JOHNSON ELECTRIC

Johnson Electric Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code : 179)

INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2022

Highlights

- Group sales US$1,770 million – up 6% compared to first half of the prior financial year. Excluding the effects of foreign currency movements and an acquisition, sales increased by 11%
- Gross profit US$355 million or 20.0% of sales (compared to US$357 million or 21.3% of sales in first half of the prior financial year)
- Adjusted EBITA US$111 million (compared to US$138 million in first half of the prior financial year)
- Net profit attributable to shareholders decreased by 40% to US$56 million or 6.21 US cents per share on a fully diluted basis
- Net profit excluding non-cash foreign exchange rate movements and restructuring costs, decreased by 19% to US$78 million
- Free cash flow from operations US$80 million (compared to a free cash outflow of US$56 million in first half of the prior financial year)
- Total debt to capital ratio of 17% and cash reserves of US$298 million as of 30 September 2022
- Interim dividend 17 HK cents per share (2.18 US cents per share) with a scrip dividend alternative

Letter to Shareholders

Johnson Electric's financial performance in the six-month period ended 30 September 2022 was mixed. Sales grew at a healthy double-digit rate in constant currency terms despite ongoing supply constraints and increasing economic uncertainty in several end markets. At the same time, the exceptional strength of the US Dollar compared to other major currencies had a negative impact on both reported sales and operating margins. Combined with higher raw material costs and other operating cost increases, this resulted in significantly reduced earnings attributable to shareholders during the period.

Total Group sales for the first half of FY22/23 totalled US$1,770 million, an increase of 6% over the first half of the prior financial year. Excluding the effects of foreign currency movements and an acquisition, sales increased by 11%. Net profit attributable to shareholders decreased by 40% to US$56 million or 6.21 US cents per share on a fully diluted basis. Net profit, after adjusting for the effects of non-cash foreign exchange rate movements and restructuring costs, decreased by 19% to US$78 million.

Automotive Products Group

The Automotive Products Group ("APG"), which accounted for 79% of total Group sales in the period under review, reported a 16% increase in sales on a constant currency basis. This robust growth rate, which comfortably exceeded global auto industry production volume growth over the same period, reflected the division's focus on technology solutions that are enabling the industry's shift to increased electrification, reduced emissions, and improved safety and comfort.

The global auto industry is presently experiencing its greatest upheaval in decades as a result of the combination of near-term supply chain constraints, the structural shift away from the internal combustion engine to electric propulsion, and increasing macro-economic headwinds. Although the recent global shortages of semiconductors have shown some signs of improvement, this critical supply bottleneck is continuing to have a highly disruptive impact on OEM production schedules for specific vehicle models that then cause knock-on disruptions and production inefficiencies for component suppliers.

On a geographic basis, APG grew sales in constant currency terms in each of its three major regional markets. However, the operating conditions and factors currently influencing end-market demand in these markets are starkly different.

In the Americas, APG's sales increased by 23% on a constant currency basis. As a result of supply constraints and pent-up consumer demand for new vehicles, US light vehicle inventories remain at below-average levels and the average retail price of a car has risen sharply to more than US$48,000 (and currently stands at US$65,000 for an electric vehicle). In Europe, although OEMs were also able to command higher retail prices for their most sought-after models, operating conditions were extremely challenging due to ongoing components shortages, high inflation, and growing concerns among both consumers and producers over the severe energy crisis triggered by the war in Ukraine. In this context, APG Europe performed creditably with constant currency sales growth of 8% – though it should be noted that due to the strength of the US Dollar against the Euro during the period, APG Europe's reported sales in US Dollars declined by 3%. Finally, in China, end-market demand continues to be highly influenced by government policies. In the second quarter of the 2022 calendar year, car sales plunged due to Covid-related lockdowns. Sales demand subsequently recovered, due in part to tax incentives to purchase new energy vehicles, but remained relatively soft as Covid-related restrictions have continued and economic conditions have deteriorated. APG's sales in Asia, the majority of which are to China, nonetheless increased by 17% in constant currency terms.

Industry Products Group

The Industry Products Group ("IPG"), which accounted for 21% of total Group sales, reported a 5% decrease in sales on a constant currency basis compared to the first half of the prior year.

At the height of the pandemic, IPG experienced exceptionally strong demand growth as consumer expenditure shifted disproportionately away from services and towards goods (especially "home-centric" goods). During the course of 2022, as pandemic restrictions began to lift in North America and Europe, there has been a gradual normalization of consumer expenditure patterns which has seen a number of IPG's end customers and contract manufacturers move to reduce their excess inventory levels and cut back on orders. The second factor leading to reduced demand in some product areas is heightened concerns among consumers about inflation and the growing risk of a recession in many developed economies.

Notwithstanding the increasing macro-economic headwinds, IPG continued to make encouraging progress in growing its share in several high-growth market application segments, including medical devices, ventilation, window automation, and semiconductor manufacturing equipment.

Profitability and Financial Condition

Gross profit decreased by 1% to US$355 million – which as a percentage of sales represented a decline from 21.3% to 20.0%. The decline in gross margins was largely the result of higher raw material expenditure and reduced gains on foreign currency hedging contracts, which were only partially offset by pricing adjustments, volume increases and cost-reduction initiatives.

Group operating profits amounted to US$69 million compared to US$117 million in the first half of the prior financial year. The reduction in reported operating income was primarily due to a loss of US$7 million derived from Other Income and Expenses, compared to a profit of US$30 million in the prior half year. This reversal was mainly due to unrealized foreign exchange rate losses resulting from the strength in the US Dollar and also the absence of a fair value gain on the Group's investment in an autonomous driving technology business that was recorded in the prior year.

Excluding costs related to the restructuring of the Group's manufacturing footprint and non-cash items related to foreign currency movements, the net profit margin for the first half decreased to 4.4% compared to 5.8% in the first half of the prior financial year.

Johnson Electric's financial condition remains sound with a total debt to capital ratio of 17% and cash balances of US$298 million as of 30 September 2022.

Interim Dividend

The Board has today declared an interim dividend of 17 HK cents per share, equivalent to 2.18 US cents per share (2021/22 interim: 17 HK cents per share). The interim dividend will be payable in cash with a scrip alternative where a 4% discount on the subscription price will be offered to shareholders who elect to subscribe for shares. The Board has further been informed that the controlling shareholder of the Company intends to subscribe for its entire eligible allocation of shares under the scrip dividend alternative. Full details of the scrip dividend alternative will be set out in a circular to shareholders.

The interim dividend will be payable on 18 January 2023 to shareholders registered on 6 December 2022.

Corporate Development and Acquisitions

In September 2022, the Group acquired the remaining 20% equity interest it did not already own in Halla Stackpole Corporation, an Asia-focused powder metallurgy business with a strong presence in China and Korea. On becoming a wholly-owned subsidiary of the Group, the business is being further integrated into the Stackpole Powder Metal business unit to realize additional operating synergies. As the automotive market transitions to electric vehicles, lighter-weight components produced using powder metal technology are expected to play an increasingly important role in delivering greater energy efficiency and improved performance compared to conventional forged or die cast metal counterparts.

In October 2022, after the closing of the financial statements for the first half, the Group also completed the acquisition of an 80% equity stake in Pendix GmbH, an established, technology-driven player in the fast-growing electric bike ("e-bike") sector. Based in Zwickau, Germany, Pendix designs, manufactures, and brings to market complete electric cargo bikes and electric drives for bicycles. By combining Pendix's technology and application expertise with Johnson Electric's industrial scale and resources, the acquisition provides an exciting platform from which to build a strong and differentiated presence in the European e-bike market.

Outlook

With inflation in much of the world at a four-decade high, Europe's economies shaken by an energy crisis and a war, and China persisting with highly-restrictive pandemic control measures, it is difficult not to foresee a challenging near-term outlook for global manufacturing businesses.

As noted earlier, the impact of weaker consumer confidence has already been felt in several of IPG's product applications and is necessitating a review of costs and a reduction in capital investment in some segments. In the North American and European automotive sectors, the supply chain constraints that have dominated the industry in recent months can be expected to gradually improve, but end-customer demand may also begin to soften as interest rates rise and consumers turn increasingly cautious. The near-term outlook for China's automotive sector will more likely hinge largely on whether the government adopts new policies to address the pandemic and stabilize the property market. APG's business unit management is thus prioritizing cash generation, cost containment, and accelerating the rationalization of some product lines based on strict return on capital criteria.

A deteriorating macro-economic environment is not new territory for Johnson Electric and the business has a number of fundamental strengths that have enabled us to navigate our way through past recessions and market disruptions successfully. These include, firstly, recognized market leadership across a broad range of motion technologies that are critical enablers for increased electrification, lower emissions, improved safety, and greater controllability. Second, we serve a large and diverse customer base that is relatively evenly distributed across the three major economic regions. Third, the Group's operating footprint has continued to expand and evolve to ensure that those customers can always rely on Johnson Electric for its speed of response and security of supply. And fourth, we have long track record of disciplined financial management.

Therefore, looking beyond the near-term uncertainties, shareholders should feel confident that the Company remains soundly positioned to grow share and improve profitability in a widening range of high-growth applications for innovative motion technologies.

On behalf of the Board, I would like to thank all of our stakeholders for their continued support.

Patrick Shui-Chung WANG *SBS, JP*
Chairman and Chief Executive

Hong Kong, 9 November 2022

Management's Discussion and Analysis

Financial Performance

US$ million	First half of FY22/23	First half of FY21/22
Sales	1,769.9	1,674.1
Gross profit	354.5	357.4
Gross margin	*20.0%*	*21.3%*
EBITA [1]	85.6	134.0
EBITA adjusted [2]	111.2	138.4
EBITA adjusted margin	*6.3%*	*8.3%*
Profit attributable to shareholders	55.9	93.2
Net profit excluding non-cash foreign exchange rate movements and restructuring costs [2]	78.4	96.5
Diluted earnings per share (US cents)	6.21	10.36
Free cash in / (out) flow from operations	80.2	(55.9)

US$ million	30 Sep 2022	31 Mar 2022
Cash	298.2	345.4
Total debt	471.7	490.8
Net debt [3]	(173.5)	(145.4)
Total equity	2,329.6	2,501.7
Market capitalization [4]	911.8	1,239.4
Enterprise value [5]	1,127.2	1,470.2

Key Financial Ratios	30 Sep 2022	31 Mar 2022
Total debt to capital [6]	17%	16%
Gross debt [7] to EBITDA adjusted [8]	1.3	1.3
Enterprise value to EBITDA adjusted	2.4	3.0
Interest cover [9]	10.7	11.9

1 Earnings before interest, tax and amortization
2 Adjusted to exclude unrealized gains or losses relating to exchange rate movements as well as restructuring and other related costs (for further information see page 11)
3 Cash less total debt
4 Outstanding number of shares multiplied by the closing price (HK$7.88 per share as of 30 September 2022 and HK$10.84 per share as of 31 March 2022) converted to USD at the closing exchange rate
5 Enterprise value calculated as market capitalization plus non-controlling interests plus total debt less cash
6 Capital calculated as total equity plus total debt
7 Gross debt including pension liabilities and leases
8 Adjusted [2] earnings before interest, tax, depreciation and amortization, annualized using the last 12 months' results, giving adjusted EBITDA of US$462.2 million (31 March 2022: US$492.2 million)
9 Interest cover calculated as adjusted EBITA divided by gross interest expense, annualized using the last 12 months' results. Gross interest expense was adjusted to exclude notional interest on the Halla Stackpole put option and to include capitalized interest

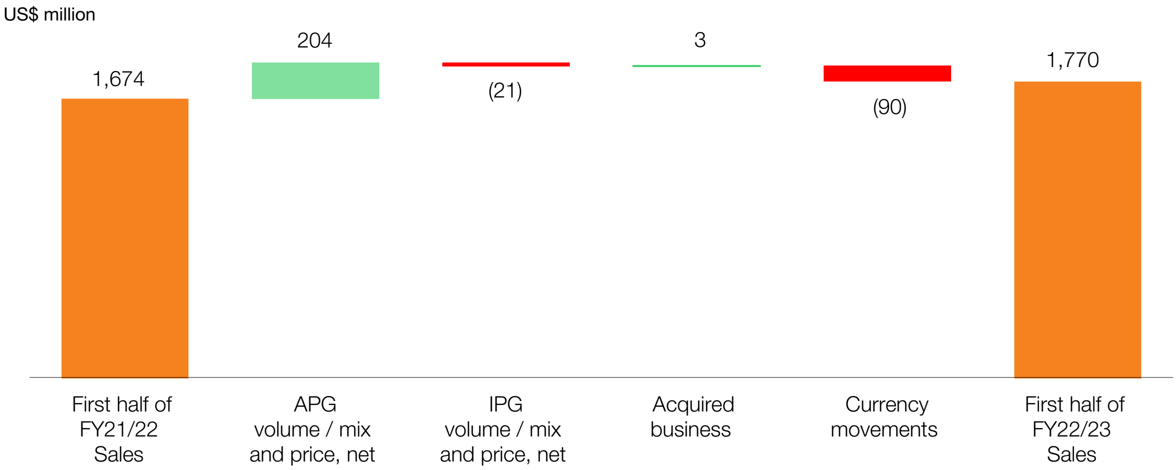
Business Review

Sales

Sales increased by US$95.8 million or 6% to US$1,769.9 million in the first half of FY22/23 (first half of FY21/22: US$1,674.1 million). Excluding currency movements and acquired business, sales increased by US$182.2 million or 11% compared to the same period last year, as shown below:

US$ million	First half of FY22/23		First half of FY21/22		Change	
Automotive Products Group ("APG") sales						
Excluding currency movements	1,472.2		1,268.7		203.5	16%
Acquired business	3.4		n/a		3.4	
Subtotal	1,475.6		1,268.7		206.9	16%
Currency movements	(78.4)		n/a		(78.4)	
APG sales, as reported	1,397.2	79%	1,268.7	76%	128.5	10%
Industry Products Group ("IPG") sales						
Excluding currency movements	384.1		405.4		(21.3)	(5%)
Currency movements	(11.4)		n/a		(11.4)	
IPG sales, as reported	372.7	21%	405.4	24%	(32.7)	(8%)
Group sales						
Excluding currency movements	1,856.3		1,674.1		182.2	11%
Acquired business	3.4		n/a		3.4	
Subtotal	1,859.7		1,674.1		185.6	11%
Currency movements	(89.8)		n/a		(89.8)	
Group sales, as reported	**1,769.9**	100%	**1,674.1**	100%	**95.8**	**6%**

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



Volume / mix and price increased sales by US$182.2 million (APG: increase of US$203.5 million, IPG: decrease of US$21.3 million) in the first half of FY22/23, compared to the first half of FY21/22.

The underlying changes in APG and IPG's sales, are discussed on pages 7 to 9

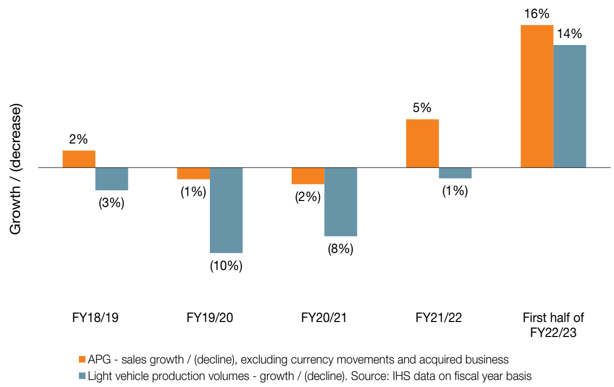
Newly acquired business: As the Group acquired E. Zimmermann GmbH in May 2021, the two-month effect on sales for the half-year on half-year comparison (April and May 2022) amounted to US$3.4 million.

Currency movements decreased sales by US$89.8 million. This was largely due to the impact of weaker average exchange rates for the Euro and the Renminbi, compared to the same period in the prior year. The Group's sales are largely denominated in the US Dollar, the Euro, the Renminbi and the Canadian Dollar.

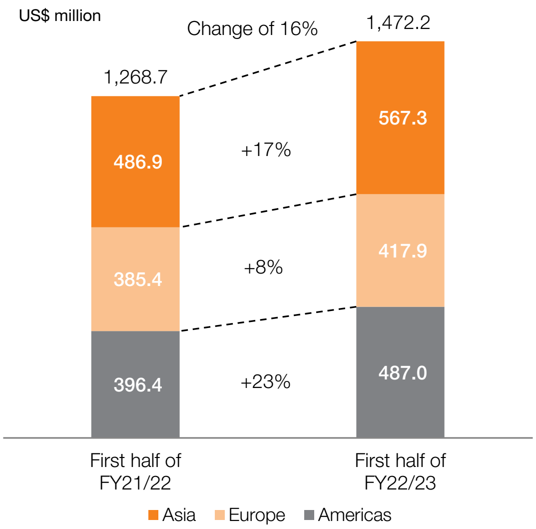
For further information on the Group's foreign exchange risk, see pages 19 to 21 in the Financial Management and Treasury Policy section. Also, see Note 1.3 to the condensed consolidated interim financial statements ("the accounts") for the main foreign currency translation rates

Automotive Products Group

Changes in APG sales vs. global light vehicle production



APG sales by region [1]



1 Excluding currency movements and acquired business

APG's sales, excluding currency movements and the acquisition of Zimmermann, increased by 16%, compared to the first half of FY21/22. In the same period, global light vehicle production volumes grew by 14%.

By region:

- In Asia, sales increased by 17% compared to a 14% increase in light vehicle production in the region. Sales increased across several product segments, with higher growth noted in sales of products for closure, thermal management, steering and braking due to new business wins,

Growth / (decline) in APG sales [2]

Six month period ended	Asia	Europe	Americas	Total
30 September 2022	17%	8%	23%	16%
31 March 2022	0%	(15%)	(3%)	(5%)
30 September 2021	8%	34%	29%	21%
31 March 2021	31%	8%	10%	16%
30 September 2020	0%	(33%)	(26%)	(19%)
31 March 2020	(10%)	0%	8%	(1%)

2 Excluding currency movements and acquired business

volume increases, market gains and growth in the China new-energy-vehicle market. This sales increase was achieved despite being weighed down by Covid-related factory lockdowns in China

- In Europe, sales increased by 8% compared to a 6% increase in light vehicle production in the region. Sales increased across most segments, with the highest growth noted in sales of thermal management, mechatronic oil pumps, braking and steering due to expanded production of recently won customer platforms
- In the Americas, sales increased by 23% while light vehicle production in the region increased by 19%. Sales increased across most segments, with the highest growth noted in sales of products for thermal management, powder metal components, engine and transmission oil pumps, and braking applications due to customer efforts to normalize their production schedules following earlier disruption from the semiconductor shortage as well as increased volumes for business won in the past few years

APG accounted for 79% of the Group's total sales in the first half of FY22/23 (first half of FY21/22: 76%). Within this:

- The Stackpole business, primarily engaged in the manufacture and sale of engine and transmission oil pumps and powder metal components, accounted for 22% of the Group's business (first half of FY21/22: 21%)
- The cooling fan business, including the "Gate" brand, primarily engaged in the manufacture and sale of cooling fan modules for OEM and Tier 1 customers, accounted for 17% of the Group's business (first half of FY21/22: 17%)

Industry Products Group

IPG's sales, excluding currency movements, decreased by 5% compared to first half of FY21/22.

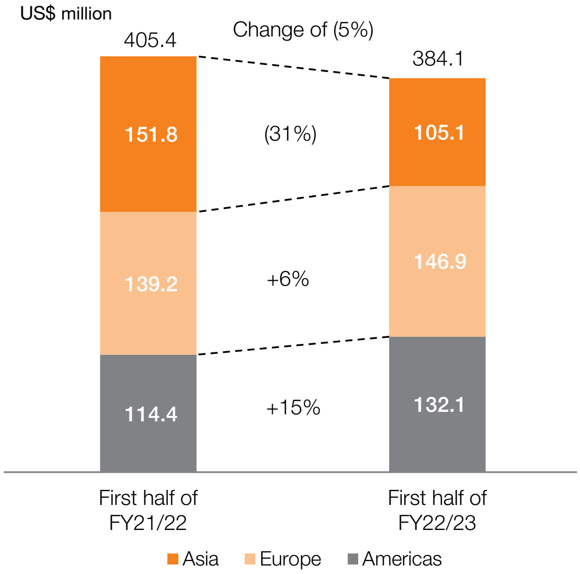
Sales of products for patient monitoring and surgical applications increased driven by the long-term imperative to reduce the labour intensity of hospital procedures. Sales from products for ventilation, white goods and window automation applications increased due to price adjustments and surcharges levied to recover inflation, and the addition of new customers and programs. Sales of piezo-electric motors increased due to strong demand for the high-precision production equipment used in semiconductor foundries. However, this was insufficient to offset the adverse impact of Covid lockdowns in China, disruption to customers' production schedules due to shortages of semiconductor chips and other components, and a decline in demand for certain home-centric products compared to the exceptional levels in demand experienced during the pandemic.

By region:

- In Asia, sales decreased by 31%. Our customers (including contract manufacturers and other exporters, largely based in China) were impacted by several adverse factors. These included Covid lockdowns, shortages of semiconductors and reduced end-market demand (especially in Europe and the Americas) for certain home-centric products including small appliances and recreational applications. This reduction in end-market demand was exacerbated by high levels of inventory in manufacturing and retail channels, which slowed down customer replenishment orders
- In Europe, sales increased by 6%. Sales of products for beverage, heating, circuit-breaker and window applications benefited from strong market demand and the expanded production of recent customer programs. Sales of piezo-electric motors grew due to demand from the semiconductor industry
- In the Americas, sales increased by 15% due to market growth in the ventilation and window automation segments, and our customers' increased share in the white goods segment. The business also experienced increased demand for its products for vital signs monitoring and medical automation. Sales of piezo-electric motors for the semiconductor industry also increased

Acquisition of a majority stake in Pendix GmbH: On 13 October 2022, the Group acquired an 80% stake in Pendix GmbH, which in the near future will be included within the discussion of IPG's business. Sales of Pendix GmbH for the calendar year ended 31 December 2021 were EUR 17.4 million (US$17.1 million). For further details of this post balance sheet event please refer to Note 28 to the accounts.

IPG sales by region [1]



1 Excluding currency movements

Growth / (decline) in IPG sales [2]

Six month period ended	Asia	Europe	Americas	Total
30 September 2022	(31%)	6%	15%	(5%)
31 March 2022	(21%)	30%	18%	6%
30 September 2021	13%	23%	23%	19%
31 March 2021	53%	13%	2%	22%
30 September 2020	9%	0%	(4%)	2%
31 March 2020	(18%)	(16%)	(16%)	(17%)

2 Excluding currency movements

Profitability Review

Profit attributable to shareholders was US$55.9 million in the first half of FY22/23, a decrease of US$37.3 million from US$93.2 million in the first half of FY21/22.

US$ million	First half of FY22/23	First half of FY21/22	Increase / (decrease) in profit
Sales	1,769.9	1,674.1	95.8
Gross profit	354.5	357.4	(2.9)
Gross margin %	*20.0%*	*21.3%*	
Other (expenses) / income, net	(7.4)	30.1	(37.5)
As a % of sales	*(0.4%)*	*1.8%*	
Intangible assets amortization expense	(17.3)	(17.0)	(0.3)
As a % of sales	*1.0%*	*1.0%*	
Other selling and administrative expenses ("S&A")	(260.1)	(250.1)	(10.0)
As a % of sales	*14.7%*	*14.9%*	
Restructuring and other related costs	(0.7)	(3.5)	2.8
Operating profit	69.0	116.9	(47.9)
Operating profit margin %	*3.9%*	*7.0%*	
Share of (losses) of associate and joint venture	(0.6)	-	(0.6)
Net finance costs	(7.3)	(8.7)	1.4
Profit before income tax	61.1	108.2	(47.1)
Income tax expense	(2.6)	(11.9)	9.3
Effective tax rate	*4.3%*	*11.0%*	
Profit for the period	58.5	96.3	(37.8)
Non-controlling interests	(2.6)	(3.1)	0.5
Profit attributable to shareholders	55.9	93.2	(37.3)
Basic earnings per share (US cents)	6.22	10.43	(4.21)
Diluted earnings per share (US cents)	6.21	10.36	(4.15)

The profit attributable to shareholders of US$55.9 million included:

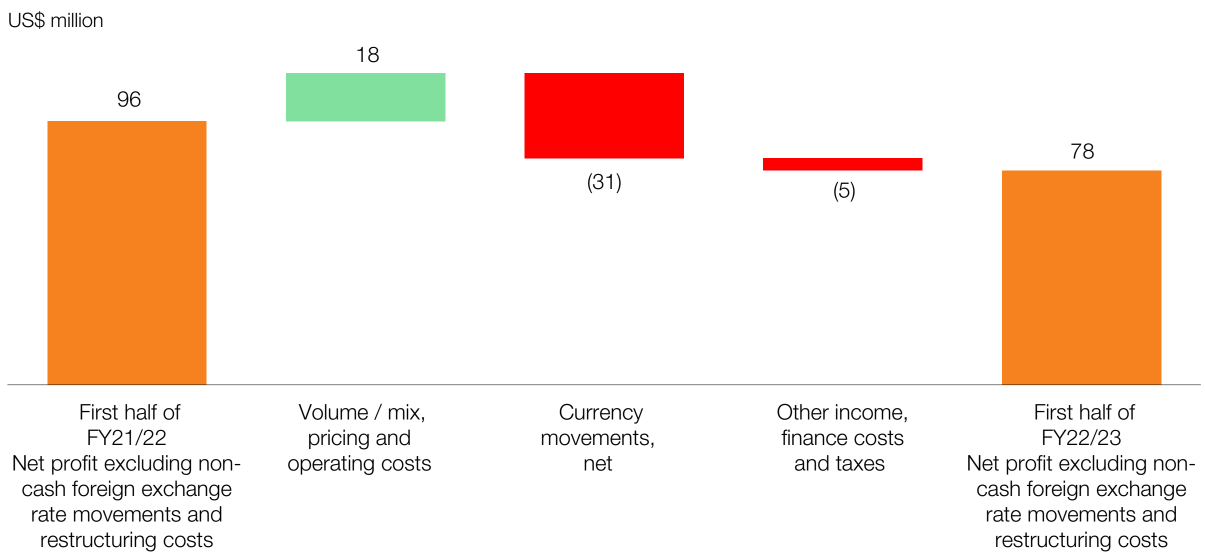
- Unrealized currency net losses of US$22.0 million, net of tax, largely due to the significant depreciation of the Euro against the US Dollar during the period
- Restructuring and other related costs of US$0.5 million, net of tax, related to severance costs incurred in Europe

Excluding these items, net profit decreased by US$18.1 million or 19% to US$78.4 million, as shown in the table below:

	First half of FY21/22			First half of FY22/23		
US$ million	Before tax	Tax effect	Net of tax effect	Before tax	Tax effect	Net of tax effect
Net profit, as reported			93.2			55.9
Unrealized net gains on other financial assets and liabilities	(4.2)	(0.1)	(4.3)	(23.8)	(0.5)	(24.3)
Unrealized net losses from revaluation of monetary assets and liabilities	9.9	(1.0)	8.9	63.7	(3.7)	60.0
Unrealized net gains on structured foreign currency contracts	(4.8)	0.5	(4.3)	(15.0)	1.3	(13.7)
Restructuring and other related costs	3.5	(0.5)	3.0	0.7	(0.2)	0.5
Net losses of significant non-cash items, restructuring and other related costs	4.4	(1.1)	3.3	25.6	(3.1)	22.5
Net profit excluding non-cash foreign exchange rate movements and restructuring costs [1]			96.5			78.4
As a % of sales			*5.8%*			*4.4%*

1 Unrealized gains or losses relating to exchange rate movements are significant non-cash items. Restructuring and other related costs are not part of the routine operations of the Group. This adjusted measure of net profit excluding non-cash foreign exchange rate movements and restructuring costs provides additional insight into the underlying performance of the business

The drivers of the movements in net profit excluding non-cash foreign exchange rate movements and restructuring costs are shown below:



Volume / mix, pricing and operating costs: Profits benefited from inflation recovery actions, increased volumes and cost saving activities. This was partly offset by the adverse impact of higher costs for raw materials as well as ongoing semiconductor shortages. Labour rates, logistics and energy costs also increased. The net effect of these changes increased net profit by US$17.6 million.

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 Renminbi. Excluding unrealized gains and losses, currency movements adversely impacted net profit by US$31.1 million compared to the same period in the prior year, largely due to the depreciation of the Euro during the period.

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

Gross margin: The above changes in volume / mix, pricing and operating costs, and currency movements led to a decline in the gross margin from 21.3% in the first half of FY21/22 to 20.0% in the first half of FY22/23. The sequential change in gross margin by half-year is shown in the table below.

	Gross margin %
First half of FY22/23	20.0%
Second half of FY21/22	19.4%
First half of FY21/22	21.3%
Second half of FY20/21	23.2%
First half of FY20/21	22.5%

Selling and administrative expenses (excluding amortization of intangible assets) were flat as a percentage of sales (first half of FY22/23: 14.7%, first half of FY21/22: 14.9%).

Other income, finance costs and taxes: adversely impacted profits by US$4.6 million compared to the same period in the prior year.

Other income decreased mainly due to the prior period benefiting from fair value gains on the Group's investment in an autonomous car start-up company, but there were no further fair value gains on this investment recorded in the first half of FY22/23. This reduction in other income was partly offset by a decrease in income tax expenses of US$9.3 million (first half of FY22/23: US$2.6 million, first half of FY21/22: US$11.9 million).

The effective tax rate decreased to 4.3% (first half of FY21/22: 11.0%) due to the recognition of a deferred tax credit for unutilized tax losses relating to prior years. Excluding the impact of this deferred tax credit, the effective tax rate would have been 13.4%.

Taxes are further analyzed in Note 22 to the accounts

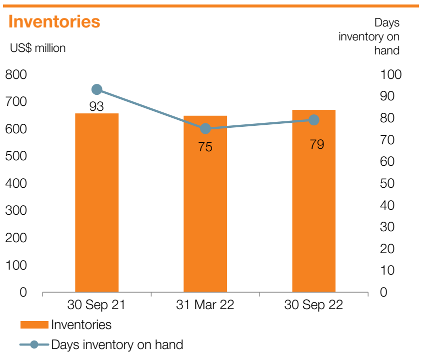
Working Capital

US$ million	Balance sheet as of 31 Mar 2022	Currency translation	Working capital changes per cash flow	Pension, hedging and non-working capital items	Balance sheet as of 30 Sep 2022
Inventories	647.5	(51.1)	73.1	-	669.5
Trade and other receivables	834.5	(66.4)	26.9	0.4	795.4
Other non-current assets	41.9	(3.6)	2.9	(7.5)	33.7
Trade and other payables [1]	(904.3)	87.4	(104.3)	10.4	(910.8)
Retirement benefit obligations [1, 2]	(27.0)	1.9	(0.7)	21.4	(4.4)
Provision and other liabilities [1]	(37.0)	1.8	4.4	-	(30.8)
Other financial assets / (liabilities), net [1, 3]	251.9	(2.4)	11.0	(58.1)	202.4
Total working capital per balance sheet	807.5	(32.4)	13.3	(33.4)	755.0

1 Current and non-current
2 Net of defined benefit pension plan assets
3 Other financial assets / (liabilities), net represent the aggregate fair values of the Group's hedge contracts. Further details of the Group's hedging activities can be found on pages 19 to 22 in the Financial Management and Treasury Policy section and Note 6 to the accounts

Inventories increased by US$22.0 million to US$669.5 million as of 30 September 2022 to support increased business volumes and mitigate ongoing supply chain disruption risks, partly offset by currency translation changes due to the significant depreciation of the Euro and the Renminbi against the US Dollar.

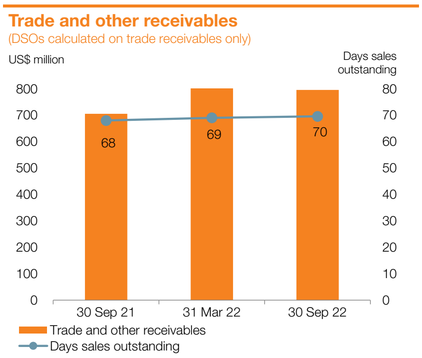
Days inventory on hand decreased to 79 days as of 30 September 2022, from 93 days as of 30 September 2021. With the easing of port congestion towards the end of the period, goods-in-transit times for shipments to customers were reduced. Increased business volumes sped up the consumption of inventory.



Trade and other receivables decreased by US$39.1 million to US$795.4 million as of 30 September 2022. Trade receivables grew in line with sales growth. However, this was more than offset by currency translation changes due to the significant depreciation of the Euro and the Renminbi against the US Dollar.

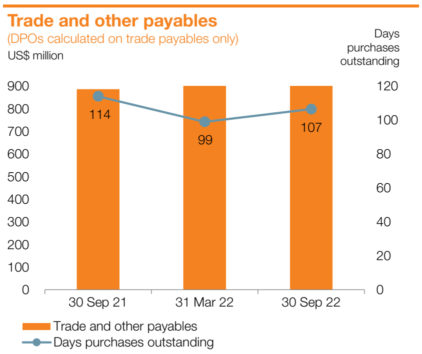
Days sales outstanding ("DSOs") increased slightly to 70 days as of 30 September 2022, from 68 days as of 30 September 2021.

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



Trade and other payables increased by US$6.5 million to US$910.8 million as of 30 September 2022. The impact of increased levels of purchases to support higher business volumes was largely offset by currency translation changes due to the significant depreciation of the Euro and the Renminbi against the US Dollar.

Days purchases outstanding ("DPOs") decreased to 107 days as of 30 September 2022, from 114 days as of 30 September 2021.



Cash Flow

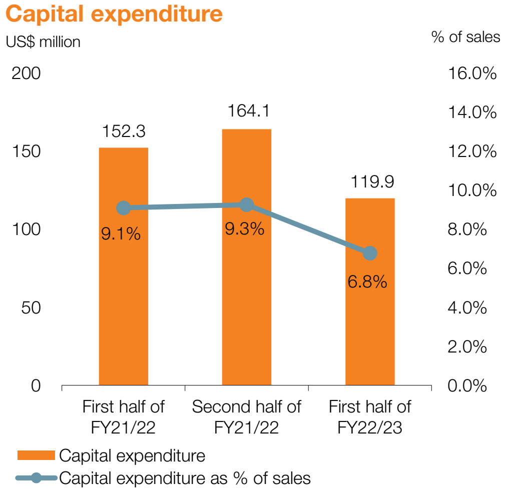
US$ million	First half of FY22/23	First half of FY21/22	Change
Operating profit	69.0	116.9	(47.9)
Depreciation and amortization (including leases)	137.1	140.6	(3.5)
EBITDA	206.1	257.5	(51.4)
Other non-cash items	19.8	(21.5)	41.3
Working capital changes	(13.3)	(117.4)	104.1
Interest paid (including leases)	(10.4)	(8.0)	(2.4)
Interest received	1.9	1.3	0.6
Income taxes paid	(7.9)	(13.9)	6.0
Capital expenditure, net of subsidies	(119.9)	(152.3)	32.4
Proceeds from disposal of fixed assets	4.3	0.5	3.8
Capitalization of engineering development costs	(0.4)	(2.1)	1.7
Free cash in / (out) flow from operations	**80.2**	**(55.9)**	**136.1**
Acquisitions and related costs	(50.8)	(24.2)	(26.6)
Dividends paid	(7.2)	(35.5)	28.3
Purchase of shares for incentive share scheme	(0.6)	(1.8)	1.2
Other investing activities	(0.9)	(0.7)	(0.2)
Dividends paid to non-controlling interests	(6.3)	(3.5)	(2.8)
Payment of lease – principal portion	(13.2)	(12.9)	(0.3)
(Repayments) / borrowings, net	(11.1)	83.5	(94.6)
(Decrease) in cash and cash equivalents excluding currency movements	(9.9)	(51.0)	41.1
Currency translation (losses) on cash and cash equivalents	(37.3)	(2.0)	(35.3)
Net movement in cash and cash equivalents	(47.2)	(53.0)	5.8

The Group generated a free cash flow of US$80.2 million in the first half of FY22/23, compared to a utilization of US$55.9 million in the first half of FY21/22. The movement in free cash flow for the first half of FY22/23 included the following:

- **Working capital changes** of US$13.3 million, as explained in the previous section
- **Income taxes paid** decreased by US$6.0 million to US$7.9 million due to lower taxable profits
- **Capital expenditure** decreased by US$32.4 million to US$119.9 million. This was due to slower spending on footprint expansion as well as enhanced capital expenditure control

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

Capital expenditure



The net movement in cash includes the following:

- **Acquisitions and related costs:** The Group acquired the non-controlling interest in Halla Stackpole for consideration of US$50.8 million in the first half of FY22/23. The Group utilized US$24.2 million for the acquisition of Zimmermann and its operating premises in the first half of FY21/22
- **Dividends and shares:** The Company utilized US$7.2 million cash for dividend payments in the first half of FY22/23, with a further US$12.3 million settled in scrip (first half of FY21/22: US$35.5 million cash utilized for dividend payments, with a further US$3.5 million settled in scrip). The Company purchased 0.5 million shares for US$0.6 million including brokerage fees for the incentive share scheme (first half of FY21/22: 0.8 million shares purchased for US$1.8 million)

  For further details of dividends and shares, including the interim dividend for the first half of FY22/23, see next section

- **Borrowings, net:** The Group repaid US$11.1 million of debt (first half of FY21/22: borrowed US$83.5 million, net)

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

Financial Management and Treasury Policy

Financial risk faced by the Group is managed by the Group's Treasury department based in the corporate headquarters in Hong Kong. Treasury policies for this are established by senior management and approved by the Board of Directors.

Credit Rating

Johnson Electric subscribes to both Moody's Investors Service ("Moody's") and Standard & Poor's Ratings Services ("S&P") to provide independent long-term credit ratings. As of 30 September 2022, the Group maintained investment grade ratings with a stable outlook from both agencies. These ratings reflect the Group's solid market position, resilience and prudent financial leverage.

	Rating	Outlook	Grade
Moody's Investors Service	Baa1	Stable	Investment
Standard & Poor's Ratings Services	BBB	Stable	Investment

Liquidity

Management believes that the combination of cash in hand, available unutilized credit lines, access to capital markets and expected future operating cash flows is sufficient to satisfy the Group's cash needs for the current and planned level of operations for the foreseeable future.

Cash decreased by US$47.2 million to US$298.2 million as of 30 September 2022 (31 March 2022: US$345.4 million).

Net (debt) / cash: As of 30 September 2022, the Group had US$173.5 million net debt (31 March 2022: US$145.4 million net debt).

Available credit lines: The Group had US$736.4 million available unutilized credit lines as of 30 September 2022, as follows:

- Committed revolving credit facilities provided by its principal bankers, on a bilateral basis, of which US$150.0 million remained unutilized. These facilities have staggered maturity dates ranging from February 2023 to September 2025
- US$586.4 million uncommitted credit facilities

Cash and credit lines

US$ million	30 Sep 2022	31 Mar 2022	Change
Cash	298.2	345.4	(47.2)
Unutilized committed credit lines	150.0	180.0	(30.0)
Unutilized uncommitted credit lines	586.4	601.6	(15.2)
Available unutilized credit lines	736.4	781.6	(45.2)
Combined available funds	1,034.6	1,127.0	(92.4)

Net (debt) / cash

US$ million	30 Sep 2022	31 Mar 2022	Change
Cash	298.2	345.4	(47.2)
Borrowings	(471.7)	(490.8)	19.1
Net debt	(173.5)	(145.4)	(28.1)

Cash by currency

US$ million	30 Sep 2022	31 Mar 2022
EUR	94.0	77.5
RMB	87.1	118.4
KRW	38.1	45.4
USD	49.9	75.5
CAD	9.2	10.5
Others	19.9	18.1
Total	298.2	345.4

Borrowings decreased by US$19.1 million to US$471.7 million as of 30 September 2022.

- **Loan from the Export-Import Bank of China –** the borrowing is denominated in the Renminbi. Due to the depreciation of the Renminbi against the US Dollar during the period the carrying value of the borrowing, translated into US Dollars, decreased by US$8.0 million. Repayment during the period amounted to US$1.9 million
- **Other borrowings –** the Group made net repayments of US$9.2 million. Currency translation changes reduced the carrying value of the remaining borrowings by US$0.3 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 next repayment of the loan is due in February 2023, with further repayments every six months until August 2025

Changes in borrowings

US$ million	30 Sep 2022	31 Mar 2022	Change
Bonds	300.8	300.5	0.3
Loan from Export Development Canada	99.9	99.9	-
Loan from The Export-Import Bank of China	66.8	76.7	(9.9)
Other borrowings	4.2	13.7	(9.5)
Total borrowings	471.7	490.8	(19.1)

Borrowings by currency, as of 30 September 2022

US$ million	Gross debt	Swap contracts	Total debt after effect of swaps	%
USD	404.6	(275.2)	129.4	29%
RMB	66.8	-	66.8	15%
INR	0.3	-	0.3	0%
EUR	-	248.7	248.7	56%
Total	471.7	(26.5)	445.2	100%

Repayment schedule

Repayable within one year	110.7
Repayable after more than one year	361.0
Gross debt	471.7
Swap contracts (Other financial assets)	(26.5)
Total debt including swap contracts	445.2

Lease liabilities decreased by US$34.7 million to US$92.8 million as of 30 September 2022. Lease payments and the termination of leases, net of new leases, extensions and modifications, reduced lease liabilities by US$22.8 million. Currency translation changes reduced the carrying value of the leases by a further US$11.9 million, largely due to the depreciation of the Renminbi against the US Dollar.

The corresponding assets are shown as right-of-use assets under property, plant and equipment

Changes in lease liabilities

US$ million	30 Sep 2022	31 Mar 2022	Change
Current	23.8	32.2	(8.4)
Non-current	69.0	95.3	(26.3)
Total lease liabilities	92.8	127.5	(34.7)

Financial ratios: The Group maintains a prudent level of debt and remains in full compliance with its financial covenants, including requirements for net worth and the ratios of total liabilities to net worth, net debt to EBITDA and EBITDA to interest expense.

The Group's gearing ratios as of 30 September 2022 reflected the following changes:

- Total debt to capital increased to 17% as of 30 September 2022, from 16% as of 31 March 2022
- Gross debt to adjusted EBITDA was flat at 1.3 as of 30 September 2022 and 31 March 2022
- Enterprise value to adjusted EBITDA decreased to 2.4 as of 30 September 2022, from 3.0 as of 31 March 2022
- Interest cover decreased to 10.7 times as of 30 September 2022, compared to 11.9 times as of 31 March 2022

Please refer to page 5 for definitions and bases of calculation (including adjustments) of financial ratios

Dividends

Final dividend: In the first half of FY22/23, the Company paid a final dividend of 17 HK cents per share for FY21/22 equivalent to US$19.5 million (first half of FY21/22: 34 HK cents equivalent to US$39.0 million paid for FY20/21). US$12.3 million of this final dividend was settled by the issue of 10.2 million new shares under a scrip dividend option and US$7.2 million was paid in cash.

Interim dividend: The Board has declared an interim dividend of 17 HK cents per share for the first half of FY22/23 (first half of FY21/22: 17 HK cents per share) equivalent to US$19.7 million, to be paid in January 2023, with an option to receive scrip in lieu of cash.

Dividend payment

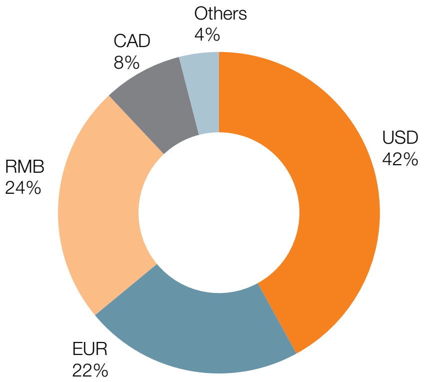
		FY22/23	FY21/22		FY20/21	
		Interim	Final	Interim	Final	Interim
HK cents per share	Dividend	17 *	17	17	34	17
US$ million	Cash	**	7.2	18.7	35.5	17.0
	New shares	**	12.3	0.8	3.5	2.6
	Total	19.7	19.5	19.5	39.0	19.6

* Proposed dividend
** A scrip dividend will be offered to shareholders

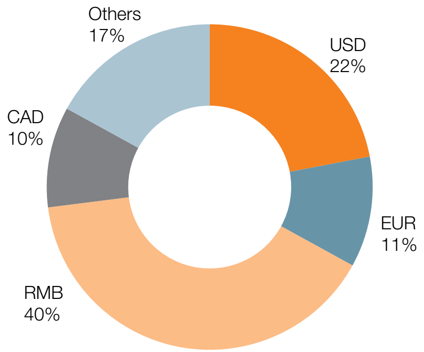
Foreign Exchange Risk

The Group is exposed to foreign exchange risk, largely from sales and costs denominated in a number of currencies. It mitigates the economic risk from this through plain vanilla forward currency contracts and structured foreign currency contracts. These contracts have varying maturity dates, ranging from 1 to 72 months after 30 September 2022, to match the underlying cash flows of the business.

Sales by currency



Costs by currency



The net fair value gains of currency contracts, including plain vanilla forward foreign currency contracts, cross-currency interest rate swaps and structured foreign currency contracts increased by US$19.5 million to US$246.8 million as of 30 September 2022. Favourable changes in the mark-to-market value of contracts for the Euro were partly offset by unfavourable changes in the value of contracts for the Renminbi.

The mark-to-market ("MTM") rate is the current fair value for the settlement of a forward contract, as provided by the counterparties (the Group's principal bankers). The mark-to-market rates are influenced by the changes in spot rates shown in the table above right

Spot rates of significant currencies

	Spot rates as of 30 Sep 2022	Spot rates as of 31 Mar 2022	
USD per EUR	0.98	1.12	EUR weakened 13%
HUF per EUR	421.20	367.07	EUR strengthened 15%
CAD per USD	1.37	1.25	USD strengthened 10%
RMB per USD	7.11	6.36	USD strengthened 12%
MXN per USD	20.19	19.87	USD strengthened 2%

Net fair value

US$ million		30 Sep 2022	31 Mar 2022	Change
Euro	Plain vanilla forward contracts and swaps	216.4	114.0	102.4
	Structured contracts	52.3	37.4	14.9
	Subtotal	268.7	151.4	117.3
Renminbi	Plain vanilla forward contracts	(0.7)	89.4	(90.1)
Others	Plain vanilla forward contracts	(21.2)	(13.5)	(7.7)
Total		246.8	227.3	19.5

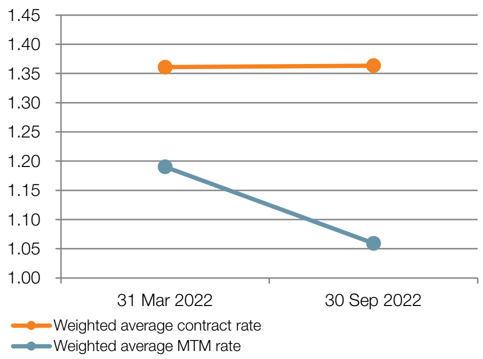
Euro contracts: The Group's plain vanilla and structured forward contracts to sell the Euro ("EUR") and buy US Dollars ("USD") create an economic hedge for Euro-denominated export sales.

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

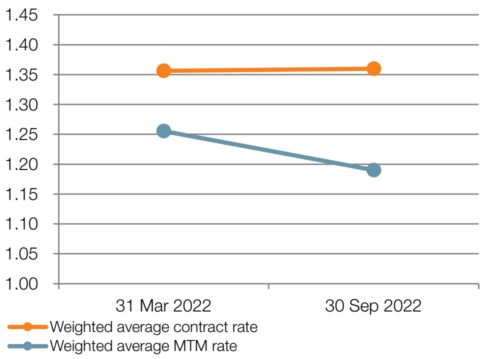
During the period, as the EUR weakened against the USD, mark-to-market gains for plain vanilla, swaps and structured forward contracts increased.

Consequently, the financial asset representing the cumulative fair value gains on plain vanilla, swaps and structured forward EUR contracts increased by US$117.3 million to US$268.7 million as of 30 September 2022 (31 March 2022: US$151.4 million financial asset).

EUR – Plain vanilla forward



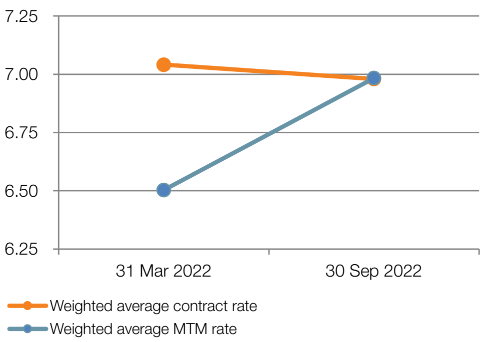
EUR – Structured forward



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

During the period, the USD strengthened against the RMB. As a result, the financial asset representing cumulative mark-to-market gains for plain vanilla contracts decreased by US$90.1 million to a US$0.7 million financial liability as of 30 September 2022 (31 March 2022: US$89.4 million financial asset).

RMB – Plain vanilla forward



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

Estimated future cash flow: The final realized gain or loss for each contract will crystallize based on the prevailing spot rate at the date of maturity versus the contract rate and will impact cash flow at that time. In terms of estimating future cash flow, the contracts' rates at maturity compared to the spot rates as of 30 September 2022 would result in approximately:

- US$270 million aggregate cash flow benefit from plain vanilla forward foreign currency contracts and cross-currency interest rate swaps (31 March 2022: US$326 million)
- US$59 million cash flow benefit from structured foreign currency contracts (31 March 2022: US$45 million)

Further information about the Group's forward foreign currency exchange contracts can be found in Notes 6 and 7 to the accounts

Raw Material Commodity Price Risk

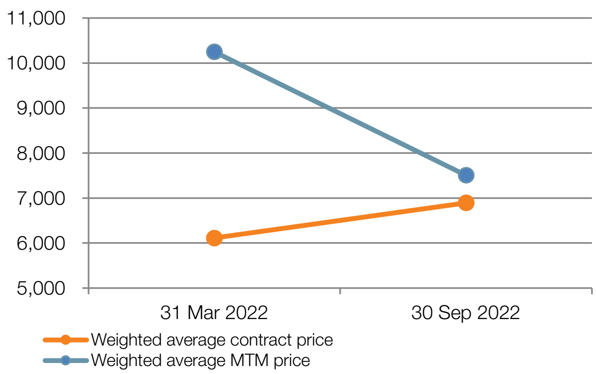
Spot prices of significant raw material commodities

US$ per metric ton	Spot prices as of 30 Sep 2022	Spot prices as of 31 Mar 2022	Decrease
Copper	7,647	10,337	(26%)
Aluminium	2,180	3,503	(38%)
Iron ore	95.47	159.15	(40%)
Coking coal	275.00	521.67	(47%)
Silver - US$ per ounce	19.02	24.82	(23%)

Net fair value of commodity contracts

US$ million	30 Sep 2022	31 Mar 2022	Change
Copper	7.5	44.9	(37.4)
Other commodities	0.5	17.1	(16.6)
Total	8.0	62.0	(54.0)

Copper – Plain vanilla forward



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

Price risk from copper, silver and aluminium is reduced by hedging through cash flow hedge contracts with maturity dates ranging from 1 to 30 months after 30 September 2022.

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 30 months after 30 September 2022.

The Group also manages commodity price risk by way of incorporating appropriate clauses in certain customer contracts to pass increases / decreases in raw material costs onto these customers.

The net fair value of commodity contracts decreased by US$54.0 million due to falling commodity prices.

During the period, the fair value of copper contracts decreased due to the consumption of contracts and fair value losses as the market price of copper decreased. As a result the financial asset representing cumulative mark-to-market gains for plain vanilla copper contracts decreased by US$37.4 million from US$44.9 million as of 31 March 2022 to US$7.5 million as of 30 September 2022.

Further information about the Group's raw material commodity contracts can be found in Note 6 to the accounts

Counterparty Risk

To avoid the potential default of any of its counterparties on its forward contracts, the Group deals only with major financial institutions (i.e. the Group's principal bankers), with strong investment grade ratings, that the Group believes will satisfy their obligations under the contracts.

Corporate Governance

Johnson Electric Holdings Limited ("Company") is committed to achieving high standards of corporate governance that properly protect and promote the interests of its shareholders and devotes considerable effort to identifying and formalizing best practices of corporate governance.

During the six months ended 30 September 2022, the composition of the Board of Directors ("Board") has changed. On 14 July 2022, Mr. Peter Stuart Allenby Edwards retired as an Independent Non-Executive Director of the Company. Ms. Michelle Mei-Shuen Low was appointed as an Independent Non-Executive Director and a member of the Audit Committee of the Company with effect from 1 August 2022.

During the six months ended 30 September 2022, the Company continued to abide by the corporate governance practices set out in the Corporate Governance Report in the Company's Annual Report 2022.

Corporate Governance Code

During the six months ended 30 September 2022, the Company complied with the code provisions set out in the Corporate Governance Code contained in Appendix 14 of the Rules Governing the Listing of Securities ("Listing Rules") on The Stock Exchange of Hong Kong Limited ("Stock Exchange"), except for the following:

Code Provision B.2.2

Code B.2.2 provides that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

Under the Company's Bye-law 109(A), 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 at the present time.

Code Provision C.2.1

Code C.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.

Disclosure under Rule 13.51B(1) of the Listing Rules

In accordance with Rule 13.51B(1) of the Listing Rules, the changes in information of Directors subsequent to the date of the Annual Report 2022 up to the publication of this report are set out below:

Mrs. Catherine Annick Caroline Bradley was appointed as the chairman of the Nomination and Corporate Governance Committee of the Company with effect from 14 July 2022. She ceased to be a director of the Board of Value Reporting Foundation and a member of the Board of Trustees of British School of Brussels on 1 July 2022 and 21 October 2022 respectively.

Model Code for Securities Transactions

The Company has adopted procedures governing directors' securities transactions in compliance with the Model Code as set out in Appendix 10 of the Listing Rules. Specific confirmation has been obtained from all Directors to confirm compliance with the Model Code throughout the six months ended 30 September 2022.

Review of Interim Results and Interim Report

The Company's interim results for the six months ended 30 September 2022 has been reviewed by the Audit Committee and the Company's auditor, PricewaterhouseCoopers.

Disclosure of Interests

Directors

As of 30 September 2022, 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:

	Shares of HK$0.05 each of the Company			
Name	Personal Interests	Other Interests		Approximate % of shareholding
Wang Koo Yik-Chun	–	526,627,622	(Notes 1 & 2)	57.478
Patrick Shui-Chung Wang	3,966,126	–	(Note 3)	0.432
Mak Wang Wing-Yee Winnie	991,563	–	(Note 4)	0.108
Austin Jesse Wang	1,030,901	–	(Note 5)	0.112
Peter Kin-Chung Wang	–	27,218,144	(Notes 6 & 7)	2.970
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 2,136,563 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 388,825 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 712,188 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.

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

Apart from the shares awarded pursuant to the Stock Unit Plan as described in this report, as of 30 September 2022, 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 30 September 2022, 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	526,627,622 (Notes 1 & 2)	57.47
Deltec Bank & Trust Limited (Note 1)	Trustee	225,703,430 (Note 1)	24.63
HSBC International Trustee Limited	Trustee	211,488,543 (Note 1)	23.08
Winibest Company Limited	Beneficial owner	210,577,805 (Note 3)	22.98
Federal Trust Company Limited	Trustee	117,444,281 (Note 1)	12.81
Schroders Plc	Investment manager	53,967,183	5.89
Merriland Overseas Limited	Interest of controlled corporation	58,296,826 (Note 4)	6.36

Notes:

1. Ansbacher (Bahamas) Limited merged with Deltec Bank & Trust Limited and Deltec Bank & Trust Limited is the surviving entity. The shares in which Deltec Bank & Trust Limited was interested, 210,577,805 of the shares in which HSBC International Trustee Limited was interested and 90,346,387 of the shares in which Federal Trust Company Limited was interested were held, directly or indirectly, by them as trustees of various trusts associated with the Wang family and were included in the shares in which Wang Koo Yik-Chun was interested as referred to above under Directors' Disclosure of Interests.
2. The shares in which Wang Koo Yik-Chun was interested as referred to above formed part of the shares referred to in Note 1.
3. The interests of Winibest Company Limited in the Company formed part of the interests in the Company held by HSBC International Trustee Limited.
4. The interests of Merriland Overseas Limited in the Company formed part of the interests in the Company held by Federal Trust Company Limited.

Save as disclosed herein, as of 30 September 2022, the register maintained by the Company pursuant to Section 336 of the SFO recorded no other persons had any interests or short positions in the shares and underlying shares of the Company.

Incentive Share Scheme

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

The purpose of the Stock Unit Plan is to align management with ownership. The Stock Unit Plan helps to attract skilled and experienced personnel, incentivize them to remain with the Group and to motivate them to strive for the future development and expansion of the Group. During the six months ended 30 September 2022, the Company purchased 500,000 shares of the Company at a cost of HK$4.49 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$9.55 and HK$8.61, 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 2022	10,455	6,075	16,530
Units granted to Directors and employees during the period	4,658	3,825	8,483
Shares vested to Directors and employees during the period	(3,991)	(591)	(4,582)
Forfeited during the period	(762)	(2,416)	(3,178)
Unvested units granted, as of 30 September 2022	10,360	6,893	17,253
Forfeited in the second half of FY22/23	(37)	-	(37)
Unvested units granted, as of the date of this report	10,323	6,893	17,216

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

	Number of unvested units granted (thousands)		
Vesting period	Restricted Stock Units	Performance Stock Units	Total
FY23/24	3,857	1,563	5,420
FY24/25	1,924	1,736	3,660
FY25/26	4,542	3,594	8,136
Unvested units granted, as of the date of this report	10,323	6,893	17,216

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 16 to the financial statements and other than for satisfying the shares granted under the Company's employee incentive scheme, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares during the six months ended 30 September 2022.

Interim Dividend

The Board has declared an interim dividend of 17 HK cents equivalent to 2.18 US cents per share (2021: 17 HK cents or 2.18 US cents) payable on 18 January 2023 (Wednesday) to shareholders whose names appear on the Register of Shareholders of the Company on 6 December 2022 (Tuesday).

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. The Board has further been informed that the controlling shareholder of the Company intends to subscribe for its entire eligible allocation of shares under the scrip dividend alternative. A circular containing details of the scrip dividend scheme will be dispatched to shareholders.

Closing Register of Shareholders

The Register of Shareholders of the Company will be closed, for the purpose of determining shareholders' entitlement to the interim dividend, from 2 December 2022 (Friday) to 6 December 2022 (Tuesday) inclusive, during which no transfer of shares will be registered.

In order to qualify for the interim dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong (not the share registrar in Bermuda) for registration, not later than 4:30 p.m. on 1 December 2022 (Thursday). Shares of the Company will be traded ex-dividend as from 30 November 2022 (Wednesday).

Consolidated Balance Sheet

As of 30 September 2022

	Note	Unaudited 30 September 2022 US$'000	Audited 31 March 2022 US$'000
Non-current assets			
Property, plant and equipment	3	**1,571,961**	1,755,785
Investment property	4	**17,915**	18,999
Intangible assets	5	**191,528**	229,882
Investments in associate and joint venture		**5,412**	6,310
Other financial assets	6	**217,793**	189,474
Financial assets at fair value through profit and loss	7	**70,045**	59,936
Defined benefit pension plan assets	13	**15,753**	19,195
Deferred income tax assets		**66,573**	61,862
Other non-current assets	3	**33,709**	41,893
Government Green Bonds at amortized cost		**4,922**	5,506
		2,195,611	2,388,842
Current assets			
Inventories		**669,485**	647,466
Trade and other receivables	8	**795,414**	834,460
Other financial assets	6	**48,807**	91,702
Financial assets at fair value through profit and loss	7	**18,369**	14,107
Income tax recoverable		**9,530**	16,795
Cash and cash equivalents		**298,165**	345,404
		1,839,770	1,949,934
Current liabilities			
Trade and other payables	9	**868,222**	872,005
Current income tax liabilities		**35,538**	32,989
Other financial liabilities	6	**33,718**	6,695
Borrowings	11	**110,728**	21,566
Lease liabilities	12	**23,783**	32,233
Retirement benefit obligations	13	**871**	428
Provision and other liabilities	14	**22,132**	28,552
Put option written to a non-controlling interest	15	**-**	61,360
		1,094,992	1,055,828
Net current assets		**744,778**	894,106
Total assets less current liabilities		**2,940,389**	3,282,948

	Note	Unaudited 30 September 2022 US$'000	Audited 31 March 2022 US$'000
Non-current liabilities			
Trade and other payables	9	**42,623**	32,269
Other financial liabilities	6	**30,444**	22,570
Borrowings	11	**361,016**	469,241
Lease liabilities	12	**69,061**	95,294
Deferred income tax liabilities		**79,735**	107,620
Retirement benefit obligations	13	**19,279**	45,795
Provision and other liabilities	14	**8,675**	8,445
		610,833	781,234
NET ASSETS		**2,329,556**	2,501,714
Equity			
Share capital - Ordinary shares (at par value)	16	**5,909**	5,844
Shares held for incentive share scheme (at purchase cost)	16	**(20,276)**	(30,733)
Share premium	16	**57,826**	49,630
Reserves		**2,244,300**	2,391,544
		2,287,759	2,416,285
Non-controlling interests		**41,797**	85,429
TOTAL EQUITY		**2,329,556**	2,501,714

Consolidated Income Statement

For the six months ended 30 September 2022

	Note	Unaudited Six months ended 30 September 2022 US$'000	2021 US$'000
Sales	2	**1,769,899**	1,674,071
Cost of goods sold		**(1,415,377)**	(1,316,706)
Gross profit		**354,522**	357,365
Other (expenses) / income, net	17	**(7,359)**	30,072
Selling and administrative expenses	18	**(277,432)**	(267,037)
Restructuring and other related costs	19	**(700)**	(3,474)
Operating profit		**69,031**	116,926
Share of (losses) / profits of associate and joint venture		**(644)**	50
Finance income	20	**1,883**	1,262
Finance costs	20	**(9,172)**	(9,988)
Profit before income tax		**61,098**	108,250
Income tax expense	22	**(2,629)**	(11,926)
Profit for the period		**58,469**	96,324
Profit attributable to non-controlling interests		**(2,585)**	(3,145)
Profit attributable to shareholders		**55,884**	93,179
Basic earnings per share for profit attributable to the shareholders for the period (expressed in US cents per share)	23	**6.22**	10.43
Diluted earnings per share for profit attributable to the shareholders for the period (expressed in US cents per share)	23	**6.21**	10.36

Please see Note 24 for details of dividend.

Consolidated Statement of Comprehensive Income

For the six months ended 30 September 2022

	Note	Unaudited Six months ended 30 September 2022 US$'000	 2021 US$'000
Profit for the period		**58,469**	96,324
Other comprehensive income / (expenses)			
Items that will not be recycled to profit and loss:			
Defined benefit plans			
– remeasurements	13	**21,346**	606
– deferred income tax effect		**(1,965)**	(1,776)
Hedging instruments for transactions resulting in the recognition in inventories and subsequently recognized in the income statement upon consumption			
– raw material commodity contracts			
– fair value (losses) / gains, net		**(43,756)**	14,187
– transferred to inventory and subsequently recognized in the income statement	6(e)	**(21,799)**	(22,021)
– deferred income tax effect		**10,817**	1,293
Total items that will not be recycled to profit and loss directly		**(35,357)**	(7,711)
Items that will be recycled to profit and loss:			
Hedging instruments			
– forward foreign currency exchange contracts			
– fair value (losses) / gains, net		**(39,641)**	50,447
– transferred to the income statement		**(8,860)**	(29,756)
– deferred income tax effect		**6,497**	(2,333)
– net investment hedge			
– fair value gains, net		**32,570**	6,054
Currency translations of subsidiaries		**(172,043)**	4,102
Currency translations of associate and joint venture		**(289)**	38
Total items that will be recycled to profit and loss directly		**(181,766)**	28,552
Other comprehensive (expenses) / income for the period, net of tax		**(217,123)**	20,841
Total comprehensive (expenses) / income for the period, net of tax		**(158,654)**	117,165
Total comprehensive (expenses) / income attributable to:			
Shareholders		**(152,299)**	114,892
Non-controlling interests			
Share of profits for the period		**2,585**	3,145
Currency translations		**(8,940)**	(872)
		(158,654)	117,165

Consolidated Statement of Changes in Equity

For the six months ended 30 September 2022

		Unaudited								
		Attributable to shareholders of the Company								
	Note	Share capital and share premium US$'000	Other reserves * US$'000	Exchange reserve US$'000	Share-based employee compensation reserve US$'000	Hedging reserve US$'000	Retained earnings US$'000	Total US$'000	Non-controlling interests US$'000	Total equity US$'000
As of 31 March 2022		24,741	(232,564)	196,278	14,409	183,150	2,230,271	2,416,285	85,429	2,501,714
Profit for the period		-	-	-	-	-	55,884	55,884	2,585	58,469
Other comprehensive income / (expenses):										
Hedging instruments										
– raw material commodity contracts										
– fair value losses, net		-	-	-	-	(43,756)	-	(43,756)	-	(43,756)
– transferred to inventory and subsequently recognized in the income statement	6(e)	-	-	-	-	(21,799)	-	(21,799)	-	(21,799)
– deferred income tax effect		-	-	-	-	10,817	-	10,817	-	10,817
– forward foreign currency exchange contracts										
– fair value losses, net		-	-	-	-	(39,641)	-	(39,641)	-	(39,641)
– transferred to the income statement		-	-	-	-	(8,860)	-	(8,860)	-	(8,860)
– deferred income tax effect		-	-	-	-	6,497	-	6,497	-	6,497
– net investment hedge										
– fair value gains, net		-	-	32,570	-	-	-	32,570	-	32,570
Defined benefit plans										
– remeasurements	13	-	-	-	-	-	21,346	21,346	-	21,346
– deferred income tax effect		-	-	-	-	-	(1,965)	(1,965)	-	(1,965)
Currency translations of subsidiaries		-	-	(165,507)	-	2,404	-	(163,103)	(8,940)	(172,043)
Currency translations of associate and joint venture		-	-	(289)	-	-	-	(289)	-	(289)
Total comprehensive (expenses) / income for the first half of FY22/23		-	-	(133,226)	-	(94,338)	75,265	(152,299)	(6,355)	(158,654)
Transactions with shareholders:										
Incentive share scheme										
– shares vested		6,703	-	-	(6,703)	-	-	-	-	-
– vested by cash settlement		310	-	-	(1,328)	-	-	(1,018)	-	(1,018)
– value of employee services		-	-	-	1,559	-	-	1,559	-	1,559
– purchase of shares		(575)	-	-	-	-	-	(575)	-	(575)
Acquisition of non-controlling interests	15	-	72,191	-	-	-	(41,196)	30,995	(30,995)	-
Dividends paid to non-controlling interests		-	-	-	-	-	-	-	(6,282)	(6,282)
FY21/22 final dividend paid										
– cash paid		-	-	-	-	-	(7,188)	(7,188)	-	(7,188)
– shares issued in respect of scrip dividend		12,437	-	-	-	-	(12,437)	-	-	-
– scrip dividend for shares held for incentive share scheme		(157)	-	-	-	-	157	-	-	-
Total transactions with shareholders		18,718	72,191	-	(6,472)	-	(60,664)	23,773	(37,277)	(13,504)
As of 30 September 2022		**43,459 ****	**(160,373)**	**63,052**	**7,937**	**88,812**	**2,244,872**	**2,287,759**	**41,797**	**2,329,556**

* Other reserves mainly represent capital reserve, property revaluation reserve, statutory reserve and goodwill on consolidation

** The total of US$43.5 million comprised share capital of US$5.9 million, share premium of US$57.8 million and shares held for incentive share scheme of US$(20.2) million

Consolidated Statement of Changes in Equity

For the six months ended 30 September 2021

		Unaudited								
		Attributable to shareholders of the Company								
	Note	Share capital and share premium US$'000	Other reserves * US$'000	Exchange reserve US$'000	Share-based employee compensation reserve US$'000	Hedging reserve US$'000	Retained earnings US$'000	Total US$'000	Non-controlling interests US$'000	Total equity US$'000
As of 31 March 2021		17,547	(225,940)	161,358	12,880	127,977	2,130,779	2,224,601	83,432	2,308,033
Profit for the period		-	-	-	-	-	93,179	93,179	3,145	96,324
Other comprehensive income / (expenses):										
Hedging instruments										
– raw material commodity contracts										
– fair value gains, net		-	-	-	-	14,187	-	14,187	-	14,187
– transferred to inventory and subsequently recognized in the income statement	6(e)	-	-	-	-	(22,021)	-	(22,021)	-	(22,021)
– deferred income tax effect		-	-	-	-	1,293	-	1,293	-	1,293
– forward foreign currency exchange contracts										
– fair value gains, net		-	-	-	-	50,447	-	50,447	-	50,447
– transferred to the income statement		-	-	-	-	(29,756)	-	(29,756)	-	(29,756)
– deferred income tax effect		-	-	-	-	(2,333)	-	(2,333)	-	(2,333)
– net investment hedge										
– fair value gains, net		-	-	6,054	-	-	-	6,054	-	6,054
Defined benefit plans										
– remeasurements	13	-	-	-	-	-	606	606	-	606
– deferred income tax effect		-	-	-	-	-	(1,776)	(1,776)	-	(1,776)
Investment property										
– release of revaluation surplus on transfer of investment property to property, plant and equipment		-	(9,376)	-	-	-	9,376	-	-	-
– deferred income tax effect		-	1,547	-	-	-	(1,547)	-	-	-
Currency translations of subsidiaries		-	-	4,958	-	16	-	4,974	(872)	4,102
Currency translations of associate		-	-	38	-	-	-	38	-	38
Total comprehensive (expenses) / income for the first half of FY21/22		-	(7,829)	11,050	-	11,833	99,838	114,892	2,273	117,165
Transactions with shareholders:										
Incentive share scheme										
– shares vested		4,769	-	-	(4,769)	-	-	-	-	-
– vested by cash settlement		94	-	-	(994)	-	-	(900)	-	(900)
– value of employee services		-	-	-	3,959	-	-	3,959	-	3,959
– purchase of shares		(1,827)	-	-	-	-	-	(1,827)	-	(1,827)
Dividends paid to non-controlling interests		-	-	-	-	-	-	-	(3,456)	(3,456)
FY20/21 final dividend paid										
– cash paid		-	-	-	-	-	(35,508)	(35,508)	-	(35,508)
– shares issued in respect of scrip dividend		3,971	-	-	-	-	(3,971)	-	-	-
– scrip dividend for shares held for incentive share scheme		(440)	-	-	-	-	440	-	-	-
Total transactions with shareholders		6,567	-	-	(1,804)	-	(39,039)	(34,276)	(3,456)	(37,732)
As of 30 September 2021		24,114	(233,769)	172,408	11,076	139,810	2,191,578	2,305,217	82,249	2,387,466

* Other reserves mainly represent capital reserve, property revaluation reserve, statutory reserve, reserve arising from put option written to a non-controlling interest and goodwill on consolidation

Consolidated Cash Flow Statement

For the six months ended 30 September 2022

	Note	Unaudited Six months ended 30 September 2022 US$'000	 2021 US$'000
Cash flows from operating activities			
Earnings before interest, tax, depreciation and amortization	26	**206,068**	257,521
Other non-cash items	26	**19,785**	(21,459)
Change in working capital	26	**(13,275)**	(117,369)
Cash generated from operations	26	**212,578**	118,693
Interest paid		**(10,411)**	(8,048)
Income taxes paid		**(7,837)**	(13,888)
Net cash generated from operating activities		**194,330**	96,757
Investing activities			
Purchase of property, plant and equipment, net of subsidies		**(119,920)**	(152,305)
Proceeds from disposal of property, plant and equipment		**4,252**	510
Capitalized expenditure of engineering development	5 & 21	**(369)**	(2,075)
Finance income received		**1,883**	1,261
		(114,154)	(152,609)
Business combination	27	**-**	(24,234)
Purchase of financial assets at fair value through profit and loss		**(900)**	(750)
Proceeds from sale of financial assets at fair value through profit and loss		**-**	30
Net cash used in investing activities		**(115,054)**	(177,563)

	Note	Unaudited Six months ended 30 September 2022 US$'000	2021 US$'000
Financing activities			
Acquisition of non-controlling interests	15	**(50,810)**	-
Principal elements of lease payments		**(13,233)**	(12,935)
Proceeds from borrowings		**4,173**	97,476
Repayments of borrowings		**(15,290)**	(13,941)
Dividends paid to shareholders		**(7,188)**	(35,508)
Purchase of shares for incentive share scheme		**(575)**	(1,827)
Dividends paid to non-controlling interests		**(6,282)**	(3,456)
Net cash (used in) / generated from financing activities		**(89,205)**	29,809
Net (decrease) in cash and cash equivalents		**(9,929)**	(50,997)
Cash and cash equivalents at beginning of the period		**345,404**	539,467
Currency translations on cash and cash equivalents		**(37,310)**	(1,951)
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		**298,165**	486,519

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 2022	21,566	469,241	127,527	618,334
Currency translations	(1,316)	(6,994)	(11,876)	(20,186)
Cash flows				
– inflow from financing activities	255	3,918	-	4,173
– outflow from financing activities	(13,431)	(1,859)	(13,233)	(28,523)
– outflow from operating activities	-	(6,188)	(3,174)	(9,362)
Non-cash changes				
– new leases / extensions / modifications, net of terminations	-	-	(8,672)	(8,672)
– finance costs	24	6,528	2,272	8,824
– reclassification	103,630	(103,630)	-	-
As of 30 September 2022	110,728	361,016	92,844	564,588

Notes to the Condensed Consolidated Interim Financial Statements

1. General Information and Basis of Preparation

1.1 General Information

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

Johnson Electric Holdings Limited, the parent holding company, is a limited liability company incorporated in Bermuda. The address of its registered office is Victoria Place, 5th Floor, 31 Victoria Street, Hamilton HM 10, Bermuda. The shares of the Company are listed on the Stock Exchange of Hong Kong.

These unaudited condensed consolidated interim financial statements are presented in US Dollars, unless otherwise stated and has been approved for issue by the Board of Directors on 9 November 2022. They have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim financial reporting" issued by the Hong Kong Institute of Certified Public Accountant ("HKICPA") and Appendix 16 of the Listing Rules of The Stock Exchange of Hong Kong Limited.

1.2 Basis of preparation

The accounting policies and methods of computation used in the preparation of these condensed consolidated interim financial statements are consistent with those used in the annual financial statements of the year ended 31 March 2022, except that the Group adopted all new standards, amendments to standards and interpretations of Hong Kong Financial Reporting Standards ("HKFRS") effective for the accounting period commencing 1 April 2022, which are disclosed in Note 33.

The preparation of interim financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 March 2022.

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

1.3 Exchange rates

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

		Closing rate		Average rate for the period	
				Six months ended 30 September	
		30 September 2022	31 March 2022	2022	2021
1 foreign currency unit to USD:					
Swiss Franc	CHF	**1.025**	1.083	**1.036**	1.094
Euro	EUR	**0.981**	1.116	**1.036**	1.192
British Pound	GBP	**1.112**	1.314	**1.216**	1.388
1 USD to foreign currency:					
Brazilian Real	BRL	**5.402**	4.771	**5.074**	5.255
Canadian Dollar	CAD	**1.368**	1.248	**1.291**	1.243
Renminbi	RMB	**7.110**	6.356	**6.724**	6.465
Hong Kong Dollar	HKD	**7.850**	7.827	**7.847**	7.772
Hungarian Forint	HUF	**429.185**	328.947	**380.228**	296.736
Israeli Shekel	ILS	**3.554**	3.177	**3.371**	3.247
Indian Rupee	INR	**81.833**	75.930	**78.493**	73.910
Japanese Yen	JPY	**144.509**	121.803	**133.869**	109.769
South Korean Won	KRW	**1,428.571**	1,204.819	**1,298.701**	1,136.364
Mexican Peso	MXN	**20.194**	19.865	**20.149**	20.012
Polish Zloty	PLN	**4.946**	4.158	**4.531**	3.814
Serbian Dinar	RSD	**119.048**	105.263	**113.636**	99.010
Turkish Lira	TRY	**18.491**	14.654	**16.767**	8.467

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 rental income, fair value gains / (losses) on investment property, gains / (losses) on disposals of fixed assets and investments, fair value gains / (losses) on put option written to a non-controlling interest, unrealized gains / (losses) on currency hedges, monetary assets and liabilities and structured foreign currency contracts and subsidies and other income.

The reconciliation of the operating profit presented to management to the consolidated income statement was as follows:

	Six months ended 30 September	
	2022	2021
	US$'000	US$'000
Operating profit presented to management	**76,390**	86,854
Other (expenses) / income, net (Note 17)	**(7,359)**	30,072
Operating profit per consolidated income statement	**69,031**	116,926

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.

Johnson Electric is one of the world's largest providers of motors, solenoids, micro-switches, flexible printed circuits and microelectronics. The Group has the following business units aligned with the broad markets they serve: Automotive Products Group ("APG") and Industry Products Group ("IPG").

APG provides custom motors, actuators, switches, and motion sub-system solutions for all critical automotive motion related functions. IPG provides motion products and customized solutions for various commercial and industrial applications.

Sales from external customers by business unit were as follows:

	Six months ended 30 September	
	2022	2021
	US$'000	US$'000
Automotive Products Group ("APG")	**1,397,179**	1,268,668
Industry Products Group ("IPG")	**372,720**	405,403
	1,769,899	1,674,071

2. Segment Information *(Cont'd)*

The Stackpole business, under APG, primarily engaged in the manufacture and sale of engine and transmission oil pumps and powder metal components, accounted for 22% of the Group's sales for the first half of FY22/23 (first half of FY21/22: 21%).

The cooling fan business including the "Gate" brand, under APG, primarily engaged in the manufacture and sale of cooling fan modules for OEM and Tier 1 customers, accounted for 17% of the Group's sales for the first half of FY22/23 (first half of FY21/22: 17%).

Sales by geography

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

	Six months ended 30 September	
	2022	2021
	US$'000	US$'000
Europe *	**500,416**	514,447
North America **	**582,027**	489,047
People's Republic of China ("PRC")	**476,231**	454,077
Asia (excluding PRC)	**169,155**	183,935
South America	**30,612**	21,776
Others	**11,458**	10,789
	1,769,899	1,674,071

* Included in Europe were sales to external customers in Germany of US$103.1 million, Czech Republic of US$69.0 million and France of US$60.4 million for the first half of FY22/23 (first half of FY21/22: US$97.1 million, US$77.6 million and US$71.2 million respectively)

** Included in North America were sales to external customers in the USA of US$454.6 million for the first half of FY22/23 (first half of FY21/22: US$406.8 million)

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

2. Segment Information *(Cont'd)*

Segment assets

For the first half of FY22/23, excluding the additions from acquisition, the additions to non-current segment assets were US$112.7 million (first half of FY21/22: US$277.7 million).

	Six months ended 30 September	
	2022	2021
	US$'000	US$'000
Additions to property, plant and equipment – owned assets	**118,388**	167,480
Additions / extensions / modifications to property, plant and equipment – right-of-use assets	**2,143**	97,535
Additions to intangible assets	**369**	2,075
(Reduction) / additions to other non-current assets	**(8,184)**	10,628
Additions to non-current segment assets	**112,716**	277,718

The non-current segment assets (representing property, plant and equipment, investment property, intangible assets, investments in associate and joint venture, other non-current assets) by geographic location as of 30 September 2022 and 31 March 2022 were as follows:

	30 September	31 March
	2022	2022
	US$'000	US$'000
Hong Kong ("HK") / PRC	**986,169**	1,104,389
Canada	**362,266**	409,351
Switzerland	**105,403**	123,676
Serbia	**86,032**	93,495
Others	**280,655**	321,958
	1,820,525	2,052,869

3. Property, Plant and Equipment

	Freehold land, leasehold land and buildings US$'000	Machinery and equipment US$'000	Assets under construction US$'000	Moulds and tools US$'000	Other assets ** US$'000	Right-of-use assets US$'000	Total US$'000
First half of FY22/23							
As of 31 March 2022	415,034	755,120	277,667	107,055	46,244	154,665	1,755,785
Currency translations	(40,069)	(76,700)	(27,584)	(10,647)	(3,054)	(14,747)	(172,801)
Additions – owned assets	1,353	14,407	94,511	5,719	2,398	-	118,388
Additions – right-of-use assets	-	-	-	-	-	1,816	1,816
Extension / modification of leases	-	-	-	-	-	327	327
Transfer	17,786	60,714	(96,075)	15,838	931	806	-
Disposals / termination of leases	(129)	(235)	-	(121)	(67)	(10,266)	(10,818)
Impairment charges (Note 21 & 26)	-	(174)	-	-	-	-	(174)
Depreciation (Note 21)	(8,990)	(65,020)	-	(25,437)	(6,320)	(14,795)	(120,562)
As of 30 September 2022	**384,985** *	**688,112**	**248,519**	**92,407**	**40,132**	**117,806**	**1,571,961**
First half of FY21/22							
As of 31 March 2021	328,843	682,118	265,686	111,135	43,748	81,232	1,512,762
Currency translations	55	1,583	1,312	803	165	726	4,644
Business combination	6,652	1,937	-	315	121	710	9,735
Additions – owned assets	4,175	29,466	121,591	9,286	2,962	-	167,480
Additions – right-of-use assets	-	-	-	-	-	1,966	1,966
Extension / modification of leases	-	-	-	-	-	95,569	95,569
Transfer	58,445	82,105	(151,330)	10,469	311	-	-
Transfer from investment property (Note 4)	18,320	-	-	-	-	-	18,320
Disposals / termination of leases	(1)	(237)	-	(31)	(20)	(1,145)	(1,434)
Impairment charges (Note 21 & 26)	-	(121)	-	(73)	(1)	-	(195)
Depreciation (Note 21)	(8,540)	(66,315)	-	(26,947)	(6,324)	(16,114)	(124,240)
As of 30 September 2021	407,949	730,536	237,259	104,957	40,962	162,944	1,684,607

* As of 30 September 2022, freehold land, leasehold land and buildings included US$4.0 million (31 March 2022: US$4.2 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

In the first half of FY22/23, impairment charges of US$0.2 million (first half of FY21/22: US$0.2 million) was mainly due to termination of customer projects and assets obsolescence.

In the first half of FY22/23, the decrease in right-of use assets of US$10.3 million was mainly due to the termination of leases of a production facility in China since the landlord was requested to return the land to the government for a city construction project. While in the first half of FY21/22 right-of-use assets increased, which was largely due to the renewal of the leases for the Group’s Shajing, China operations.

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

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

Right-of-use assets

Property, plant and equipment includes the following amounts relating to right-of-use assets:

	Land use rights US$'000	Leasehold buildings US$'000	Machinery and equipment US$'000	Other assets * US$'000	Total US$'000
First half of FY22/23					
As of 31 March 2022	36,263	113,410	2,579	2,413	154,665
Currency translations	(3,726)	(10,551)	(241)	(229)	(14,747)
Additions – right-of-use assets	97	1,134	-	585	1,816
Extension / modification of leases	-	324	-	3	327
Transfer from assets under construction	806	-	-	-	806
Termination of leases	-	(10,210)	(12)	(44)	(10,266)
Depreciation	(469)	(13,084)	(516)	(726)	(14,795)
As of 30 September 2022	**32,971**	**81,023**	**1,810**	**2,002**	**117,806**
First half of FY21/22					
As of 31 March 2021	36,189	39,451	2,063	3,529	81,232
Currency translations	479	284	(30)	(7)	726
Business combination	-	-	710	-	710
Additions – right-of-use assets	-	1,460	62	444	1,966
Extension / modification of leases	-	95,573	29	(33)	95,569
Termination of leases	-	(1,111)	-	(34)	(1,145)
Depreciation	(488)	(13,890)	(762)	(974)	(16,114)
As of 30 September 2021	36,180	121,767	2,072	2,925	162,944

* 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$24.6 million (31 March 2022: US$32.1 million). The amount will be transferred to property, plant and equipment on receipt of the assets. The other non-current assets by nature as of 30 September 2022 and 31 March 2022 were as follows:

	30 September 2022 US$'000	31 March 2022 US$'000
Purchase deposits for machinery and construction of factory	**24,620**	32,100
Deferred contract costs (Note 10)	**4,433**	5,906
Other deposits and prepayments	**4,656**	3,887
Total other non-current assets	**33,709**	41,893

4. Investment Property

	2022 US$'000	2021 US$'000
As of 31 March	**18,999**	35,772
Currency translations	**(1,084)**	147
Transfer to property, plant and equipment (Note 3)	**-**	(18,320)
As of 30 September	**17,915**	17,599

5. Intangible Assets

	Technology, patents and engineering development US$'000	Brands US$'000	Client relationships US$'000	Total US$'000
First half of FY22/23				
As of 31 March 2022	37,625	33,971	158,286	229,882
Currency translations	(3,110)	(2,868)	(15,488)	(21,466)
Capitalization of engineering development costs (Note 21)	369	-	-	369
Amortization (Note 21 & 26)	(6,850)	(2,053)	(8,354)	(17,257)
As of 30 September 2022	**28,034**	**29,050**	**134,444**	**191,528**
First half of FY21/22				
As of 31 March 2021	46,116	37,769	161,082	244,967
Currency translations	(410)	(319)	(2,904)	(3,633)
Business combination	2,361	-	16,390	18,751
Capitalization of engineering development costs (Note 21)	2,075	-	-	2,075
Amortization (Note 21 & 26)	(6,218)	(2,131)	(8,689)	(17,038)
As of 30 September 2021	43,924	35,319	165,879	245,122

5. Intangible Assets *(Cont'd)*

Total intangible assets as of 30 September 2022 and 31 March 2022 were denominated in the following underlying currencies:

	30 September 2022 US$'000	31 March 2022 US$'000
In CAD	**136,089**	160,635
In EUR	**33,921**	42,538
In KRW	**13,569**	16,868
In USD	**5,470**	6,674
In GBP	**2,479**	3,167
Total intangible assets	**191,528**	229,882

6. Other Financial Assets and Liabilities

	30 September 2022			31 March 2022		
	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))	**14,187**	**(6,184)**	**8,003**	62,042	-	62,042
– forward foreign currency exchange contracts (Note a (ii))	**149,849**	**(46,106)**	**103,743**	168,344	(17,912)	150,432
Net investment hedge (Note b)						
– forward foreign currency exchange contracts and cross-currency interest rate swaps	**42,270**	**-**	**42,270**	13,958	(3,299)	10,659
Fair value hedge (Note c)						
– forward foreign currency exchange contracts	**60,294**	**(529)**	**59,765**	36,798	(120)	36,678
Held for trading (Note d)	**-**	**(11,343)**	**(11,343)**	34	(7,934)	(7,900)
Total (Note f)	**266,600**	**(64,162)**	**202,438**	281,176	(29,265)	251,911
Current portion	**48,807**	**(33,718)**	**15,089**	91,702	(6,695)	85,007
Non-current portion	**217,793**	**(30,444)**	**187,349**	189,474	(22,570)	166,904
Total	**266,600**	**(64,162)**	**202,438**	281,176	(29,265)	251,911

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

Note:

(a) Cash flow hedge

(i) Raw material commodity contracts

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

As of 30 September 2022, the Group had the following outstanding contracts:

	Notional amount	Weighted average contract price (US$)	Spot price (US$)	Mark-to-market price (US$)	Remaining maturities range (months)	Settlement value in USD equivalent (US$ million)	Estimated future cash flow (US$ million)	Assets / (liabilities), net carrying value (US$'000)
Cash flow hedge contracts								
Copper commodity	12,300 metric ton	6,894	7,647	7,505	1 – 30	84.8	9.2	7,514
Silver commodity	295,000 oz	20.82	19.02	19.49	1 – 19	6.1	(0.5)	(391)
Aluminium commodity	2,925 metric ton	2,524	2,180	2,199	1 – 18	7.4	(1.0)	(953)
Iron ore commodity	168,000 metric ton	88.38	95.47	86.94	1 – 30	14.8	1.2	(242)
Coking coal commodity	14,000 metric ton	147.14	275.00	295.40	1 – 6	2.1	1.8	2,075
Total						115.2	10.7	8,003

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

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

Estimated future cash flow is calculated based on the contracts' rate at maturity compared to the spot rate for the agreements as of 30 September 2022.

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

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

(ii) Forward foreign currency exchange contracts

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

- Sell EUR contracts to create an economic hedge for EUR denominated export sales into USD
- Buy MXN, RSD, ILS, EUR, TRY, RMB, PLN and HUF contracts to create an economic hedge for production costs, other operating costs and capital expenditure denominated in these currencies against their sources of revenue

Gains and losses initially recognized in the hedging reserve will be recognized in the income statement in the period or periods in which the underlying hedged transactions occur (cash realization).

As of 30 September 2022, the Group had the following outstanding contracts:

	Settlement currency	Notional value (million)	Weighted average contract rate	Spot rate	Mark-to-market rate	Remaining maturities range (months)	Settlement value in USD equivalent (US$ million)	Estimated future cash flow (US$ million)	Assets / (liabilities), net carrying value (US$'000)
Cash flow hedge contracts									
Sell EUR forward *	USD	EUR 380.4	1.36	0.98	1.06	1 – 72	518.6	145.3	115,683
Buy MXN forward	USD	MXN 2,296.2	26.65	20.19	23.59	1 – 69	86.2	27.6	11,167
Buy RSD forward	EUR	RSD 1,506.7	120.05	116.83	118.90	1 – 17	12.3	0.3	119
Buy ILS forward	USD	ILS 11.0	3.50	3.55	3.52	2 – 12	3.1	(0.1)	(20)
Buy EUR forward *	USD	EUR 8.0	1.04	0.98	0.99	1 – 4	8.3	(0.5)	(421)
Buy TRY forward	EUR	TRY 48.1	16.87	18.15	20.34	1 – 21	2.8	(0.2)	(477)
Buy RMB forward	USD	RMB 8,385.1	6.98	7.11	6.98	1 – 61	1,201.4	(22.1)	(705)
Buy PLN forward	EUR	PLN 407.9	4.90	4.85	5.36	1 – 49	81.7	0.8	(7,003)
Buy HUF forward	EUR	HUF 18,239.6	350.67	421.20	491.14	1 – 44	51.0	(8.5)	(14,600)
Total							1,965.4	142.6	103,743

* The EUR to USD is stated in the inverse order

During the period, the decrease in fair value of US$100.7 million for derivatives of raw material commodity and forward foreign currency exchange contracts that designed as cash flow hedges approximated the fair value movement of the underlying hedged items. There was no hedge ineffectiveness recognized in profit and loss during the period (first half of FY21/22: nil).

As of 30 September 2022, the fair value gains recognized in cash flow hedge reserve was US$111.5 million (31 March 2022: US$223.1 million).

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

(b) Net investment hedge

The Group hedges its net investment in its European and Canadian operations to protect itself from exposure to future changes in currency exchange rates. The EUR and CAD forward foreign currency exchange contracts and EUR cross-currency interest rate swaps as per the table below are designated as net investment hedges. Gains and losses recognized in the exchange reserve will be released from equity to profit and loss on the disposal or partial disposal of the foreign operations.

As of 30 September 2022, the Group had the following outstanding contracts:

	Settlement currency	Notional value (million)	Weighted average contract rate	Spot rate	Mark-to-market rate	Remaining maturities range (months)	Settlement value in USD equivalent (US$ million)	Estimated future cash flow (US$ million)	Assets, net carrying value (US$'000)
Net investment hedge contracts									
Sell EUR forward *	USD	EUR 50.0	1.32	0.98	1.02	3 – 27	66.0	16.9	14,854
Cross-currency interest rate swaps * (pay EUR, receive USD)	USD	EUR 242.6	1.13	0.98	1.03	22	275.2	41.6	26,499
Sell CAD forward	USD	CAD 13.4	1.25	1.37	1.36	7	10.8	1.0	917
Total							352.0	59.5	42,270

* The EUR to USD is stated in the inverse order

As of 30 September 2022, the carrying amount of net assets denominated in EUR and CAD were US$590.3 million and US$416.0 million in USD equivalent respectively.

During the period, the fair value movement of derivatives approximated the fair value movement of the hedged item. There was no hedge ineffectiveness recognized in profit and loss during the period (first half of FY21/22: nil).

6. 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 30 September 2022, the Group had the following outstanding contracts:

	Settlement currency	Notional value (million)	Weighted average contract rate	Spot rate	Mark-to-market rate	Remaining maturities range (months)	Settlement value in USD equivalent (US$ million)	Estimated future cash flow (US$ million)	Assets / (liabilities), net carrying value (US$'000)
Fair value hedge contracts									
Sell EUR forward *	USD	EUR 188.4	1.39	0.98	1.07	1 – 67	261.0	76.0	60,294
Buy EUR forward *	USD	EUR 11.4	1.03	0.98	0.98	1	11.7	(0.5)	(529)
Total							272.7	75.5	59,765

* The EUR to USD is stated in the inverse order

As of 30 September 2022, the carrying amount of intragroup net receivables denominated in EUR (the hedged item) was US$249.3 million. In the first half of FY22/23, hedge ineffectiveness of US$3.1 million was charged to profit and loss in "Other expenses / income, net" (first half of FY21/22: US$1.6 million credited to profit and loss).

(d) Held for trading

The ineffective portion of HUF forward foreign currency exchange contracts resulted from the shutdown of a manufacturing facility in Hungary. In addition, due to insufficient USD export sales from our subsidiary in India, the INR forward foreign currency exchange contracts did not qualify for hedge accounting under HKFRS 9 and were designated as held for trading. Fair value gains and losses on the forward contracts are immediately recognized in the income statement.

As of 30 September 2022, the Group had the following outstanding contracts:

	Settlement currency	Notional value (million)	Weighted average contract rate	Spot rate	Mark-to-market rate	Remaining maturities range (months)	Settlement value in USD equivalent (US$ million)	Estimated future cash flow (US$ million)	(Liabilities), net carrying value (US$'000)
Held for trading contracts									
Buy INR forward	USD	INR 101.8	78.29	81.83	81.67	1 – 2	1.3	(0.1)	(54)
Buy HUF forward	EUR	HUF 14,188.7	346.61	421.20	482.09	1 – 42	40.2	(7.1)	(11,289)
Total							41.5	(7.2)	(11,343)

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

(e) The income statement effect from raw material commodity and foreign currency exchange contracts (excluding structured contracts, see Note 7) and the cross-currency interest rate swaps recognized in the first half of FY22/23 was a net gain of US$59.5 million (first half of FY21/22: net gain of US$60.6 million).

	Six months ended 30 September	
	2022	2021
Benefit / (expense)	**US$'000**	US$'000
Cost of goods sold includes:		
Effect of raw material commodity contracts	**21,799**	22,021
Effect of forward foreign currency exchange contracts	**4,087**	14,080
Effect on cost of goods sold	**25,886**	36,101
Other expense / income, net includes:		
Effect of unrealized forward foreign currency exchange contracts (Note 17)	**23,763**	4,226
Selling and administrative expenses includes:		
Effect of forward foreign currency exchange contracts (Note 18)	**6,410**	16,796
Finance costs includes:		
Cross-currency interest rate swaps	**3,471**	3,512
Effect of other financial assets and liabilities in consolidated income statement, net gain	**59,530**	60,635

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

(g) Net cash generated from operating activities due to the realized hedge contracts was US$25.2 million (first half of FY21/22: US$54.4 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 all the currency and commodity agreements as of 30 September 2022 would result in approximately US$281 million cash flow benefit (31 March 2022: US$394 million).

(i) As of 30 September 2022, the balance in the exchange reserve for continuing hedges that are accounted for as a net investment hedge was US$95.2 million (31 March 2022: US$62.6 million).

7. Financial Assets at Fair Value through Profit and Loss

	30 September 2022 US$'000	31 March 2022 US$'000
Call option related to the acquisition of Halla Stackpole (Note a)	**-**	2,217
Unlisted preference shares (Note b)	**28,111**	28,111
Structured foreign currency contracts (Note c)	**52,308**	37,354
Other investment (Note d)	**7,995**	6,361
Total (Note e)	**88,414**	74,043
Current portion	**18,369**	14,107
Non-current portion	**70,045**	59,936
Total	**88,414**	74,043

Note:

(a) Call option related to the acquisition of Halla Stackpole
The Group's call option related to the acquisition of Halla Stackpole exercised by HL Holdings Corporation (formerly known as Halla Holdings Corporation) on 19 September 2022. The financial asset was derecognized and a loss of US$1.9 million was recognized in profit and loss in the first half of FY22/23.

(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 30 September 2022, the fair value of the unlisted preference shares is US$28.1 million (31 March 2022: US$28.1 million) based on transaction prices.

(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.

7. Financial Assets at Fair Value through Profit and Loss *(Cont'd)*

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

The Group considers these contracts as economic hedges, since the contracts are able to mitigate the risk of foreign exchange movements in underlying transactions and assets. The maximum deliverable amounts of the structured foreign currency contracts are not expected to exceed the Group's future needs.

As of 30 September 2022, 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	380.4
Economic hedge – by structured forward contracts	
– minimum possible hedge	105.7
– maximum possible hedge	208.4
Percentage of currency exposure hedged *	
– by plain vanilla contracts	41%
– by plain vanilla and structured forward – minimum	52%
– by plain vanilla and structured forward – maximum	63%

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

In the first half of FY22/23, gains on structured foreign currency contracts increased net profit by US$13.7 million, net of tax (pre-tax US$15.0 million) (first half of FY21/22: gains increased net profit by US$4.3 million, pre-tax US$4.8 million). Please see Note 17.

As of 30 September 2022, the Group had the following structured foreign currency contracts:

	Settlement currency	Notional value - minimum (million)	Notional value - maximum (million)	Range of contract rates	Weighted average contract rate	Mark-to-market rate	Remaining maturities range (months)	Estimated future cash flow (US$ million)	Assets, net carrying value (US$'000)
Structured foreign currency contracts (With option features: Reduction of notional amount)									
Sell EUR (for sales) *	USD	EUR 105.7	EUR 208.4	1.30 – 1.39	1.35	1.18	1 – 23	38.9	35,019
Sell EUR (for net investment) *	USD	EUR 50.0	EUR 100.0	1.36 – 1.40	1.38	1.21	3 – 27	20.0	17,289
Total								58.9	52,308

* The EUR to USD is stated in the inverse order

7. Financial Assets at Fair Value through Profit and Loss *(Cont'd)*

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

Sensitivity

As of 30 September 2022, 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$(1.5) million
Decrease by 1%	US$1.4 million

Due to the non-linear characteristics of these structured foreign exchange contracts, the incremental fair value change due to the fluctuation of the foreign currency will decrease (i.e. the fair value change of a 2% change in exchange rate is less than twice of 1% change in exchange rate).

Estimate of future cash flow

In terms of estimating future cash flow, the structured contract rates at maturity compared to spot rates as of 30 September 2022 would give rise to a cash flow benefit of approximately US$59 million (assuming minimum delivery for EUR contracts depending on the contract delivery rate) (31 March 2022: US$45 million).

(d) Other investment

In the first half of FY22/23, the Group invested US$0.9 million in a venture capital fund comprised a diversified portfolio, including, but not limited to, life sciences, hardware and food start-up companies. This brought the total cash investment to US$5.3 million as of 30 September 2022, out of a total investment commitment of US$6.0 million. In addition, the Group recognized a cumulative fair value gain of US$2.7 million, resulting in a US$8.0 million carrying value of the investment as of 30 September 2022 (carrying value as of 31 March 2022: US$6.4 million). The change in fair value of US$0.7 million in the first half of FY22/23 (first half of FY21/22: US$0.8 million) is reflected in Note 17 "Other expenses / income, net".

(e) The maximum exposure of these investments to credit risk at the reporting date was the fair value in the balance sheet.

8. Trade and Other Receivables

	30 September 2022 US$'000	31 March 2022 US$'000
Trade receivables – gross *	**691,077**	707,538
Less: impairment of trade receivables	**(2,588)**	(2,441)
Trade receivables – net	**688,489**	705,097
Prepayments and other receivables	**106,925**	129,363
	795,414	834,460

* The balance included bank acceptance drafts from customers amounting to US$43.8 million (31 March 2022: US$37.6 million). The maturity dates of the drafts all fall within 6 months of the balance sheet date

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

Customer credit risk, aging and impairment of gross trade receivables

(a) The Group normally grants credit terms ranging from 30 to 120 days to its trade customers. No significant element of financing is deemed present as the sales are made with a credit term which is consistent with market practice. The Group's obligation to repair or replace faulty products under the standard warranty terms is recognized as a provision, see Note 14. 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.

There was no concentration of credit risk with respect to trade receivables, as the Group has a large number of customers and no single customer represents more than 10% or more of trade receivables.

8. Trade and Other Receivables *(Cont'd)*

(b) The impairment of trade receivables is estimated using the forward-looking expected credit loss method and considering the aging of gross trade receivables based on due date.

The aging of gross trade receivables and estimated impairment by due date was as follows:

	Gross carrying amount US$'000	Impairment of trade receivables US$'000	Trade receivables – net US$'000
As of 30 September 2022			
Current	647,472	(55)	**647,417**
1 – 30 days overdue	23,884	(22)	**23,862**
31 – 90 days overdue	11,438	(60)	**11,378**
Over 90 days overdue	8,283	(2,451)	**5,832**
Total	691,077	(2,588)	**688,489**
As of 31 March 2022			
Current	659,622	(91)	659,531
1 – 30 days overdue	31,865	(34)	31,831
31 – 90 days overdue	11,740	(87)	11,653
Over 90 days overdue	4,311	(2,229)	2,082
Total	707,538	(2,441)	705,097

No significant changes to estimation techniques or assumptions on expected credit losses were made during the period.

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

	30 September 2022 US$'000	31 March 2022 US$'000
0 – 30 days	**372,906**	366,536
31 – 90 days	**272,064**	308,001
Over 90 days	**46,107**	33,001
Total	**691,077**	707,538

9. Trade and Other Payables

	30 September 2022 US$'000	31 March 2022 US$'000
Trade payables	**491,141**	480,196
Accrual for property, plant and equipment and other production consumables	**165,402**	181,929
Accrued payroll and other staff related costs	**106,767**	107,413
Contract liabilities (Note 10)	**32,838**	31,948
Deferred income *	**34,824**	23,983
Other creditors and accrued charges	**79,873**	78,805
	910,845	904,274
Current portion	**868,222**	872,005
Non-current portion	**42,623**	32,269

* Mainly comprised government grants

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

	30 September 2022 US$'000	31 March 2022 US$'000
0 – 60 days	**320,932**	306,266
61 – 90 days	**89,235**	96,105
Over 90 days	**80,974**	77,825
Total	**491,141**	480,196

10. Contract Balances

Contract assets relate to the deferred contract costs incurred to obtain the customer contract. These costs are subsequently amortized in the consolidated income statement over the expected contract period. The Group assesses the carrying value of each contract asset annually and recognizes an expected credit loss if the carrying value exceeds the amounts of consideration that the Group expects to receive from the contract.

Contract liabilities primarily relate to consideration received from customers in advance of transferring goods promised in a contract. Recognition of this income is therefore deferred until the contractual performance obligation is satisfied.

The total contract assets and liabilities are included in various non-current and current balance sheet accounts as shown below:

	30 September 2022 US$'000	31 March 2022 US$'000
Deferred contract costs included in:		
Trade and other receivables	**1,902**	2,263
Other non-current assets (Note 3)	**4,433**	5,906
Total deferred contract costs	**6,335**	8,169
Contract liabilities balances included in:		
Trade and other payables – current	**(21,024)**	(19,939)
Trade and other payables – non-current	**(11,814)**	(12,009)
Total contract liabilities (Note 9)	**(32,838)**	(31,948)

In the first half of FY22/23, US$9.1 million (first half of FY21/22: US$11.0 million) included in the contract liability balance at the previous year end date was recognized in profit and loss.

11. Borrowings

	30 September 2022			31 March 2022		
	Current US$'000	**Non-current US$'000**	**Total US$'000**	Current US$'000	Non-current US$'000	Total US$'000
Bonds (Note a)	**-**	**300,842**	**300,842**	-	300,525	300,525
Loan from Export Development Canada ("EDC") (Note b)	**99,936**	**-**	**99,936**	-	99,888	99,888
Loan from The Export-Import Bank of China (Note c)	**10,548**	**56,256**	**66,804**	7,866	68,828	76,694
Other borrowings	**244**	**3,918**	**4,162**	13,700	-	13,700
Total borrowings	**110,728**	**361,016**	**471,744**	21,566	469,241	490,807

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 97.4% of the face value of the bonds as of 30 September 2022 (31 March 2022: 100.7% of the face value of the bonds).

(b) Loan from EDC

US$99.9 million (principal US$100.0 million less US$0.1 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 has a facility from The Export-Import Bank of China which was used to fund capital expenditure for the Group’s new Jiangmen factory. As of 30 September 2022, the Group had drawn down the entire RMB500 million facility, and made scheduled repayments, bringing the balance of the loan to RMB475.0 million, equivalent to US$66.8 million (31 March 2022: RMB487.5 million, equivalent to US$76.7 million). The next repayment of the loan is due in February 2023, with further repayments every six months until August 2025.

11. Borrowings *(Cont'd)*

The maturity of borrowings was as follows:

	Bank borrowings		Bonds and other borrowings	
	30 September 2022 US$'000	31 March 2022 US$'000	**30 September 2022 US$'000**	31 March 2022 US$'000
Less than 1 year	**10,792**	7,866	**99,936**	13,700
1 – 2 years	**14,064**	13,766	**300,842**	99,888
2 – 5 years	**42,192**	55,062	**3,918**	300,525
	67,048	76,694	**404,696**	414,113

As of 30 September 2022, the interest rate charged on the significant outstanding balances ranged from 3.3% to 4.1% per annum (31 March 2022: 3.4% to 4.1% per annum) and the weighted average effective interest rate of the borrowings including the impact of interest rate swaps (see Note 6(b)) was approximately 3.7% (31 March 2022: 2.5%). Interest expense is disclosed in Note 20.

Johnson Electric subscribes to both Moody's Investors Service ("Moody's") and Standard & Poor's Ratings Services ("S&P") to provide independent long-term credit ratings. As of 30 September 2022, the Group maintained investment grade ratings with a stable outlook from both agencies. These ratings reflect the Group's solid market position, resilience and prudent financial leverage.

The fair value of borrowings, other than the bonds due July 2024, approximately equals their carrying amount.

12. Lease liabilities

	2022 US$'000	2021 US$'000
As of 31 March	**127,527**	48,543
Currency translations	**(11,876)**	408
Business combination	**-**	710
New leases / extensions / modifications	**2,046**	97,535
Termination of leases	**(10,718)**	(1,212)
Finance costs	**2,272**	3,100
Principal elements of lease payments	**(13,233)**	(12,935)
Interest elements of lease payments	**(3,174)**	(1,556)
As of 30 September	**92,844**	134,593
Current portion	**23,783**	32,368
Non-current portion	**69,061**	102,225

The income statement shows the following amounts included in cost of goods sold and selling and administrative expenses relating to leases which are not shown above as leases:

	Six months ended 30 September	
	2022 US$'000	2021 US$'000
Expense relating to short-term leases	**966**	1,223
Expense relating to leases of low-value assets	**38**	32
Expense relating to variable lease payments	**573**	277
	1,577	1,532

13. Retirement Benefit Obligations

	Defined benefit pension plans US$'000	Defined contribution pension plans and long service payment US$'000	Total US$'000
First half of FY22/23			
As of 31 March 2022	23,498	3,530	27,028
Currency translations	(1,578)	(418)	(1,996)
Charges	3,020	4,511	7,531
Utilizations	(2,531)	(4,289)	(6,820)
Remeasurements *	(21,346)	-	(21,346)
As of 30 September 2022	**1,063**	**3,334**	**4,397**
First half of FY21/22			
As of 31 March 2021	30,650	4,199	34,849
Currency translations	(341)	(100)	(441)
Charges	3,401	4,926	8,327
Utilizations	(2,704)	(5,017)	(7,721)
Remeasurements *	(606)	-	(606)
As of 30 September 2021	30,400	4,008	34,408

* Remeasurements represent actuarial (gains) and losses. In the first half of FY22/23, the actuarial gains of US$21.3 million mainly arose from changes in financial assumptions especially the increase in the discount rates

The retirement benefit plans are located in the United Kingdom, Canada, Switzerland, Israel, South Korea, Germany, Italy and France. Net obligations of US$1.1 million (31 March 2022: US$23.5 million) comprised the gross present value of obligations of US$174.7 million (31 March 2022: US$231.0 million) less the fair value of plan assets of US$173.6 million (31 March 2022: US$207.5 million).

Retirement benefit plans that are in a net liability position (i.e. plan obligations exceed plan assets) and in a net asset position (i.e. plan assets exceed plan obligations) as of 30 September 2022 are shown below:

	Defined benefit pension plans US$'000	Defined contribution pension plans and long service payment US$'000	Total US$'000
Retirement benefit obligations:			
Current portion	505	366	871
Non-current portion	16,311	2,968	19,279
Defined benefit pension plan assets:			
Non-current portion	(15,753)	-	(15,753)
As of 30 September 2022	**1,063**	**3,334**	**4,397**

14. Provision and Other Liabilities

	Legal and warranty US$'000	Restructuring and severance US$'000	Reinstatement cost of right-of-use assets US$'000	Total US$'000
First half of FY22/23				
As of 31 March 2022	31,409	4,498	1,090	36,997
Currency translations	(1,318)	(347)	(116)	(1,781)
Charged / (credited) to income statement				
– additional provisions	5,840	700	-	6,540
– unused amounts reversed	(1,726)	-	-	(1,726)
– finance costs	-	-	9	9
Utilizations	(4,879)	(4,353)	-	(9,232)
As of 30 September 2022	**29,326**	**498**	**983**	**30,807**
Current portion	21,634	498	-	22,132
Non-current portion	7,692	-	983	8,675
As of 30 September 2022	**29,326**	**498**	**983**	**30,807**
First half of FY21/22				
As of 31 March 2021	45,070	13,257	1,118	59,445
Currency translations	(145)	78	(36)	(103)
Business combination	29	-	-	29
Charged / (credited) to income statement				
– additional provisions	9,889	3,474	-	13,363
– unused amounts reversed	(1,679)	-	-	(1,679)
– finance costs	-	-	9	9
Utilizations	(15,331)	(10,517)	-	(25,848)
As of 30 September 2021	37,833	6,292	1,091	45,216

15. 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 HL Holdings Corporation (formerly known as 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 shares in HSC. The put option was exercisable at any time from May 2022 to May 2026.

On 9 September 2022, the Group entered into an agreement to acquire the remaining 20% interest in HSC for a total consideration of KRW70.3 billion (US$50.8 million) pursuant to the put option. The acquisition was completed on 19 September 2022 whereupon HSC became an indirect wholly-owned subsidiary of the Company.

The consideration of KRW70.3 billion was determined by reference to the EBITDA multiples and net debt of HSC Group for the fiscal year immediately preceding the fiscal year when the put option was exercised. The consideration was calculated based on the following formula as laid out in the Share Purchase Agreement:

Consideration = 20% x (EBITDA multiple of 8.5 x EBITDA* + net cash* – dividend declared prior to date of sale)

* EBITDA of KRW32.1 billion (US$23.2 million) and net cash KRW81.9 billion (US$59.2 million) are based on the audited financial statements of HSC Group for the fiscal year ended 31 March 2022

The movement of the written put option was as follows:

	2022 **US$'000**	2021 US$'000
As of 31 March	**61,360**	71,688
Currency translation	**(7,630)**	(1,533)
Accrued interest (Note 20)	**-**	609
Fair value gains * (Note 17)	**(2,920)**	(4,005)
Settlement of put option	**(50,810)**	-
As of 30 September	**-**	66,759

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

15. Put Option Written to a Non-Controlling Interest *(Cont'd)*

As this is a transaction with a non-controlling interest, the difference between the fair value of consideration paid and the carrying value of 20% of the non-controlling interest acquired is recorded as a reduction in equity.

	2022 US$'000
Consideration (KRW 70.3 billion)	50,810
Reduction of carrying amount of non-controlling interest	(30,995)
Net effect charged against equity	19,815

16. Share Capital

	Share capital – ordinary shares (thousands)	Shares held for incentive share scheme (thousands)	Total shares (thousands)
First half of FY22/23			
As of 31 March 2022	906,003	(11,106)	894,897
Shares purchased by trustee for incentive share scheme	-	(500)	(500)
Shares vested to Directors and employees for incentive share scheme	-	3,825	3,825
Shares issued in lieu of cash dividends	10,212	-	10,212
Scrip dividend for shares held for incentive share scheme	-	(130)	(130)
As of 30 September 2022	**916,215**	**(7,911)**	**908,304**
First half of FY21/22			
As of 31 March 2021	903,815	(11,572)	892,243
Shares purchased by trustee for incentive share scheme	-	(800)	(800)
Shares vested to Directors and employees for incentive share scheme	-	1,638	1,638
Shares issued in lieu of cash dividends	1,700	-	1,700
Scrip dividend for shares held for incentive share scheme	-	(188)	(188)
As of 30 September 2021	905,515	(10,922)	894,593

As of 30 September 2022, the total authorized number of ordinary shares was 1,760.0 million (31 March 2022: 1,760.0 million) with a par value of HK$0.05 per share (31 March 2022: HK$0.05 per share). All issued shares were fully paid.

16. Share Capital *(Cont'd)*

	Share capital – ordinary shares US$'000	Shares held for incentive share scheme US$'000	Share premium US$'000	Total US$'000
First half of FY22/23				
As of 31 March 2022	5,844	(30,733)	49,630	24,741
Shares purchased by trustee for incentive share scheme	-	(575)	-	(575)
Shares vested to Directors and employees for incentive share scheme	-	11,189	(4,176)	7,013
Shares issued in lieu of cash dividends	65	-	12,372	12,437
Scrip dividend for shares held for incentive share scheme	-	(157)	-	(157)
As of 30 September 2022	**5,909**	**(20,276)**	**57,826**	**43,459**
First half of FY21/22				
As of 31 March 2021	5,830	(34,012)	45,729	17,547
Shares purchased by trustee for incentive share scheme	-	(1,827)	-	(1,827)
Shares vested to Directors and employees for incentive share scheme	-	5,817	(954)	4,863
Shares issued in lieu of cash dividends	11	-	3,960	3,971
Scrip dividend for shares held for incentive share scheme	-	(440)	-	(440)
As of 30 September 2021	5,841	(30,462)	48,735	24,114

Scrip dividend

During the period, 10.2 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 final dividend of FY21/22. The Group's scrip price was the average closing price in the period during 19 July 2022 to 25 July 2022 discounted by 4% on the average price – the actual scrip price was HK$9.56 (US$1.23). The date of allotment of the scrip shares was 7 September 2022.

Cancellation of issued capital

A general mandate was approved and given to the Board by shareholders at the Company's AGM held on 14 July 2022 empowering the Board to repurchase shares up to 10% (90.6 million shares) of the aggregate nominal amount of the issued share capital of the Company. This mandate which had also existed in the previous year was extended to the next 12-month period. No shares were purchased in the first half of FY22/23 for cancellation (first half of FY21/22: nil).

16. Share Capital *(Cont'd)*

Incentive share scheme

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

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

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

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

	Number of unvested units granted (thousands)		
	Restricted Stock Units	Performance Stock Units	Total
First half of FY22/23			
Unvested units granted, as of 31 March 2022	10,455	6,075	16,530
Units granted to Directors and employees during the period	4,658	3,825	8,483
Units vested to Directors and employees during the period	(3,991)	(591)	(4,582)
Forfeited during the period	(762)	(2,416)	(3,178)
Unvested units granted, as of 30 September 2022	**10,360**	**6,893**	**17,253**
First half of FY21/22			
Unvested units granted, as of 31 March 2021	10,528	5,906	16,434
Units granted to Directors and employees during the period	2,461	1,987	4,448
Units vested to Directors and employees during the period	(1,614)	(361)	(1,975)
Forfeited during the period	(403)	(1,340)	(1,743)
Unvested units granted, as of 30 September 2021	10,972	6,192	17,164

The weighted average fair value of the unvested units granted during the period was HK$10.52 (US$1.35) (first half of FY21/22: HK$20.75 (US$2.66)).

16. Share Capital *(Cont'd)*

As of 30 September 2022, the number of unvested units outstanding under the Stock Unit Plan was as follows:

	Number of unvested units granted (thousands)		
Vesting year *	Restricted Stock Units	Performance Stock Units	Total
FY23/24	3,859	1,563	5,422
FY24/25	1,936	1,736	3,672
FY25/26	4,565	3,594	8,159
Total unvested units granted	**10,360**	**6,893**	**17,253**

* Shares are typically vested on 1 June of the year

17. Other (Expenses) / Income, Net

	Six months ended 30 September	
	2022 **US$'000**	2021 US$'000
Gross rental income from investment property	**651**	699
Net (losses) / gains on financial assets at fair value through profit and loss	**(1,142)**	15,604
Fair value gains on put option written to a non-controlling interest (Note 15)	**2,920**	4,005
Gains on disposal of property, plant and equipment	**4,152**	288
Unrealized net gains on other financial assets and liabilities (Note 6(e))	**23,763**	4,226
Unrealized net (losses) from revaluation of monetary assets and liabilities	**(63,717)**	(9,916)
Unrealized net gains on structured foreign currency contracts	**14,954**	4,817
Subsidies and other income	**11,060**	10,349
Other (expenses) / income, net	**(7,359)**	30,072

Subsidies and other income mainly comprised government grants for the capital investments and funding for technology and economic development.

18. Selling and Administrative Expenses

	Six months ended 30 September	
	2022	2021
	US$'000	US$'000
Selling expenses	**75,904**	73,826
Administrative expenses	**201,774**	207,258
Legal and warranty	**4,114**	8,210
Net (gains) on realization of other financial assets and liabilities (Note 6(e))	**(6,410)**	(16,796)
Net losses / (gains) on realization of monetary assets and liabilities	**10,853**	(4,359)
Net (gains) on realization of structured foreign currency exchange contracts	**(8,803)**	(1,102)
Selling and administrative expenses	**277,432**	267,037

19. Restructuring and Other Related Costs

	Six months ended 30 September	
	2022	2021
	US$'000	US$'000
Restructuring costs	**684**	3,358
Other related costs	**16**	116
Restructuring and other related costs	**700**	3,474

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

20. Finance Income / (Costs), Net

	Six months ended 30 September	
	2022 **US$'000**	2021 US$'000
Interest income	**1,883**	1,262
Interest expense on:		
Borrowings	**(3,379)**	(3,461)
Bonds	**(6,504)**	(6,491)
	(9,883)	(9,952)
Accrued interest on put option written to a non-controlling interest (Note 15)	**-**	(609)
Interest expense capitalized *	**711**	573
Total interest expense	**(9,172)**	(9,988)
Net finance (costs) (Note 26)	**(7,289)**	(8,726)

* Interest expense has been capitalized in property, plant and equipment at major new or expanded production sites at an average interest rate of 3.1% per annum (first half of FY21/22: 2.5% per annum)

Borrowings are discussed in Note 11.

21. Expenses by Nature

Operating profit was stated after crediting and charging the following:

	Six months ended 30 September	
	2022 US$'000	2021 US$'000
Depreciation		
Depreciation of property, plant and equipment (Note 3)	**120,562**	124,240
Less: amounts capitalized in assets under construction	**(782)**	(683)
Net depreciation (Note 26)	**119,780**	123,557
Engineering expenditure		
Engineering expenditure *	**91,011**	92,894
Less: capitalization of engineering development costs (Note 5)	**(369)**	(2,075)
Net engineering expenditure	**90,642**	90,819
Employee compensation		
Wages and salaries	**448,818**	445,324
Share-based payments	**2,227**	3,959
Social security costs	**51,713**	60,283
Pension costs - defined benefit plans	**3,020**	3,401
Pension costs - defined contribution plans	**4,294**	4,575
	510,072	517,542
Less: amounts capitalized in assets under construction	**(2,208)**	(2,095)
	507,864	515,447
Other items:		
Cost of goods sold **	**1,415,377**	1,316,706
Auditors' remuneration	**1,411**	1,390
Amortization of intangible assets (Note 5 & 26)	**17,257**	17,038
Impairment of inventories	**7,133**	6,148
Reversal of impairment of inventories	**(5,206)**	(2,960)
Impairment of property, plant and equipment (Note 3 & 26)	**174**	195
Impairment / (write back of impairment) of trade receivables / bad debt expense	**583**	(81)

In the first half of FY22/23, the Group received a total sum of US$1.2 million (first half of FY21/22: US$7.0 million) subsidies related to the Covid-19 pandemic. These were offset 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 5.1% in the first half of FY22/23 (first half of FY21/22: 5.5%)

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

22. Taxation

The amount of taxation in the consolidated income statement represents:

	Six months ended 30 September 2022 US$'000	Six months ended 30 September 2021 US$'000
Current income tax		
Charges for the period	**20,091**	23,666
Additions of tax for prior years	**341**	693
	20,432	24,359
Deferred income tax	**(17,803)**	(12,433)
Total income tax expense	**2,629**	11,926
Effective tax rate	**4.3%**	11.0%

Tax has been provided at the applicable rates on the estimated assessable profit in the respective countries of operations for the period. The overall global effective tax rate for the first half of FY22/23 was 4.3% (first half of FY21/22: 11.0%). Excluding the impact due to the recognition of a deferred tax credit for unutilized tax losses relating to prior years, the effective tax rate would have been 13.4% for the first half of FY22/23. The Group's effective tax rate differed from the statutory tax rate of Hong Kong of 16.5% (first half of FY21/22: 16.5%) as follows:

	Six months ended 30 September 2022		Six months ended 30 September 2021	
		US$'000		US$'000
Profit before income tax		**61,098**		108,250
Tax charged at Hong Kong profits tax rate	**16.5%**	**10,081**	16.5%	17,861
Effect of different tax rates in other countries				
– countries with taxable profit	**6.0%**	**3,663**	2.1%	2,283
– countries with taxable loss	**(5.7)%**	**(3,478)**	(3.1)%	(3,350)
(Reductions) of tax for prior years – current and deferred	**(0.2)%**	**(103)**	(0.4)%	(402)
Withholding tax	**11.3%**	**6,903**	1.0%	1,049
Effect of income, net of expenses, not subject to tax	**(20.2)%**	**(12,358)**	(10.4)%	(11,303)
Effect of tax losses recognized net of utilization, other timing differences not recognized as assets and other tax	**(3.4)%**	**(2,079)**	5.3%	5,788
Total income tax expense	**4.3%**	**2,629**	11.0%	11,926

23. Earnings Per Share

Basic earnings per share

Basic earnings per share was calculated by dividing the profit attributable to shareholders by the weighted average number of ordinary shares in issue during the period excluding ordinary shares purchased by the Company for incentive share scheme.

	Six months ended 30 September	
	2022	2021
Profit attributable to shareholders (thousands US Dollar)	**55,884**	93,179
Weighted average number of ordinary shares in issue (thousands)	**898,604**	893,305
Basic earnings per share (US cents per share)	**6.22**	10.43
Basic earnings per share (HK cents per share)	**48.80**	81.07

Diluted earnings per share

Diluted earnings per share was calculated by adjusting the weighted average number of ordinary shares as per basic earnings per share, to include the weighted average number of all the dilutive potential ordinary shares.

	Six months ended 30 September	
	2022	2021
Profit attributable to shareholders (thousands US Dollar)	**55,884**	93,179
Weighted average number of ordinary shares issued and outstanding (thousands)	**898,604**	893,305
Adjustments for incentive shares granted		
– incentive share scheme - Restricted Stock Units	**1,201**	5,234
– incentive share scheme - Performance Stock Units	**318**	1,063
Weighted average number of ordinary shares (diluted) (thousands)	**900,123**	899,602
Diluted earnings per share (US cents per share)	**6.21**	10.36
Diluted earnings per share (HK cents per share)	**48.72**	80.50

24. Interim Dividend

	Six months ended 30 September 2022 US$'000		2021 US$'000
Interim, of 17 HK cents (2.18 US cents) per share, to be paid in January 2023 (FY21/22: 17 HK cents or 2.18 US cents)	**19,671**	*	19,533

* Interim dividend, with a scrip dividend option offered to shareholders, is calculated based on the total number of shares as of 30 September 2022. The interim dividend will be payable on 18 January 2023 to shareholders whose names appear on the Register of Shareholders of the Company on 6 December 2022. The Board has further been informed that the controlling shareholder of the Company intends to subscribe for its entire eligible allocation of shares under the scrip dividend alternative

25. Commitments

	30 September 2022 US$'000	31 March 2022 US$'000
Capital commitments, contracted but not provided for:		
Property, plant and equipment	**69,133**	83,936

26. Cash Generated from Operations

	Six months ended 30 September 2022 US$'000	2021 US$'000
Profit before income tax	**61,098**	108,250
Add: Depreciation of property, plant and equipment (Note 21)	**119,780**	123,557
Amortization of intangible assets (Note 5 & 21)	**17,257**	17,038
Net finance costs (Note 20)	**7,289**	8,726
Dividend receipts from associate and joint venture less share of losses / (profits)	**644**	(50)
EBITDA*	**206,068**	257,521
Other non-cash items		
(Gains) on disposal of property, plant and equipment	**(4,152)**	(288)
Impairment of property, plant and equipment (Note 3 & 21)	**174**	195
Net losses / (gains) on financial assets at fair value through profit and loss	**1,142**	(15,604)
Fair value (gains) on put option written to a non-controlling interest (Note 15)	**(2,920)**	(4,005)
Share-based payments	**541**	3,060
Unrealized currency losses / (gains)	**25,000**	(4,817)
	19,785	(21,459)
EBITDA * net of other non-cash items	**225,853**	236,062
Change in working capital		
(Increase) in inventories	**(73,146)**	(145,967)
(Increase) / decrease in trade and other receivables	**(26,852)**	54,682
(Increase) / decrease in other non-current assets	**(2,925)**	2,112
Increase / (decrease) in trade and other payables	**104,333**	(4,553)
Increase in retirement benefit obligations **	**711**	606
(Decrease) in provision and other liabilities	**(4,418)**	(14,163)
Change in other financial assets and liabilities	**(10,978)**	(10,086)
	(13,275)	(117,369)
Cash generated from operations	**212,578**	118,693

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

** Net of defined benefit pension plan assets

27. Business Combination

27.1 Business combination in the first half of FY22/23

There is no business combination in the first half of FY22/23.

27.2 Business combination in the first half of FY21/22

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

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

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

Details of net assets acquired and goodwill are as follows:

	First half of FY21/22 US$'000
Purchase consideration	29,343
Fair value of net assets acquired - as shown below	(29,343)
Goodwill	-

Fair value of net assets acquired:

	30 September 2021 Fair value US$'000
Non-current assets	28,486
Current assets	8,803
Current liabilities	(1,758)
Non-current liabilities	(6,188)
Net assets acquired	29,343
Purchase consideration settled in cash	
Cash	29,343
Cash and cash equivalents acquired	(5,109)
Cash outflow on acquisition	24,234

28. Post Balance Sheet Event

On 13 October 2022, the Group acquired 80% of the share capital of Pendix GmbH ("Pendix"), a privately held company located in Germany with annual sales of EUR 17.4 million (US$17.1 million) for the calendar year ended 31 December 2021.

Pendix is a well-established technology-driven player in the e-bike industry. Pendix designs, manufactures, and sells complete electric cargo bikes and electric drives for bicycles. By combining Pendix's technology and application expertise with Group's industrial scale and resources, the acquisition provides an exciting platform from which to build a strong and differentiated presence in the European e-bike market.

The founding members of Pendix, retaining 20% of the share capital, will continue driving business growth of the e-bike sector within the Industry Products Group.

Pursuant to the share purchase agreement, the founding members of Pendix were granted a put option in which they have the right to require the Group to acquire all their shares in Pendix. The Group is also granted a call option in which the Group has the right to require the founding members to sell all their shares to the Group. Both the put and call options are exercisable at any time from 1 April 2024 to 31 March 2028, subject to the fulfilment of certain terms and conditions as laid out in the share purchase agreement.

29. Related Party Transaction

29.1 Directors' remuneration

The remuneration of Directors was as follows:

	Six months ended 30 September	
	2022	2021
	US$'000	US$'000
Fees	**276**	242
Salary *	**711**	1,194
Discretionary bonus	**145**	900
Share-based payment	**776**	1,561
Employer's contribution to retirement benefit scheme	**85**	124
	1,993	4,021

Directors' remuneration represents the amounts paid during the period

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

29.2 Senior management compensation

Other than the directors' remuneration disclosed above, emoluments paid to 6 members (first half of FY21/22: 8) of senior management were as follows:

	Six months ended 30 September	
	2022	2021
	US$'000	US$'000
Salaries, allowances and other benefits	**1,705**	2,535
Retirement scheme contributions	**156**	214
Share-based payment	**1,073**	1,172
Bonuses	**583**	2,142
	3,517	6,063

Senior management compensation represents the amounts paid during the period

Except the remuneration to Directors and senior management compensation disclosed above and the transaction with non-controlling interest disclosed in Note 15, the Group had no material related party transactions during the period.

30. Financial Risk Management

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and commodity price risk), credit and customer collection risk, liquidity risk and capital risk.

These condensed consolidated interim financial statements do not include all financial risks management information and disclosures required in the annual financial statement, and should be read in conjunction with the Group's annual financial statement as of 31 March 2022.

There has been no change in the Group's risk management policies since 31 March 2022.

31. Fair Value Estimation

The Group's assets and liabilities that are measured at fair value are classified into a 3 levels hierarchy based on measurement according to HKFRS 7 and HKFRS 13 requirements and disclosed as below:

Level 1 : No financial assets and liabilities of the Group are quoted in public markets.

Level 2 : The Group's level 2 investment property is valued on an open market basis. The Group's level 2 other financial assets and liabilities are traded in the market and the fair values are based on bank valuations.

Level 3 : The Group's level 3 investment property is not traded actively in the market and their fair values are obtained by appraisals performed by independent professional qualified valuers. The Group's level 3 financial assets at fair value through profit and loss are mainly structured foreign currency contracts with option features and investments in unlisted preference shares. The fair values of the structured foreign currency contracts are based on the valuations issued by the investment banks, which have inputs that were not observable market data. For investments in unlisted companies, the Group establishes fair value by using appropriate valuation techniques. These include the use of recent arm's length transactions, comparable transaction price and reference to other substantially similar instruments.

31. Fair Value Estimation *(Cont'd)*

The following table presents the Group's assets and liabilities that are measured at fair value as of 30 September 2022 and 31 March 2022.

	Level 1 US$'000	Level 2 US$'000	Level 3 US$'000	Total US$'000
As of 30 September 2022				
Assets				
Investment property				
– industrial property	-	-	9,136	9,136
– residential property and car parks	-	91	8,688	8,779
Other financial assets				
– derivatives used for hedging	-	266,600	-	266,600
Financial assets at fair value through profit and loss				
– unlisted preference shares	-	-	28,111	28,111
– structured foreign currency contracts	-	-	52,308	52,308
– other investment	-	-	7,995	7,995
Total assets	-	266,691	106,238	372,929
Liabilities				
Other financial liabilities				
– derivatives used for hedging	-	52,819	-	52,819
– derivatives held for trading	-	11,343	-	11,343
Total liabilities	-	64,162	-	64,162
As of 31 March 2022				
Assets				
Investment property				
– industrial property	-	-	10,220	10,220
– residential property and car parks	-	91	8,688	8,779
Other financial assets				
– derivatives used for hedging	-	281,142	-	281,142
– derivatives held for trading	-	34	-	34
Financial assets at fair value through profit and loss				
– call option related to the acquisition of Halla Stackpole	-	-	2,217	2,217
– unlisted preference shares	-	-	28,111	28,111
– structured foreign currency contracts	-	-	37,354	37,354
– other investment	-	-	6,361	6,361
Total assets	-	281,267	92,951	374,218
Liabilities				
Other financial liabilities				
– derivatives used for hedging	-	21,331	-	21,331
– derivatives held for trading	-	7,934	-	7,934
Total liabilities	-	29,265	-	29,265

31. Fair Value Estimation *(Cont'd)*

There was no transfer of assets and liabilities between the level 1, level 2 and level 3 fair value hierarchy during the period.

Discussion of valuation processes and results are held between the Group's senior management, valuers and banks to validate the major inputs and validation process.

The following summarizes the major methods and assumptions used in estimating the fair values of the assets and liabilities classified as level 2 or 3 and the valuation process for assets and liabilities classified as level 3:

(i) Investment property
Level 3
Fair values of industrial property and residential property are derived using the income capitalization and market comparison method respectively. Income capitalization method is based on the capitalization of the net income by adopting appropriate capitalization rates, which are derived from analysis of sale transactions and valuers' interpretation of prevailing investor requirements or expectations. The prevailing market rents adopted in the valuation have been referenced to valuers' view of recent lettings, within the subject property and other comparable property. The market comparison method takes into account properties that are similar in nature in the general locality, which have recently transacted, with adjustments made on factors such as size, age, location and condition. The most significant input in this valuation approach is the price per square feet.

Significant inputs used to determine the fair value of investment property are as follows:

		As of 30 September 2022		As of 31 March 2022	
Property	Valuation method	Market rate / rent per month	Market yield	Market rate / rent per month	Market yield
Industrial	Income capitalization	RMB 5.0 / sq.ft	10.3%	RMB 5.0 / sq.ft	10.3%
Residential	Market comparison	HK$29,720 / sq.ft		HK$29,720 / sq.ft	

Market rates / rents are estimated based on valuers' view of recent lettings, within the subject property and other comparable property. The higher the rents, the higher the fair value.

Market yields are estimated by valuers based on the risk profile of the property being valued. The lower the rates, the higher the fair value.

31. Fair Value Estimation *(Cont'd)*

(ii) Other financial assets and liabilities

The Group's other financial assets and liabilities are classified as level 2. The Group relies on bank valuations to determine the fair value of financial assets and liabilities which in turn are determined using discounted cash flow analysis. These valuations maximize the use of observable market data. Commodity prices and foreign currency exchange rates are the key observable inputs in the valuation.

(iii) Financial assets at fair value through profit and loss

The majority of the Group's financial assets at fair value through profit and loss are structured foreign currency contracts with option features, investments in a venture capital fund and unlisted preference shares which are classified as level 3. For structured foreign currency contracts, the Group relies on bank valuations to determine the fair value of the instruments. Key observable inputs in the valuation are spot rates, strike rates, volatility, time to expiration and risk free rate. For investments in the venture capital fund that are not traded in an active market are valued based on information derived from fund reports, or audited reports received from the venture capital fund and adjusted by other relevant factors if deemed necessary. The main input includes the use of recent arm's length transactions and substantially similar instruments, with reference to portfolio reports. For the investment in unlisted preference shares, the Group establishes fair value by using appropriate valuation techniques. These include the use of recent arm's length transactions, comparable transaction price and reference to other substantially similar instruments.

The following table presents the changes in level 3 assets for the first half of FY22/23 and FY21/22:

	Investment property							
	Industrial property		Residential property		Financial assets at fair value through profit and loss		Total	
	2022 US$'000	2021 US$'000	2022 US$'000	2021 US$'000	2022 US$'000	2021 US$'000	**2022 US$'000**	2021 US$'000
As of 31 March	10,220	28,028	8,688	7,653	74,043	51,682	**92,951**	87,363
Currency translations	(1,084)	147	-	-	(341)	(52)	**(1,425)**	95
Transfer to property, plant and equipment	-	(18,320)	-	-	-	-	**-**	(18,320)
Additions	-	-	-	-	900	750	**900**	750
Disposal	-	-	-	-	(10,678)	(1,132)	**(10,678)**	(1,132)
Fair value gains	-	-	-	-	24,490	21,523	**24,490**	21,523
As of 30 September	9,136	9,855	8,688	7,653	88,414	72,771	**106,238**	90,279
Change in unrealized gains for the period included in the income statement for assets held at balance sheet date	-	-	-	-	22,433	20,391	**22,433**	20,391
Total gains for the period included in the income statement	-	-	-	-	22,615	21,523	**22,615**	21,523

32. Financial Instruments by Category

According to HKFRS 7 and HKFRS 9, financial assets represent assets with contractual rights to receive cash flows. Financial liabilities represent liabilities with contractual obligations to pay the cash flows to one or more recipients. The financial instruments of the Group are classified into 2 categories disclosed as below:

	Financial assets and (liabilities) at amortized cost US$'000	Financial assets and (liabilities) at fair value US$'000	Total US$'000
As of 30 September 2022			
Assets as per balance sheet			
Other non-current assets	3,948	-	3,948
Government Green Bonds at amortized cost	4,922 *	-	4,922
Other financial assets	-	266,600	266,600
Financial assets at fair value through profit and loss	-	88,414	88,414
Trade and other receivables excluding prepayments	729,359	-	729,359
Cash and cash equivalents	298,165	-	298,165
Total financial assets	1,036,394	355,014	1,391,408
Liabilities as per balance sheet			
Other financial liabilities	-	(64,162)	(64,162)
Trade and other payables	(716,711)	-	(716,711)
Borrowings	(471,744)	-	(471,744)
Lease liabilities	(92,844)	-	(92,844)
Total financial liabilities	(1,281,299)	(64,162)	(1,345,461)
As of 31 March 2022			
Assets as per balance sheet			
Other non-current assets	3,196	-	3,196
Government Green Bonds at amortized cost	5,506 *	-	5,506
Other financial assets	-	281,176	281,176
Financial assets at fair value through profit and loss	-	74,043	74,043
Trade and other receivables excluding prepayments	738,922	-	738,922
Cash and cash equivalents	345,404	-	345,404
Total financial assets	1,093,028	355,219	1,448,247
Liabilities as per balance sheet			
Other financial liabilities	-	(29,265)	(29,265)
Trade and other payables	(722,937)	-	(722,937)
Borrowings	(490,807)	-	(490,807)
Lease liabilities	(127,527)	-	(127,527)
Put option written to a non-controlling interest	(61,360)	-	(61,360)
Total financial liabilities	(1,402,631)	(29,265)	(1,431,896)

* As of 30 September 2022 and 31 March 2022, the fair value of the Government Green Bonds at amortized cost approximately equals its carrying amount

33. Effect of Adopting New, Revised and Amended HKFRS

Standards, interpretation and amendments to published standards effective since 1 April 2022 which are relevant to the Group

In the first half of FY22/23, the Group adopted the following new, revised and amended standards of HKFRS below, which are relevant to its operations and have an impact on the consolidated financial statements:

AG 5 (revised)	Merger accounting for common control combinations
Annual improvement to HKFRS standards 2018-2020	Improvements to HKFRSs

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

Corporate and Shareholder Information

Johnson Electric Holdings Limited

(Incorporated in Bermuda with limited liability)

Corporate Information

Board of Directors

Executive Directors

Patrick Shui-Chung WANG *SBS, JP*
Chairman and Chief Executive
Austin Jesse WANG

Non-Executive Directors

WANG KOO Yik-Chun
Honorary Chairman
MAK WANG Wing-Yee Winnie
Vice-Chairman
Peter Kin-Chung WANG
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* *
Michelle Mei-Shuen LOW *

* *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

Register of Shareholders

Closure of Register (both dates inclusive)
2 – 6 December 2022 (Fri – Tue)

Dividends (per Share)

Interim Dividend	: 17 HK cents
Dividend Warrants and Share Certificates for Interim Dividend	: 18 January 2023 (Wed)

Publication of Results Announcement and Interim Report

This interim results announcement is published on the websites of the Group (www.johnsonelectric.com) and HKExnews (www.hkexnews.hk). The Company's Interim Report 2022 will be despatched to the shareholders and available on the same websites.

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.

On behalf of the Board

Patrick Shui-Chung WANG *SBS, JP*
Chairman and Chief Executive

Hong Kong, 9 November 2022

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 and the S&P Europe Pacific Asia Composite (EPAC) SmallCap Index. For further information, please visit: www.johnsonelectric.com.