors' warranties remain true, accurate and not misleading in a material respect at Completion.

Information on Johnson Electric Group and Parties to the Provisional Agreement

Johnson Electric Group is a global leader in electric motors, actuators, motion subsystems and related electro-mechanical components. It serves a broad range of industries including Automotive, Smart Metering, Medical Devices, Business Equipment, Home Automation, Ventilation, White Goods, Power Tools, and Lawn & Garden Equipment.

The Vendors, are the wholly-owned subsidiaries of the Company and the legal and beneficial owners of the entire issued share capital of the Target Company, the principal business activities of which are investment holding and property investment.

The Vendors' Guarantor, is a wholly-owned subsidiary of the Company, the principal business activities of which are manufacturing, sales and marketing and investment holding.

The Target Company is an indirect wholly-owned subsidiary of the Company. The Target Company is principally engaged in investment holding, holding the investment in the Property located at 14-16 Lee Chung Street, Hong Kong. On Completion, the Target Company will cease to be a subsidiary of the Company.

The Purchaser is a company incorporated under the laws of BVI and is a special purpose vehicle set up specifically to undertake the acquisition of the Target Company. The principal business activity of the Purchaser is investment holding.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Purchaser and the ultimate beneficial owners of the Purchaser are third parties independent of the Company and its connected persons.

Further information relating to the Sale Interest

As at 31 March 2019, the Property was valued at approximately HK\$610 million (equivalent to approximately US\$78 million) by an independent valuer. For the financial year ended 31 March 2018, the unaudited net loss before and after taxation of the Target Company were approximately US\$0.14 million and US\$0.11 million, respectively. For the financial year ended 31 March 2019, the unaudited net profits before and after taxation of the Target Company were approximately US\$11.51 million and US\$11.54 million, respectively.

Information on the Property

The Property owned by the Target Company situated at 14-16 Lee Chung Street, Hong Kong.

Reasons for and benefits of the Disposal

The Directors are of the view that the Disposal offers an opportunity for the Company to realise its investment in the Target Company and the Property, which is unrelated and considered non-core to the Company's primary business of manufacturing.

As a result of the Disposal, the Group will report an estimated net gain of approximately HK\$320 million (equivalent to approximately US\$41 million). This represents the Consideration from the Disposal, less (i) the carrying value of the Property based on professional valuation as of 31 March 2019, and (ii) all transaction costs (including legal costs, agency commission and others) and other adjustments in relation to the Disposal. The actual amount of net gain as a result of the Disposal to be recorded by the Company will be subject to the review and final audit by the auditor of the Company. The proceeds of the Disposal will be used for general working capital purposes of the Group.

The Directors consider that the terms of the Provisional Agreement are on normal commercial terms which are fair and reasonable, and the entering into of the Provisional Agreement is in the interests of the Group and the shareholders of the Company as a whole.

Listing Rules Implications

As one or more of the applicable percentage ratios under Rule 14.07 of Chapter 14 of the Listing Rules exceed 5% but all of the applicable percentage ratios are less than 25%, the Disposal contemplated under the Provisional Agreement constitutes a discloseable transaction of the Company under the Listing Rules.

As Completion depends on the fulfillment of certain terms and conditions under the Provisional Agreement, there remains the possibility that the Disposal may or may not proceed. Shareholders and potential investors should exercise caution when dealing in the shares of the Company.

Definitions

In this announcement the following expressions have the meanings set out below unless the context requires otherwise:

“Adjustment”	the Consideration shall be plus the net assets or minus the net liabilities (as the case may be) of the Target Company as shown in the proforma completion accounts and shall be further adjusted based on the completion accounts in accordance with the terms of the Provisional Agreement or formal agreement if executed
“Board”	the board of Directors
“BVI”	the British Virgin Islands
“Company”	Johnson Electric Holdings Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
“Completion”	completion of the Disposal, which will take place on or before 23 October 2019 or such other date as the parties to the Provisional Agreement shall agree in writing
“Connected persons”	shall have the meaning as ascribed to it under the Listing Rules
“Consideration”	the consideration for the Disposal
“Directors”	the directors of the Company
“Disposal”	the sale of the Sale Shares and the Sales Loan pursuant to the Provisional Agreement
“Group” or “Johnson Electric Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Property”	all those the estate right title and interest of and in the pieces of land registered at the Land Registry as Chai Wan Inland Lot No. 12 and Chai Wan Inland Lot No. 43 (also known as 14-16 Lee Chung Street, Hong Kong) together with the messuages and buildings erected thereon
“Provisional Agreement”	the provisional agreement for sale and purchase dated 29 July 2019 entered into among the Vendors, the Vendors’ Guarantor and the Purchaser in respect of the Disposal
“Purchaser”	Fortune Creation Developments Limited 創福發展有限公司, a company incorporated under the laws of BVI
“Sale Interest”	the Sale Shares and the Sale Loan
“Sale Loan”	the loan which will be owing by the Target Company to Johnson Properties Ltd. as at Completion
“Sale Shares”	50,000 issued shares of US\$1.00 par value in the capital of the Target Company, representing the entire issued share capital of the Target Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Harbour Sky (BVI) Ltd., a company incorporated in BVI
“US\$”	United States dollars, the lawful currency of the United States of America
“Vendors”	collectively, Johnson Properties Ltd. and Bloor Company Limited, companies incorporated in BVI
“Vendors’ Guarantor”	Johnson Electric Industrial Manufactory, Limited, a company incorporated in Hong Kong with limited liability
“%”	per cent

Board of Directors

As of the date of this announcement, the board of directors of the Company comprises Patrick Shui-Chung Wang, Winnie Wing-Yee Wang, Austin Jesse Wang being the Executive Directors and Yik-Chun Koo Wang, Peter Kin-Chung Wang being the Non-Executive Directors and Peter Stuart Allenby Edwards, Patrick Blackwell Paul, Michael John Enright, Joseph Chi-Kwong Yam and Christopher Dale Pratt being the Independent Non-Executive Directors.

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

Hong Kong, 29 July 2019

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