Johnson Electric Holdings Limited

(Incorporated in Bermuda with limited liability)
(Stock Code : 179)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2023

HIGHLIGHTS

- For the financial year ended 31 March 2023, total sales were US$3,646 million – an increase of 6% compared to the prior year. Excluding the effects of foreign currency movements and acquisitions, underlying sales increased by 11%
- Gross profit totalled US$716 million – an increase of 2%
- EBITA, adjusted to exclude non-cash foreign exchange rate movements and restructuring charges, decreased by 10% to US$220 million or 6.0% of sales (compared to 7.1% of sales in FY21/22)
- Net profit attributable to shareholders totalled US$158 million – an increase of 8% compared to the prior year
- Underlying net profit, adjusted to exclude non-cash foreign exchange rate movements and restructuring charges, totalled US$148 million – a decrease of 10%
- Free cash flow from operations totalled US$215 million (compared to a cash outflow of US$132 million in the prior year)
- A recommended final dividend of 34 HK cents per share (US 4.36 cents), which combined with the interim dividend paid, will amount to a 50% increase compared to total dividends declared for the prior year
- As of 31 March 2023, cash reserves were US$409 million and the ratio of total debt to capital at year end was 16%

Letter to shareholders

The financial year 2022/23 was challenging for Johnson Electric as macro-economic conditions continued to create unpredictable demands on global manufacturing supply chains and to pressure profit margins. Nonetheless, the business achieved solid sales growth in the face of rising consumer concerns regarding inflation and higher interest rates. Significant progress was also achieved in improving free cash flow generation and on focusing the business model on segments where the Group is best positioned to gain from the major structural shifts occurring in the industries we serve.

Divisional Sales Performance

The Automotive Products Group ("APG"), Johnson Electric's largest operating division, achieved sales of US$2,914 million. Excluding currency effects and an acquisition in the prior year, APG's sales increased by 16%. This compares favourably to the estimated 9% increase in global light vehicle industry production volumes over the same period. APG's sustained above-market growth reflects a product portfolio that is focused on the key long-term technology trends transforming the industry. This includes innovative technologies that enable electrification, reduce emissions, enhance safety and comfort, and heat, cool or lubricate critical vehicle systems.

The strength of APG's sales extended across every major geographic region. In the Americas, sales increased by 19% on a constant currency basis compared to light vehicle production volume growth of approximately 13%. In Europe, constant-currency sales grew by 17% compared to an 10% rise in the region's vehicle production. And in Asia, our constant-currency sales increased by 13% compared to a 8% increase in vehicle production.

Throughout FY22/23, the automotive components sector as a whole continued to wrestle with supply chain constraints, particularly shortages of semiconductors, as well as the disruptive effects of pandemic-related lockdowns in China and Russia's invasion of Ukraine. As a consequence, in most markets, OEMs and their dealerships have been unable to meet pent-up consumer demand for new cars for over two years and total industry output remains well below pre-pandemic levels. However, as supply chain problems have gradually eased, the ability to respond to this previously unmet demand has underpinned a large part of the industry's recent growth trajectory.

The second key factor driving the market has been the acceleration of the shift to New Energy Vehicles. Nowhere has this been more evident than in China, where for the month of March 2023 pure battery electric cars and plug-in hybrids accounted for 34% of new passenger car sales. In Europe, demand for NEVs varies by country and remains sensitive to the impact of government subsidies. Nonetheless, plug-in vehicles already amount to around one in six new car registrations. North America has been a laggard in the take-up of NEVs up until now, partly due to concerns over driving range and charging availability. This appears set to change as U.S. OEMs have brought forward the planned large-scale electrification of their vehicle fleets and the federal government has granted a number of tax credits and other incentives to support EV purchases and investments in battery manufacturing and charging infrastructure. While the auto industry's transition away from the internal combustion engine represents a watershed event for the majority of OEMs and component suppliers, the investments that Johnson Electric has made in new products specifically-designed to support this transition places APG in a particularly strong position to continue to gain share in the years ahead.

The Industry Products Group ("IPG") achieved sales of US$732 million, which represented 20% of total Group sales. Excluding the effects of currency movements and an acquisition, IPG's sales decreased by 7%.

The sales weakness that IPG experienced over the financial year reflected the combination of two main factors. First, the Covid-19 pandemic had led to an historically unprecedented surge in demand for many of the "home-centric" consumer product applications that

IPG serves. However, once pandemic restrictions began to lift – especially in North America and Europe – consumer expenditure reverted back to their pre-pandemic pattern, including proportionally higher spending on services and travel. As a result, IPG's sales experienced a negative "bullwhip effect" whereby reduced demand from consumers led to retailers, followed by their suppliers, moving to cut-back on orders and sharply reduce inventory levels. The largest impact of these reductions during FY22/23 was felt by IPG's Asia region, which serves a number of contract manufacturers whose primary end markets are North America and Europe.

The second factor having a negative impact on IPG's sales has been the heightening concerns among consumers regarding inflation, higher interest rates, and job security – which tends to result in tighter expenditure on discretionary consumer goods and reduced activity in the housing sector.

An important feature of IPG that helps to mitigate the impact of periods of weaker consumer sentiment is the sheer diversity of its end-product applications and breadth of its customer base. Therefore, whilst the division continues to face headwinds in several markets as fears of a global recession increase, it is also experiencing strong demand in a number of attractive strategic growth segments including medical devices, robotic applications, window automation, ventilation, and semiconductor manufacturing equipment.

Gross Margins and Operating Profitability

The Group's gross profit was US$716 million – an increase of 2% compared to the prior year and, as a percentage of sales, represented a decrease from 20.4% to 19.6%. The erosion of gross margins was primarily due to higher raw material costs, unfavourable foreign exchange rate movements, and a reduction in the profitability of commodity hedging contracts that were only partially offset by sales volume growth, price increases, labour reductions, and other operating cost savings.

Reported earnings before interest, tax and amortization ("EBITA") was US$232 million (compared to US$222 million in the prior year). EBITA adjusted to exclude non-cash foreign exchange rate movements and restructuring charges, was US$220 million or 6.0% of sales (compared to 7.1% in the prior year).

Net Profit and Financial Condition

Net profit attributable to shareholders increased by 8% to US$158 million or 17.33 US cents per share on a fully diluted basis. Underlying net profit, adjusted to exclude non-cash foreign exchange rate movements and restructuring charges, was US$148 million compared to US$165 million in the prior year.

Cash generation improved sharply with free cash from operations amounting to US$215 million, largely due to lower working capital and capital expenditure. Johnson Electric's financial condition remains sound with a total debt to capital ratio of 16%.

Dividends

In the prior financial year 2021/22, during a period when cash flow generation was severely constrained, the Board determined that it was prudent for the Company to conserve its cash until the situation improved and accordingly recommended a 50 per cent reduction in the final dividend. Notwithstanding ongoing macro-economic uncertainties, the Board considers that the financial condition of the business has improved sufficiently to enable a return to the level of final dividend payments that prevailed prior to the reduction. It has therefore recommended to increase the final dividend payment to 34 HK cents per share (FY21/22: 17 HK cents per share). Together with the interim dividend of 17 HK cents per share, this represents a total dividend of 51 HK cents per share, equivalent to 6.54 US cents per share.

The final dividend will be payable in cash, with a scrip alternative where a 4% discount on the subscription price will be offered to shareholders who elect to subscribe for shares. Full details of the scrip dividend alternative will be set out in a circular to shareholders.

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. Since becoming a wholly-owned subsidiary of the Group, the business has been 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, 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 and manufactures 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

The near-term prospects for the global economy remain fragile. Although the distorting effects of the pandemic on both demand and supply have begun to ease, the steep increase in inflation and interest rates threatens to push some developed economies into recession. In this context, with quite limited visibility on whether a recession will be avoided, management is budgeting for sales growth in FY23/24 in the range of 5% to 7%.

Our motion products and technologies are targeted directly at many of the most fundamental trends shaping modern society and which underpin our medium and long-term growth prospects. These trends include electrification, automation, environmental protection, mobility, health, and lifestyle improvement. In each of these dimensions, we are introducing a succession of innovative solutions that deliver the product application performance improvements that end consumers are demanding. In the automotive sector, for example, our electric water pumps and valve actuators are critical enablers to electric vehicle thermal management systems that enhance driving range, extend battery life, and shorten charging times. Other examples, in industrial and consumer applications, include BLDC motor technologies that enable lawn and garden OEMs to electrify their product ranges and kitchen ventilation system producers to meet the latest stringent regulations for energy efficiency.

Innovative technology is only one element in a successful business model. The second key thrust to our strategy is to bring this technology to market through a global manufacturing platform that utilizes scale and standardized production lines to improve cost competitiveness through reduced cycle times, increased up-times, and lower requirements for additional capital expenditure and space. In its recent history, the Group has made considerable investments in re-designing and expanding its operating footprint to meet the requirements of a more automated and digital age, which provides a solid foundation for Johnson Electric to improve profit margins and cash generation.

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

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

Hong Kong, 18 May 2023

Management's Discussion and Analysis

Financial Performance

US$ million	FY22/23	FY21/22
Sales	3,646.1	3,446.1
Gross profit	715.9	701.9
Gross margin	*19.6%*	*20.4%*
EBITA [1]	231.5	222.4
EBITA adjusted [2]	220.1	243.8
EBITA adjusted margin	*6.0%*	*7.1%*
Profit attributable to shareholders	157.8	146.4
Net profit excluding non-cash foreign exchange rate movements and restructuring costs [2]	147.9	164.9
Diluted earnings per share (US cents)	17.33	16.23
Free cash in / (out) flow from operations	214.8	(132.4)

US$ million	31 Mar 2023	31 Mar 2022
Cash	408.7	345.4
Total debt [3]	474.0	490.8
Net debt [4]	(65.3)	(145.4)
Total equity	2,495.4	2,501.7
Market capitalization [5]	1,052.9	1,239.4
Enterprise value [6]	1,166.7	1,470.2

Key Financial Ratios	31 Mar 2023	31 Mar 2022
Total debt to capital [7]	16%	16%
Gross debt [8] to EBITDA adjusted [9]	1.3	1.3
Enterprise value to EBITDA adjusted	2.5	3.0
Interest cover [10]	9.8	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 Bank, bonds and other miscellaneous borrowings
4 Cash less total debt
5 Outstanding number of shares multiplied by the closing price (HK$8.90 per share as of 31 March 2023 and HK$10.84 per share as of 31 March 2022) converted to USD at the closing exchange rate
6 Market capitalization plus non-controlling interests plus total debt less cash
7 Total equity plus total debt
8 Including pension liabilities and leases
9 Adjusted [2] earnings before interest, tax, depreciation and amortization, giving adjusted EBITDA of US$461.5 million (31 March 2022: US$492.2 million)
10 Adjusted EBITA divided by gross interest expense. Gross interest expense was adjusted to exclude notional interest on the Halla Stackpole put option and to include capitalized interest

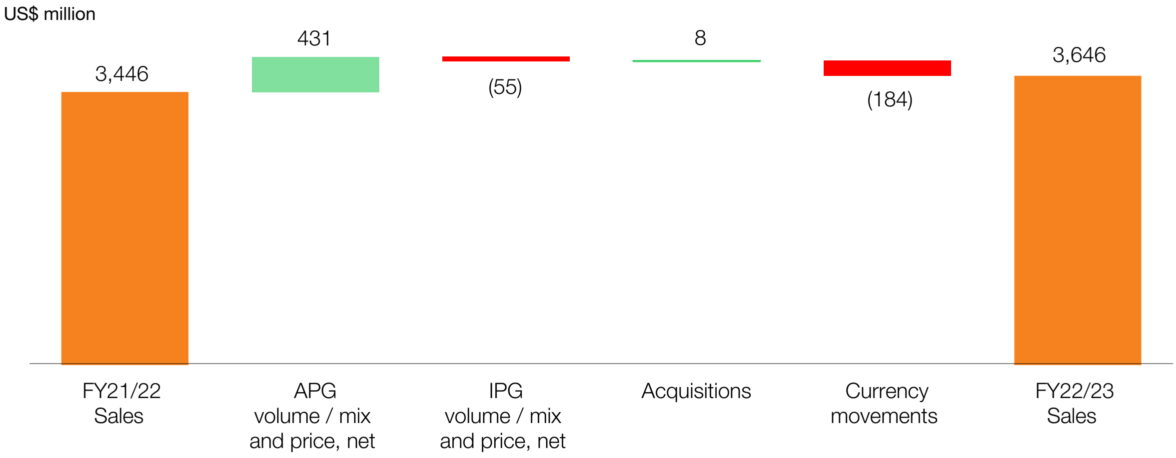
Business Review

Sales

Sales increased by US$200.0 million or 6% to US$3,646.1 million in FY22/23 (FY21/22: US$3,446.1 million). Without the effect of the depreciation of several currencies against the US Dollar (especially the Euro and Renminbi) and excluding the effect of acquisitions, sales growth would have been in the order of US$376.0 million or 11% compared to the prior financial year, as shown below:

US$ million	FY22/23		FY21/22		Change	
Automotive Products Group ("APG") sales						
Excluding currency movements	3,074.8		2,644.3		430.5	16%
Acquisitions	3.4		n/a		3.4	
Subtotal	3,078.2		2,644.3		433.9	16%
Currency movements	(164.5)		n/a		(164.5)	
APG sales, as reported	2,913.7	80%	2,644.3	77%	269.4	10%
Industry Products Group ("IPG") sales						
Excluding currency movements	747.3		801.8		(54.5)	(7%)
Acquisitions	4.6		n/a		4.6	
Subtotal	751.9		801.8		(49.9)	(6%)
Currency movements	(19.5)		n/a		(19.5)	
IPG sales, as reported	732.4	20%	801.8	23%	(69.4)	(9%)
Group sales						
Excluding currency movements	3,822.1		3,446.1		376.0	11%
Acquisitions	8.0		n/a		8.0	
Subtotal	3,830.1		3,446.1		384.0	11%
Currency movements	(184.0)		n/a		(184.0)	
Group sales, as reported	**3,646.1**	100%	**3,446.1**	100%	**200.0**	**6%**

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



Volume / mix and price increased sales by US$376.0 million in FY22/23, compared to FY21/22. APG's growth contributed US$430.5 million to sales, while IPG experienced a decrease of US$54.5 million.

The underlying changes in APG and IPG's sales are discussed on pages 8 to 9

Acquisitions increased sales by US$8.0 million. The acquisition of a majority interest in Pendix GmbH, in October 2022 added US$4.6 million to sales. Based in Zwickau, Germany, Pendix designs, manufactures, and brings to market complete electric cargo bikes and electric drives for bicycles. Also, as the Group acquired E. Zimmermann GmbH in May 2021, the two-month effect on sales for the year-on-year comparison (April and May 2022) was US$3.4 million.

Currency movements decreased sales by US$184.0 million. This was largely due to the impact of weaker average exchange rates for the Euro and the Renminbi, compared FY22/23 to FY21/22. The Group's sales are largely denominated in the US Dollar, the Renminbi, the Euro 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 consolidated financial statements ("the accounts") for the main foreign currency translation rates

Automotive Products Group

APG's sales, excluding currency movements and the 2-month effect of the prior-year acquisition of Zimmermann, increased by 16%, compared to FY21/22. In the same period, global light vehicle production volumes grew by 9%. This strong performance reflects APG's focus on creating and delivering technology solutions that enable the automotive industry's shift to battery-electric and hybrid vehicles, reduce weight, and improve passenger safety and comfort.

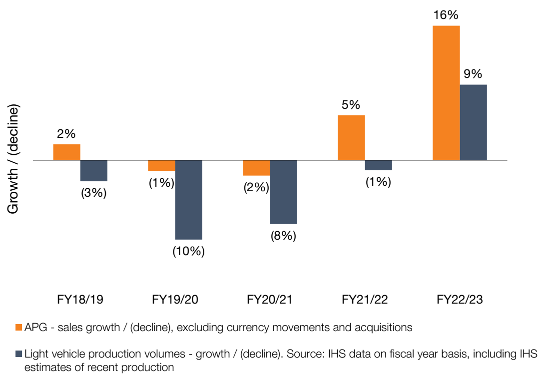
By region, excluding currency movements and acquisition effects:

- In **Asia**, sales increased by 13% compared to a 8% increase in light vehicle production in the region. Sales increased across most product segments, with higher growth noted in thermal management, closure, steering, and engine and fuel management due to new business wins, volume increases, market gains and growth in the China new-energy-vehicle market
- In **Europe**, sales increased by 17% compared to an 10% increase in light vehicle production in the region. Sales increased across all segments, with the highest growth noted in thermal management, mechatronic oil pumps, engine and fuel management, and steering due to expanded production of recently won customer platforms
- In the **Americas**, sales increased by 19% while light vehicle production in the region increased by 13%. Sales increased across most segments, with the highest growth noted in thermal management, engine and transmission oil pumps, powder metal components, seat and braking as customer production schedules returned to normal following earlier disruption from the semiconductor shortage as well as increased volumes for business won in the past few years

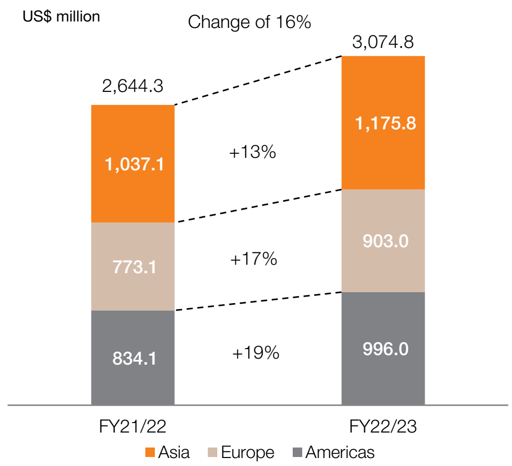
APG accounted for 80% of the Group's total sales in FY22/23 (FY21/22: 77%). Within this:

- 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 (FY21/22: 21%)

Changes in APG sales vs. global light vehicle production



APG sales by region



Excluding currency movements and acquisitions

Growth / (decline) in APG sales

Year ended	Asia	Europe	Americas	Total
31 March 2023	13%	17%	19%	16%
31 March 2022	4%	3%	10%	5%
31 March 2021	15%	(13%)	(8%)	(2%)
31 March 2020	(9%)	(2%)	8%	(1%)
31 March 2019	2%	(3%)	8%	2%

Excluding currency movements and acquisitions

- 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 (FY21/22: 17%)

Industry Products Group

IPG's sales, excluding currency movements and an acquisition, decreased by 7% compared to FY21/22.

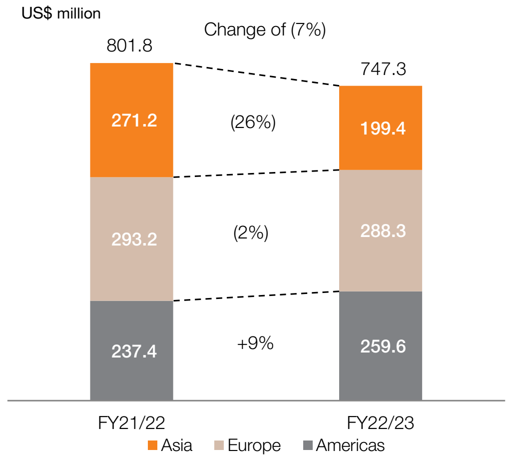
Demand for products for certain home-centric applications declined compared to the exceptionally high levels of demand experienced during the pandemic. The stay-at-home effect on consumer spending patterns diminished, while inflation and rising interest rates subdued consumer sentiment.

This was partially offset by growth in a number of segments. 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 of products for the ventilation, white goods, circuit-breaker, window automation and beverage markets increased due to price adjustments and surcharges levied to recover inflation, customer recovery of backlogs 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.

By region:

- In **Asia**, sales decreased by 26%. Our customers (including contract manufacturers and other exporters, largely based in China) were impacted by 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**, the beverage, circuit-breaker, heating and flexible printed circuit segments benefited from market demand, new programs and the expanded production of recent customer programs. Sales of piezo-electric motors grew due to strong demand for production equipment for the semiconductor industry. However, this was insufficient to offset the reduction in demand for certain home-centric products including lawn and garden, ventilation and small appliances, and a slowdown in sales of shut-off valves for gas meters. Consequently, sales in the region decreased by 2%

IPG sales by region



Excluding currency movements and acquisitions

Growth / (decline) in IPG sales

Year ended	Asia	Europe	Americas	Total
31 March 2023	(26%)	(2%)	9%	(7%)
31 March 2022	(5%)	27%	20%	12%
31 March 2021	29%	6%	(1%)	12%
31 March 2020	(18%)	(14%)	(14%)	(15%)
31 March 2019	(2%)	0%	6%	1%

Excluding currency movements and acquisitions

- In the **Americas**, sales increased by 9% due to growth in the ventilation, window automation and industrial automation segments, increased demand for vital signs monitoring and medical devices, and our customers' increased share in the white goods segment. Sales of piezo-electric motors and solenoids 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. Pendix contributed US$4.6 million to IPG's sales in FY22/23.

For further details of the acquisition of Pendix please refer to Note 31 to the accounts

Profitability

Profit attributable to shareholders was US$157.8 million in FY22/23, an increase of US$11.4 million from US$146.4 million in FY21/22.

US$ million	FY22/23	FY21/22	Increase / (decrease) in profit
Sales	3,646.1	3,446.1	200.0
Gross profit	715.9	701.9	14.0
Gross margin %	*19.6%*	*20.4%*	
Other income, net	41.1	33.3	7.8
As a % of sales	*1.1%*	*1.0%*	
Intangible assets amortization expense	(34.4)	(35.2)	0.8
As a % of sales	*0.9%*	*1.0%*	
Other selling and administrative expenses (“S&A”)	(522.1)	(508.2)	(13.9)
As a % of sales	*14.3%*	*14.7%*	
Restructuring and other related costs	(1.8)	(4.3)	2.5
Operating profit	198.7	187.5	11.2
Operating profit margin %	*5.4%*	*5.4%*	
Share of (losses) of associate and joint venture	(1.6)	(0.3)	(1.3)
Net finance costs	(16.1)	(17.1)	1.0
Profit before income tax	181.0	170.1	10.9
Income tax expense	(19.7)	(17.9)	(1.8)
Effective tax rate	*10.9%*	*10.5%*	
Profit for the year	161.3	152.2	9.1
Non-controlling interests	(3.5)	(5.8)	2.3
Profit attributable to shareholders	157.8	146.4	11.4
Basic earnings per share (US cents)	17.42	16.37	1.05
Diluted earnings per share (US cents)	17.33	16.23	1.10

The profit attributable to shareholders of US$157.8 million included:

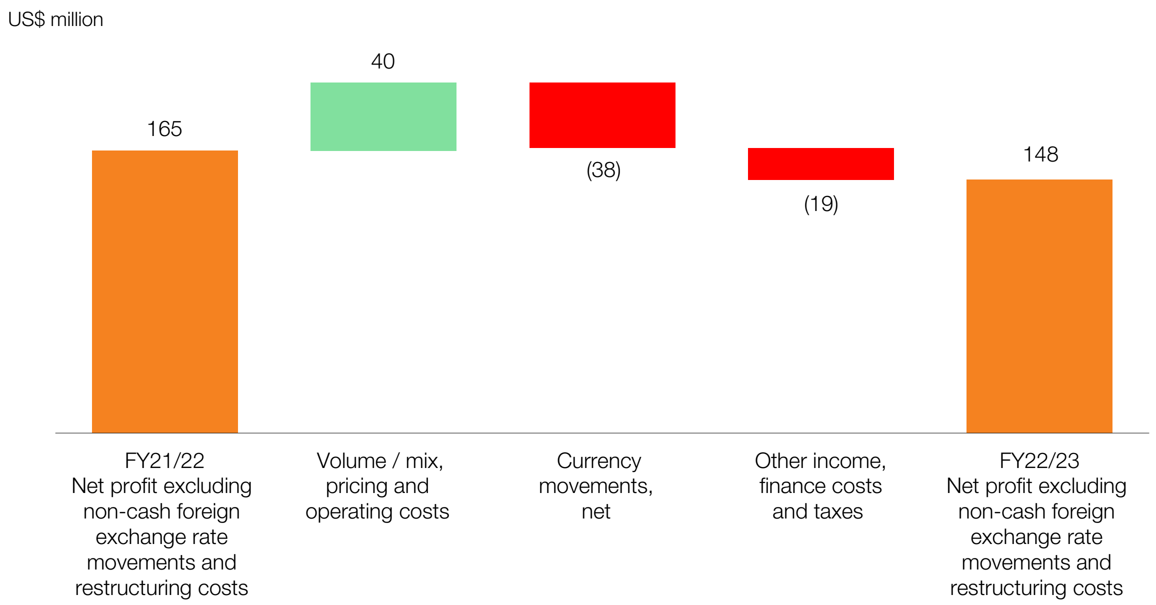
- Unrealized currency net gains of US$11.3 million, net of tax, largely due to the significant depreciation of the Euro against the US Dollar during the year
- Restructuring and other related costs of US$1.4 million, net of tax, related to severance costs incurred in Europe

Excluding these items, net profit decreased by US$17.0 million or 10% to US$147.9 million, as shown in the table below:

	FY21/22			FY22/23		
US$ million	Before tax	Tax effect	Net of tax effect	Before tax	Tax effect	Net of tax effect
Net profit, as reported			146.4			157.8
Unrealized net gains on other financial assets and liabilities	(5.6)	(1.0)	(6.6)	(6.9)	0.2	(6.7)
Unrealized net losses / (gains) from revaluation of monetary assets and liabilities	29.4	(2.0)	27.4	(13.4)	2.9	(10.5)
Unrealized net (gains) / losses on structured foreign currency contracts	(6.7)	0.6	(6.1)	7.1	(1.2)	5.9
Restructuring and other related costs	4.3	(0.5)	3.8	1.8	(0.4)	1.4
Net losses / (gains) of significant non-cash items, restructuring and other related costs	21.4	(2.9)	18.5	(11.4)	1.5	(9.9)
Net profit excluding non-cash foreign exchange rate movements and restructuring costs [1]			164.9			147.9
As a % of sales			*4.8%*			*4.1%*

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: Higher volumes, mix, inflation recovery actions through price adjustments and cost saving actions were somewhat offset by increased raw material and other operating costs. Nonetheless, the combination of these factors improved net profit by US$40.0 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$38.0 million compared to the prior year, largely due to the depreciation of the Euro during the year.

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 20.4% in FY21/22 to 19.6% in FY22/23. Excluding currency movements, the gross margin would have been 20.1% in FY22/23.

The sequential change in gross margin by half-year is shown in the table below.

	Gross margin %
Second half of FY22/23	19.3%
First half of FY22/23	20.0%
Second half of FY21/22	19.4%
First half of FY21/22	21.3%

Selling and administrative expenses (excluding amortization of intangible assets) decreased slightly to 14.3% as a percentage of sales (FY21/22: 14.7%), mainly due to improved cost leverage as sales grew.

Other income, finance costs and taxes: adversely impacted profits by US$18.9 million compared to FY21/22.

Other income, as reported increased, however, excluding non-cash foreign exchange rate movements it decreased by US$22.5 million mainly due to the prior year benefiting from higher fair value gains on the Group's investment in an autonomous car start-up company.

Income tax expenses, as reported, increased by US$1.8 million.

The effective tax rate increased to 10.9% (FY21/22: 10.5%).

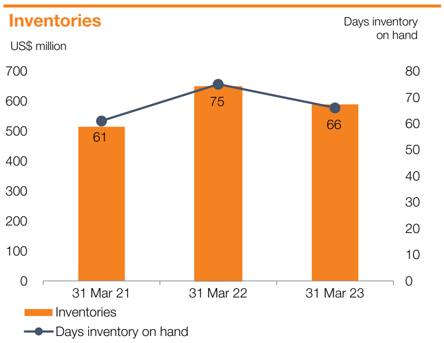
Taxes are further analyzed in Note 19 to the accounts

Working Capital

US$ million	Balance sheet as of 31 Mar 2022	Currency translation	Acquisition	Working capital changes per cash flow	Pension, hedging and non-working capital items	Balance sheet as of 31 Mar 2023
Inventories	647.5	(22.7)	3.3	(39.1)	-	589.0
Trade and other receivables	834.5	(25.2)	1.3	(4.5)	2.1	808.2
Other non-current assets	41.9	(2.4)	-	0.4	(20.1)	19.8
Trade and other payables [1]	(904.3)	54.2	(1.9)	8.1	27.8	(816.1)
Retirement benefit obligations [1, 2]	(27.0)	1.4	-	1.7	14.2	(9.7)
Provisions and other liabilities [1]	(37.0)	0.9	(0.1)	2.1	-	(34.1)
Other financial assets / (liabilities), net [1, 3]	251.9	0.5	-	3.8	(50.9)	205.3
Total working capital per balance sheet	807.5	6.7	2.6	(27.5)	(26.9)	762.4

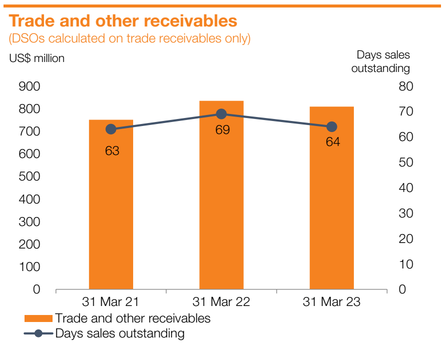
1 Current and non-current
2 Net of defined benefit pension plan assets
3 Other financial assets / (liabilities), net represent the aggregate fair values of the Group's hedge contracts. Further details of the Group's hedging activities can be found on pages 19 to 21 in the Financial Management and Treasury Policy section and Note 7 to the accounts

Inventories decreased by US$58.5 million to US$589.0 million as of 31 March 2023. This was partly due to the effect of currency translation changes from the significant depreciation of the Euro and the Renminbi against the US Dollar. Management efforts to improve inventory turnover and the easing of logistics congestion also reduced inventory. Consequently, days inventory on hand decreased to 66 days as of 31 March 2023, from 75 days as of 31 March 2022.

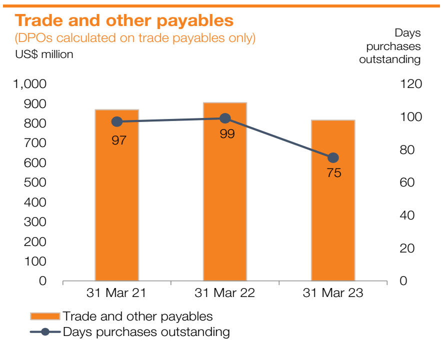


Trade and other receivables decreased by US$26.3 million to US$808.2 million as of 31 March 2023. This was largely due to the effect of currency translation changes. Trade receivable also decreased due to management efforts to speed up the cash collection cycle. Days sales outstanding ("DSOs") decreased to 64 days as of 31 March 2023, from 69 days as of 31 March 2022.

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 decreased by US$88.2 million to US$816.1 million as of 31 March 2023, partly due to currency translation changes. Days purchases outstanding ("DPOs") decreased to 75 days as of 31 March 2023, from 99 days as of 31 March 2022 as the consumption of raw materials outpaced the rate of purchases for replenishment due to management efforts to reduce inventory.



Cash Flow

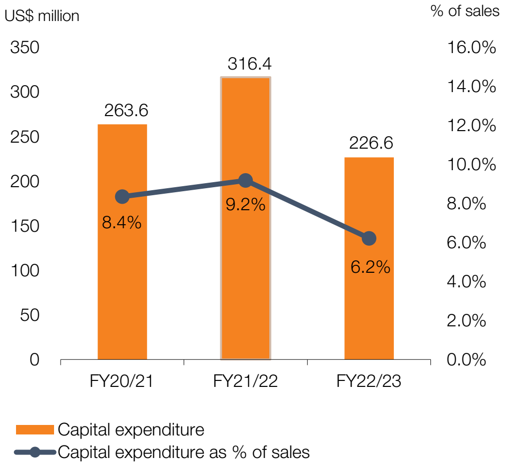
US$ million	FY22/23	FY21/22	Change
Operating profit	198.7	187.5	11.2
Depreciation and amortization (including leases)	274.2	283.3	(9.1)
EBITDA	472.9	470.8	2.1
Other non-cash items	(16.3)	6.6	(22.9)
Working capital changes	27.5	(233.7)	261.2
Interest paid (including leases)	(22.2)	(18.7)	(3.5)
Interest received	5.6	2.9	2.7
Income taxes paid	(29.3)	(41.4)	12.1
Capital expenditure	(226.6)	(316.4)	89.8
Proceeds from disposal of fixed assets	5.1	0.9	4.2
Capitalization of engineering development costs	(1.9)	(3.4)	1.5
Free cash in / (out) flow from operations	**214.8**	**(132.4)**	**347.2**
Acquisitions and investment in joint venture	(72.6)	(28.2)	(44.4)
Dividends paid	(12.4)	(54.2)	41.8
Purchase of shares for incentive share scheme	(0.6)	(2.3)	1.7
Other investing activities	(1.3)	(7.0)	5.7
Dividends paid to non-controlling interests	(6.3)	(3.5)	(2.8)
Payment of lease – principal portion	(29.1)	(26.7)	(2.4)
(Repayments) / borrowings, net	(11.2)	62.7	(73.9)
Increase / (decrease) in cash and cash equivalents excluding currency movements	81.3	(191.6)	272.9
Currency translation (losses) on cash and cash equivalents	(18.0)	(2.5)	(15.5)
Net movement in cash and cash equivalents	63.3	(194.1)	257.4

The Group generated a free cash flow of US$214.8 million in FY22/23, whereas in FY21/22 it had a free cash outflow of US$132.4 million. The movement in free cash flow for FY22/23 included the following:

- **Working capital changes** improved by US$27.5 million. As explained in the previous section, management took actions to control working capital requirements arising from business growth
- **Income taxes paid** decreased by US$12.1 million to US$29.3 million due to lower taxable profits earned in the prior year
- **Capital expenditure** decreased by US$89.8 million to US$226.6 million. The Group completed significant footprint expansion projects as well as placing a greater focus on enhancing existing asset utilization and applying stricter criteria for capital allocation

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

Capital expenditure



The net movement in cash includes the following:

- **Acquisitions and investment in joint venture**:
  In FY22/23, the Group:
  - Acquired an 80% interest in Pendix for consideration of US$20.3 million, net of cash acquired
  - Acquired the remaining 20% non-controlling interest in Halla Stackpole for consideration of US$50.8 million
  - Invested a further US$1.5 million in the Lean AI joint venture

  In FY21/22, the Group:
  - Acquired Zimmermann and its operating premises for US$24.2 million
  - Invested US$4.0 million to form the Lean AI joint venture

- **Dividends and shares**: The Company utilized US$12.4 million cash for dividend payments in FY22/23, with a further US$26.9 million settled in scrip (FY21/22: US$54.2 million in cash and US$4.3 million in scrip). The Company purchased 0.5 million shares for US$0.6 million including brokerage fees for the incentive share scheme (FY21/22: 1.0 million shares purchased for US$2.3 million)

  For further details of dividends and shares, including the proposed final dividend for FY22/23, see next section

- **Borrowings, net**: The Group repaid US$11.2 million of debt (FY21/22: borrowed US$62.7 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 31 March 2023, the Group maintained investment grade ratings with a stable outlook from both agencies. These ratings reflect the Group's solid market position, resilience and prudent financial leverage.

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

Liquidity

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

Cash increased by US$63.3 million to US$408.7 million as of 31 March 2023 (31 March 2022: US$345.4 million).

Net debt: As of 31 March 2023, the Group had US$65.3 million net debt (31 March 2022: US$145.4 million net debt).

Available credit lines: The Group had US$759.0 million available unutilized credit lines as of 31 March 2023, comprised of:

- 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 June 2023 to September 2025
- US$609.0 million uncommitted credit facilities

Cash and credit lines

US$ million	31 Mar 2023	31 Mar 2022	Change
Cash	408.7	345.4	63.3
Unutilized committed credit lines	150.0	180.0	(30.0)
Unutilized uncommitted credit lines	609.0	601.6	7.4
Available unutilized credit lines	759.0	781.6	(22.6)
Combined available funds	1,167.7	1,127.0	40.7

Net debt

US$ million	31 Mar 2023	31 Mar 2022	Change
Cash	408.7	345.4	63.3
Borrowings	(474.0)	(490.8)	16.8
Net debt	(65.3)	(145.4)	80.1

Cash by currency

US$ million	31 Mar 2023	31 Mar 2022
USD	117.4	75.5
RMB	114.3	118.4
EUR	104.2	77.5
KRW	44.2	45.4
CAD	2.3	10.5
Others	26.3	18.1
Total	408.7	345.4

Borrowings decreased by US$16.8 million to US$474.0 million as of 31 March 2023.

- **Loan from the Export-Import Bank of China** – The borrowing was repaid in full during the year
- **Loan from the Hong Kong and Shanghai Banking Corporation Limited ("HSBC")** – The Group received a RMB475 million three-year loan facility (equivalent to US$69.0 million), which was used to refinance the loan from the Export-Import Bank of China
- **Other borrowings** – the Group made net repayments of US$9.4 million. Currency translation changes reduced the carrying value of the remaining borrowings by US$0.5 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
- **HSBC** – The first repayment of the loan is due in May 2023, with further repayments every six months until November 2025

Changes in borrowings

US$ million	31 Mar 2023	31 Mar 2022	Change
Bonds	301.2	300.5	0.7
Loan from Export Development Canada	100.0	99.9	0.1
Loan from The Export-Import Bank of China	-	76.7	(76.7)
Loan from HSBC	69.0	-	69.0
Other borrowings	3.8	13.7	(9.9)
Total borrowings	474.0	490.8	(16.8)

Borrowings by currency, as of 31 March 2023

US$ million	Gross debt	Swap contracts	Total debt after effect of swaps	%
USD	405.0	(275.2)	129.8	27%
RMB	69.0	-	69.0	15%
EUR	-	273.4	273.4	58%
Total	474.0	(1.8)	472.2	100%

Repayment schedule

Repayable within one year	106.9
Repayable after more than one year	367.1
Gross debt	474.0
Swap contracts (Other financial assets)	(1.8)
Total debt including swap contracts	472.2

Lease liabilities decreased by US$34.1 million to US$93.4 million as of 31 March 2023. Lease payments and the termination of leases, net of new leases, extensions, modifications, and leases included through the acquisition of Pendix reduced lease liabilities by US$25.1 million. Currency translation changes reduced the carrying value of the leases by a further US$9.0 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	31 Mar 2023	31 Mar 2022	Change
Current	27.7	32.2	(4.5)
Non-current	65.7	95.3	(29.6)
Total lease liabilities	93.4	127.5	(34.1)

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

The Group's gearing ratios as of 31 March 2023 reflected the following changes:

- Total debt to capital was flat at 16% as of 31 March 2023 and 31 March 2022
- Gross debt to adjusted EBITDA was flat at 1.3 times as of 31 March 2023 and 31 March 2022
- Enterprise value to adjusted EBITDA decreased to 2.5 times as of 31 March 2023, from 3.0 times as of 31 March 2022
- Interest cover decreased to 9.8 times as of 31 March 2023, 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: The Board has recommended a final dividend of 34 HK cents per share for FY22/23 equivalent to US$39.9 million (FY21/22: 17 HK cents per share), to be paid in September 2023, with an option to receive scrip in lieu of cash.

Interim dividend: The Company paid an interim dividend of 17 HK cents per share for the first half of FY22/23 (first half of FY21/22: 17 HK cents per share) equivalent to US$19.8 million. US$14.6 million of this interim dividend was settled by the issue of 12.5 million new shares under a scrip dividend option and US$5.2 million was paid in cash.

Dividend payment

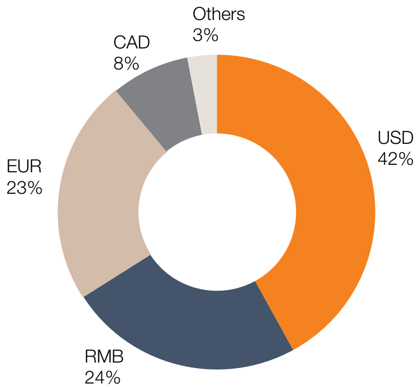
		FY22/23		FY21/22		FY20/21	
		Final	Interim	Final	Interim	Final	Interim
HK cents per share	Dividend	*34 **	17	17	17	34	17
US$ million	Cash	**	5.2	7.2	18.7	35.5	17.0
	New shares	**	14.6	12.3	0.8	3.5	2.6
	Total	*39.9 ***	19.8	19.5	19.5	39.0	19.6

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

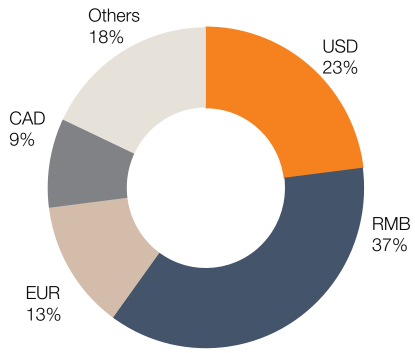
Foreign Exchange Risk

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 66 months after 31 March 2023, 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 decreased by US$11.1 million to US$216.2 million as of 31 March 2023. This was largely due to a reduction in mark-to-market gains for Renminbi contracts, partly offset by an increase in mark-to-market gains on contracts for the Euro, Mexican Peso and other currencies.

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 adjacent table.

Net fair value of currency contracts

US$ million		31 Mar 2023	31 Mar 2022	Change
Euro	Plain vanilla forward contracts and swaps	133.1	114.0	19.1
	Structured contracts	30.2	37.4	(7.2)
	Subtotal	163.3	151.4	11.9
Renminbi	Plain vanilla forward contracts	44.9	89.4	(44.5)
Others	Plain vanilla forward contracts	8.0	(13.5)	21.5
Total		216.2	227.3	(11.1)

Spot rates of significant currencies

	Spot rates as of 31 Mar 2023	Spot rates as of 31 Mar 2022	
USD per EUR	1.09	1.12	EUR weakened 3%
HUF per EUR	379.98	367.07	EUR strengthened 4%
CAD per USD	1.35	1.25	USD strengthened 8%
RMB per USD	6.89	6.36	USD strengthened 8%
MXN per USD	18.09	19.87	USD weakened 9%

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.

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

Plain vanilla Euro contracts: The financial asset representing cumulative fair value gains on plain vanilla and swap contracts increased by US$19.1 million to US$133.1 million as of 31 March 2023 (31 March 2022: US$114.0 million financial asset). Mark-to-market gains for plain vanilla forward contracts and swaps increased due to the weakening of the EUR against the USD. This was partly offset by the consumption of contracts.

Structured Euro contracts: The financial asset representing the cumulative fair value gains on structured forward contracts decreased by US$7.2 million to US$30.2 million as of 31 March 2023 (31 March 2022: US$37.4 million financial asset). Mark-to-market gains for structured forward contracts decreased due to the impact of contract consumption. This was partly offset by the weakening of the EUR against the USD.

The overall effect of these changes was to increase the financial assets representing the cumulative fair value gains of Euro contracts by US$11.9 million to US$163.3 million as of 31 March 2023 (31 March 2022: US$151.4 million financial assets).

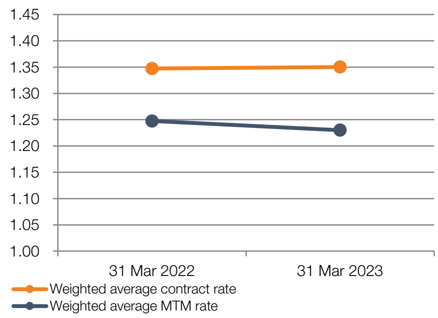
Renminbi contracts: The Group's plain vanilla contracts to buy the Renminbi ("RMB") create an economic hedge for production costs, other operating costs and capital expenditure denominated in RMB against the sources of revenue.

The financial asset representing cumulative mark-to-market gains for plain vanilla contracts decreased by US$44.5 million to a US$44.9 million as of 31 March 2023 (31 March 2022: US$89.4 million financial asset). Mark-to-market gains for plain vanilla forward contracts decreased due to the weakening of the RMB against the USD.

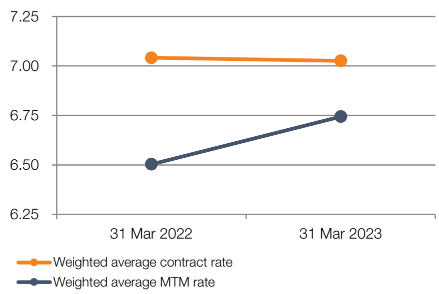
Other currency contracts: The Group's plain vanilla contracts to buy the Mexican Peso ("MXN"), the Polish Zloty ("PLN"), the Hungarian Forint ("HUF"), the Serbian Dinar ("RSD"), the Turkish Lira ("TRY") and the Israeli Shekel ("ILS") create an economic hedge for production costs, other operating costs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

EUR – Plain vanilla forward

EUR – Structured forward



RMB – Plain vanilla forward



Estimated future cash flow: The final realized gain or loss for each contract will crystallize based on the prevailing spot rate at the date of maturity versus the contract rate and will impact cash flow at that time. In terms of estimating future cash flow, the contracts' rates at maturity compared to the spot rates as of 31 March 2023 would result in approximately US$222 million aggregate cash flow benefit from plain vanilla forward foreign currency contracts and cross-currency interest rate swaps (31 March 2022: US$326 million) and US$33 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 7 and 8 to the accounts

Raw Material Commodity Price Risk

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

This commodity price risk is managed by way of incorporating appropriate clauses in certain customer contracts to pass on changes in raw material costs, where and when possible. For other customers, the Group negotiates price increases, but there can be some time lag between the increase in price of the raw materials and passing such cost increases onto customers.

The residual price risk from copper, silver and aluminium is reduced by hedging through cash flow hedge contracts with maturity dates ranging from 1 to 24 months after 31 March 2023.

The residual price risk from steel is reduced through fixed price purchase contracts for steel from 1 to 6 months and cash flow hedge contracts for iron ore with maturity dates ranging from 1 to 36 months after 31 March 2023.

The net fair value of commodity contracts decreased by US$42.7 million due to falling commodity prices and the consumption of contracts.

Copper contracts: The financial asset representing cumulative mark-to-market gains for plain vanilla copper contracts decreased by US$30.5 million from US$44.9 million as of 31 March 2022 to US$14.4 million as of 31 March 2023. Mark-to-market gains for copper contracts decreased due to the consumption of contracts and fair value losses as the market price of copper decreased.

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

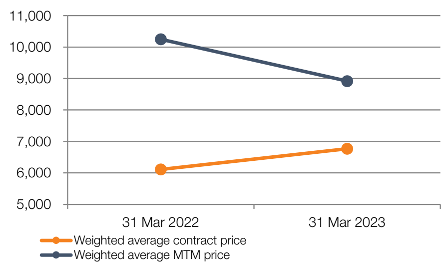
Spot prices of significant raw material commodities

US$ per metric ton	Spot prices as of 31 Mar 2023	Spot prices as of 31 Mar 2022	Decrease
Copper	8,935	10,337	(14%)
Aluminium	2,337	3,503	(33%)
Iron ore	126.53	159.15	(20%)
Silver - US$ per ounce	23.89	24.82	(4%)

Net fair value of commodity contracts

US$ million	31 Mar 2023	31 Mar 2022	Change
Copper	14.4	44.9	(30.5)
Other commodities	4.9	17.1	(12.2)
Total	19.3	62.0	(42.7)

Copper – Plain vanilla forward



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.

Risk Management

The Group identifies, mitigates and manages its exposure to risk and uncertainty through proactive oversight and robust business processes. Management and the Group's internal audit function monitor these business processes, testing them periodically to ensure their continued effectiveness.

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

Key risks and uncertainties

Strategic risks	Commercial risks	Operational risks	Sustainability risks	Financial risks
Global economic and geopolitical environment, trade issues and industry dynamics	Major customers and products	Supply chain	Environment and climate change	Liquidity
Strategy and business plans	Contract performance	Freight and logistics	Product sustainability	Interest rates
Competitive environment	Intellectual property	Business interruption	People	Foreign currency exposure
Technology changes		Human resources	Trust and transparency	Commodity prices
Exposure to developing countries		Taxation		Counterparty risk
		Warranty and product liability		
		Energy		
		Fraud		

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

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

Strategic risks	How we respond
Global economic and geopolitical environment, trade issues and industry dynamics The Group's business is sensitive to the global economic and geopolitical environment. The following factors could lead to decline in demand for the Group's products or adversely affect the Group's financial condition, results of operations, asset values and liabilities: • Severe or prolonged instability in the global economic and geopolitical environment, for example, due to a global pandemic, or international conflict • Market changes arising from changes in consumer behaviour • The effect of global trade issues (in particular the ongoing trade dispute between the United States and the PRC) on industries in countries where the Group manufactures, sources or exports goods. Actual and threatened trade protectionism due to trade disputes between nations could disrupt global trade and manufacturing supply chains • The performance of the Group's Automotive and Industry Products Groups depends on conditions in the industries in which they operate. Production and sales in these industries are cyclical and sensitive to consumer preferences, general economic conditions and the impact of trade issues	To mitigate risks arising from the global economic and geopolitical environment, trade issues and industry dynamics, the Group continually seeks: • To establish and strengthen its global footprint to ensure that the Group is effectively positioned to respond over time to changing customer demands, production and transportation costs, as well as indirect taxes, tariffs and import duties • To grow, both organically and through acquisitions, across all regions to mitigate the impact of an economic downturn in any particular region • To diversify its customer and product portfolios through internal development, joint ventures and acquisitions to mitigate the adverse impact of an economic downturn or market changes in any particular industry • To continuously evaluate end-customer behaviour and practices
Strategy and business plans The successful implementation of the Group's future business plans depends on a number of factors, some of which may be beyond the Group's control: • The Group's success requires the further optimization of production capacity into suitable locations • The growth of the Group places a significant burden on its management, operational and financial resources • Many of the Group's businesses require significant capital expenditure and continued investment to support long-term growth	To mitigate risks to the successful implementation of the Group's strategy and business plans, Johnson Electric stipulates procedures and support for: • The close oversight of the construction of new sites and the expansion or closure of existing sites • The review and approval of all capital expenditure • A comprehensive appraisal, before establishing a joint venture or acquiring a new business, to establish its commercial potential and fit with the Group's strategy and product portfolio, to evaluate the assets and liabilities that will be acquired and identify potential issues

Strategic risks	How we respond
Competitive environment The Group faces competition in its existing markets as well as in those markets into which it is trying to expand its business. The Group is under intense competitive price pressure as both large multinational and smaller niche competitors attempt to expand their market share or expand into new markets. Additionally, volumes may fluctuate as the Group's customers are also subject to competitive pressures.	The Group seeks to maintain its competitiveness in its core markets and enhance its competitiveness in those markets into which it is attempting to expand its business through: • Investing in developing cost-effective solutions in order to be the definitive supplier of motion solutions to its customers • Continuously seeking and investing in productivity and efficiency improvements • Ensuring the suitability of the operational footprint to respond quickly and cost-effectively • Regular reviews of each market that Johnson Electric participates in to understand the basis of competition, including how the Group addresses the market, competitors (and their behaviours) trends, development prospects, products and prices and to identify potential problems and difficulties
Technology (and related regulatory) changes The Group's product and manufacturing technologies and capabilities must continually demonstrate Johnson Electric's ability to innovate and be cost-effective or the Group may lose customers to competitors who adapt their businesses to such technological changes or develop and offer more suitable or technologically advanced products. Existing products and inventory may become obsolete. Changes in regulations or standards for products and for industrial processes may necessitate the development of new or improved products and the use of new or improved manufacturing processes. The automotive market is experiencing disruptive change due to rapidly rising demand for new energy vehicles. Changes are also arising from disruptive digitalization including: • The increasing use of automation, artificial intelligence and data exchange in manufacturing technologies to create the smart factory • Challenges in implementation including controlling investment, resolving IT security and reliability issues • Maintaining the integrity of production and managing disruption to the workforce as required skill-sets change and as some positions are eliminated through automation	The Group mitigates its risk from and seeks opportunities to exploit technology and related regulation changes through: • Developing cost-effective solutions and managing technological competitiveness through innovation and creating intellectual property to be the definitive supplier of motion solutions to its customers • Diversifying customer and product portfolios through internal development and acquisitions to mitigate the adverse impact or exploit the favourable opportunities presented by technology, business model and regulatory changes in a particular industry, including the risks and opportunities presented by new energy vehicles • Strategic planning and risk assessment aligned to a technology roadmap that considers the converging capabilities of robot process automation and cyber-physical systems, advanced analytics, artificial intelligence and the internet of things • Reskilling employees • Implementing information security protocols through software and business processes including virus, malware and intrusion protection, identity and access management • Building employee awareness • Monitoring the level of threat to the Group's IT and identifying emerging security issues

Strategic risks	How we respond
Exposure to developing countries	
The Group's expansion of its manufacturing and sales into emerging markets makes it susceptible to potential instability or weakness in political, regulatory, social and economic situations in a number of developing countries.	Risks from the Group's exposure to developing countries are mitigated by: • Continued development and strengthening of its global footprint. This ensures that the Group is effectively positioned to respond over time to changing political, regulatory, social and economic situations in the countries where it operates and reduces reliance on any single country • Core values that include a commitment to "Lead by example". The Group's code of conduct requires uncompromising standards of integrity, openness and fairness. Its global policies and practices set out a rigorous management framework for environmental, human and labour rights, and health and safety matters

Commercial risks	How we respond
Major customers and products	
The Group relies on sales to certain major customers, who contribute significantly to the Group's total revenue. Additionally, the Group relies on sales of certain major product lines, including the Stackpole business and the cooling fan business. As a result, the Group could be adversely affected by declines in major customers and products and by decline in the global automotive market.	The Group mitigates the risk of relying on major customers and products by diversifying customer and product portfolios through internal development and acquisitions. Consequently, no single customer contributes 10% or more to the Group's total sales and the Group has brought a consistent stream of new products to the market.
Contract performance	
Potential losses arising from failure in contract performance or onerous contract terms.	Contract risks are mitigated by managing customer relationships, including contract terms and conditions, in accordance with industry standards.
Intellectual property	
The Group's business is dependent on its ability to enforce its patents against infringement and to protect its trade secrets, know-how and other intellectual property. Potential risks arising from this include the substantial cost of protecting its intellectual rights and the legal costs of defending claims of infringement.	Risks arising from intellectual property are mitigated by: • Protecting the Group's proprietary position by safeguarding trade secrets and know-how and by filing patent applications for technologies and process improvements that are important to the development of the Group's business • Enforcement action against infringement by competitors • Patent searches to avoid infringing others' intellectual property rights

Operational risks	How we respond
Supply chain If the Group was to experience a prolonged shortage of raw materials or critical components, without being able to procure replacements for these items, it would be unable to meet its production schedules and could miss customer deliver deadlines and expectations. Inflation, scarcities and disruptions in the supply of raw materials and components may cause an increase in the Group's costs.	Supply chain risks are mitigated by: • Ensuring supply chain resilience, including supplier continuity, quality and reliability • Continuously seeking opportunities to insource the supply chain to assure supply and reduce cost pressures
Freight and logistics The Group may need to ship products globally exposing it to freight and logistics risks including: • Disruption to shipping schedules • Volatility in freight costs • Cargo damage • Import / export customs compliance risks	To mitigate freight and logistics risks the Group is: • Strengthening in-region manufacturing capabilities • Increasingly localizing supply chains • Optimizing incoterms for shipments to customers • Retaining safety stock within the region to mitigate the impact of potential logistics disruptions • Partnering with strategic carriers
Business interruption Inherent risks and hazards affecting the Group's operations may result in business disruption and interruption and may or may not be under the Group's control. Industrial accidents, equipment failures, fires, floods or other natural disasters, epidemics, strikes or other labour difficulties, disruption of transportation networks and markets could disrupt the Group's business. Consequent disruption to customers' businesses may give rise to compensation claims and lawsuits.	The Group mitigates the risks of business interruption by: • Developing its footprint in each region, strengthening production facilities and the supply chain to increase the resilience of its operations and reduce reliance on any single site • Maintaining good labour relationships • Maintaining an up-to-date communication tree to enable management to respond to incidents rapidly and flexibly
Human resources The Group's business success depends on attracting and retaining qualified personnel and on maintaining an established workforce. Additionally, the Group is vulnerable to the shrinking availability of labour due to demographic changes (declining birth rates and aging populations).	The Group mitigates its exposure to human resources risks by: • Attracting and retaining high-calibre management and other key personnel • Building effective networks of employees and partners and maintaining good labour relationships • Minimizing the impact of unexpected staff turnover through succession planning and standardization of work procedures • Streamlining its operations through automation and digital technology

Operational risks	How we respond
Taxation The Group may be subject to direct and indirect tax audits by government authorities in all jurisdictions where it conducts business. These tax audits are by nature, both ongoing and uncertain as to outcome. Negative or uncertain outcomes or changes to tax laws in the various jurisdictions in which the Group operates could adversely affect the Group's business, financial condition, results of operations and deferred tax asset valuations.	The Group mitigates its exposure to tax risks by: • Complying with relevant tax laws and regulations • Seeking professional guidance where tax laws and regulations are changing or unclear
Warranty and product liability The Group manufactures complex products and is exposed to potential warranty and product liability claims arising from alleged or actual defects in products. Risks arising from this include customer dissatisfaction and potential liabilities for the cost of replacing faulty products, product recalls and lawsuits.	Warranty and product liability risks are mitigated by: • Continuously improving engineering and manufacturing processes and quality standards to reduce the likelihood of quality issues • Conducting product safety reviews to ensure that products are fail-safe and meet the highest market standards • Continuously seeking opportunities to insource the supply chain to ensure that components meet the Group's rigorous quality requirements
Energy Inflation, scarcities and disruptions in the energy market may cause an increase in the Group's energy costs. Energy scarcities and disruptions may also cause interruption to the Group's supply chain and to its operations.	The Group mitigates its exposure to energy risks by: • Striving to reduce the energy intensity of its operations • Seeking to secure its access to renewable energy sources to prevent disruptions to supply • Developing its footprint in each region, strengthening production facilities and the supply chain to increase the resilience of its operations and reduce reliance on any single site
Fraud Cyber fraud is increasing worldwide and is becoming more sophisticated. Fraudsters may impersonate suppliers, Johnson Electric employees or customers in their attempts to obtain money by deception. Additionally, in common with all businesses, the Group may be subject to attempts to commit occupational fraud by its employees.	The Group mitigates its exposure to risks of fraud by: • Taking appropriate steps to authenticate the identity of customers, employees and suppliers making such requests • Proactive oversight and robust business processes. The Group's internal control framework sets out the delegation of authority for approval of contracts, revenues and expenditure, and includes a mix of preventative and detective controls, subject to internal audit review

Sustainability risks	How we respond
Environment and climate change	
Energy and climate – The Group's operations consume energy and emit carbon in the manufacture of its products, contributing to climate change. If the Group fails to obtain sufficient renewable energy and reduce its carbon footprint this could result in damage to the climate and to loss of business. Waste, water and emissions – The Group's operations generate waste, consume and discharge water and cause air emissions. The Group may fail to comply with environmental regulations regarding these.	Johnson Electric promises to protect the environment for future generations. In pursuit of this, the Group: • Has targets for an absolute reduction in CO_2 from its operations, increased use of renewable energy (as available and feasible) and a reduction in its energy intensity. The Group has also begun to assess the carbon footprint of supply chain • Minimizes the ecological impact of its operations, monitoring and seeking to reduce its waste generation, water consumption and emissions
Product sustainability	
Sustainability is a key trend driving demand, especially in relation to climate change mitigation. APG's customers require products that support and enable the electrification of the vehicle to remove carbon emissions from the tailpipe. IPG's customers require energy-efficient solutions for a number of domestic and industry applications. The business must develop products that fulfil these needs. Additionally, some customers are setting stringent sustainability requirements. These include reducing each product's carbon footprint, increasing the use of recycled materials, and quality and safety requirements. If the Group fails to meet these requirements, customers may exclude it from future business.	The Group mitigates sustainability risks in its products by: • Offering products that directly target zero and low carbon applications, offer solutions for safety, health and well-being or lower barriers to equality • Designing environmentally friendly products and processes that consume less resources and energy in manufacturing and use • Implementing product carbon footprint and lifecycle assessments and seeking to reduce the product carbon footprint of products • Ensuring that its products are compliant with the necessary quality, and health and safety requirements
People	
The Group requires an engaged workforce. Its employees desire meaningful, sustainable work with equal employment opportunity. They seek an environment where they are respected, can develop and fulfil their potential, and where their health and safety is protected. They also seek to obtain relevant skills to protect their livelihoods, as the Group undergoes digital transformation. Breaches of employees' human and labour rights could harm workers and also lead to loss of reputation, loss of business, difficulties in recruiting and retaining workers, as well as fines and penalties. Incidents causing injury to people or damage to the Group's facilities may give rise to compensation claims and lawsuits, and adversely impact the communities in which the Group operates.	The Group seeks to provide a suitable working environment and maintain employee engagement through: • Embedding human and labour rights in its business practices and promoting diversity and equal opportunity • Complying with relevant labour laws and regulations • Meeting or exceeding requirements for employee health and safety and taking appropriate steps to protect employee wellbeing • Talent attraction and retention, and training and development programmes • Regular assessment of employee engagement with follow-up actions at all sites • Seeking synergies between social impact and employing motivated and committed employees working in a culture of trust and respect

Sustainability risks	How we respond
Trust and transparency The Group may suffer reputational damage and lose potential business, if its ethics or quality is called into question, or if it does not take into account the interests of its main stakeholders. A breach of or non-compliance with relevant laws and regulations may incur fines or non-monetary penalties and cause a loss of reputation. The Group's reputation could also be harmed through its exposure to environmental, social and ethical risks in its supply chain.	To mitigate these risks the Group: • Ensures the Board and senior management team has a balance of skills, experience and diversity of perspectives appropriate to Johnson Electric's business • Ensures that its values and strategy are aligned with its culture • Sets a strong tone at the top, ensuring that this is reflected at all levels of the global organization and provides feedback channels for ethical concerns • Communicates its sustainability performance to stakeholders and involves them where applicable • Monitors its legal and regulatory environment and applies the necessary resources to ensure a timely response to changes • Maintains robust supplier qualification and monitoring procedures that give due consideration to cost, quality, safety, environmental protection, social responsibility and ethical behaviour and engages with selected suppliers to improve their sustainability performance

Financial risks	How we respond
Liquidity, interest rates, foreign currency exposure, commodity prices and counterparty risk	The Group mitigates its exposure to financial risks through a variety of measures including: • Maintaining investment grade credit ratings, with a long-term debt maturity profile and a mixture of fixed and floating interest rates for the borrowings outstanding • Ensuring that the combination of cash on hand, available credit lines and expected future operating cash flows is sufficient to satisfy current and planned cash needs • Applying appropriate strategies to manage risk from interest rates, foreign exchange rates, commodity prices, counterparty risks and customer credit and collection risks

Social Impact and Sustainability

Approach to sustainability

Sustainability is closely entwined with Johnson Electric's values and goals, and passion for solving customers' problems. It starts from the top, with senior leaders who are deeply committed to driving change and keenly engaged in cultivating a strong sustainability culture across the Group. It's brought to life through the actions of every employee across the Group's global footprint.

The Group's origin as a family business means that it has always kept in mind the legacy its actions leave for the generations that follow. Johnson Electric seeks to create positive impact both through its products and the way that it makes them; through the jobs it creates and the people who fill them; and through the trusted relations the Group forges with the customers and communities it serves.

Sustainability framework

Johnson Electric's Business Framework articulates its vision, and purpose and connects these to its promises to customers, employees, local communities, the environment and shareholders. These promises are reflected in the Group's values [1]. Further guidance is provided by Johnson Electric Sustainability Framework which ensures full alignment with external frameworks and the Group's stakeholder materiality assessment.

1 The "MARBLE" values are shown on page 37

The Johnson Electric Sustainability Framework is structured into five key areas:

- **Products** – At Johnson Electric, we believe in the power of technology to drive positive change in the world. We partner with customers to deliver solutions that drive sustainability, including
  - Sustainable products
  - Product carbon footprint
  - Product quality
  - Product safety
  - Material management and use
- **Environment** – We promise to protect the environment for future generations. Our environmental strategy and policies address
  - Energy and climate
  - Waste
  - Water
  - Emissions
- **Employees** – We promise to inspire our employees to grow, act with ownership and find fulfilment and meaning in the work they do. We aim to offer our people career development that rewards results, enterprise, mentorship and teamwork. Our human resources strategies and policies address
  - Health and safety
  - Talent attraction and retention
  - Training and development
  - Diversity, equity and inclusion
  - Communication
  - Labour rights
- **Communities** – We promise to enrich our local communities. We seek to identify social needs and fulfil these in a way that benefits both Johnson Electric and the local community. Our JEnerations community engagement program empowers our employees to identify and get involved in fulfilling these needs
- **Trust and Transparency** – We believe that good corporate citizenship requires uncompromising standards of integrity, openness and fairness. Our strategies and policies address
  - Corporate governance
  - Ethics
  - Compliance
  - Data protection
  - Supply chain

Sustainability governance

Johnson Electric's sustainability governance system aims to involve all areas of the business and empower every employee to make a positive difference in their day-to-day work. This system features clear targets, a well-defined division or roles and responsibilities, strong lines of accountability and robust processes.

The Board of Directors has overall responsibility for sustainability strategy and reporting. In addition, the Board has extended the authority of the **Audit Committee** to include responsibility for monitoring and assessing Johnson Electric's sustainability activities.

Sustainability activities are led by the **Social Impact and Sustainability Committee**, which is chaired by an Executive Director and includes several Senior Vice Presidents and other management members with sustainability responsibilities. The Committee meets regularly, and is responsible for developing Johnson Electric's sustainability culture, strategy, targets, and actions, aligning the Group's business direction with its stakeholders including customers, employees, suppliers, investors and communities.

The Sustainability Department and the Communication Department both play an important role in assisting the committee.

All **business units and functions** are responsible for incorporating sustainability strategies, key performance indicators and goals into their strategic plans to meet Johnson Electric's overall sustainability direction and commitments.

Site leaders ensure that the global strategy is implemented at the local level. Together with each site's social impact and sustainability committee, they are responsible for the site-specific implementation, performance monitoring, management and reporting of sustainability activities.

Sustainable Products

Johnson Electric believes in the power of technology to drive positive change in the world, and partners with customers to develop solutions that drive sustainability.

The Group's product designers and engineers are passionate about delivering "sustainability by design", creating innovative product solutions that contribute to the sustainability of the planet both in their use and their manufacture.

Many of Johnson Electric's motion solutions perform critical functions in electric vehicles and battery electric vehicles, helping to drive a green transformation in the mobility industry. The Group's deep understanding and anticipation of customer needs make it the ideal partner for automakers as they take on the historic challenge of replacing the internal combustion engine with sustainable alternatives.

Johnson Electric also excels at developing attractively priced products that feature high energy efficiency, low noise and long life cycles, suitable for domestic appliances such as lawn mowers, power tools, window automation, air conditioning and smart meters, bringing comfort and sustainability into people's everyday lives.

To support this, the Group is constantly finding ways to make its manufacturing processes more resource and energy efficient. As of this year, this includes using Life Cycle Assessment and Product Carbon Footprint methodologies to fully capture, track and reduce each product's environmental impact from start to finish.

The Group's vertical integration also helps customers to reduce their environmental footprint. Customers are increasingly asking for more complete motion subsystems, including motors, switches, gears and controlling electronics, rather than simply purchasing a motor. This reduces their costs, simplifies their logistics flow and reduces negative environmental impacts from transportation and packaging.

Johnson Electric's "Eco Motion" symbol applied on product packaging denotes products that are sustainable and energy efficient.

The Group aspires to be a key player in the transition towards a sustainable future while supporting economic growth. Johnson Electric is proud to partner with its customers to deliver product solutions that drive sustainability and will continue to seek new breakthroughs in sustainable product innovation.

Product Carbon Footprint

Working closely with its customers, the Group has strengthened its research and development of products that are low carbon and sustainable by design.

To achieve this, Johnson Electric has introduced a Product Carbon Footprint ("PCF") and Life Cycle Assessment ("LCA") approach to make appropriate business decisions, prioritize, and assess opportunities. This requires the Group to consider how raw materials were extracted; which resources are consumed in planning or designing the product; material and energy use during manufacturing, packaging, and distribution; impacts from using the product; and waste and pollution created throughout the process and at end-of-life.

Incorporated product carbon footprint methodologies in the product design process

The Group's ambition is to develop all new products with optimized best-in-class PCF, LCA and environmental product declaration.

The Group launched its first projects using this approach during FY22/23. Already, it has been able to identify, quantify and achieve a 53% reduction in the Global Warming Potential of a selected product during its design, through materials selection and the use of renewable energy. This represents a major step forward in building a portfolio of sustainable products by design.

Product quality and product safety

Johnson Electric is committed to being the safe choice for customers and meeting or exceeding their requirements.

The Johnson Electric Product Development System combines engineering and manufacturing product quality planning methodologies to ensure the safe and flawless execution of new product launches.

From the initial conceptual design through to product design verification and validation, these methodologies include advanced product quality planning, V-model product development, quality function deployment, simulation-led product design, anticipation of failure modes and failure mode analysis, reliability simulation and testing, product validation and safe product launch procedures.

The Group's manufacturing facilities and in-house testing laboratories are fully compliant with relevant international standards, allowing Johnson Electric to meet the ever-growing quality requirements of customers and industry regulators. The Group's products are also compliant with all mandatory health, safety and environmental protection requirements, as tested by recognized external testing laboratories and bodies.

These international standards include ISO 9001 for quality management systems, IATF 16949 (which contains sector- specific supplemental requirements on applying ISO 9001 for the automotive industry), IECQ QC080000 hazardous substance process management system for hazardous-substance-free regulatory and customer requirements such as RoHS, ELV and REACH, ISO 13485 quality management system for meeting regulatory requirements for the medical devices industry and ISO 17025 for testing and calibration laboratories

Over the past year, Johnson Electric has received many customer awards recognizing consistent good performance in quality, delivery, robust operating systems, material management and compliance with environmental system requirements. The Group's plants in Canada, China and Europe have received supplier quality excellence awards, recognizing Johnson Electric for its collaboration and quality performance.

Material management and use

Johnson Electric's manufacturing processes consume raw materials such as steel, copper, aluminium, and plastic resins. The Group addresses the environmental challenges related to this by:

- Using green suppliers and renewable energy wherever possible
- Purchasing recycled materials wherever possible
- Reducing its consumption
- Recycling waste from its own production processes
- Reusing materials wherever economically or technically feasible, and otherwise selling for offsite recycling

The Group seeks to use materials in the most effective and productive way with an emphasis on consuming less, reducing toxic chemicals and lowering environmental impact throughout the material's life cycle.

For example, the Group has reduced its consumption of packaging materials including plastic, cardboard and wood (pallet) through the use of returnable packaging for in-region shipments to certain customers in Asia, Europe and the Americas. In one such case, by using returnable packaging for shipments to four customers in Liuzhou, Shanghai, Shenzhen, Wuhan, Wuxi and Yantai in China, from 2020 to date, the Group has avoided consumption of 383 tonnes of packaging materials. The

Group is exploring the opportunity to expand this initiative to more customers.

Relationships with Customers

Johnson Electric has a world-class customer base of household names across multiple end-markets. The Group has over 400 automotive customers and over 1,200 non-automotive customers. No single customer contributes 10% or more to its total sales.

Johnson Electric promises to make customers successful with motion solutions that deliver more comfortable, safer and healthier products for end users. This commitment is reflected in the Group's vision, purpose and MARBLE values.

The Group fulfils this promise with solutions that delight the end-user of a product while meeting the business needs of its direct customers. The Group's sales and engineering teams engage in intensive dialogue with customers to listen to their needs while sharing knowledge of Johnson Electric's products and capabilities. A disciplined development path with rigorous reviews and testing from concept to start of production ensures that the Group's products meet safety, quality and performance requirements at a competitive cost. Johnson Electric aims to be the "safe choice" solution.

A vertically integrated, flexible manufacturing footprint, comprising manufacturing and assembly facilities in 17 countries spanning 4 continents allows Johnson Electric to concentrate manufacturing for scale or manufacture close to customers, and enables a swift and agile response to changes in demand.

Johnson Electric is committed to ensure fair competition. The Group does not sign or enter into agreements with competitors that harm customers, nor does it abuse a dominant position in the market to prevent others from competing.

Environmental responsibility

Johnson Electric promises to protect the environment for future generations.

The Group's key environmental priorities are reducing carbon emissions, increasing renewable energy use and energy efficiency, cutting waste and pollution, and using natural resources sustainably. Collaboration with the Group's suppliers and customers is also critical to creating long-lasting positive impact. Johnson Electric believes that by working together, we can create a more sustainable future for all.

Environmental policy and governance

Johnson Electric's EH&S policy is a core element underpinning the Group's environmental management efforts. The policy drives overall corporate strategy, and ensures that environmental protection is:

- considered in all the Group's decisions
- integrated in the design of new and modified facilities, products and processes
- subject to monitoring and continuous improvement

The Group's EH&S management system comprises a set of programs, procedures and standards that are common to all its sites, with appropriate leadership, resources and organization to ensure excellence in implementation. This equips each site and team to monitor, identify and quickly address EH&S issues according to a standard process that allows them to share the lessons learnt across the Group's global footprint. To support this, we have instilled a strong culture of EH&S monitoring, continuous improvement, problem solving and mutual learning.

Environmental performance is tracked against specific global and local environmental objectives and targets. Performance against environmental targets is linked to relevant employees' annual incentive pay. The senior leadership regularly reviews KPIs for all sites and the Group as a whole.

All (100%) of the Group's sites have obtained ISO 14001:2015 certification for their environmental management systems. 11 of the Group's sites, including its largest site, have obtained ISO 50001:2018 certification for energy management systems.

Johnson Electric always seeks to adopt clean and environmentally sound technologies and industrial processes. In support of this, the Group has developed a Green Plant Checklist for a structured approach to identifying opportunities to improve environmental performance. Topics covered by the checklist include renewable energy, energy efficiency and peak demand reduction, water conservation, material conservation and recycling, waste reduction, indoor environmental quality, green processes and production, pollution controls and end-of-pipe treatments, ecology and nature conservation, as well as certifications for environmental and energy management systems.

In FY22/23, there were no significant instances of noncompliance with environmental laws and regulations.

Energy and climate

Energy and climate is a topic of key concern to Johnson Electric, its customers and other stakeholders. In shaping its low-carbon strategies and approach, the Group takes into account global initiatives including the United Nations Sustainable Development Goals, the Paris Agreement, the Science Based Targets initiative (SBTi) and the Greenhouse Gas Protocol. The Group also aligns its approach with customers' strategies and supports them to achieve their own low-carbon goals.

The Group's energy and climate targets demonstrate a commitment to driving sustainable growth and taking climate action. These targets include:

- Using 100% renewable energy across all our operations by 2025, as available and feasible for each site

- Reducing carbon emissions from our operations by 42% (Scope 1 & 2) by 2030 and reaching net-zero global emissions by 2050. We have upgraded our previous target of a 25% reduction by 2030 in the light of our outstanding progress in decarbonization in FY22/23. Our new 42% reduction target forms part of our commitment to SBTi's Business Ambition for 1.5°C campaign, and is to be validated and approved by SBTi

- Running a Scope 3 carbon emission inventory and setting Scope 3 carbon emission reduction targets
- Reducing the intensity per sales of purchased energy consumption in our operations by 15% by 2030 (compared to FY19/20)

  Scope 1 covers carbon emissions from sources that Johnson Electric owns or controls directly. Scope 2 covers indirect carbon emissions from the consumption of energy (e.g., electricity) in its operations. Scope 3 covers carbon emissions in the Group's value chain

In FY22/23, the Group achieved a 21% absolute reduction in its Scope 1& 2 carbon emissions compared to its base year of FY20/21.

21% carbon reduction &
Committed to SBTi
to reduce carbon emission by 42%

Fifteen sites across ten countries are now operating with 100% renewable energy. Consequently, the Group has increased its use of renewable energy to 22% excluding grid mix and 40% including grid mix.

15 operating sites are
now operating with
100% renewable electricity

6,600 solar panels were installed at the Group's site in Jiangmen, China in October 2022. These are expected to generate over 3,700 MWh of renewable energy and reduce 2,200 tonnes of carbon emission each year. The Group has also installed solar panels at its manufacturing plants in Hong Kong, Shajing and Nanjing, China and Murten, Switzerland. The panels in Hong Kong and Murten generate 410 MWh of electricity annually, while the energy generated in Shajing and Nanjing is specifically used for heating water for use in employee dormitories.

Waste

Reducing waste is an important part of Johnson Electric's efforts to improve its environmental impact. To reduce waste at source, the Group seeks to limit its material consumption by:

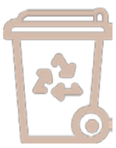
- Designing compact, lightweight products that weigh less while delivering the same power output
- Minimizing waste from production processes
- Minimizing packaging and using returnable packaging where feasible
- Ensuring that Johnson Electric's electro-mechanical components deliver long life and reliability
- Implementing waste reduction projects to reduce general waste, especially cardboard and polystyrene packaging

The Group's manufacturing facilities are required to develop and continuously improve site-specific programs to prevent or minimize solid or hazardous waste generation. The main waste streams are segregated for reuse and recycling, wherever feasible.

Wherever economically and technically feasible, waste such as aluminium, coolant, epoxy powder and plastic from injection sprues and cores are is recovered from manufacturing lines and reused directly in production processes. Recovered waste that cannot be reused directly in the Group's factories is sold for recycling.

In FY22/23:

- The Group achieved its ambition to send zero waste to landfill



Achieved zero waste to landfill

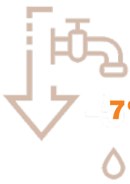
"Zero waste to landfill" refers to at least 99% of generated waste being diverted away from landfill

- 93% of the Group's waste was recycled. The majority of this was material recovered from production including steel, copper, process plastic and packaging plastic
- Hazardous waste accounted for less than 9% of total waste generated. Hazardous waste was collected and treated by licensed vendors in compliance with regulatory requirements. This included oily wastewater, sewage treatment sludge and liquid waste containing copper or nickel solutions

Water

Johnson Electric's operations do not consume a significant amount of water. Moreover, no major operations are sited in countries with medium or high water-stress. Nevertheless, the Group takes a responsible approach to water stewardship, seeking to maximize efficiency, minimize waste and prevent poor quality wastewater.

In FY22/23 the Group achieved a 7% reduction in water consumption, compared to the prior year, and a 12% reduction in water consumption intensity per sales as it benefitted from projects to reduce usage and to recycle and reuse process water.



7% less water consumption

Emissions

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

Johnson Electric's non-CO_2 emissions are mainly volatile organic compounds ("VOCs"). These come from glues used in product assembly, solvents used for parts cleaning, injection moulding and ink printing. The Group is taking steps to reduce its VOC emissions, by eliminating VOCs from processes, substituting inks and cleaning solutions with alternatives with lower VOC levels, and exhaust gas emission controls.

In FY22/23, air emissions levels at all operating sites were below the permitted emissions levels. Despite VOC emissions being below the permitted levels, the Group has taken steps to reduce VOC emissions by eliminating their use in some processes, substituting inks and cleaning solutions with alternatives that have lower VOC levels, and utilizing exhaust gas emission control systems.

The Group also has some particulate matter emissions from powder processes. To reduce these emissions, it recovers and reuses epoxy particulate matter and copper powder emitted from certain production processes.

Climate risks

The local impacts of climate change vary geographically and are difficult to forecast, as are its global effects.

The Group's Risk Management Steering Committee continuously assesses the business risks posed by climate change, as well as the strategic opportunities that arise from taking climate action. Its aim is to develop clean, green, healthy, safe and more resilient business strategies for both people and the planet.

Employees

Johnson Electric promises to inspire its employees to grow, act with ownership and find fulfilment and meaning in the work they do.

People are the bedrock of Johnson Electric's success. It is the talent, diversity and hard work of the Group's employees that drives its sustainable innovation and business results.

Johnson Electric's people strategy seeks to attract and develop the right people, put them in the right jobs and provide them with the right environment to excel at what they do best – all with the vision of becoming "One Johnson around the world, a great company and a great place to work!

The Group makes sure its employees always have the latest tools and skills they need to adapt and deliver excellent performance. Its talent management processes offer training and career development opportunities that allow employees to grow and flourish, and the Group is very proud that so many employees have chosen to stay loyal to Johnson Electric for decades.

Global collaboration is an integral part of Johnson Electric's day-to-day work. The Group's shared "MARBLE" values have long served as foundation of the "One Johnson" culture, creating a common identity for employees to operate as a global team, both in times of growth and times of adversity.

Above all, Johnson Electric works tirelessly to protect the health, safety and well-being of every employee through a strong safety prevention culture and strict health and safety standards in every one of its locations.

One Johnson Around The World

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

We Make Things Happen

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

Right People Right Jobs

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

Johnson Electric's MARBLE values

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

Health and safety

Johnson Electric has built a strong safety culture that draws on the Group's values of caring, ownership, collaboration and accountability.

This emphasizes that "Safety starts with a personal decision to take care of ourselves and our team members". Everyone is responsible and accountable for the health, safety and wellbeing of the people working for them and for considering safety in all aspects of their work. The Group expects every employee at every level to contribute to maintaining a safe and healthy work environment.

There is and there will be no compromise of safety in anything Johnson Electric does.

The Group's EH&S policy reflects Johnson Electric's purpose of "improving the quality of life of everyone we touch". It stipulates a clear focus on safety responsibility and ownership at all levels.

Under the policy, senior leaders and managers are responsible and accountable for providing a safe workplace, assessing risk, following and implementing safety standards and safe work procedures. They must ensure that their team is properly trained, knows how to work safely and has the right conditions for doing so. They are required to participate in risk assessments and monitor health and safety performance and improvement.

Individual employees are responsible for adopting appropriate behaviours to ensure their safety and the safety of others, following safety procedures, assessing risks, identifying and communicating hazards and needed improvements, and acting in accordance with the policy.

The EH&S policy also incorporates Johnson Electric's safety prevention culture principles, which include ownership, identification, communication, problem solving and a "look-across" approach to safety alerts issued by all sites.

The Group's EH&S policy is available in local languages in all sites, via the internal communication portal and on Johnson Electric website.

This is underpinned by the Group's EH&S management system, comprised of a set of common programs, procedures and standards that apply to all Johnson Electric sites. The system covers both employees and contractors.

It provides processes to identify and evaluate hazards and risks associated with the Group's product development and manufacturing processes. Furthermore, it establishes goals and objectives to address any significant hazards, risks and impacts, taking into account the feedback and concerns of employees, contractors, communities, customers, suppliers and other stakeholders. Ultimately, it ensures that Johnson Electric always treats its commitment to employee health and safety as an overriding priority.

Test-to-fail approach for machine safety assurance implemented in Jiangmen, China – Machines used at every facility around the globe must comply with relevant national and local regulations and requirements. Johnson Electric's machine safety compliance program establishes the necessary roles and responsibilities within the company to ensure compliance. Safety ambassadors have been chosen to help educate frontline workers about machine safety requirements and expected behaviour.

Furthermore, 74% of the Group's manufacturing locations have obtained ISO 45001:2018 certification for their occupational health and safety management systems.

In FY22/23, there were:

- Zero fatalities
- 40 lost-time accidents (recordable injuries with lost time of more than one working day), a 15% reduction compared with prior year. The annual LTA rate was 0.08 per 100 employees (industry average* 0.4 per 100 employees)
- 78 recordable injuries across the Group, an 18% reduction compared with the prior year. The annual RIF was 0.17 per 100 employees (industry average* 1.7 per 100 employees)

* U.S. Bureau of Labor Statistics. Incidence rates of nonfatal occupational injuries and illnesses by industry and case types for motor and generator manufacturing (NAICS code 335312) 2021 industry averages, the most up-to-date information available at the time of producing this report

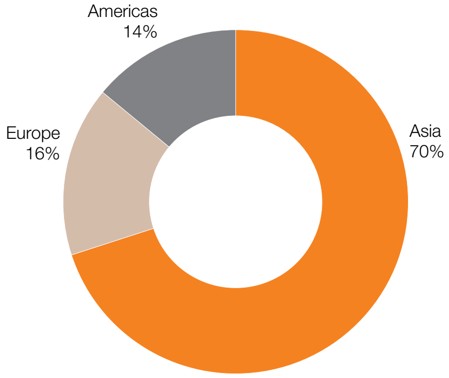
Although one accident is always too many, the Group's lost-time accident rate and recordable injury frequency remain very low compared to the industry average.

Comprehensive health and safety training program in Murten, Switzerland – A detailed training needs analysis was conducted to develop a three-year (2022 to 2024) comprehensive health and safety training program for employees in Murten, Switzerland. In partnership with the Swiss National Accident Insurance Fund (SUVA), training in FY22/23 covered the areas of stumbling hazards, personal accident prevention and safety leadership, with 480 employees participating.

Talent attraction and retention

The Group's Executive Committee is committed to fulfilling Johnson Electric's promise to "inspire our employees to grow, act with ownership and find fulfilment and meaning in the work they do". Employees are provided with equal opportunity to develop and fulfil their career aspirations with Johnson Electric.

Global Workforce



As of 31 March 2023, the Group's total global headcount stood at over 35,000 across Asia, Europe and the Americas.

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

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

Managers at Johnson Electric are empowered to drive talent development in their teams. They are also expected to create individual development plans for each team member. The Group supports managers in this by offering psychometric assessments, 360° feedback, executive coaching and formal executive education programs.

Regular talent assessment and calibration is used to identify high-potential employees. Such employees are offered additional development opportunities and are included in Johnson Electric's talent pool. This talent pool is regularly reviewed when considering key appointments in organizational reviews. High-potential employees' individual development plans are drafted based on the results of individual 360° assessments.

To safeguard Johnson Electric's long-term success, the Group holds annual succession planning workshops for senior vice presidents and mission-critical positions. It monitors both the internal promotion rate and the number of senior positions with “ready now” and “ready soon” successors. Furthermore, to support the development of our global-local footprint, we are enhancing our regional talent acquisition capabilities.

A “JE Career Paths” initiative is available to employees in business units and engineering. It gives them a better understanding of available career pathways as well as areas that they may need to build upon when driving their own career development.

A “My Career in Motion” program enables employees to take greater accountability for their career growth and development, working in partnership with their managers and other employees. At the heart of this program is a formal self-nomination process that encourages employees to apply for open positions for which they are qualified. This helps promote equal opportunities for all staff to develop and fulfil their career aspirations with Johnson Electric.

A global leadership development program, “Leadership Essentials”, supports employees with the potential to progress into line manger positions. It develops critical skills and competencies preparing them to take roles of increasing complexity across the organization.

The Group has a performance management process in place for all staff, that aims to deliver fairness, equity and align performance standards, globally. It emphasizes development planning and desired behaviors in the annual goal setting and performance review process. The Group emphasizes the importance of performance discussions to ensure employees are provided with recognition and constructive feedback to support their growth.

Staff and managers may also formally request feedback from anyone in the organization on themselves or their subordinates at any time during the performance cycle. This allows employees to proactively seek constructive feedback from those they work with closely. Linking this feedback to the Group’s strategic goals has enabled tighter alignment across functional teams as well as cross-functional recognition of staff achievements in “town hall” meetings.

Training and development

Learning and professional development is a joint effort between Johnson Electric and its employees. Every time an employee grows through lifelong learning, Johnson Electric becomes more adaptable and competitive as a company. The Group helps employees to close gaps in their capabilities and skills by offering the requisite experiences and training.

Johnson Electric recognizes that learning and development through on-the-job experience is the best foundation for future growth. In addition, the Group offers individual coaching and formal training that aims to fulfil functional needs and develop leadership talent.

The Johnson Electric Learning Institute sets the global direction for all employee learning, development and reskilling activities in the Group. Global learning steering committee meetings include representatives from all regions, who guide and shape policies and practices, and decides the focus of learning and development programmes. A strong network of learning and development teams in each location supports this, delivering local learning programs in response to business priorities and the organization’s talent needs. In addition, the Group organizes a Learning Month every year to cultivate a learning culture.

The Group offers just-in-time classroom, webinar and eLearning programs to grow employees’ soft and technical skills. A “JE Baccalaureate” programme provides a structured internal training to upskill technical workers to support the Group’s digital transformation.

The “Leadership Essentials” curriculum provides training for managers utilizing a variety of formats. Stretch assignments and international secondments provide employees opportunities to gain global exposure and broaden their horizons.

A “Learning In Motion” global learning platform provides over 360 courses to employees covering key business, compliance and soft-skill areas allowing employees to learn anytime, anywhere, on any device and at their own pace. A partnership with on-demand platform LinkedIn Learning also gives employees access to thousands of on-line courses taught by industry experts. The Group also offers apprenticeship programmes at various sites giving youth a route to gain technical training and work experience.

In March 2022, we were named Learning Champion at the LinkedIn #TalentAwards2022

To build employees' digital capabilities, the Group continued to promote the "JE's Digital Transformation Champions" (JEDi) program. This encourages all employees to gain expertise in relevant digital applications, regardless of their role and function. Through active learning and by applying new knowledge to their day-to-day work, employees who join this program are expected to become a key driving force in Johnson Electric's digital transformation. As well as on-the-job learning, they receive sponsorship for training and exam costs, allowing them to develop valuable skills and access better career opportunities. This also equips them to mentor future JEDis.

Diversity, equity and inclusion

Johnson Electric understands that its business thrives on the diversity of its people and their ideas. Employees are entitled to respectful and equal treatment in the workplace, independent of their age, gender, disability, marital status, race, national origin, or religion. The Group hires at competitive and fair levels based on role and experience, regardless of gender.

The Group is committed to providing a working environment free from any inappropriate behaviour and any kind of harassment based on personal characteristics or status. Threats or acts of harassment are prohibited and not tolerated. The Group investigates all complaints of harassment or discrimination raised through our whistle-blower hotline.

Johnson Electric's commitment to creating a diverse, equitable and inclusive working environment is also integrated into its MARBLE Value Framework and Diversity, Equity and Inclusion Policy. The Group takes steps to ensure that its recruitment process is fair and non-discriminatory. When conducting senior-level searches, Johnson Electric requires external recruitment firms to identify candidates with diverse backgrounds, in line with its values.

The Group recognizes that people at different life stages may benefit from different working arrangements and promotes family-friendly leave policies and flexible working arrangements. It has introduced a working from home policy, applicable globally, so that employees can better balance work and family responsibilities. The Group has also implemented a variety of family-friendly programs around the world. For example:

- Parental and care leave as well as childcare services and allowances
- Employee activity centres for exercise and relaxation in our Jiangmen manufacturing plant

Communication

The Group's goal is to maintain Johnson Electric's status as a trusted employer brand that embraces diversity and inclusion. Mutual trust is essential for inspiring employees to grow, act with ownership and find fulfilment in the work they do. To build trust the Group goes to great lengths to keep employees well informed and up to date with the latest Johnson Electric news and developments through open, transparent and two-way communication.

The Group's employee communication channels include:

- **One Johnson Global Celebration**, an annual event, for all Johnson Electric employees around the globe. This year, the event's global theme was "Sustainability – Our Way Forward", highlighting Johnson Electric's commitments and employees' role in advancing sustainability

"Sustainability – Our Way Forward" was the global theme of the 2022 One Johnson Global Celebration

- **JE in Motion**, an internal digital platform for communicating leadership messages and encouraging knowledge sharing and team collaboration among global employees and specific employee groups
- **Regular all-staff meetings** in Johnson Electric's major location to provide updates on business performance and developments on key projects. These were held virtually where necessary owing to the pandemic
- **Online staff forums** to cascade key business initiatives and encourage active engagement for internal alignment
- **MARBLE Snapshot**, a regular survey to measure the organization's engagement level. This provides a confidential route for employee feedback. Follow up actions ensure that employees' voices are heard and responded to at both corporate and team levels
- **Employee recognition program** reward individual and team performance and boost engagement. The JEwel, award scheme, rewards employees for sharing best practices across the Group. In particular, in the areas of safety, productivity, automation, artificial intelligence, quality and capability improvements, solutions innovation, technology advancement as well as social impact and community outreach. The MARBLE awards scheme recognizes employees living Johnson Electric's core values. The annual Chairman's Awards, reward outstanding performance and leadership
- **Local initiatives** such as recreational and team building activities, held throughout the year to boost engagement, build social skills and promote recognition. Local teams organized festive celebrations, outings, cultural excursions, appreciation days, parent-child activities and other events
- **Johnson Electric's corporate website and social media channels**, which serve as valuable touchpoints for building good connections and rapport with employees and external stakeholders alike, through news updates on corporate and employee engagement activities

Other means used to promote employee alignment with Johnson Electric's strategy and direction include emails and multimedia content shared with all employees, executives' messages, e-newsletters and global and local employee contests.

Labour rights

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

Johnson Electric adheres to the directives set by the International Labour Organization. Additionally, to ensure employees human and labour rights are protected, the Group:

- Has issued a clear policy with auditable controls relating to global child labour and forced labour for all our sites
- Has issued a freedom of association and right of collective bargaining policy, applicable to all sites
- Provides all employees with a written offer letter or contract of employment
- Maintains a global compensation structure to ensure competitive pay levels and benefit offerings in every market in which we operate. At entry level, remuneration and benefits comply with and typically exceed the minimum legal limits for the country of employment.

Johnson Electric employment standards

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

Annual incentive pay is an important component of compensation for more than 80% of staff-level employees, including all management staff and the executive management team. This is tied to the achievement of revenue, profitability, liquidity and sustainability goals.

Additionally, a long-term incentive share scheme forms a critical part of the competitive compensation package for senior executives, encouraging retention while aligning rewards to shareholder value. The scheme includes not only time-vested restricted stock units but also a high proportion of performance stock units which vest only if stringent financial conditions are achieved

- Does not make deductions from wages as a disciplinary measure
- Ensures that employees who are provided with company housing are free to come and go from their housing units, subject to reasonable security considerations

As part of its corporate governance, Johnson Electric monitors its compliance with these employment standards and relevant labour laws and regulations. As part of this:

At any time

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

Every year

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

Every two years

- All employees with an email account (including all managers) must undergo online refresher training on the Code and its application in the workplace, including the protection of labour and human rights. On completing this training, they must pass a test on the Code. Only then are they allowed to certify that they have read and comply with the Code
- All other employees take part in leader-led group training on the Code

Communities

Johnson Electric promises to enrich its local communities.

Johnson Electric understands that the Group's impact extends far beyond the products it creates. From reducing waste and promoting clean energy, to creating jobs and supporting local economies, Johnson Electric is proud to be a leader in creating a better future for all.

Johnson Electric has always been committed to delivering social impact and serving the communities in which it operates. The Group's social impact and community engagement activities are based on both a passion for science, technology and engineering, as well as a heartfelt desire to respond to humanitarian need.

All employees are encouraged and empowered to participate in volunteering programs and make a difference to their local communities. This includes contributing to technical education programs that aim to cultivate the next generation of rising STEM stars, such as Johnson Electric Technical College and Junior Engineer, as well as environmental and social activities that care for people and planet, such as nature preservation and clean-up efforts, blood donation drives and fundraising for humanitarian causes.

The Group's social impact activities are overseen by the Social Impact and Sustainability Committee, which includes key executives and influences all levels of the organization. This committee provides focus and support and ensures a structured approach to delivering social impact activities worldwide.

JEnerations

Launched in 2021, the JEnerations program encourages all Johnson Electric employees around the globe to get involved in social impact and community outreach activities that enrich local communities through volunteering.

JENERATIONS

Local employees are empowered to identify beneficiaries and service partners and arrange voluntary activities based on local needs. Areas of focus include those that benefit children, the elderly and the underprivileged, those that support diversity and inclusion, and those that protect and restore the environment.

Employees are entitled to paid time off to participate in social impact activities scheduled outside office work hours.

The Group only supports or funds activities or groups that are legal, as defined by local laws, and unrelated to any political or religious purposes and that do not go against Johnson Electric's Code of Ethics and Business Conduct.

Technical education

Johnson Electric operates multiple flagship programs in several countries to promote and support technical education as part of its community engagement. These include the Johnson Electric Technical College and Junior Engineer programs.

The first Johnson Electric Technical College ("JETC") was established in 2004 in Shajing, China, offering students a three-year, fully funded education and comprehensive technical training course within a supportive social environment that promotes self-discipline. In 2016, a second JETC campus was opened in Zacatecas, Mexico, providing the same curriculum and development opportunities.

JETC students in Zacatecas (Mexico)

JETC cooperates with educational institutions to issue official secondary vocational school diplomas to graduates. All successful graduates are offered employment as technicians or mechanics in Johnson Electric's manufacturing or engineering departments.

Since its inception, more than 1,500 students have graduated from the JETC program in China and Mexico. JETC provides the Group with a stream of well-educated future employees and gives back to society by providing a high-quality general and technical education to underprivileged youth.

In Serbia, using similar concepts to JETC, the Group works in partnership with a local technical high school, providing access to Johnson Electric's facilities and staff to assist students in receiving a high-quality technical education.

The Junior Engineer program is a simple but effective global community outreach program targets children aged 6 to 12 to encourage an early interest in science, technology, engineering and mathematics ("STEM") subjects by building a DIY toy kit powered by a Johnson Electric motor. Participating sites arrange local activities internally for employees' children or externally with local educational institutions wherever appropriate.

Social impact activities around the world

During FY22/23, sites around the world initiated or partnered with local non-governmental organizations to arrange a wide range of activities, supporting a variety of charitable causes and beneficiaries in areas including health education; support for children, the elderly and the underprivileged; humanitarian aid; pandemic relief, and environmental protection.

JEnerations teams around the globe joined hands to raise funds for those affected by war and natural disasters.

The Poland JEnerations team arranged support, including food, clothing, transportation and accommodation, to help refugees who had left Ukraine support by donations from the global Johnson Electric team.

To help the people of Türkiye following the tragic 7.8-magnitude earthquake that hit on 6 February 2023, a global donation drive was initiated to provide temporary shelter for the next month.

The Shajing JEnerations team raised donations in support of the humanitarian aid work overseen by the Red Cross Society of China in response to the Sichuan Luding earthquake.

JEnerations teams in Hong Kong and Jiangmen (China), Ochang (South Korea), Nis (Serbia) and Vandalia (USA) rolled up their sleeves to collect rubbish from beaches and other public spaces.

Trust and Transparency

We believe that good corporate citizenship requires uncompromising standards of integrity, openness and fairness.

Johnson Electric strives to conduct its business with honesty and integrity. Available in the local language of each Johnson Electric site, the Johnson Electric Code of Ethics and Business Conduct* (the "Code") guides employees to use good judgment and ethical decision making in their business conduct and practices. A whistle-blower hotline enables the anonymous reporting of breaches of the Code.

* The Code, including information on how to make reports to its whistle-blower hotline, is available for download from www.johnsonelectric.com

This year, Johnson Electric joined the Institute of Business Ethics (the "IBE"). The Group looks forward to harnessing the IBE's tools, guidance and insights as it continues to enhance and reinforce its culture.

There were no significant instances of non-compliance with laws and regulations in FY22/23 and up to the date of approval of the Annual Report.

Sustainability Ratings

The Company is a constituent of the Hang Seng Corporate Sustainability Benchmark Index. Its ESG ratings include:

	31 March 2023	31 March 2022
MSCI	BBB	BBB
EcoVadis	Bronze Medal	Bronze Medal
CDP– climate change	C	B-
CDP – water security	B-	B-
Hong Kong Quality Assurance Agency	A	A+

Relationships with Suppliers

Johnson Electric is a global manufacturer with multiple manufacturing locations that supply to numerous market segments in different geographic locations. Consequently, its supply chain is relatively complex, with more than 2,200 active suppliers.

The Group's engagement with suppliers is driven by its focus on "Innovation" and "Safe Choice". Robust supplier qualification procedures before ordering regular supplies from any new supplier ensure that the Group has the right supplier to source the right item. These procedures give due consideration to cost, quality, safety, environmental protection, ethical behaviour and social responsibility.

The Group is partnering with its suppliers, by extending its sustainability requirements to suppliers, providing training and creating processes and tools to progress on a joint sustainability journey.

The Group's suppliers are contractually required to be certified under relevant international quality and environmental management standards. The Group's Purchase Terms and Conditions also require adherence to directives set by the International Labour Organization's "ILO Declaration on Fundamental Principles on Business and Human Rights at Work" and the United Nations' "UN Guiding Principles on Business and Human Rights". These set out principles of the freedom of association, right of collective bargaining, abolition of child labour and the elimination of forced or compulsory labour or discrimination at work.

This is supported by the Group's Supplier Code of Conduct. This includes requirements for the protection of human and labour rights, responsible materials sourcing, environmental stewardship, emergency response, and business integrity. It specifically prohibits offering of gifts, certificates, loans, hospitality, service or favour in an improper manner. A whistle-blower hotline enables the anonymous reporting of breaches of the Supplier Code. Suppliers are also required to comply with the US Foreign Corrupt Practices Act, the UK Bribery Act 2010 and the criminal law in their country of operations.

The Group has a Responsible Minerals Policy and requires suppliers to provide information on the presence of certain minerals including tin, tantalum, tungsten, gold, cobalt and mica in their products, and to provide data on the smelters and refiners in their respective supply chains. The Group uses this information to publish a Conflict Minerals Report and an Extended Minerals Report, consistent with industry standards for supply chain transparency. Suppliers are encouraged to also adopt similar due diligence processes to identify, mitigate and, where appropriate, remediate conflict mineral risks in their supply chains.

The Group continuously gauges and calibrates suppliers' ability to meet the above requirements through its Supplier Performance Rating System. This includes annual risk assessments, supplier self-declarations, evaluated sustainability questionnaires and site visits. The Group will review future business and sourcing decisions with suppliers who do not engage with it in these efforts.

Sustainability Report

For further information about Johnson Electric's sustainability policies, performance and activities, please refer to the Group's Sustainability Report, available for download from www.johnsonelectric.com.

Corporate Governance Report

Johnson Electric Holdings Limited ("Company", together with its subsidiaries, the "Group") 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.

Johnson Electric's Culture and Stakeholder Focus

The Company is committed to building a positive and strong corporate culture by promoting the values and aspirations contained in Johnson Electric's "MARBLE" statement of core values. The corporate values of "MARBLE" guide our employees to become the company we aspire to be and to fulfil our purpose and vision. There are six major strategic actions areas directed towards achieving our vision and purpose: 1) focus on serving customers, 2) invest in technology innovation, 3) build a resilient manufacturing footprint, 4) align design and production processes with the industrial logic of advanced automation, 5) acquire selective businesses, and 6) develop and retain a diverse, talented and inclusive team of people. Various initiatives, measures and programs strengthening the Group's culture and improving employees' engagement, and achievements are also discussed in the Management's Discussion and Analysis of this announcement and Sustainability Report.

The Group conducts a global "MARBLE Snapshot" survey of its employees every two years. Employee engagement and alignment with the "MARBLE" values are measured through the survey. Survey results are also compared to global manufacturing company benchmarks and country benchmarks where applicable. Appropriate follow-up actions are implemented in a timely manner to respond to the feedback from our employees.

Board of Directors

The board of directors of the Company ("Board") currently consists of two executive directors and nine non-executive directors (of whom six are independent) ("Directors"). Madam Wang Koo Yik-Chun is the mother of Dr. Patrick Shui-Chung Wang, Mrs. Mak Wang Wing-Yee Winnie and Mr. Peter Kin-Chung Wang. Mr. Austin Jesse Wang is the son of Dr. Patrick Shui-Chung Wang.

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

In accordance with Rule 13.51B(1) of the Listing Rules, the Company is required to disclose changes in information of Directors subsequent to the date of the Interim Report 2022. Mr. Joseph Chi-Kwong Yam was appointed as an independent non-executive director of Hong Kong Exchanges and Clearing Limited on 26 April 2023. Mr. Patrick Blackwell Paul stepped down as Chairman of the Supervisory Board of the British Chamber of Commerce in Hong Kong in May 2023 but remains as a member of the Supervisory Board.

The Board at Work

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

The Company seeks to provide its independent non-executive directors with extensive exposure and access to its operations and management. The board meeting agendas are structured to address the broad spectrum of key governance issues on a regular and systematic basis. One of the scheduled Board meetings focuses specifically on the annual corporate strategic plan and planning process which is intended to identify and assess the opportunities, challenges and key risks that are expected to have the greatest potential impact on the Group's future business performance. Forming part of the continuous professional development program for Directors, visits to the Group's principal operating facilities are arranged and relevant subject area experts are also invited to address the Board from time to time.

The Board recognizes the importance and benefits of conducting regular evaluations of its performance to ensure the effectiveness of its functioning. On an annual basis, a Board Effectiveness Survey is sent to each Director in order to enable the performance of the Board to be evaluated in a structured and candid manner. Responses to the survey are analyzed and discussed at the Board meeting. Suggestions made by the Directors have been implemented to further improve the performance of the Board.

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

Subject to retirement by rotation and re-election at an annual general meeting, non-executive directors are appointed for a term of three years with automatic renewal for further terms of three years per term. Under the Company's Bye-law 109(A), one-third of the directors except the director holding office as executive chairman, who have served longest on the Board since their last election, shall retire from office and be eligible for re-election at each annual general meeting. As such, except for the executive chairman, no director has a term of appointment longer than three years.

Committees

The monitoring and assessment of certain governance matters are delegated to four committees which operate under defined terms of reference and are required to report to the Board on a regular basis. The composition of the committees during FY22/23 and up to the date of this report is set out in the table below.

Directors	Audit Committee	Remuneration Committee	Nomination and Corporate Governance Committee	Board Committee
Executive Directors				
Patrick Shui-Chung Wang			M	M
Austin Jesse Wang				M
Non-Executive Directors				
Mak Wang Wing-Yee Winnie		M		
Peter Kin-Chung Wang	M			
Independent Non-Executive Directors				
Peter Stuart Allenby Edwards [1]			C	
Patrick Blackwell Paul	C		M	
Michael John Enright	M	M		
Joseph Chi-Kwong Yam		M		
Christopher Dale Pratt	M	C		
Catherine Annick Caroline Bradley [2]		M	C	
Michelle Mei-Shuen Low [3]	M			

C – Chairman
M – Member

Notes:
1. Mr. Peter Stuart Allenby Edwards retired as an Independent Non-Executive Director of the Company on 14 July 2022.
2. 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.
3. 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.

Audit Committee

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

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

Five committee meetings were held in FY22/23 to discuss and review relevant matters together with senior management and the independent auditor, including the following:

1. The FY21/22 annual results and interim results for FY22/23, to ensure that the related disclosures in the financial statements were complete, accurate and fair and complied with accounting standards, the Listing Rules and legal requirements, and to submit the same to the Board for approval;

2. The work done by the external auditor, the relevant fees and terms of engagement and appropriate actions required on any significant control weaknesses;

3. The external auditor's independence, including consideration of their provision of non-audit services and adoption of the Non-Assurance Services Concurrence Policy guiding on non-audit services;

4. The Internal Audit Department's staffing and team competencies, its internal audit plan and budget for approval, its report on work performed and the status of open issues for remedial action;

5. The overall adequacy and effectiveness of internal controls;

6. The Group's risk management activity, namely the processes by which risks are assessed and registered and by which such risks are addressed for mitigation and management;

7. The status and adequacy of the Group's insurance coverage;

8. The status of the Group's global tax position and any fiscal audits by the various jurisdictions;

9. Update on base erosion and profit shifting;

10. The status of litigation;

11. Update on implementation of IT modernization and cybersecurity controls;

12. Update on internal controls of the supply chain function; and

13. Update on the Group's environmental, social and governance status.

Remuneration Committee

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

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

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

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

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

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

The Remuneration Committee reviewed the respective remuneration policy for senior executives and non-executive directors over the short, medium and long term while addressing the goals of management development and retention and the enhancement of shareholder value.

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

Three committee meetings were held in FY22/23. During the year, the Committee addressed the following:

1. Review of the executive directors and senior executive compensation and benefits;
2. Long-Term Incentive Share Scheme awards;
3. Annual incentive plan measurement;
4. Review of succession planning;
5. New restricted and performance stock unit plan;
6. Review of compensation policies;
7. Review of key retirement plans;
8. Review of terms of reference of the Committee; and
9. Employee engagement survey.

Nomination and Corporate Governance Committee

The Nomination and Corporate Governance Committee comprises two independent non-executive directors and one executive director. The current members are Mrs. Catherine Annick Caroline Bradley (Committee Chairman), Mr. Patrick Blackwell Paul and Dr. Patrick Shui-Chung Wang.

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

Nomination of Candidates

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

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

Board Diversity

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

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

In 2022, one female director joined the Board which increased the female representation to about 36% of Board. Details of the Group's gender ratio and objectives for achieving gender diversity are set out in the Sustainability Report.

The Board will continue to identify suitably qualified candidates to join the Board to promote and encourage diversity.

Board Independence

To ensure independent views and input are available to the Board, the following mechanisms were implemented and have been reviewed by the Committee:

Board and Committees' Structure	• Currently, the Board comprises a majority of non-executive directors. 6 out of 11 of the Board members are independent non-executive directors which exceeds the Listing Rules requirement that at least one-third of the Board are independent non-executive directors. • The three committees, namely Audit Committee, Remuneration Committee and Nomination and Corporate Governance Committee under the Board have an independent non-executive director as the respective chairs.
Review of Independence	• The Committee accesses the independence of all independent non-executive directors annually according to the criteria specified under the Listing Rules. • Members of the Committee will abstain from assessing his/her own independence. • Each of the independent non-executive directors has submitted a written annual confirmation of independence to the Board.
Appointment of Independent Non-executive Directors	• In identifying, nominating and appointing independent non-executive directors, the Committee will observe the selection criteria set out in the Nomination Policy and independence assessment criteria set out in the Listing Rules.
Non-executive Directors' Remuneration	• Fee(s) payable to independent non-executive directors are in form of cash for their role as Board member and committee(s) chairman/member as appropriate. • Independent non-executive directors are not entitled to equity-based and Group performance-related remuneration.
Independent Professional Advice	• Independent non-executive directors are entitled to seek independent professional advice from external advisers at the Company's expense to perform their responsibilities.

Two committee meetings were held in FY22/23. The following is a summary of work performed by the Committee during the year:

1. Consideration and recommendation of the retiring directors and those who offered for re-election at the Annual General Meeting, and discussion on the independence of directors serving more than 9 years who will be nominated;
2. Consideration of the independence of all independent non-executive directors;
3. Consideration and recommendation of the change of chairman of the Committee;
4. Review and approval of the corporate governance report and information for the Annual Report and the Interim Report;
5. Review of the Group's report on compliance with laws and regulations in the countries in which it operates;
6. Review of the continuous professional development of Directors and senior management;
7. Review of the structure, size and composition of the Board;
8. Review of the implementation and effectiveness of Board Diversity Policy;
9. Review of the implementation and effectiveness of Board independence mechanism;
10. Review of proposed amendments to Bye-laws in accordance with Listing Rules requirements;
11. Review of terms of reference of the Committee;
12. Endorsed the amendments to the Code of Conduct for Securities Transactions by Directors; and
13. Consideration of suitable independent non-executive director candidates for joining the Company.

Board Committee

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

Attendance of Directors at Various Meetings

The Board held six board meetings in FY22/23 and the average attendance rate was 89.4%. Details of the attendance of individual directors at board meetings, committee meetings and the annual general meeting during FY22/23 are set out in the table below:

Directors	Board Meeting	Audit Committee Meeting	Remuneration Committee Meeting	Nomination and Corporate Governance Committee Meeting	Annual General Meeting	Continuous Professional Development [1]
	Number of meetings attended/held					
Executive Directors						
Patrick Shui-Chung Wang *(Chairman and Chief Executive)*	6/6	–	–	2/2	1/1	√
Austin Jesse Wang	6/6	–	–	–	0/1	√
Non-Executive Directors						
Wang Koo Yik-Chun *(Honorary Chairman)*	1/6	–	–	–	0/1	√
Mak Wang Wing-Yee Winnie *(Vice-Chairman)*	6/6	–	3/3	–	1/1	√
Peter Kin-Chung Wang	6/6	5/5	–	–	0/1	√
Independent Non-Executive Directors						
Peter Stuart Allenby Edwards [2]	1/1	–	–	1/1	0/1	–
Patrick Blackwell Paul	6/6	5/5	–	2/2	0/1	√
Michael John Enright	6/6	5/5	3/3	–	0/1	√
Joseph Chi-Kwong Yam	5/6	–	3/3	–	1/1	√
Christopher Dale Pratt	6/6	5/5	3/3	–	1/1	√
Catherine Annick Caroline Bradley [3]	5/6	–	3/3	1/1	1/1	√
Michelle Mei-Shuen Low [4]	5/5	4/4	–	–	–	√
Average attendance rate	89.4%	100%	100%	100%	45.5%	
Date of meetings	12/05/2022 23/08/2022 16/09/2022 09/11/2022 08/03/2023 09/03/2023	10/05/2022 17/10/2022 07/11/2022 16/01/2023 06/03/2023	11/05/2022 08/11/2022 07/03/2023	12/05/2022 09/03/2023	14/07/2022	

Notes:
1. This includes (i) briefings on Company's businesses, (ii) visiting the Group's facilities, (iii) seminars / conferences on economy / management / technology and (iv) reading regulatory / corporate governance or industry related updates.
2. Mr. Peter Stuart Allenby Edwards retired as an Independent Non-Executive Director of the Company on 14 July 2022.
3. 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.
4. 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.

Continuous Professional Development

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

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

Internal Control and Risk Management

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

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

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

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

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

To supplement the above, under the Code of Ethics and Business Conduct, employees can report any ethical misconduct, impropriety or fraud cases within the Group to the Johnson Electric Whistle Blower Hotline anonymously, or in writing in confidence without the fear of recrimination. The Company also has an Anti-Bribery Policy in place for the Board and all employees setting out the standards of conduct and practices for certain kinds of payment, gifts, entertainment and political contributions.

Details of the Group's risk management are set out on pages 22 to 29 of this announcement.

Based on the results of evaluations and representations made by the management, the Group's Internal Audit Department and the external auditor in FY22/23, the Audit Committee is satisfied that:

- There is an ongoing process for identifying, evaluating and managing the significant risks faced by the Group that threaten the achievement of its business objectives; and
- An appropriate, effective and adequate system of internal control and risk management has been in place in FY22/23 and up to the date of approval of the Annual Report.

Auditor

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

During FY22/23 and FY21/22, the services and associated remuneration provided to the Group by PricewaterhouseCoopers were as follows:

US$ million	FY22/23	FY21/22
Audit	2.79	2.92
Tax services	1.14	0.97
Other advisory services	0.32	0.21

Corporate Governance Code

During the year ended 31 March 2023, the Company complied with the code provisions set out in the Corporate Governance Code contained in Appendix 14 of the Listing Rules, except for the following:

Code Provision 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 or hold office for a limited term 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.

Shareholders' Rights

Convening a Special General Meeting

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

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

Putting Forward Proposals at General Meetings

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

Proposing a Person for Election as a Director

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

Enquiries to the Board

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

Constitutional Documents

There was no significant change to the Company's constitutional documents during FY22/23.

Model Code for Securities Transactions

The Company has adopted procedures governing directors' securities transactions in compliance with the Model Code as set out in Appendix 10 of the Listing Rules. Specific confirmation has been obtained from all Directors to confirm compliance with the Model Code throughout the year ended 31 March 2023.

Communications with Shareholders

A Shareholders Communication Policy is in place to promote the on-going dialogue with the shareholders of the Company through various communication channels set out in the policy and to facilitate investor engagement with the Company.

The Company uses a number of formal communication channels to account to shareholders for the performance of the Group. These include the annual report and accounts, the interim report, periodic announcements made through the Stock Exchange, as well as through the annual general meeting. Copies of relevant corporate and financial information are also made available through the Group's website: *www.johnsonelectric.com*. The Group's website is one of the principal channels of communication with shareholders and potential investors.

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

The Company encourages shareholders to participate the general meeting. The Company also welcomes shareholders to express their views and comments at its annual general meeting. The Chairman of the Board will invite the chairmen and/or members of the committees of the Board as well as external auditor to attend the Company's annual general meeting in person or by electronic means to answer shareholders' questions.

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

The Nomination and Corporate Governance Committee is responsible for reviewing the implementation and effectiveness of the Shareholders Communication Policy. The Committee has reviewed and based on the above mentioned including the timely publication and update of the communication on the Group's website, the provision of opportunities to shareholders to communicate with the Directors and chairmen of committees, and the periodic presentations and calls with the investment community, the Committee is of the view that the Policy is appropriate and the implementation of the Policy is effective.

Report of the Directors

The Directors have pleasure in submitting their report together with the audited consolidated financial statements for the year ended 31 March 2023.

Principal Activities

The principal activity of the Company is investment holding.

Business Review

The business review of the Group for the year ended 31 March 2023 are provided in the Letter to Shareholders and Management's Discussion and Analysis sections respectively from pages 2 to 4 and pages 5 to 21 of this announcement.

Results and Dividends

The results of the Group for the year ended 31 March 2023 are set out in the consolidated income statement on page 75 of this announcement.

The Directors declared an interim dividend of 17 HK cents (2.18 US cents) per share, totaling US$19.8 million which was paid on 18 January 2023.

In line with the Company's dividend policy, the Board recommends a final dividend payment of 34 HK cents (4.36 US cents) per share. The final dividend will be payable on 6 September 2023. A scrip dividend alternative will be offered to allow shareholders to elect to receive the final dividend wholly or partly in the form of new shares in lieu of cash.

Distributable Reserves

As of 31 March 2023, the distributable reserves of the Company available for distribution as dividends were US$1,955.8 million, comprising retained earnings of US$1,897.6 million and contributed surplus of US$58.2 million.

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

(i) The Company is, or would after the payment be, unable to pay its liabilities as they become due; or

(ii) The realizable value of the Company's assets would thereby be less than its liabilities.

Directors

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

Executive Directors
Patrick Shui-Chung Wang *SBS, JP*
Austin Jesse Wang

Non-Executive Directors
Wang Koo Yik-Chun
Mak Wang Wing-Yee Winnie
Peter Kin-Chung Wang
Patrick Blackwell Paul *CBE, FCA* *
Michael John Enright *
Joseph Chi-Kwong Yam *GBM, GBS, JP* *
Christopher Dale Pratt *CBE* *
Catherine Annick Caroline Bradley *CBE* *
Michelle Mei-Shuen Low * (appointed on 1 August 2022)

* *Independent Non-Executive Director*

Mr. Peter Stuart Allenby Edwards retired as an independent non-executive director of the Company at the conclusion of the 2022 Annual General Meeting held on 14 July 2022. Mr. Edwards confirmed that he had no disagreement with the Board and that he was not aware of any matter in relation to his retirement that should be brought to the attention of the shareholders of the Company.

In accordance with Bye-law 100 of the Company's Bye-laws, Ms. Michelle Mei-Shuen Low who was appointed as a director during the year, shall hold office until the forthcoming Annual General Meeting and, being eligible, offer herself for re-election.

In accordance with Bye-law 109(A) of the Company's Bye-laws, Mrs. Mak Wang Wing-Yee Winnie, Mr. Patrick Blackwell Paul and Mr. Christopher Dale Pratt shall retire from office by rotation and being eligible, offer themselves for re-election.

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

Directors' Interests in Transactions, Arrangements and Contracts

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

Donations

During the year, the Group made donations of US$0.4 million (FY21/22: US$0.2 million).

Share Capital

Details of the movements in share capital of the Company during FY22/23 are set out in Note 20 to the accounts. Shares of the Company were issued during the year on election of scrip in lieu of cash dividend for the 2022 final dividend and 2022 interim dividend pursuant to the Company's scrip dividend scheme. Details are set out in the Note 28 to the accounts.

Bonds

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

Disclosure of Interests

Directors

As of 31 March 2023, 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	-	536,337,674	(Notes 1 & 2)	57.752
Patrick Shui-Chung Wang	3,966,126	-	(Note 3)	0.427
Mak Wang Wing-Yee Winnie	1,002,676	-	(Note 4)	0.107
Austin Jesse Wang	1,030,901	-	(Note 5)	0.111
Peter Kin-Chung Wang	-	27,218,144	(Notes 6 & 7)	2.930
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 the Report of the Directors, none of the Directors and Chief Executive (including their spouses and children under 18 years of age) had any interests in, or had been granted, or exercised, any rights to subscribe for shares of the Company or its associated corporations required to be disclosed pursuant to the SFO.

Substantial Shareholders

As of 31 March 2023, 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	536,337,674 (Notes 1 & 2)	57.75
Deltec Bank & Trust Limited	Trustee	229,864,989 (Note 1)	24.75
HSBC International Trustee Limited	Trustee	215,372,474 (Note 1)	23.19
Winibest Company Limited	Beneficial owner	214,460,476 (Note 3)	23.09
Federal Trust Company Limited	Trustee	119,110,103 (Note 1)	12.82
Merriland Overseas Limited	Interest of controlled corporation	59,371,713 (Note 4)	6.39

Notes:

1. The shares in which Deltec Bank & Trust Limited was interested, 214,460,476 of the shares in which HSBC International Trustee Limited was interested and 92,012,209 of the shares in which Federal Trust Company Limited was interested were held, directly or indirectly, by them as trustees of various trusts associated with the Wang family and were included in the shares in which Wang Koo Yik-Chun was interested as referred to above under Directors' Disclosure of Interests.
2. The shares in which Wang Koo Yik-Chun was interested as referred to above formed part of the shares referred to in Note 1.
3. The interests of Winibest Company Limited in the Company formed part of the interests in the Company held by HSBC International Trustee Limited.
4. The interests of Merriland Overseas Limited in the Company formed part of the interests in the Company held by Federal Trust Company Limited.

Save as disclosed herein, as of 31 March 2023, 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 and adopted 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 ("RSU")) and performance-vested units (Performance Stock Units ("PSU")) or cash payment in lieu of shares to such eligible employees and directors as the Board may select at its absolute discretion under the Stock Unit Plan.

The purpose of the Stock Unit Plan is to align management with ownership. The Stock Unit Plan helps to attract skilled and experienced personnel, incentivize them to remain with the Group and to motivate them to strive for the future development and expansion of the Group.

The following is a summary of the Stock Unit Plan:

1. Participants

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

2. Awards

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

3. Term

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

4. Eligibility

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

5. Administration

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

6. Grant of Awards

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

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

7. Vesting of Awards

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

8. Maximum Number of Shares to be Granted

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

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

9. Dividends and Voting Rights

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

10. Transferability

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

11. Alteration

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

12. Termination

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

During the year ended 31 March 2023, the Company purchased 528,500 shares of the Company at a cost of HK$4.72 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$7.84, respectively.

Details of the interests of the Directors, three top paid senior management (excluding two Executive Directors) and other selected employees in the Stock Unit Plan are set out below.

Name	Award Date (dd/mm/yyyy)	Award Type	Award Units	Number of unvested units held as of 1 April 2022	Granted during the year	Vested in shares during the year	Vested in cash during the year	Forfeited during the year	Number of unvested units held as of 31 March 2023	Vesting Date (dd/mm/yyyy)	Closing price of the shares before the vesting date
Directors											
Patrick Shui-Chung Wang	01/06/2019	RSU	250,653	250,653	-	213,055	37,598	-	-	01/06/2022	HK$10.22
	01/06/2020	RSU	423,280	423,280	-	-	-	-	423,280	01/06/2023	
	01/06/2021	RSU	184,403	184,403	-	-	-	-	184,403	01/06/2024	
	01/06/2022	RSU	388,036	-	388,036	-	-	-	388,036	01/06/2025	
	01/06/2019	PSU	375,979	375,979	-	79,896	14,099	281,984	-	01/06/2022	HK$10.22
	01/06/2020	PSU	282,187	282,187	-	-	-	-	282,187	01/06/2023	
	01/06/2021	PSU	276,604	276,604	-	-	-	-	276,604	01/06/2024	
	01/06/2022	PSU	582,053	-	582,053	-	-	-	582,053	01/06/2025	
Mak Wang Wing-Yee Winnie	01/06/2019	RSU	83,551	83,551	-	71,018	12,533	-	-	01/06/2022	HK$10.22
	01/06/2020	RSU	141,094	141,094	-	-	-	-	141,094	01/06/2023	
	01/06/2021	RSU	61,468	61,468	-	-	-	-	61,468	01/06/2024	
	01/06/2019	PSU	125,326	125,326	-	26,632	4,700	93,994	-	01/06/2022	HK$10.22
	01/06/2020	PSU	94,062	94,062	-	-	-	-	94,062	01/06/2023	
	01/06/2021	PSU	92,201	92,201	-	-	-	-	92,201	01/06/2024	
Austin Jesse Wang	01/06/2019	RSU	83,551	83,551	-	71,018	12,533	-	-	01/06/2022	HK$10.22
	01/06/2020	RSU	141,094	141,094	-	-	-	-	141,094	01/06/2023	
	01/06/2021	RSU	61,468	61,468	-	-	-	-	61,468	01/06/2024	
	01/06/2022	RSU	129,345	-	129,345	-	-	-	129,345	01/06/2025	
	01/06/2019	PSU	125,326	125,326	-	26,632	4,700	93,994	-	01/06/2022	HK$10.22
	01/06/2020	PSU	94,062	94,062	-	-	-	-	94,062	01/06/2023	
	01/06/2021	PSU	92,201	92,201	-	-	-	-	92,201	01/06/2024	
	01/06/2022	PSU	194,018	-	194,018	-	-	-	194,018	01/06/2025	
Three Top Paid Senior Management (excluding two Executive Directors)											
	01/06/2018	RSU	250,000	250,000	-	-	-	-	250,000	01/06/2023	
	01/06/2019	RSU	393,211	393,211	-	334,229	58,982	-	-	01/06/2022	HK$10.22
	01/06/2020	RSU	343,916	343,916	-	-	-	-	343,916	01/06/2023	
	25/01/2021	RSU	75,965	75,965	-	64,570	11,395	-	-	01/06/2022	HK$10.22
	25/01/2021	RSU	72,926	72,926	-	-	-	-	72,926	01/06/2023	
	25/01/2021	RSU	121,544	121,544	-	-	-	-	121,544	01/12/2025	
	01/06/2021	RSU	211,296	211,296	-	-	-	-	211,296	01/06/2024	
	01/06/2022	RSU	525,465	-	525,465	-	-	-	525,465	01/06/2025	
	01/06/2019	PSU	289,818	289,818	-	61,586	10,868	217,364	-	01/06/2022	HK$10.22
	01/06/2020	PSU	229,276	229,276	-	-	-	-	229,276	01/06/2023	
	25/01/2021	PSU	48,617	48,617	-	-	-	-	48,617	01/06/2023	
	01/06/2021	PSU	316,941	316,941	-	-	-	-	316,941	01/06/2024	
	01/06/2022	PSU	666,936	-	666,936	-	-	-	666,936	01/06/2025	

Name	Award Date (dd/mm/yyyy)	Award Type	Award Units	Number of unvested units held as of 1 April 2022	Granted during the year	Vested in shares during the year	Vested in cash during the year	Forfeited during the year	Number of unvested units held as of 31 March 2023	Vesting Date (dd/mm/yyyy)	Closing price of the shares before the vesting date
Other Selected Employees											
	01/06/2018	RSU	110,000	110,000	-	-	-	-	110,000	01/06/2023	
	01/06/2019	RSU	93,995	93,995	-	93,995	-	-	-	03/05/2022	HK$8.97
	01/06/2019	RSU	3,515,259	2,789,927	-	2,161,312	511,042	117,573	-	01/06/2022	HK$10.22
	01/06/2020	RSU	158,730	158,730	-	158,730	-	-	-	03/05/2022	HK$8.97
	01/06/2020	RSU	44,092	44,092	-	44,092	-	-	-	30/06/2022	HK$9.93
	01/06/2020	RSU	2,321,569	1,855,373	-	-	-	249,265	1,606,108	01/06/2023	
	01/09/2020	RSU	1,015	1,015	-	-	1,015	-	-	30/10/2022	HK$8.06
	01/09/2020	RSU	684,248	654,301	-	-	-	66,497	587,804	01/06/2023	
	01/06/2021	RSU	19,209	19,209	-	19,209	-	-	-	30/06/2022	HK$9.93
	01/06/2021	RSU	1,620,061	1,525,362	-	-	-	221,092	1,304,270	01/06/2024	
	15/06/2021	RSU	116,030	116,030	-	98,626	17,404	-	-	01/06/2022	HK$10.22
	15/06/2021	RSU	116,030	116,030	-	-	-	-	116,030	01/06/2023	
	15/06/2021	RSU	71,403	71,403	-	-	-	-	71,403	01/06/2024	
	01/06/2022	RSU	3,548,094	-	3,548,094	-	-	265,965	3,282,129	01/06/2025	
	30/09/2022	RSU	66,794	-	66,794	-	-	-	66,794	30/09/2025	
	01/01/2023	RSU	5,000	-	5,000	-	-	-	5,000	31/12/2023	
	01/06/2019	PSU	140,992	140,992	-	35,248	-	105,744	-	03/05/2022	HK$8.97
	01/06/2019	PSU	1,837,589	1,278,324	-	230,950	61,216	986,158	-	01/06/2022	HK$10.22
	01/06/2020	PSU	105,820	105,820	-	26,455	-	79,365	-	03/05/2022	HK$8.97
	01/06/2020	PSU	29,394	29,394	-	7,349	-	22,045	-	30/06/2022	HK$9.93
	01/06/2020	PSU	1,149,908	913,577	-	-	-	115,226	798,351	01/06/2023	
	01/06/2021	PSU	1,208,984	1,164,036	-	-	-	222,435	941,601	01/06/2024	
	01/06/2022	PSU	2,381,569	-	2,381,569	-	-	264,350	2,117,219	01/06/2025	

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)			% of total number of issued shares
	RSU	PSU	Total	
Unvested units granted, as of 31 March 2022	10,455	6,075	16,530	1.78%
Units granted to Directors and employees during the year	4,663	3,824	8,487	0.91%
Shares vested to Directors and employees during the year	(3,993)	(590)	(4,583)	0.49%
Forfeited during the year	(920)	(2,483)	(3,403)	0.37%
Unvested units granted, as of 31 March 2023	10,205	6,826	17,031	1.83%
Forfeited in FY23/24	(154)	—	(154)	0.02%
Unvested units granted, as of the date of this report	10,051	6,826	16,877	1.81%

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

Vesting period	Number of unvested units granted (thousands) RSU	PSU	Total	% of total number of issued shares
FY23/24	3,741	1,547	5,288	0.57%
FY24/25	1,856	1,719	3,575	0.38%
FY25/26	4,454	3,560	8,014	0.86%
Unvested units granted, as of the date of this report	10,051	6,826	16,877	1.81%

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 20 to the accounts and other than for satisfying the shares granted under the Company's incentive share scheme, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares during the year ended 31 March 2023.

Johnson Electric Group Ten-Year Summary

A summary of the results and of the assets and liabilities of the Group for the previous ten financial years are set out on pages 150 to 151.

Pre-emptive Rights

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

Major Suppliers and Customers

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

Management Contracts

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

Related Party Transactions

The Company announced on 9 and 20 September 2022 that Johnson Electric International (UK) Limited ("JEIUK"), an indirect wholly-owned subsidiary of the Company, on the exercise of a put option, entered into a share purchase agreement with HL Holdings Corporation ("HL Holdings") pursuant to which JEIUK acquired from HL Holdings 1,512,000 shares in Halla Stackpole Corporation ("HSC"), a non-wholly-owned subsidiary of the Company, representing the remaining 20% shares of the entire outstanding share capital of HSC, at a consideration of KRW70,270,615,036 (US$50.8 million) ("Acquisition"). Upon completion of the Acquisition on 19 September 2022, HSC became a wholly-owned subsidiary of the Company. HL Holdings was a substantial shareholder of HSC and was a connected person of the Company at the subsidiary level. The Acquisition will enable the Group to gain full control over the management and operation of the HSC, further strengthen the Group's position in the electric vehicle market and enhance the sharing of global best practices within its global powder metal business. This related party transaction constituted a connected transaction under Chapter 14A of the Listing Rules ("Chapter 14A") and has complied with the disclosure requirements in accordance with Chapter 14A.

None of these material related party transactions constitutes a discloseable connected transaction as defined under the Listing Rules.

Equity-Linked Agreements

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

Particulars of the Incentive Share Scheme are set out in Note 20 to the accounts.

Permitted Indemnity Provision

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

Public Float

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

Corporate Governance

Principal corporate governance practices as adopted by the Company are set out in the Corporate Governance Report on pages 48 to 61.

Auditor

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

Dividend

Dividend Policy

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

Final Dividend

The Board will recommend at the Annual General Meeting to be held on 13 July 2023 (Thursday) a final dividend of 34 HK cents equivalent to 4.36 US cents per share (2022: 17 HK cents or 2.18 US cents) payable on 6 September 2023 (Wednesday) to persons who are registered shareholders of the Company on 24 July 2023 (Monday).

The Company intends to offer a scrip dividend option to shareholders, which will allow them to receive new shares in lieu of cash, retaining cash within the Group to fund growth. Participation in the scrip dividend scheme will be optional. The scrip dividend scheme is subject to the Stock Exchange granting the listing of and permission to deal in the new shares to be issued pursuant thereto. A circular containing details of this scrip dividend scheme will be dispatched to shareholders.

Closing Register of Shareholders

Attending Annual General Meeting

The Register of Shareholders of the Company will be closed from 10 July 2023 (Monday) to 13 July 2023 (Thursday) inclusive, during which no transfer of shares will be registered.

In order to qualify for attending and voting at the Annual General Meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong (not the share registrar in Bermuda) for registration, not later than 4:30 p.m. on 7 July 2023 (Friday).

Final Dividend

The Register of Shareholders of the Company will be closed from 20 July 2023 (Thursday) to 24 July 2023 (Monday) inclusive, during which no transfer of shares will be registered.

In order to qualify for the proposed final dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong (not the share registrar in Bermuda) for registration, not later than 4:30 p.m. on 19 July 2023 (Wednesday). Shares of the Company will be traded ex-dividend as from 18 July 2023 (Tuesday).

Consolidated Balance Sheet

As of 31 March 2023

	Note	**2023 US$'000**	2022 US$'000
Non-current assets			
Property, plant and equipment	3	**1,631,070**	1,755,785
Investment property	4	**18,340**	18,999
Intangible assets	5	**216,105**	229,882
Investments in associate and joint venture	6	**6,023**	6,310
Other financial assets	7	**173,023**	189,474
Financial assets at fair value through profit and loss	8	**48,807**	59,936
Defined benefit pension plan assets	16	**17,555**	19,195
Deferred income tax assets	19	**76,937**	61,862
Other non-current assets	3	**19,833**	41,893
Government Green Bonds at amortized cost		**5,081**	5,506
		2,212,774	2,388,842
Current assets			
Inventories	9	**588,997**	647,466
Trade and other receivables	10	**808,248**	834,460
Other financial assets	7	**54,406**	91,702
Financial assets at fair value through profit and loss	8	**19,411**	14,107
Income tax recoverable		**9,090**	16,795
Cash and cash equivalents	11	**408,664**	345,404
		1,888,816	1,949,934
Current liabilities			
Trade and other payables	12	**771,291**	872,005
Current income tax liabilities		**40,651**	32,989
Other financial liabilities	7	**8,818**	6,695
Borrowings	14	**106,880**	21,566
Lease liabilities	15	**27,665**	32,233
Retirement benefit obligations	16	**951**	428
Provisions and other liabilities	17	**25,155**	28,552
Put option written to a non-controlling interest	18	**-**	61,360
		981,411	1,055,828
Net current assets		**907,405**	894,106
Total assets less current liabilities		**3,120,179**	3,282,948

	Note	2023 US$'000	2022 US$'000
Non-current liabilities			
Trade and other payables	12	**44,808**	32,269
Other financial liabilities	7	**13,318**	22,570
Borrowings	14	**367,144**	469,241
Lease liabilities	15	**65,732**	95,294
Deferred income tax liabilities	19	**98,608**	107,620
Retirement benefit obligations	16	**26,257**	45,795
Provisions and other liabilities	17	**8,921**	8,445
		624,788	781,234
NET ASSETS		**2,495,391**	2,501,714
Equity			
Share capital - ordinary shares (at par value)	20	**5,989**	5,844
Shares held for incentive share scheme (at purchase cost)	20	**(20,479)**	(30,733)
Share premium	20	**72,204**	49,630
Reserves	21	**2,389,224**	2,391,544
		2,446,938	2,416,285
Non-controlling interests		**48,453**	85,429
TOTAL EQUITY		**2,495,391**	2,501,714

Consolidated Income Statement

For the year ended 31 March 2023

	Note	2023 US$'000	2022 US$'000
Sales	2	3,646,119	3,446,055
Cost of goods sold		(2,930,208)	(2,744,148)
Gross profit		715,911	701,907
Other income, net	22	41,052	33,271
Selling and administrative expenses	23	(556,427)	(543,403)
Restructuring and other related costs	24	(1,822)	(4,291)
Operating profit		198,714	187,484
Share of (losses) of associate and joint venture	6	(1,607)	(246)
Finance income	25	5,605	2,937
Finance costs	25	(21,677)	(20,063)
Profit before income tax		181,035	170,112
Income tax expense	19	(19,770)	(17,917)
Profit for the year		161,265	152,195
Profit attributable to non-controlling interests		(3,460)	(5,843)
Profit attributable to shareholders		157,805	146,352
Basic earnings per share for profit attributable to the shareholders for the year (expressed in US cents per share)	27	17.42	16.37
Diluted earnings per share for profit attributable to the shareholders for the year (expressed in US cents per share)	27	17.33	16.23

Please see Note 28 for details of dividend.

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2023

	Note	2023 US$'000	2022 US$'000
Profit for the year		**161,265**	152,195
Other comprehensive income / (expenses)			
Items that will not be recycled to profit and loss:			
Defined benefit plans			
– remeasurements	16 & 21	**15,416**	6,689
– deferred income tax effect	19 & 21	**(1,596)**	(1,531)
Long service payment			
– remeasurements	16 & 21	**(1,185)**	(109)
– deferred income tax effect	19 & 21	**47**	1
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	21	**(22,325)**	51,004
– transferred to inventory and subsequently recognized in the income statement	7(e) & 21	**(26,771)**	(45,172)
– deferred income tax effect	21	**8,101**	(962)
Total items that will not be recycled to profit and loss directly		**(28,313)**	9,920
Items that will be recycled to profit and loss:			
Hedging instruments			
– forward foreign currency exchange contracts			
– fair value gains, net	21	**941**	113,574
– transferred to the income statement	21	**(11,730)**	(53,519)
– deferred income tax effect	21	**1,752**	(10,543)
– net investment hedge			
– fair value gains, net	21	**4,149**	4,788
Currency translations of subsidiaries		**(122,658)**	30,451
Currency translations of associate and joint venture	21	**(211)**	83
Total items that will be recycled to profit and loss directly		**(127,757)**	84,834
Other comprehensive (expenses) / income for the year, net of tax		**(156,070)**	94,754
Total comprehensive income for the year, net of tax		**5,195**	246,949
Total comprehensive income attributable to:			
Shareholders		**8,911**	241,495
Non-controlling interests			
Share of profits for the year		**3,460**	5,843
Currency translations		**(7,176)**	(389)
		5,195	246,949

Consolidated Statement of Changes in Equity

For the year ended 31 March 2023

	Note	Attributable to shareholders of the Company					
		Share capital and share premium US$'000	Other reserves * US$'000	Retained earnings US$'000	Total US$'000	Non-controlling interests US$'000	Total equity US$'000
As of 31 March 2022		24,741	161,273	2,230,271	2,416,285	85,429	2,501,714
Profit for the year		-	-	157,805	157,805	3,460	161,265
Other comprehensive income / (expenses):							
Hedging instruments							
– raw material commodity contracts							
– fair value losses, net	21	-	(22,325)	-	(22,325)	-	(22,325)
– transferred to inventory and subsequently recognized in the income statement	7(e) & 21	-	(26,771)	-	(26,771)	-	(26,771)
– deferred income tax effect	21	-	8,101	-	8,101	-	8,101
– forward foreign currency exchange contracts							
– fair value gains, net	21	-	941	-	941	-	941
– transferred to the income statement	21	-	(11,730)	-	(11,730)	-	(11,730)
– deferred income tax effect	21	-	1,752	-	1,752	-	1,752
– net investment hedge							
– fair value gains, net	21	-	4,149	-	4,149	-	4,149
Defined benefit plans							
– remeasurements	16 & 21	-	-	15,416	15,416	-	15,416
– deferred income tax effect	19 & 21	-	-	(1,596)	(1,596)	-	(1,596)
Long service payment							
– remeasurements	16 & 21	-	-	(1,185)	(1,185)	-	(1,185)
– deferred income tax effect	19 & 21	-	-	47	47	-	47
Currency translations of subsidiaries	21	-	(115,482)	-	(115,482)	(7,176)	(122,658)
Currency translations of associate and joint venture	21	-	(211)	-	(211)	-	(211)
Total comprehensive income for FY22/23		-	(161,576)	170,487	8,911	(3,716)	5,195
Hyperinflation adjustments		-	2,737	(1,581)	1,156	-	1,156
Transactions with shareholders:							
Appropriation of retained earnings to statutory reserve	21	-	1,950	(1,950)	-	-	-
Incentive share scheme							
– shares vested	21	6,703	(6,703)	-	-	-	-
– value of employee services	21	-	2,618	-	2,618	-	2,618
– purchase of shares	20	(603)	-	-	(603)	-	(603)
Acquisition of non-controlling interests		-	72,191	(41,196)	30,995	(30,995)	-
Non-controlling interest arising on business combination	31	-	-	-	-	4,017	4,017
Dividends paid to non-controlling interests		-	-	-	-	(6,282)	(6,282)
FY21/22 final dividend paid							
– cash paid	21	-	-	(7,188)	(7,188)	-	(7,188)
– shares issued in respect of scrip dividend	21	12,437	-	(12,437)	-	-	-
– scrip dividend for shares held for incentive share scheme	21	(157)	-	157	-	-	-
FY22/23 interim dividend paid							
– cash paid	21	-	-	(5,236)	(5,236)	-	(5,236)
– shares issued in respect of scrip dividend	21	14,767	-	(14,767)	-	-	-
– scrip dividend for shares held for incentive share scheme	21	(174)	-	174	-	-	-
Total transactions with shareholders		32,973	70,056	(82,443)	20,586	(33,260)	(12,674)
As of 31 March 2023		**57,714** **	**72,490**	**2,316,734**	**2,446,938**	**48,453**	**2,495,391**

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

** The total of US$57.7 million is comprised of share capital of US$6.0 million, share premium of US$72.2 million and shares held for incentive share scheme of US$(20.5) million

Consolidated Statement of Changes in Equity

For the year ended 31 March 2022

	Note	Attributable to shareholders of the Company					
		Share capital and share premium US$'000	Other reserves * US$'000	Retained earnings US$'000	Total US$'000	Non-controlling interests US$'000	Total equity US$'000
As of 31 March 2021		17,547	76,275	2,130,779	2,224,601	83,432	2,308,033
Profit for the year		-	-	146,352	146,352	5,843	152,195
Other comprehensive income / (expenses):							
Hedging instruments							
– raw material commodity contracts							
– fair value gains, net	21	-	51,004	-	51,004	-	51,004
– transferred to inventory and subsequently recognized in the income statement	7(e) & 21	-	(45,172)	-	(45,172)	-	(45,172)
– deferred income tax effect	21	-	(962)	-	(962)	-	(962)
– forward foreign currency exchange contracts							
– fair value gains, net	21	-	113,574	-	113,574	-	113,574
– transferred to the income statement	21	-	(53,519)	-	(53,519)	-	(53,519)
– deferred income tax effect	21	-	(10,543)	-	(10,543)	-	(10,543)
– net investment hedge							
– fair value gains, net	21	-	4,788	-	4,788	-	4,788
Defined benefit plans							
– remeasurements	16 & 21	-	-	6,689	6,689	-	6,689
– deferred income tax effect	19 & 21	-	-	(1,531)	(1,531)	-	(1,531)
Long service payment							
– remeasurements	16 & 21	-	-	(109)	(109)	-	(109)
– deferred income tax effect	19 & 21	-	-	1	1	-	1
Investment property							
– release of revaluation surplus on transfer of investment property to property, plant and equipment	21	-	(9,376)	9,376	-	-	-
– deferred income tax effect	21	-	1,547	(1,547)	-	-	-
Currency translations of subsidiaries	21	-	30,840	-	30,840	(389)	30,451
Currency translations of associate and joint venture	21	-	83	-	83	-	83
Total comprehensive income for FY21/22		-	82,264	159,231	241,495	5,454	246,949
Transactions with shareholders:							
Appropriation of retained earnings to statutory reserve	21	-	1,205	(1,205)	-	-	-
Incentive share scheme							
– shares vested	21	5,075	(5,075)	-	-	-	-
– vested by cash settlement	21	83	(1,028)	-	(945)	-	(945)
– value of employee services	21	-	7,632	-	7,632	-	7,632
– purchase of shares	20	(2,305)	-	-	(2,305)	-	(2,305)
Dividends paid to non-controlling interests		-	-	-	-	(3,457)	(3,457)
FY20/21 final dividend paid							
– cash paid	21	-	-	(35,508)	(35,508)	-	(35,508)
– shares issued in respect of scrip dividend	21	3,971	-	(3,971)	-	-	-
– scrip dividend for shares held for incentive share scheme	21	(440)	-	440	-	-	-
FY21/22 interim dividend paid							
– cash paid	21	-	-	(18,685)	(18,685)	-	(18,685)
– shares issued in respect of scrip dividend	21	1,051	-	(1,051)	-	-	-
– scrip dividend for shares held for incentive share scheme	21	(241)	-	241	-	-	-
Total transactions with shareholders		7,194	2,734	(59,739)	(49,811)	(3,457)	(53,268)
As of 31 March 2022		24,741	161,273	2,230,271	2,416,285	85,429	2,501,714

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

Consolidated Cash Flow Statement

For the year ended 31 March 2023

	Note	2023 US$'000	2022 US$'000
Cash flows from operating activities			
Earnings before interest, tax, depreciation and amortization	30	**472,867**	470,769
Other non-cash items	30	**(16,383)**	6,594
Change in working capital	30	**27,525**	(233,698)
Cash generated from operations	30	**484,009**	243,665
Interest paid		**(22,253)**	(18,696)
Income taxes paid		**(29,264)**	(41,380)
Net cash generated from operating activities		**432,492**	183,589
Investing activities			
Purchase of property, plant and equipment		**(226,562)**	(316,440)
Proceeds from disposal of property, plant and equipment	30	**5,125**	948
Capitalized expenditure of engineering development	5 & 26	**(1,881)**	(3,402)
Finance income received		**5,605**	2,937
		(217,713)	(315,957)
Business combination	31	**(20,327)**	(24,234)
Investment in joint venture		**(1,500)**	(4,000)
Investment in Government Green Bonds at amortized cost		**-**	(5,506)
Purchase of financial assets at fair value through profit and loss		**(1,260)**	(1,530)
Proceeds from sale of financial assets at fair value through profit and loss		**-**	30
Net cash used in investing activities		**(240,800)**	(351,197)

	Note	**2023 US$'000**	2022 US$'000
Financing activities			
Acquisition of non-controlling interests	18	**(50,810)**	-
Principal element of lease payments	15	**(29,064)**	(26,715)
Proceeds from borrowings		**73,603**	92,400
Repayments of borrowings		**(84,793)**	(29,683)
Dividends paid to shareholders		**(12,424)**	(54,193)
Purchase of shares for incentive share scheme		**(603)**	(2,305)
Dividends paid to non-controlling interests		**(6,282)**	(3,457)
Net cash used in financing activities		**(110,373)**	(23,953)
Net increase / (decrease) in cash and cash equivalents		**81,319**	(191,561)
Cash and cash equivalents at beginning of the year		**345,404**	539,467
Currency translations on cash and cash equivalents		**(18,059)**	(2,502)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		**408,664**	345,404

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	(1,192)	(5,137)	(8,999)	(15,328)
Business combination	-	-	118	118
Cash flows				
– inflow from financing activities	461	73,142	-	73,603
– outflow from financing activities	(20,879)	(63,914)	(29,064)	(113,857)
– outflow from operating activities	-	(12,375)	(4,881)	(17,256)
Non-cash changes				
– new leases / extensions / modifications, net of terminations	-	-	4,334	4,334
– finance costs	72	13,039	4,362	17,473
– reclassification	106,852	(106,852)	-	-
As of 31 March 2023	106,880	367,144	93,397	567,421

Notes to the Consolidated 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 consolidated financial statements are presented in US Dollars, unless otherwise stated and have been approved for issue by the Board of Directors on 18 May 2023. They have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRS"). The consolidated financial statements have been prepared on a historical cost basis, except for investment property, financial assets and financial liabilities (including derivative instruments) at fair value through profit and loss that have been measured at fair value, and the application of hyperinflationary accounting at the Group's subsidiary in Argentina.

1.2 Basis of preparation

The principal accounting policies applied in the preparation of these consolidated financial statements are set out in corresponding notes. In FY22/23, the Group adopted new, revised standards and interpretations of HKFRS effective for the first time in FY22/23.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements.

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 year	
		2023	2022	**2023**	2022
1 foreign currency unit to USD:					
Swiss Franc	CHF	**1.095**	1.083	**1.047**	1.089
Euro	EUR	**1.091**	1.116	**1.041**	1.163
British Pound	GBP	**1.239**	1.314	**1.205**	1.367
1 USD to foreign currency:					
Brazilian Real	BRL	**5.097**	4.771	**5.149**	5.325
Canadian Dollar	CAD	**1.352**	1.248	**1.322**	1.253
Renminbi	RMB	**6.888**	6.356	**6.845**	6.420
Hong Kong Dollar	HKD	**7.850**	7.827	**7.839**	7.785
Hungarian Forint	HUF	**348.432**	328.947	**380.228**	308.642
Israeli Shekel	ILS	**3.598**	3.177	**3.439**	3.210
Indian Rupee	INR	**82.305**	75.930	**80.321**	74.516
Japanese Yen	JPY	**132.626**	121.803	**135.318**	112.233
South Korean Won	KRW	**1,298.701**	1,204.819	**1,298.701**	1,162.791
Mexican Peso	MXN	**18.093**	19.865	**19.670**	20.325
Polish Zloty	PLN	**4.286**	4.158	**4.519**	3.940
Serbian Dinar	RSD	**107.527**	105.263	**112.360**	101.010
Turkish Lira	TRY	**19.172**	14.654	**17.696**	9.980

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:

	2023 US$'000	2022 US$'000
Operating profit presented to management	**157,662**	154,213
Other income, net (Note 22)	**41,052**	33,271
Operating profit per consolidated income statement	**198,714**	187,484

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:

	2023 US$'000	2022 US$'000
Automotive Products Group	**2,913,724**	2,644,233
Industry Products Group	**732,395**	801,822
	3,646,119	3,446,055

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 FY22/23 (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 FY22/23 (FY21/22: 17%).

Sales by geography

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

	2023 US$'000	2022 US$'000
Europe *	**1,083,894**	1,043,740
North America **	**1,177,799**	1,026,482
People's Republic of China ("PRC")	**949,297**	965,735
Asia (excluding PRC)	**350,373**	341,206
South America	**61,387**	44,978
Others	**23,369**	23,914
	3,646,119	3,446,055

* Included in Europe were sales to external customers in Germany of US$224.4 million, Czech Republic of US$150.7 million and France of US$128.5 million for FY22/23 (FY21/22: US$203.1 million, US$157.8 million and US$136.9 million respectively)

** Included in North America were sales to external customers in the USA of US$929.7 million for FY22/23 (FY21/22: US$848.9 million)

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

Segment assets

For FY22/23, excluding the additions from acquisition, the additions to non-current segment assets were US$217.1 million (FY21/22: US$455.0 million).

	2023 US$'000	2022 US$'000
Additions to property, plant and equipment – owned assets	**220,898**	356,414
Additions / extensions / modifications to property, plant and equipment – right-of-use assets	**14,836**	102,736
Additions to intangible assets	**1,881**	3,402
Addition to investment in joint venture	**1,500**	4,000
(Reduction) to other non-current assets	**(22,060)**	(11,577)
Additions to non-current segment assets	**217,055**	454,975

2. Segment Information *(Cont'd)*

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 31 March 2023 and 31 March 2022 were as follows:

	2023	2022
	US$'000	US$'000
Hong Kong ("HK") / PRC	**1,001,484**	1,104,389
Canada	**358,000**	409,351
Switzerland	**116,781**	123,676
Serbia	**93,339**	93,495
Others	**321,767**	321,958
	1,891,371	2,052,869

Accounting policy

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

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

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

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

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
FY22/23							
As of 31 March 2022							
Cost	605,817	1,869,209	277,667	555,857	202,981	230,165	3,741,696
Accumulated depreciation and impairment	(190,783)	(1,114,089)	-	(448,802)	(156,737)	(75,500)	(1,985,911)
Net book amount, as of 31 March 2022	415,034	755,120	277,667	107,055	46,244	154,665	1,755,785
Currency translations	(24,507)	(46,678)	(16,800)	(6,503)	(1,675)	(10,837)	(107,000)
Business combination (Note 31)	20	337	34	-	122	118	631
Additions – owned assets	7,501	62,194	125,173	16,551	9,479	-	220,898
Additions – right-of-use assets	-	-	-	-	-	4,519	4,519
Extension / modification of leases	-	-	-	-	-	10,317	10,317
Transfer	50,207	111,517	(192,402)	25,998	3,896	784	-
Disposals / termination of leases	(129)	(731)	-	(64)	(42)	(9,957)	(10,923)
Impairment charges (Note 26 & 30)	-	(1,873)	-	(137)	-	-	(2,010)
Depreciation (Note 26)	(18,427)	(131,508)	-	(49,268)	(12,686)	(29,258)	(241,147)
As of 31 March 2023	**429,699** *	**748,378**	**193,672**	**93,632**	**45,338**	**120,351**	**1,631,070**
As of 31 March 2023							
Cost	620,872	1,882,928	193,672	552,740	206,827	213,596	3,670,635
Accumulated depreciation and impairment	(191,173)	(1,134,550)	-	(459,108)	(161,489)	(93,245)	(2,039,565)
Net book amount	**429,699**	**748,378**	**193,672**	**93,632**	**45,338**	**120,351**	**1,631,070**

* As of 31 March 2023, freehold land, leasehold land and buildings included US$3.9 million for the leasehold land portion of buildings located in Hong Kong. The Group also has freehold land located in Europe, North America and South America

** Other assets comprise computers, furniture and fixtures, motor vehicles and an 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 FY22/23, impairment charges of US$2.0 million (FY21/22: US$7.1 million) were mainly due to termination of customer projects and asset obsolescence and the extension and termination of leases mainly related to the Group’s operations in Shajing, China.

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

	Freehold land, leasehold land and buildings US$'000	Machinery and equipment US$'000	Assets under construction US$'000	Moulds and tools US$'000	Other assets ** US$'000	Right-of-use assets US$'000	Total US$'000
FY21/22							
As of 31 March 2021							
Cost	509,168	1,678,889	265,686	514,134	192,947	127,432	3,288,256
Accumulated depreciation and impairment	(180,325)	(996,771)	-	(402,999)	(149,199)	(46,200)	(1,775,494)
Net book amount, as of 31 March 2021	328,843	682,118	265,686	111,135	43,748	81,232	1,512,762
Currency translations	2,336	6,253	1,376	1,153	85	1,977	13,180
Business combination	6,652	1,937	-	315	121	1,393	10,418
Additions – owned assets	17,148	83,438	220,264	27,239	8,325	-	356,414
Additions – right-of-use assets	-	-	-	-	-	4,280	4,280
Extension / modification of leases	-	-	-	-	-	98,456	98,456
Transfer	59,724	121,991	(209,659)	21,411	6,533	-	-
Transfer from investment property (Note 4)	18,320	-	-	-	-	-	18,320
Disposals / termination of leases	-	(694)	-	(126)	(48)	(526)	(1,394)
Impairment charges (Note 26 & 30)	(193)	(6,605)	-	(316)	-	-	(7,114)
Depreciation (Note 26)	(17,796)	(133,318)	-	(53,756)	(12,520)	(32,147)	(249,537)
As of 31 March 2022	415,034 *	755,120	277,667	107,055	46,244	154,665	1,755,785

* As of 31 March 2022, freehold land, leasehold land and buildings included 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 an aircraft

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
FY22/23					
As of 31 March 2022	36,263	113,410	2,579	2,413	154,665
Currency translations	(2,667)	(8,047)	(103)	(20)	(10,837)
Business combination	-	-	-	118	118
Additions – right-of-use assets	103	2,262	370	1,784	4,519
Extension / modification of leases	-	10,060	246	11	10,317
Transfer from assets under construction	784	-	-	-	784
Termination of leases	-	(9,811)	(26)	(120)	(9,957)
Depreciation	(938)	(25,905)	(994)	(1,421)	(29,258)
As of 31 March 2023	**33,545**	**81,969**	**2,072**	**2,765**	**120,351**
FY21/22					
As of 31 March 2021	36,189	39,451	2,063	3,529	81,232
Currency translations	1,053	1,120	(98)	(98)	1,977
Business combination	-	-	1,393	-	1,393
Additions – right-of-use assets	-	3,242	132	906	4,280
Extension / modification of leases	-	98,166	280	10	98,456
Termination of leases	-	(457)	-	(69)	(526)
Depreciation	(979)	(28,112)	(1,191)	(1,865)	(32,147)
As of 31 March 2022	36,263	113,410	2,579	2,413	154,665

* 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 were US$12.0 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 31 March 2023 and 31 March 2022 were as follows:

	2023 US$'000	2022 US$'000
Purchase deposits for machinery and construction of factory	**12,015**	32,100
Deferred contract costs (Note 13)	**3,899**	5,906
Other deposits and prepayments	**3,919**	3,887
Total other non-current assets	**19,833**	41,893

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

Accounting policy

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

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

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

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

Leasehold land	Shorter of lease term or useful life
Buildings on leasehold land	Shorter of lease term or useful life
Buildings on freehold land	10 to 50 years
Machinery and equipment	6 to 12 years
Moulds and tools	2 to 6 years
Furniture and fixtures and computers	3 to 10 years
Motor vehicles	3 to 7 years
Aircraft	18 years

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

Right-of-use assets

Leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

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

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

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

4. Investment Property

	2023 US$'000	2022 US$'000
At beginning of the year	**18,999**	35,772
Currency translations	**(792)**	319
Fair value gains	**133**	1,228
Transfer to property, plant and equipment (Note 3)	**-**	(18,320)
At end of the year	**18,340**	18,999

The Group's investment property portfolio in HK/PRC was valued on an open market basis as of 31 March 2023. The appraisals were performed by independent, professionally qualified valuers, Chung, Chan & Associates, Chartered Surveyors.

For the year ended 31 March 2023, the Group's investment properties generated rental income of US$1.3 million (31 March 2022: US$1.4 million) and incurred direct operating expenses of US$0.3 million (31 March 2022: US$0.3 million).

As of 31 March 2023, the Group's investment property portfolio has tenancies expiring in the period from April 2023 to June 2027 (31 March 2022: from October 2022 to June 2027).

Accounting policy

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

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

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

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

5. Intangible Assets

	Technology, patents and engineering development US$'000	Brands US$'000	Client relationships US$'000	Total US$'000
FY22/23				
As of 31 March 2022				
Cost	256,971	108,394	351,370	716,735
Accumulated amortization and impairment	(219,346)	(74,423)	(193,084)	(486,853)
Net book amount, as of 31 March 2022	37,625	33,971	158,286	229,882
Currency translations	(1,044)	(2,307)	(8,181)	(11,532)
Business combination (Note 31)	3,243	2,197	24,843	30,283
Capitalization of engineering development costs (Note 26)	1,881	-	-	1,881
Amortization (Note 26 & 30)	(13,110)	(4,081)	(17,218)	(34,409)
As of 31 March 2023	**28,595**	**29,780**	**157,730**	**216,105**
As of 31 March 2023				
Cost	259,475	108,243	362,830	730,548
Accumulated amortization and impairment	(230,880)	(78,463)	(205,100)	(514,443)
Net book amount	**28,595**	**29,780**	**157,730**	**216,105**
FY21/22				
As of 31 March 2021				
Cost	254,049	106,611	334,628	695,288
Accumulated amortization and impairment	(207,933)	(68,842)	(173,546)	(450,321)
Net book amount, as of 31 March 2021	46,116	37,769	161,082	244,967
Currency translations	(998)	430	(1,481)	(2,049)
Business combination	2,361	-	16,390	18,751
Capitalization of engineering development costs (Note 26)	3,402	-	-	3,402
Amortization (Note 26 & 30)	(13,256)	(4,228)	(17,705)	(35,189)
As of 31 March 2022	37,625	33,971	158,286	229,882

5. Intangible Assets *(Cont'd)*

Total intangible assets as of 31 March 2023 and 31 March 2022 were denominated in the following underlying currencies:

	2023 US$'000	2022 US$'000
In CAD	**127,155**	160,635
In EUR	**67,283**	42,538
In KRW	**14,201**	16,868
In USD	**4,927**	6,674
In GBP	**2,539**	3,167
Total intangible assets	**216,105**	229,882

As of 31 March 2023 and 31 March 2022, all the intangible assets have a definite useful life.

Impairment tests for intangible assets

In accordance with the Group's accounting policy on asset impairment, intangible assets with a definite life are tested if there are indicators of potential impairment. In FY22/23, the Group considered there is no indicator of potential impairment.

Accounting policy

(a) Research and development costs

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

(b) Other intangible assets

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

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

Technology, patents and engineering development	4 to 15 years
Brands	10 to 15 years
Client relationships	15 years

6. Investments in Associate and Joint Venture

	2023 US$'000	2022 US$'000
At beginning of the year	**6,310**	2,495
Currency translations	**(211)**	83
Investment in joint venture	**1,500**	4,000
Share of (losses) of associate and joint venture	**(1,607)**	(246)
Share of tax income / (expense) of associate and joint venture	**31**	(22)
At end of the year	**6,023**	6,310

The Group's investment in associate represents the 49% equity interest in Shenzhen SMART Micromotor Co Ltd ("SMART").

The Group's investment in joint venture represents the 49.9% equity interest in Lean AI Technologies Ltd ("Lean AI"). Lean AI was formed by the Group and Cortica Ltd., an Israeli autonomous artificial intelligence ("AI") technology company in October 2021. Lean AI will focus on providing AI-driven unsupervised quality assurance software in the manufacturing automation process. The Group has committed US$8.5 million to the investment, of which US$5.5 million has already been invested.

Set out below are the summarized financial information for the Group's associate and joint venture which are accounted for using the equity method.

	2023			2022		
	(Associate) SMART US$'000	(Joint venture) Lean AI US$'000	**Group US$'000**	(Associate) SMART US$'000	(Joint venture) Lean AI US$'000	Group US$'000
Summarized balance sheet						
Non-current assets	723	99	**822**	1,195	35	1,230
Current assets	6,325	1,605	**7,930**	6,804	3,702	10,506
Non-current liabilities	(31)	-	**(31)**	-	-	-
Current liabilities	(1,472)	(590)	**(2,062)**	(2,469)	(536)	(3,005)
Net assets	5,545	1,114	**6,659**	5,530	3,201	8,731
Equity interest (%)	49%	49.9%		49%	50%	
Group's share of net assets	2,717	556	**3,273**	2,710	1,600	4,310
Other intangible assets *	-	2,750	**2,750**	-	2,000	2,000
Investment carrying amount	2,717	3,306	**6,023**	2,710	3,600	6,310

* Other intangible assets represent contributions from Cortica Ltd. in the form of know-how and algorithms

6. Investments in Associate and Joint Venture *(Cont'd)*

	2023			2022		
	(Associate) SMART US$'000	(Joint venture) Lean AI US$'000	Group US$'000	(Associate) SMART US$'000	(Joint venture) Lean AI US$'000	Group US$'000
Summarized income statement						
Sales	6,479	-	**6,479**	8,270	-	8,270
Expenses	(6,097)	(3,588)	**(9,685)**	(7,955)	(800)	(8,755)
Profit / (loss) before income tax	382	(3,588)	**(3,206)**	315	(800)	(485)
Income tax income / (expense)	62	-	**62**	(47)	-	(47)
Total comprehensive income / (expense)	444	(3,588)	**(3,144)**	268	(800)	(532)

Accounting policy

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associate are accounted for using the equity method of accounting.

Investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. The investment in joint arrangement of the Group is a joint venture. Interests in joint ventures are accounted for using the equity method.

Under the equity method, the investment is initially recognized at cost and the carrying amount is increased or decreased to recognize the investor's share of the profit and loss of the investee after the date of acquisition less dividends received. The Group's investment in associates and joint ventures includes goodwill identified on acquisition.

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

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

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

7. Other Financial Assets and Liabilities

	2023 Assets US$'000	2023 (Liabilities) US$'000	2023 Net US$'000	2022 Assets US$'000	2022 (Liabilities) US$'000	2022 Net US$'000
Cash flow hedge						
– raw material commodity contracts (Note a (i))	**19,402**	**(116)**	**19,286**	62,042	-	62,042
– forward foreign currency exchange contracts (Note a (ii))	**152,159**	**(13,345)**	**138,814**	168,344	(17,912)	150,432
Net investment hedge (Note b)						
– forward foreign currency exchange contracts and cross-currency interest rate swaps	**12,692**	**(2,519)**	**10,173**	13,958	(3,299)	10,659
Fair value hedge (Note c)						
– forward foreign currency exchange contracts	**43,176**	**-**	**43,176**	36,798	(120)	36,678
Held for trading (Note d)	**-**	**(6,156)**	**(6,156)**	34	(7,934)	(7,900)
Total (Note f)	**227,429**	**(22,136)**	**205,293**	281,176	(29,265)	251,911
Current portion	**54,406**	**(8,818)**	**45,588**	91,702	(6,695)	85,007
Non-current portion	**173,023**	**(13,318)**	**159,705**	189,474	(22,570)	166,904
Total	**227,429**	**(22,136)**	**205,293**	281,176	(29,265)	251,911

Note:

(a) Cash flow hedge

(i) Raw material commodity contracts

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

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

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

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

As of 31 March 2023, 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	6,700 metric ton	6,767	8,935	8,919	1 – 24	45.3	14.5	14,416
Silver commodity	215,000 oz	21.16	23.89	24.39	1 – 13	4.5	0.6	693
Aluminium commodity	1,300 metric ton	2,447	2,337	2,429	1 – 12	3.2	(0.1)	(23)
Iron ore commodity	161,000 metric ton	86.59	126.53	112.67	1 – 36	13.9	6.4	4,200
Total						66.9	21.4	19,286

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 31 March 2023.

(ii) Forward foreign currency exchange contracts

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

- Sell EUR contracts to create an economic hedge for EUR denominated export sales into USD
- Buy RMB, MXN, RSD, PLN, ILS, TRY 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).

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

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

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

As of 31 March 2023, 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 354.3	1.36	1.09	1.14	1 – 66	483.3	97.0	80,596
Buy RMB forward	USD	RMB 7,554.8	7.03	6.89	6.74	1 – 55	1,075.3	21.5	44,939
Buy MXN forward	USD	MXN 2,085.2	26.80	18.09	20.92	1 – 63	77.8	37.4	21,860
Buy RSD forward	EUR	RSD 770.8	120.64	117.26	118.62	1 – 11	7.0	0.2	119
Buy PLN forward	EUR	PLN 342.3	4.93	4.67	4.93	1 – 43	75.6	4.2	113
Buy ILS forward	USD	ILS 26.8	3.47	3.60	3.56	1 – 23	7.7	(0.3)	(202)
Buy TRY forward	EUR	TRY 32.2	20.26	20.91	23.41	1 – 15	1.7	(0.1)	(233)
Buy HUF forward	EUR	HUF 15,959.3	354.01	379.98	426.74	1 – 38	49.2	(3.3)	(8,378)
Total							1,777.6	156.6	138,814

* The EUR to USD is stated in the inverse order

In FY22/23, the decrease in fair value of US$54.4 million for derivatives of raw material commodity and forward foreign currency exchange contracts designated 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 year (FY21/22: nil).

As of 31 March 2023, the pre-tax fair value gains recognized in cash flow hedge reserve were US$164.0 million (31 March 2022: US$223.1 million).

(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 on the following page 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.

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

(b) Net investment hedge *(Cont'd)*

As of 31 March 2023, 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 40.0	1.30	1.09	1.11	9 – 21	52.0	8.4	7,459
Cross-currency interest rate swaps * (pay EUR, receive USD)	USD	EUR 242.6	1.13	1.09	1.13	16	275.2	7.1	1,840
Sell CAD forward	USD	CAD 13.4	1.25	1.35	1.36	1	10.8	0.9	874
Total							338.0	16.4	10,173

* The EUR to USD is stated in the inverse order

As of 31 March 2023, the carrying amount of net assets denominated in EUR and CAD were US$671.0 million and US$402.8 million in USD equivalent respectively.

In FY22/23, 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 year (FY21/22: nil).

(c) Fair value hedge

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

As of 31 March 2023, 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)
Fair value hedge contracts									
Sell EUR forward *	USD	EUR 174.0	1.39	1.09	1.14	1 – 61	242.0	52.2	43,176

* The EUR and USD is stated in the inverse order

As of 31 March 2023, the carrying amount of intragroup net receivables denominated in EUR (the hedged item) was US$263.9 million. In FY22/23, hedge ineffectiveness of US$2.9 million was credited to profit and loss in "Other income, net" (FY21/22: US$4.5 million charged to profit and loss).

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

(d) Held for trading

The ineffective portion of HUF forward foreign currency exchange contracts (resulting from the shutdown of a manufacturing facility in Hungary) was designated as held for trading. Fair value gains and losses on the forward contracts are immediately recognized in the income statement.

As of 31 March 2023, the ineffective portion of the outstanding contracts was:

	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 HUF forward	EUR	HUF 11,815.4	350.40	379.98	420.86	1 – 36	36.8	(2.9)	(6,156)

(e) The income statement effect from raw material commodity and foreign currency exchange contracts (excluding structured contracts, see Note 8) and the cross-currency interest rate swaps recognized in FY22/23 was a net gain of US$55.8 million (FY21/22: net gain of US$115.0 million).

Benefit / (expense)	**2023 US$'000**	2022 US$'000
Cost of goods sold includes:		
Effect of raw material commodity contracts	**26,771**	45,172
Effect of forward foreign currency exchange contracts	**(1,409)**	31,392
Effect on cost of goods sold	**25,362**	76,564
Other income, net includes:		
Effect of unrealized forward foreign currency exchange contracts (Note 22)	**6,902**	5,601
Selling and administrative expenses includes:		
Effect of forward foreign currency exchange contracts (Note 23)	**18,864**	25,456
Finance costs includes:		
Cross-currency interest rate swaps	**4,659**	7,353
Effect of other financial assets and liabilities in consolidated income statement, net gain	**55,787**	114,974

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

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

(g) Net cash generated from operating activities due to the realized hedge contracts was US$47.2 million (FY21/22: US$112.8 million).

(h) Estimate of future cash flow
In terms of estimating future cash flow, the contracts' rate at maturity compared to the spot rate for the currency and commodity agreements as of 31 March 2023 would result in approximately US$244 million cash flow benefit (31 March 2022: US$394 million).

(i) As of 31 March 2023, the balance in the exchange reserve for continuing hedges that are accounted for as a net investment hedge was US$66.8 million (31 March 2022: US$62.6 million).

(j) The Group applies a hedge ratio of 1:1 and determines the existence of economic relationship between the hedged items and the hedging instruments by reviewing their critical terms. As a result, the Group concludes that the hedged items and the hedging instruments are sufficient aligned. Certain ineffectiveness can arise during the hedging process. The main source of ineffectiveness in these hedging relationships are changes in the timing of the forecast transactions.

Accounting policy

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

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

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

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

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

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

Accounting policy *(Cont'd)*

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

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

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

When a hedging instrument expires, or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, the amount that has been accumulated in the cash flow hedge reserve,

- shall remain in the cash flow hedge reserve until the future cash flows occur if the hedged future cash flows are still expected to occur;
- shall be immediately reclassified from the cash flow hedge reserve to profit or loss as a reclassification adjustment if the hedged future cash flows are no longer expected to occur.

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

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

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

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

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

8. Financial Assets at Fair Value through Profit and Loss

	2023 US$'000	2022 US$'000
Call option related to the acquisition of Halla Stackpole (Note a)	-	2,217
Unlisted preference shares (Note b)	29,205	28,111
Structured foreign currency contracts (Note c)	30,208	37,354
Other investment (Note d)	8,805	6,361
Total (Note e)	68,218	74,043
Current portion	19,411	14,107
Non-current portion	48,807	59,936
Total	68,218	74,043

Note:

(a) Call option related to the acquisition of Halla Stackpole
The Group's call option was extinguished upon the exercise of the put option by HL Holdings Corporation (formerly known as Halla Holdings Corporation) on 19 September 2022. As a result, the call option (financial asset) was derecognized and a loss of US$2.1 million was charged to profit and loss in FY22/23. Details of the exercise of the put option can be found in Note 18.

(b) Unlisted preference shares
On 8 September 2018, the Group invested US$8.0 million in an autonomous driving start-up company focusing on the China market. During the year, the fair value increased by an estimated US$1.1 million to US$29.2 million as of 31 March 2023 (balance as of 31 March 2022: US$28.1 million). The equity value of the unlisted preferences shares is determined using a Black-Scholes model and Equity Allocation model. The fair value gain is reflected in Note 22 "Other income, net".

(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.

8. 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 31 March 2023, 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	354.3
Economic hedge – by structured forward contracts	
– minimum possible hedge	81.7
– maximum possible hedge	160.4
Percentage of currency exposure hedged *	
– by plain vanilla contracts	41%
– by plain vanilla and structured forward – minimum	51%
– by plain vanilla and structured forward – maximum	60%

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

In FY22/23, net gains on structured foreign currency contracts increased net profit by US$11.1 million, net of tax (pre-tax US$12.6 million gains) (FY21/22: gains increased net profit by US$10.8 million, pre-tax US$12.4 million). Please see Note 22 and Note 23.

As of 31 March 2023, 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 81.7	EUR 160.4	1.30 – 1.39	1.35	1.23	1 – 17	21.3	19,634
Sell EUR (for net investment) *	USD	EUR 40.0	EUR 80.0	1.37 – 1.40	1.39	1.25	9 – 21	11.8	10,574
Total								33.1	30,208

* The EUR to USD is stated in the inverse order

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

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

Sensitivity

As of 31 March 2023, 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$(1.4) million
Decrease by 1%	US$1.5 million

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

Estimate of future cash flow

In terms of estimating future cash flow, the structured contract rates at maturity compared to spot rates as of 31 March 2023 would give rise to a cash flow benefit of approximately US$33 million (assuming minimum delivery for EUR contracts depending on the contract delivery rate) (31 March 2022: US$45 million).

(d) Other investment

In FY22/23, the Group invested US$1.3 million in a venture capital fund comprising a diversified portfolio, including, but not limited to, life sciences, hardware and food start-up companies. This brought the total cash investment to US$5.6 million as of 31 March 2023, out of a total investment commitment of US$6.0 million. In addition, the Group recognized a cumulative fair value gain of US$3.2 million, resulting in a US$8.8 million carrying value of the investment as of 31 March 2023 (carrying value as of 31 March 2022: US$6.4 million). The change in fair value of US$1.2 million in FY22/23 (FY21/22: US$2.0 million) is reflected in Note 22 "Other income, net".

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

9. Inventories

	2023 US$'000	2022 US$'000
Raw materials	**367,711**	400,384
Finished goods	**221,286**	247,082
	588,997	647,466

Accounting policy

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

10. Trade and Other Receivables

	2023 US$'000	2022 US$'000
Trade receivables – gross *	**705,522**	707,538
Less: impairment of trade receivables	**(3,188)**	(2,441)
Trade receivables – net	**702,334**	705,097
Prepayments and other receivables	**105,914**	129,363
	808,248	834,460

* The balance included bank acceptance drafts from customers amounting to US$42.5 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.

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

Customer credit risk, aging and impairment of gross trade receivables

(a) The Group normally grants credit terms ranging from 30 to 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 17. 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.

(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 31 March 2023			
Current	665,447	(50)	**665,397**
1 – 30 days overdue	21,730	(14)	**21,716**
31 – 90 days overdue	7,821	(22)	**7,799**
Over 90 days overdue	10,524	(3,102)	**7,422**
Total	705,522	(3,188)	**702,334**
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 year.

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

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

	2023 US$'000	2022 US$'000
0 – 30 days	**408,357**	366,536
31 – 90 days	**266,047**	308,001
Over 90 days	**31,118**	33,001
Total	**705,522**	707,538

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

	2023 US$'000	2022 US$'000
USD	**271,168**	264,687
RMB	**203,127**	217,151
EUR	**159,027**	157,639
CAD	**42,371**	46,096
Others	**29,829**	21,965
Total	**705,522**	707,538

Movements on the impairment of trade receivables were as follows:

	2023 US$'000	2022 US$'000
At beginning of the year	**2,441**	2,601
Currency translations	**(7)**	20
Receivables written off during the year as uncollectible	**(183)**	(274)
Impairment of trade receivables / bad debt expense (Note 26)	**937**	94
At end of the year	**3,188**	2,441

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

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

Accounting policy

Trade and other receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment.

The Group applies the simplified approach permitted by HKFRS 9, which requires the recognition of lifetime expected losses for trade receivables and contract assets from initial recognition of such assets. The expected loss rates are based on the sales over a period of 5 years and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the GDP and the unemployment rate of the countries in which it sells its goods and services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors. At every reporting date, the Group reviews and adjusts its historically observed default rates based on current conditions and changes in the future forecasts. A provision for impairment of trade and other receivables is determined using the forward-looking expected credit loss method; that is, the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the original effective interest rate. The impairment charge is recognized within "Selling and administrative expenses" in the income statement. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries are credited in the income statement.

11. Cash and Cash Equivalents

	2023 US$'000	2022 US$'000
Cash at bank and in hand	**266,272**	230,757
Short term bank deposits	**142,392**	114,647
Total cash and cash equivalents	**408,664**	345,404

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

	2023 US$'000	2022 US$'000
USD	**117,396**	75,473
RMB	**114,337**	118,400
EUR	**104,177**	77,484
KRW	**44,222**	45,364
CAD	**2,289**	10,462
Others	**26,243**	18,221
Total	**408,664**	345,404

Accounting policy

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

12. Trade and Other Payables

	2023 US$'000	2022 US$'000
Trade payables	**393,766**	480,196
Accrual for property, plant and equipment and other production consumables	**148,222**	181,929
Accrued payroll and other staff related costs	**118,492**	107,413
Contract liabilities (Note 13)	**35,536**	31,948
Deferred income *	**34,095**	23,983
Other creditors and accrued charges	**85,988**	78,805
	816,099	904,274
Current portion	**771,291**	872,005
Non-current portion	**44,808**	32,269

* Mainly comprised of 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:

	2023 US$'000	2022 US$'000
0 – 60 days	**276,754**	306,266
61 – 90 days	**53,918**	96,105
Over 90 days	**63,094**	77,825
Total	**393,766**	480,196

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

	2023 US$'000	2022 US$'000
RMB	**162,887**	210,867
USD	**115,315**	136,192
EUR	**81,154**	85,585
HKD	**9,375**	22,077
CAD	**8,098**	8,480
Others	**16,937**	16,995
Total	**393,766**	480,196

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

Accounting policy

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

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

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

13. 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:

	2023 **US$'000**	2022 US$'000
Deferred contract costs included in:		
Trade and other receivables	**1,583**	2,263
Other non-current assets (Note 3)	**3,899**	5,906
Total deferred contract costs	**5,482**	8,169
Contract liabilities balances included in:		
Trade and other payables – current	**(20,960)**	(19,939)
Trade and other payables – non-current	**(14,576)**	(12,009)
Total contract liabilities (Note 12)	**(35,536)**	(31,948)

In FY22/23, US$16.4 million (FY21/22: US$23.3 million) included in the contract liability balance at the previous year end date was recognized in profit and loss.

14. Borrowings

	2023			2022		
	Current US$'000	**Non-current US$'000**	**Total US$'000**	Current US$'000	Non-current US$'000	Total US$'000
Bonds (Note a)	**-**	**301,165**	**301,165**	-	300,525	300,525
Loan from Export Development Canada ("EDC") (Note b)	**99,984**	**-**	**99,984**	-	99,888	99,888
Loan from The Export-Import Bank of China (Note c)	**-**	**-**	**-**	7,866	68,828	76,694
Loan from The Hongkong and Shanghai Banking Corporation Limited ("HSBC") (Note d)	**6,896**	**62,061**	**68,957**	-	-	-
Other borrowings	**-**	**3,918**	**3,918**	13,700	-	13,700
Total borrowings	**106,880**	**367,144**	**474,024**	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 98.5% of the face value of the bonds as of 31 March 2023 (31 March 2022: 100.7% of the face value of the bonds).

(b) Loan from EDC
The principal amount of US$100.0 million 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 had a facility from The Export-Import Bank of China which was used to fund capital expenditure for the Group’s new Jiangmen factory. The loan was fully refinanced during the year (31 March 2022: RMB487.5 million, equivalent to US$76.7 million) by the loan from HSBC (Note d).

(d) Loan from HSBC
The Group received a RMB475 million three-year credit facility from HSBC to refinance the loan from The Export-Import Bank of China. As of 31 March 2023, the Group had drawn down RMB475 million (equivalent to US$69.0 million). The first repayment of the loan is due in May 2023, with further repayments every six months until November 2025.

14. Borrowings *(Cont'd)*

The maturity of borrowings was as follows:

	Bank borrowings		Bonds and other borrowings	
	2023 US$'000	2022 US$'000	**2023 US$'000**	2022 US$'000
Less than 1 year	**6,896**	7,866	**99,984**	13,700
1 – 2 years	**6,896**	13,766	**303,516**	99,888
2 – 5 years	**55,165**	55,062	**1,567**	300,525
	68,957	76,694	**405,067**	414,113

As of 31 March 2023, the interest rate charged on the significant outstanding balances ranged from 3.2% 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 7(b)) was approximately 4.5% (31 March 2022: 2.5%). Interest expense is disclosed in Note 25.

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 31 March 2023, the Group maintained investment grade ratings with a stable outlook from both agencies. These ratings reflect the Group's solid market position, resilience and prudent financial leverage.

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

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

	2023 US$'000	2022 US$'000
USD	**405,067**	400,413
RMB	**68,957**	76,694
CAD	**-**	13,700
Total borrowings	**474,024**	490,807

Accounting policy

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

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

15. Lease Liabilities

	2023 US$'000	2022 US$'000
At beginning of the year	**127,527**	48,543
Currency translations	**(8,999)**	1,179
Business combination	**118**	1,393
New leases / extensions / modifications	**14,733**	102,736
Termination of leases	**(10,399)**	(606)
Finance costs	**4,362**	6,237
Principal element of lease payments	**(29,064)**	(26,715)
Interest element of lease payments	**(4,881)**	(5,240)
At end of the year	**93,397**	127,527
Current portion	**27,665**	32,233
Non-current portion	**65,732**	95,294

The remaining contractual undiscounted cash outflow of the Group's lease liabilities as of 31 March 2023 and 31 March 2022 was as follows:

	2023 US$'000	2022 US$'000
Less than 1 year	**30,399**	29,336
1 – 2 years	**15,927**	23,676
2 – 5 years	**35,401**	40,791
Over 5 years	**23,496**	40,817
	105,223	134,620

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 are as follows:

	2023 US$'000	2022 US$'000
Expense relating to short-term leases	**1,525**	1,857
Expense relating to leases of low-value assets	**52**	82
Expense relating to variable lease payments	**2,365**	1,124
	3,942	3,063

15. Lease Liabilities *(Cont'd)*

Extension and termination options are included in a number of leases across the Group. These terms are used to maximize operational flexibility in terms of managing contracts. The majority of extension and termination of options held are exercisable only by the Group and not by the respective lessor.

Accounting policy

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

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

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

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

To determine the incremental borrowing rate, the Group:

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

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

16. Retirement Benefit Obligations

	Defined benefit pension plans US$'000	Defined contribution pension plans and long service payment US$'000	Total US$'000
FY22/23			
As of 31 March 2022	23,498	3,530	27,028
Currency translations	(1,123)	(322)	(1,445)
Charges	3,648	9,469	13,117
Utilizations	(5,690)	(9,126)	(14,816)
Remeasurements (Note 21) *	(15,416)	1,185	(14,231)
As of 31 March 2023	**4,917** **	**4,736**	**9,653**
Retirement benefit obligations:			
Current portion	567	384	951
Non-current portion	21,905	4,352	26,257
Defined benefit pension plan assets:			
Non-current portion	(17,555)	-	(17,555)
As of 31 March 2023	**4,917**	**4,736**	**9,653**
FY21/22			
As of 31 March 2021	30,650	4,199	34,849
Currency translations	(1,480)	(462)	(1,942)
Charges	6,260	9,625	15,885
Utilizations	(5,243)	(9,941)	(15,184)
Remeasurements (Note 21) *	(6,689)	109	(6,580)
As of 31 March 2022	23,498 **	3,530	27,028
Retirement benefit obligations:			
Current portion	-	428	428
Non-current portion	42,693	3,102	45,795
Defined benefit pension plan assets:			
Non-current portion	(19,195)	-	(19,195)
As of 31 March 2022	23,498	3,530	27,028

* Remeasurements represent actuarial (gains) and losses. In FY22/23, the actuarial gains of US$15.4 million mainly arose from changes in financial assumptions especially the increase in 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$4.9 million (31 March 2022: US$23.5 million) comprised the gross present value of obligations of US$193.0 million (31 March 2022: US$231.0 million) less the fair value of plan assets of US$188.1 million (31 March 2022: US$207.5 million)

16. Retirement Benefit Obligations *(Cont'd)*

16.1 Defined benefit pension plans

The Group operates defined benefit pension plans in various countries, providing benefits to members in the form of a guaranteed level of pension payable for life. These defined benefit plans are valued by independent external actuaries using the projected unit credit method. The main actuaries are listed below and the latest actuarial valuation was completed as of 31 March 2023.

Country of pension plan	Firm	Qualifications of valuers
United Kingdom	Quantum Actuarial LLP	Fellow of the Institute and Faculty of Actuaries
Canada	Towers Watson Canada Inc	Fellow, Canadian Institute of Actuaries
Switzerland	Mercer Schweiz AG	Members of the Swiss Association of Actuaries
Israel	Alan Dubin F.S.A. Ltd.	Fellow, Israel Association of Actuaries
South Korea	Hyundai Motor Securities	Fellow, the Institute of Actuaries of Korea
Germany	Mercer Deutschland GmbH	Fellow, The German Association of Actuaries
Italy	Deloitte	Fellow of the Italian Register of Actuaries
France	QUATREM	Fellow, The French Actuarial Profession

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

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

	2023 US$'000	2022 US$'000
Present value of obligations that are funded	**175,770**	209,989
Present value of obligations that are unfunded	**17,241**	21,051
Gross present value of obligations	**193,011**	231,040
Less : Fair value of plan (assets)	**(188,094)**	(207,542)
Total retirement benefit obligations - net liability	**4,917**	23,498
Represented by:		
Defined benefit pension plan (assets)	**(17,555)**	(19,195)
Retirement benefit obligations	**22,472**	42,693

16. Retirement Benefit Obligations *(Cont'd)*

16.1 Defined benefit pension plans *(Cont'd)*

The movement of the retirement benefit obligations was as follows:

	Present value of obligations US$'000	Fair value of plan (assets) US$'000	Total net liability US$'000
FY22/23			
As of 31 March 2022	231,040	(207,542)	23,498
Current service cost	4,633	-	4,633
Interest cost / (income)	4,531	(3,422) *	1,109
Past service cost	(2,094)	-	(2,094)
Net cost / (income) to the income statement (Note 26)	7,070	(3,422)	3,648
Remeasurements:			
– losses from change in demographic assumptions	225	-	225
– (gains) from change in financial assumptions	(28,963)	-	(28,963)
– experience losses	849	38	887
– return on plan assets, excluding amounts included in interest income	-	12,435	12,435
(Gains) / losses recognized in equity (Note 21)	(27,889)	12,473	(15,416)
Currency translations	(5,375)	4,252	(1,123)
Contributions by plan participants	2,986	(2,986)	-
Contributions by employer	-	(3,492)	(3,492)
Benefits paid	(14,821)	12,623	(2,198)
As of 31 March 2023	**193,011**	**(188,094)**	**4,917**
FY21/22			
As of 31 March 2021	244,700	(214,050)	30,650
Current service cost	5,619	-	5,619
Interest cost / (income)	2,983	(2,342) *	641
Net cost / (income) to the income statement (Note 26)	8,602	(2,342)	6,260
Remeasurements:			
– (gains) from change in demographic assumptions	(130)	-	(130)
– (gains) from change in financial assumptions	(16,713)	-	(16,713)
– experience losses / (gains)	6,597	(40)	6,557
– return on plan assets, excluding amounts included in interest income	-	3,597	3,597
(Gains) / losses recognized in equity (Note 21)	(10,246)	3,557	(6,689)
Currency translations	(836)	(644)	(1,480)
Contributions by plan participants	3,146	(3,146)	-
Contributions by employer	-	(3,234)	(3,234)
Benefits paid	(14,326)	12,317	(2,009)
As of 31 March 2022	231,040	(207,542)	23,498

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

16. Retirement Benefit Obligations *(Cont'd)*

16.1 Defined benefit pension plans *(Cont'd)*

Through its defined benefit pension plans, the Group is exposed to a number of risks: asset volatility, inflation risks and life expectancy risk. As the plan liabilities are calculated using a discount rate set with reference to corporate bond yields, if plan assets underperform this yield, this will create a deficit. Some of the Group's pension obligations are linked to salary inflation, and higher inflation will lead to higher liabilities. The plans' obligations are to provide benefits for the lives of members, so increases in life expectancy will increase the plans' liabilities.

The principal actuarial assumptions used for the pension valuation were as follows:

	2023 Percentage	2022 Percentage
Discount rate	**2.3% – 5.6%**	1.2% – 4.4%
Inflation rate (long-term forecast)	**1.3% – 3.8%**	1.9% – 4.1%

Sensitivity analysis

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

	Impact on defined benefit obligations	
	Increase in assumption	Decrease in assumption
Discount rate – change by 0.5%	Decrease by 4.7%	Increase by 5.0%
Inflation rate (long-term forecast) – change by 0.5%	Increase by 0.6%	Decrease by 0.6%

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

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

The discount rates of major pension plans were as follows:

	2023 Percentage	2022 Percentage
United Kingdom	**4.7%**	2.6%
Canada	**4.9%**	3.9%
Switzerland	**2.3%**	1.2%
South Korea	**5.6%**	4.4%

16. Retirement Benefit Obligations *(Cont'd)*

16.1 Defined benefit pension plans *(Cont'd)*

The weighted average duration of the defined benefit obligations is 12.9 years (31 March 2022: 14.1 years).

The expected maturity of undiscounted pension benefits as of 31 March 2023 and 31 March 2022 was:

	2023 US$'000	2022 US$'000
Less than 1 year	**11,442**	12,159
1 – 2 years	**12,402**	12,242
2 – 5 years	**33,226**	32,992
Over 5 years	**246,129**	250,682
	303,199	308,075

Plan assets

Plan assets comprised the following:

	2023		2022	
	US$'000	**Percentage**	US$'000	Percentage
Quoted				
Equities				
Europe	**11,770**	**6%**	13,204	6%
Global	**31,073**	**17%**	34,087	16%
Bonds				
Asia	**2,142**	**1%**	2,271	1%
Europe	**12,345**	**7%**	13,666	7%
Americas	**16,302**	**9%**	20,379	10%
Global	**16,882**	**9%**	18,724	9%
Others				
Europe	**29,932**	**15%**	27,220	13%
	120,446	**64%**	129,551	62%
Unquoted				
Property investment – Europe	**27,943**	**15%**	24,982	12%
Others – Europe	**39,705**	**21%**	53,009	26%
	67,648	**36%**	77,991	38%
	188,094	**100%**	207,542	100%

16. Retirement Benefit Obligations *(Cont'd)*

16.1 Defined benefit pension plans *(Cont'd)*

Plan assets *(Cont'd)*

The Group's defined benefit pension plans had total assets of US$188.1 million and total obligations of US$193.0 million as of 31 March 2023 (31 March 2022: US$207.5 million and US$231.0 million respectively). This represents a funding level of 97% in aggregate as of 31 March 2023 (31 March 2022: 90%).

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

The Group ensures that the investment positions are managed within an asset-liability matching framework that has been developed to achieve long-term investments that are in line with the obligations under the pension schemes. Within this framework, the Group's asset-liability matching objective is to match assets to the pension obligations with maturities that match the benefit payments as they fall due and in the appropriate currency.

The Group's main defined benefit pension plans are in the United Kingdom, Canada and Switzerland, which accounted for 98% of the pension assets and 89% of the pension liabilities respectively (31 March 2022: 98% of the plan assets and 89% of the pension liabilities). The Group also operates defined benefit schemes in Israel, South Korea, Germany, Italy and France. The funding levels of the Group's pension schemes as of 31 March 2023 are set out below.

The Group's defined benefit pension plans in the United Kingdom and Canada reported funding levels of 158% and 116% respectively. The surplus is mainly due to favourable investment performance. The Swiss and Israeli schemes had a funding level of 96% and 87% respectively. The deficit arises in part as a result of local funding rules, according to which funding obligations with respect to active employees are satisfied through regular contributions.

The schemes in South Korea and Germany are immaterial to the Group and have a lower funding level of 22% and 15% respectively as benefits to certain employees are funded whilst benefits to other employees enrolled in the schemes are unfunded, as allowed under local regulations.

The defined benefit plans in Italy and France are unfunded, as allowed under local regulations.

The Group expects to make contributions of US$4.5 million to post-employment benefit plans for FY23/24 (FY22/23: US$4.4 million).

16. Retirement Benefit Obligations *(Cont'd)*

16.2 Defined contribution pension plans

The charge to the income statement for all defined contribution plans for FY22/23 was US$8.4 million (FY21/22: US$8.9 million). All forfeited contributions can be used to reduce employer's contributions.

The Group's Hong Kong and Canadian schemes accounted for 82% of total contributions in FY22/23 (FY21/22: 83%).

- The largest defined contribution schemes are in Hong Kong where the Group operates two defined contribution schemes. These comply with all the respective requirements under the Occupational Retirement Schemes Ordinance ("ORSO") and the Mandatory Provident Fund ("MPF") Ordinance. All scheme assets are held separately from the Group in independently administered funds. Contributions to the MPF Scheme follow the MPF Ordinance while contributions made by the employer to the ORSO Scheme range between 5% and 12% of basic salary depending on level and years of service. If employees leave the ORSO scheme prior to the contributions fully vesting, these may be forfeited and the charge to income statement reduced accordingly. No forfeited contributions were available in FY22/23 and FY21/22 to reduce the employer's contributions. There were no forfeited contributions as of 31 March 2023 (31 March 2022: nil).

- In Canada, employees are eligible for defined contribution plan after one year of service, governed by the Income Tax Act (Canada) and Pension Benefits Act (Ontario). The employer's base contribution is 3% of employee's earnings. The employer can match additional contributions from the employee up to 3% of their earnings, for a total of 6%. No forfeited contributions were available in FY22/23 and FY21/22 to reduce the employer's contributions. There were no forfeited contributions as of 31 March 2023 (31 March 2022: nil).

The Group also operates other defined contribution pension schemes, available to certain employees in the United States, the United Kingdom, the Netherlands, Turkey, and Singapore.

- In the United States, contributions to the defined contribution plan are made in accordance with Subsection 401(k) of the Internal Revenue Code. The employer's contribution matches 100% of the first 1% and 50% of the next 5% of employee's contribution. Matched contributions are capped at 6% of the employee's contribution, giving an employer maximum contribution of 3.5%. The employer's contribution is fully vested with the employee after two years of service. During the year, forfeited contributions of US$0.06 million (FY21/22: US$0.02 million) under the plans were used to reduce the employer's contributions. As of 31 March 2023, the employer has US$0.06 million forfeited contributions available to reduce its contributions in future years (31 March 2022: US$0.1 million).

- For the United Kingdom, both the employer and employee must make at least 4% contributions, which are fully vested. In the Netherlands, contributions are age based and range from 3.2% to 18.84% of annual salary. In the Turkish plan, the employer contributes a base of TRY127.5 (US$12.8) per employee per month and then matches employee contributions up to a maximum of 1.5% of monthly gross salary. Singapore Central Provident Fund employer contributions are 17% of salary, but lower after age 55. No forfeited contributions were available in FY22/23 (FY21/22: nil) and no forfeited contributions as of 31 March 2023 (31 March 2022: nil) to reduce the employer's contributions in any of these schemes.

16. Retirement Benefit Obligations *(Cont'd)*

Accounting policy

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

(a) Defined benefit plan

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

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

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

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

(b) Defined contribution plan

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

17. Provisions 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
FY22/23				
As of 31 March 2022	31,409	4,498	1,090	36,997
Currency translations	(516)	(276)	(55)	(847)
Business combination (Note 31)	67	-	-	67
Charged / (credited) to income statement				
– additional provisions	15,919	1,822	-	17,741
– unused amounts reversed	(3,397)	-	-	(3,397)
– finance costs	-	-	(37)	(37)
Utilizations	(11,120)	(5,328)	-	(16,448)
As of 31 March 2023	**32,362**	**716**	**998**	**34,076**
Current portion	24,439	716	-	25,155
Non-current portion	7,923	-	998	8,921
As of 31 March 2023	**32,362**	**716**	**998**	**34,076**
FY21/22				
As of 31 March 2021	45,070	13,257	1,118	59,445
Currency translations	(799)	(12)	(46)	(857)
Business combination	29	-	-	29
Charged / (credited) to income statement				
– additional provisions	17,272	4,208	-	21,480
– unused amounts reversed	(4,610)	(319)	-	(4,929)
– finance costs	-	-	18	18
Utilizations	(25,553)	(12,636)	-	(38,189)
As of 31 March 2022	31,409	4,498	1,090	36,997
Current portion	24,054	4,498	-	28,552
Non-current portion	7,355	-	1,090	8,445
As of 31 March 2022	31,409	4,498	1,090	36,997

18. Put Option Written to a Non-Controlling Interest

	2023 US$'000	2022 US$'000
At beginning of the year	**61,360**	71,688
Currency translation	**(7,656)**	(2,867)
Accrued interest (Note 25)	**-**	1,191
Fair value gains * (Note 22)	**(2,894)**	(8,652)
Settlement of put option	**(50,810)**	-
At end of the year	**-**	61,360

* 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

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

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.

	2023 US$'000
Consideration (KRW 70.3 billion)	50,810
Reduction of carrying amount of non-controlling interest	(30,995)
Net amount charged against equity	19,815

19. Taxation

19.1 Income tax expense

The amount of taxation in the consolidated income statement represents:

	2023 US$'000	2022 US$'000
Current income tax		
Charges for the year	**45,907**	30,016
(Reductions) / additions of tax for prior years	**(135)**	123
	45,772	30,139
Deferred income tax (Note 19.2)	**(26,002)**	(12,222)
Total income tax expense	**19,770**	17,917
Effective tax rate	**10.9%**	10.5%

Tax has been provided at the applicable rates on the estimated assessable profit in the respective countries of operations for the year. The overall global effective tax rate for FY22/23 was 10.9% (FY21/22: 10.5%). The Group's effective tax rate differed from the statutory tax rate of Hong Kong of 16.5% (FY21/22: 16.5%) as follows:

	2023		2022	
		US$'000		US$'000
Profit before income tax		**181,035**		170,112
Tax charged at Hong Kong profits tax rate	**16.5%**	**29,871**	16.5%	28,068
Effect of different tax rates in other countries				
– countries with taxable profit	**3.7%**	**6,779**	2.1%	3,533
– countries with taxable loss	**(2.5%)**	**(4,615)**	(0.5%)	(918)
(Reductions) of tax for prior years – current and deferred	**(0.3%)**	**(484)**	(0.2%)	(381)
Withholding tax	**7.0%**	**12,626**	2.1%	3,655
Effect of income, net of expenses, not subject to tax	**(13.1%)**	**(23,718)**	(18.9%)	(32,097)
Effect of permanent and temporary differences, tax losses and other taxes	**(0.4%)**	**(689)**	9.4%	16,057
Total income tax expense	**10.9%**	**19,770**	10.5%	17,917

19. Taxation *(Cont'd)*

19.2 Deferred income tax

Deferred tax assets and liabilities are offset when the deferred income taxes relate to the same fiscal authority and when there is a legally enforceable right to offset current tax assets against current tax liabilities. Income tax expense is discussed in Note 19.1.

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

	2023 US$'000	2022 US$'000
Deferred income tax assets	**76,937**	61,862
Deferred income tax liabilities	**(98,608)**	(107,620)
Deferred income tax liabilities, net	**(21,671)**	(45,758)

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

	2023 US$'000	2022 US$'000
Gross deferred income tax assets	**119,563**	98,166
Gross deferred income tax liabilities	**(141,234)**	(143,924)
Deferred income tax liabilities, net	**(21,671)**	(45,758)

19. Taxation *(Cont'd)*

19.2 Deferred income tax *(Cont'd)*

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

	Provisions US$'000	Tax depreciation US$'000	Tax losses US$'000	Fair value (gains) / losses US$'000	Others US$'000	Total US$'000
FY22/23						
Deferred income tax assets						
As of 31 March 2022	26,391	34,035	17,199	815	19,726	98,166
Currency translations	(693)	(2,330)	(1,015)	(31)	(780)	(4,849)
Credited / (charged) to income statement	422	5,766	21,145	(72)	702	27,963
Credited / (charged) to equity	-	-	-	172	(1,889)	(1,717)
Assets as of 31 March 2023	26,120	37,471	37,329	884	17,759	119,563
Deferred income tax (liabilities)						
As of 31 March 2022	(684)	(9,182)	-	(98,253)	(35,805)	(143,924)
Currency translations	33	227	-	2,573	887	3,720
Business combination (Note 31)	-	-	-	(9,062)	(28)	(9,090)
Credited / (charged) to income statement	146	(201)	-	6,827	(8,733)	(1,961)
Credited to equity	-	-	-	9,681	340	10,021
(Liabilities) as of 31 March 2023	(505)	(9,156)	-	(88,234)	(43,339)	(141,234)
Deferred income tax assets / (liabilities), net as of 31 March 2023	**25,615**	**28,315**	**37,329**	**(87,350)**	**(25,580)**	**(21,671)**
FY21/22						
Deferred income tax assets						
As of 31 March 2021	29,537	24,009	12,476	2,637	23,208	91,867
Currency translations	(25)	378	(60)	(29)	(274)	(10)
Credited / (charged) to income statement	(3,121)	9,648	4,783	(654)	(2,459)	8,197
(Charged) to equity	-	-	-	(1,139)	(749)	(1,888)
Assets as of 31 March 2022	26,391	34,035	17,199	815	19,726	98,166
Deferred income tax (liabilities)						
As of 31 March 2021	(591)	(9,257)	-	(87,802)	(34,783)	(132,433)
Currency translations	(16)	89	-	630	718	1,421
Business combination	-	(251)	-	(5,539)	-	(5,790)
Credited / (charged) to income statement	(77)	237	-	4,824	(959)	4,025
(Charged) to equity	-	-	-	(10,366)	(781)	(11,147)
(Liabilities) as of 31 March 2022	(684)	(9,182)	-	(98,253)	(35,805)	(143,924)
Deferred income tax assets / (liabilities), net as of 31 March 2022	25,707	24,853	17,199	(97,438)	(16,079)	(45,758)

Deferred income tax liabilities of US$2.2 million (FY21/22: US$2.0 million) have not been recognized in respect of the withholding or other tax payable on the unremitted profits of certain subsidiaries where the Company controls the dividend policy and it has been determined that these undistributed profits will not be distributed in the foreseeable future.

19. Taxation *(Cont'd)*

19.2 Deferred income tax *(Cont'd)*

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

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

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

Tax losses:
This represents the value of current tax losses that can be offset against future taxable profits to reduce future taxation charges. As of 31 March 2023, certain Group subsidiaries had accumulated net operating losses carried forward of US$231.4 million (31 March 2022: US$115.7 million) to offset future taxable income.

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

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

19. Taxation *(Cont'd)*

19.2 Deferred income tax *(Cont'd)*

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

	2023 US$'000	2022 US$'000
Deferred income tax assets:		
Deferred income tax assets to be recovered after more than twelve months	**91,664**	75,344
Deferred income tax assets to be recovered within twelve months	**27,899**	22,822
Deferred income tax assets	**119,563**	98,166
Deferred income tax liabilities:		
Deferred income tax liabilities to be settled after more than twelve months	**(121,982)**	(117,834)
Deferred income tax liabilities to be settled within twelve months	**(19,252)**	(26,090)
Deferred income tax liabilities	**(141,234)**	(143,924)
Deferred income tax liabilities, net	**(21,671)**	(45,758)

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

	2023 US$'000	2022 US$'000
At beginning of the year, net (liability)	**(45,758)**	(40,566)
Currency translations	**(1,129)**	1,411
Business combination	**(9,090)**	(5,790)
Credited to income statement (Note 19.1)	**26,002**	12,222
Credited / (charged) to equity	**8,304**	(13,035)
At end of the year, net (liability)	**(21,671)**	(45,758)

19. Taxation *(Cont'd)*

19.2 Deferred income tax *(Cont'd)*

The deferred income tax credited / (charged) to equity in FY22/23 and FY21/22 was as follows:

	2023 US$'000	2022 US$'000
Fair value change of hedging instruments	**9,853**	(11,505)
Remeasurements of defined benefit plans (Note 21)	**(1,596)**	(1,531)
Remeasurements of long service payment (Note 21)	**47**	1
	8,304	(13,035)

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

The movement in the Group's unrecognized tax losses for FY22/23 and FY21/22 is presented below:

	2023 US$'000	2022 US$'000
At beginning of the year	**118,234**	44,285
Currency translations	**(4,926)**	(420)
(Utilized / recognized) / generated during the year	**(33,241)**	69,937
Addition for tax positions of prior years	**4,101**	4,432
At end of the year	**84,168**	118,234

Deferred income tax assets in respect of tax losses amounting to US$84.2 million (FY21/22: US$118.2 million) have not been recognized primarily due to the uncertainty over the availability of future profit generation to recover such losses before their expiry or temporary differences in the legal entities where such losses were incurred.

19. Taxation *(Cont'd)*

19.2 Deferred income tax *(Cont'd)*

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

	2023 **US$'000**	2022 US$'000
Less than 1 year	**-**	344
1 – 2 years	**6,007**	752
2 – 5 years	**27,018**	59,363
5 – 20 years	**978**	21,641
Unlimited	**50,165**	36,134
	84,168	118,234

Deferred income tax assets amounting to US$3.3 million (FY21/22: US$0.8 million) have not been recognized with respect to other deductible temporary differences for which no taxable profit or temporary differences will be available to offset the deductible temporary difference.

Accounting policy

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

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

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

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

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

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

20. Share Capital

	Share capital – ordinary shares (thousands)	Shares held for incentive share scheme (thousands)	Total shares (thousands)
FY22/23			
As of 31 March 2022	906,003	(11,106)	894,897
Shares purchased by trustee for incentive share scheme	-	(529)	(529)
Shares vested to Directors and employees for incentive share scheme	-	3,825	3,825
Shares issued in lieu of cash dividends	22,684	-	22,684
Scrip dividend for shares held for incentive share scheme	-	(276)	(276)
As of 31 March 2023	**928,687**	**(8,086)**	**920,601**
FY21/22			
As of 31 March 2021	903,815	(11,572)	892,243
Shares purchased by trustee for incentive share scheme	-	(1,025)	(1,025)
Shares vested to Directors and employees for incentive share scheme	-	1,790	1,790
Shares issued in lieu of cash dividends	2,188	-	2,188
Scrip dividend for shares held for incentive share scheme	-	(299)	(299)
As of 31 March 2022	906,003	(11,106)	894,897

As of 31 March 2023, 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.

20. 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
FY22/23				
As of 31 March 2022	5,844	(30,733)	49,630	24,741
Shares purchased by trustee for incentive share scheme	-	(603)	-	(603)
Shares vested to Directors and employees for incentive share scheme	-	11,188	(4,485)	6,703
Shares issued in lieu of cash dividends	145	-	27,059	27,204
Scrip dividend for shares held for incentive share scheme	-	(331)	-	(331)
As of 31 March 2023	**5,989**	**(20,479)**	**72,204**	**57,714**
FY21/22				
As of 31 March 2021	5,830	(34,012)	45,729	17,547
Shares purchased by trustee for incentive share scheme	-	(2,305)	-	(2,305)
Shares vested to Directors and employees for incentive share scheme	-	6,265	(1,107)	5,158
Shares issued in lieu of cash dividends	14	-	5,008	5,022
Scrip dividend for shares held for incentive share scheme	-	(681)	-	(681)
As of 31 March 2022	5,844	(30,733)	49,630	24,741

Scrip dividend

During the year, 22.7 million shares were issued to shareholders who elected to receive shares in lieu of cash dividends pursuant to the scrip dividend scheme in relation to the final dividend of FY21/22 and interim dividend of FY22/23. For the final dividend of FY21/22, the Group's scrip price was the average closing price in the period during 19 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. For the interim dividend of FY22/23, the Group's scrip price was the average closing price in the period during 30 November 2022 to 6 December 2022 discounted by 4% on the average price – the actual scrip price was HK$9.22 (US$1.18). The date of allotment of the scrip shares was 18 January 2023.

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 FY22/23 for cancellation (FY21/22: nil).

20. 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, typically on 1 June of the year. 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 targets 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
FY22/23			
Unvested units granted, as of 31 March 2022	10,455	6,075	16,530
Units granted to Directors and employees during the year	4,663	3,824	8,487
Units vested to Directors and employees during the year	(3,993)	(590)	(4,583)
Forfeited during the year	(920)	(2,483)	(3,403)
Unvested units granted, as of 31 March 2023	**10,205**	**6,826**	**17,031**
FY21/22			
Unvested units granted, as of 31 March 2021	10,528	5,906	16,434
Units granted to Directors and employees during the year	2,461	1,987	4,448
Units vested to Directors and employees during the year	(1,778)	(371)	(2,149)
Forfeited during the year	(756)	(1,447)	(2,203)
Unvested units granted, as of 31 March 2022	10,455	6,075	16,530

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

The weighted average closing price of the shares immediately before the dates on which the awards were vested during the year is HK$10.42 (US$1.34).

In FY22/23, the Company did not issue any new shares under this program, and the program is currently operated through purchasing existing shares from the market.

20. Share Capital *(Cont'd)*

The total fair value of unvested units at the date of grant was US$10.1 million (FY21/22: US$11.0 million). As the Directors and employees are not entitled to dividends or dividend equivalents between the grant date and the vesting date, the grant date valuation of the rights to shares were reduced by the present value of dividends expected to be paid during the vesting period (interim dividend of HK cents 17 and final dividend of HK cents 34 for each year), discounted by the local currency government bond yields on the corresponding grant dates with tenor equal to the vesting periods (fair value of unvested units granted on 1 June 2023 was discounted using 2.72%).

As of 31 March 2023, 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	3,797	1,547	5,344
FY24/25	1,894	1,719	3,613
FY25/26	4,514	3,560	8,074
Total unvested units granted	**10,205**	**6,826**	**17,031**

* Shares are typically vested on 1 June of the year

<u>Accounting policy</u>

(a) Share capital

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

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

(b) Share-based compensation

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

For share-based compensation settled by equity, shares granted to eligible employees for their services are charged as an expense based on the share price at the grant date. For cash settled share-based transaction, at the end of each reporting period and at the date of settlement, the Group re-measures the fair value of the incentive plan payable with any changes in fair value charged as an expense.

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

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

21. Reserves

	Note	Capital reserve US$'000	Goodwill on consolidation US$'000	Exchange reserve US$'000	Share-based employee compensation reserve US$'000	Hedging reserve US$'000	Miscellaneous reserves * US$'000	Retained earnings US$'000	Total US$'000
As of 31 March 2022		17,338	(233,885)	196,278	14,409	183,150	(16,017)	2,230,271	2,391,544
Profit for the year		-	-	-	-	-	-	157,805	157,805
Other comprehensive income / (expenses):									
Hedging instruments									
– raw material commodity contracts									
– fair value losses, net		-	-	-	-	(22,325)	-	-	(22,325)
– transferred to inventory and subsequently recognized in the income statement	7(e)	-	-	-	-	(26,771)	-	-	(26,771)
– deferred income tax effect		-	-	-	-	8,101	-	-	8,101
– forward foreign currency exchange contracts									
– fair value gains, net		-	-	-	-	941	-	-	941
– transferred to the income statement		-	-	-	-	(11,730)	-	-	(11,730)
– deferred income tax effect		-	-	-	-	1,752	-	-	1,752
– net investment hedge									
– fair value gains, net		-	-	4,149	-	-	-	-	4,149
Defined benefit plans									
– remeasurements	16	-	-	-	-	-	-	15,416	15,416
– deferred income tax effect	19	-	-	-	-	-	-	(1,596)	(1,596)
Long service payment									
– remeasurements	16	-	-	-	-	-	-	(1,185)	(1,185)
– deferred income tax effect	19	-	-	-	-	-	-	47	47
Currency translations of subsidiaries		-	-	(116,215)	-	733	-	-	(115,482)
Currency translations of associate and joint venture		-	-	(211)	-	-	-	-	(211)
Total comprehensive income for the year		-	-	(112,277)	-	(49,299)	-	170,487	8,911
Hyperinflation adjustments		-	-	2,722	-	-	15	(1,581)	1,156
Transactions with shareholders:									
Appropriation of retained earnings to statutory reserve		-	-	-	-	-	1,950	(1,950)	-
Incentive share scheme									
– shares vested		-	-	-	(6,703)	-	-	-	(6,703)
– value of employee services		-	-	-	2,618	-	-	-	2,618
Acquisition of non-controlling interests		-	-	-	-	-	72,191	(41,196)	30,995
FY21/22 final dividend paid									
– cash paid		-	-	-	-	-	-	(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
FY22/23 interim dividend paid									
– cash paid		-	-	-	-	-	-	(5,236)	(5,236)
– shares issued in respect of scrip dividend		-	-	-	-	-	-	(14,767)	(14,767)
– scrip dividend for shares held for incentive share scheme		-	-	-	-	-	-	174	174
Total transactions with shareholders		-	-	-	(4,085)	-	74,141	(82,443)	(12,387)
As of 31 March 2023		**17,338**	**(233,885)**	**86,723**	**10,324**	**133,851**	**58,139**	**2,316,734**	**2,389,224**
Final dividend proposed	28	-	-	-	-	-	-	39,874	39,874
Others		17,338	(233,885)	86,723	10,324	133,851	58,139	2,276,860	2,349,350
As of 31 March 2023		**17,338**	**(233,885)**	**86,723**	**10,324**	**133,851**	**58,139**	**2,316,734**	**2,389,224**

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

21. Reserves *(Cont'd)*

	Note	Capital reserve US$'000	Goodwill on consolidation US$'000	Exchange reserve US$'000	Share-based employee compensation reserve US$'000	Hedging reserve US$'000	Miscellaneous reserves * US$'000	Retained earnings US$'000	Total US$'000
As of 31 March 2021		17,338	(233,885)	161,358	12,880	127,977	(9,393)	2,130,779	2,207,054
Profit for the year		-	-	-	-	-	-	146,352	146,352
Other comprehensive income / (expenses):									
Hedging instruments									
– raw material commodity contracts									
– fair value gains, net		-	-	-	-	51,004	-	-	51,004
– transferred to inventory and subsequently recognized in the income statement	7(e)	-	-	-	-	(45,172)	-	-	(45,172)
– deferred income tax effect		-	-	-	-	(962)	-	-	(962)
– forward foreign currency exchange contracts									
– fair value gains, net		-	-	-	-	113,574	-	-	113,574
– transferred to the income statement		-	-	-	-	(53,519)	-	-	(53,519)
– deferred income tax effect		-	-	-	-	(10,543)	-	-	(10,543)
– net investment hedge									
– fair value gains, net		-	-	4,788	-	-	-	-	4,788
Defined benefit plans									
– remeasurements	16	-	-	-	-	-	-	6,689	6,689
– deferred income tax effect	19	-	-	-	-	-	-	(1,531)	(1,531)
Long service payment									
– remeasurements	16	-	-	-	-	-	-	(109)	(109)
– deferred income tax effect	19	-	-	-	-	-	-	1	1
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		-	-	30,049	-	791	-	-	30,840
Currency translations of associate and joint venture		-	-	83	-	-	-	-	83
Total comprehensive income for the year		-	-	34,920	-	55,173	(7,829)	159,231	241,495
Transactions with shareholders:									
Appropriation of retained earnings to statutory reserve		-	-	-	-	-	1,205	(1,205)	-
Incentive share scheme									
– shares vested		-	-	-	(5,075)	-	-	-	(5,075)
– vested by cash settlement		-	-	-	(1,028)	-	-	-	(1,028)
– value of employee services		-	-	-	7,632	-	-	-	7,632
FY20/21 final dividend paid									
– cash paid		-	-	-	-	-	-	(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
FY21/22 interim dividend paid									
– cash paid		-	-	-	-	-	-	(18,685)	(18,685)
– shares issued in respect of scrip dividend		-	-	-	-	-	-	(1,051)	(1,051)
– scrip dividend for shares held for incentive share scheme		-	-	-	-	-	-	241	241
Total transactions with shareholders		-	-	-	1,529	-	1,205	(59,739)	(57,005)
As of 31 March 2022		17,338	(233,885)	196,278	14,409	183,150	(16,017)	2,230,271	2,391,544
Final dividend proposed	28	-	-	-	-	-	-	19,436	19,436
Others		17,338	(233,885)	196,278	14,409	183,150	(16,017)	2,210,835	2,372,108
As of 31 March 2022		17,338	(233,885)	196,278	14,409	183,150	(16,017)	2,230,271	2,391,544

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

22. Other Income, net

	2023 US$'000	2022 US$'000
Gross rental income from investment property	**1,274**	1,381
Net gains on financial assets at fair value through profit and loss	**187**	14,301
Fair value gains on put option written to a non-controlling interest (Note 18)	**2,894**	8,652
Gains on disposal of property, plant and equipment	**4,601**	160
Fair value gains on investment property	**133**	1,228
Unrealized net gains on other financial assets and liabilities (Note 7(e))	**6,902**	5,601
Unrealized net gains / (losses) from revaluation of monetary assets and liabilities	**13,439**	(29,397)
Unrealized net (losses) / gains on structured foreign currency contracts	**(7,145)**	6,662
Subsidies and other income	**18,767**	24,683
Other income, net	**41,052**	33,271

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

Accounting policy

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

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

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

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

23. Selling and Administrative Expenses

	2023 US$'000	2022 US$'000
Selling expenses	**146,923**	140,970
Administrative expenses	**410,199**	423,586
Legal and warranty	**12,522**	12,662
Net (gains) on realization of other financial assets and liabilities (Note 7(e))	**(18,864)**	(25,456)
Net losses / (gains) on realization of monetary assets and liabilities	**25,370**	(2,667)
Net (gains) on realization of structured foreign currency exchange contracts	**(19,723)**	(5,692)
Selling and administrative expenses	**556,427**	543,403

24. Restructuring and Other Related Costs

	2023 US$'000	2022 US$'000
Restructuring costs	**1,805**	3,692
Impairment of property, plant and equipment	**-**	402
Other related costs	**17**	197
Restructuring and other related costs	**1,822**	4,291

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

25. Finance Income / (Costs), net

	2023 US$'000	2022 US$'000
Interest income	**5,605**	2,937
Interest expense on:		
Borrowings	**(9,417)**	(7,432)
Bonds	**(13,015)**	(12,988)
	(22,432)	(20,420)
Accrued interest on put option written to a non-controlling interest * (Note 18)	**-**	(1,191)
Interest expense capitalized **	**755**	1,548
Total interest expense	**(21,677)**	(20,063)
Net finance (costs) (Note 30)	**(16,072)**	(17,126)

* The interest was calculated by the effective interest method over the estimated gross obligation arising from the put option written to the sellers related to the acquisition of Halla Stackpole Corporation

** Interest expense has been capitalized in property, plant and equipment at major new or expanded production sites at an average interest rate of 3.74% per annum (FY21/22: 2.5% per annum)

Borrowings are discussed in Note 14.

Accounting policy

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

26. Expenses by Nature

Operating profit was stated after crediting and charging the following:

	2023 US$'000	2022 US$'000
Depreciation		
Depreciation of property, plant and equipment (Note 3)	**241,147**	249,537
Less: amounts capitalized in assets under construction	**(1,403)**	(1,441)
Net depreciation (Note 30)	**239,744**	248,096
Engineering expenditure		
Engineering expenditure *	**174,947**	188,283
Less: capitalization of engineering development costs (Note 5)	**(1,881)**	(3,402)
Net engineering expenditure	**173,066**	184,881
Employee compensation		
Wages, salaries and other benefits	**888,739**	903,960
Share-based payments	**4,991**	7,632
Social security costs	**108,805**	112,819
Pension costs – defined benefit plans (Note 16.1)	**3,648**	6,260
Pension costs – defined contribution plans (Note 16.2)	**8,431**	8,928
	1,014,614	1,039,599
Less: amounts capitalized in assets under construction	**(4,046)**	(4,419)
	1,010,568	1,035,180
Other items:		
Cost of goods sold **	**2,930,208**	2,744,148
Auditors' remuneration	**2,793**	2,918
Amortization of intangible assets (Note 5 & 30)	**34,409**	35,189
Impairment of inventories	**7,836**	12,845
Reversal of impairment of inventories	**(4,622)**	(5,003)
Impairment of property, plant and equipment (Note 3 & 30)	**2,010**	7,114
Impairment of trade receivables / bad debt expense (Note 10)	**937**	94

In FY22/23, the Group received a total sum of US$2.1 million (FY21/22: US$7.7 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 4.8% in FY22/23 (FY21/22: 5.5%)

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

27. 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.

	2023	2022
Profit attributable to shareholders (thousands US Dollar)	**157,805**	146,352
Weighted average number of ordinary shares in issue (thousands)	**905,892**	893,984
Basic earnings per share (US cents per share)	**17.42**	16.37
Basic earnings per share (HK cents per share)	**136.55**	127.44

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.

	2023	2022
Profit attributable to shareholders (thousands US Dollar)	**157,805**	146,352
Weighted average number of ordinary shares issued and outstanding (thousands)	**905,892**	893,984
Adjustments for incentive shares granted		
– incentive share scheme - Restricted Stock Units	**3,617**	6,719
– incentive share scheme - Performance Stock Units	**947**	1,033
Weighted average number of ordinary shares (diluted) (thousands)	**910,456**	901,736
Diluted earnings per share (US cents per share)	**17.33**	16.23
Diluted earnings per share (HK cents per share)	**135.87**	126.34

28. Dividends

	2023 US$'000	2022 US$'000
Interim, of 17 HK cents (2.18 US cents) per share, paid in January 2023 (FY21/22: 17 HK cents or 2.18 US cents)	**19,671**	19,533
Final, proposed, of 34 HK cents (4.36 US cents) per share, to be paid in September 2023 (FY21/22: 17 HK cents or 2.18 US cents) (Note 21)	**39,874** *	19,436
	59,545	38,969

* Proposed dividend, with a scrip dividend option offered to shareholders, is calculated based on the total number of shares as of 31 March 2023. The final dividend will be payable on 6 September 2023 to shareholders whose names appear on the Register of Shareholders of the Company on 24 July 2023

Scrip dividend elections were offered to all shareholders. Shareholders accounting for approximately 63% and 74% of total issued shares elected for scrip dividends of FY21/22 final and FY22/23 interim dividends respectively. Total share costs of the scrip shares were HK$212.6 million (US$27.2 million). Dividends for shares held by incentive share scheme of US$0.3 million were deducted from the total dividends.

At a meeting held on 18 May 2023 the Directors recommended a final dividend of 34 HK cents (4.36 US cents) per share to be paid out in September 2023. The recommended final dividend will be reflected as an appropriation of retained earnings for FY23/24.

Dividends for the periods FY13/14 through FY22/23 are shown in the table below:

	Interim HK cents per share	Final HK cents per share	Total HK cents per share	Total dividend US$'000
FY13/14 *	12.0	34.0	46.0	52,648
FY14/15	14.0	34.0	48.0	53,290
FY15/16	15.0	34.0	49.0	54,117
FY16/17	16.0	34.0	50.0	55,323
FY17/18	17.0	34.0	51.0	56,123
FY18/19	17.0	34.0	51.0	56,594
FY19/20	17.0	-	17.0	19,297
FY20/21	17.0	34.0	51.0	58,582
FY21/22	17.0	17.0	34.0	38,969
FY22/23	17.0	34.0	51.0	59,545

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

Accounting policy

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

29. Commitments

29.1 Capital commitments

	2023 US$'000	2022 US$'000
Capital commitments, contracted but not provided for:		
Property, plant and equipment	**40,566**	83,936

29.2 Lease commitments

The future aggregate minimum lease payments of leases included short-term leases with a term of 12 months or less, leases of low-value assets and leases with variable lease payments are as follows:

	2023 US$'000	2022 US$'000
Less than 1 year	**1,114**	975
1 – 5 year	**471**	2,191
Over 5 years	**-**	464
	1,585	3,630

29.3 Non-cancellable operating leases

The Group's future aggregate minimum lease rental receivables under non-cancellable operating leases as of 31 March 2023 and 31 March 2022 were as follows:

	2023 US$'000	2022 US$'000
Less than 1 year	**1,237**	1,392
1 – 2 year	**1,229**	1,338
2 – 3 year	**1,222**	1,332
3 – 4 year	**1,287**	1,322
4 – 5 year	**327**	1,322
Over 5 years	**-**	330
	5,302	7,036

Accounting policy

Lease income from operating leases where the Group is a lessor is recognized in income on a straight-line basis over lease term (Note 3 and 4). The respective leased assets are included in the consolidated balance sheet based on their natures.

30. Cash Generated from Operations

	2023 US$'000	2022 US$'000
Profit before income tax	**181,035**	170,112
Add: Depreciation of property, plant and equipment (Note 26)	**239,744**	248,096
Amortization of intangible assets (Note 5 & 26)	**34,409**	35,189
Net finance costs (Note 25)	**16,072**	17,126
Dividend receipts from associate and joint venture less share of losses	**1,607**	246
EBITDA*	**472,867**	470,769
Other non-cash items		
(Gains) on disposal of property, plant and equipment	**(4,601)**	(160)
Impairment of property, plant and equipment (Note 3 & 26)	**2,010**	7,114
Net (gains) on financial assets at fair value through profit and loss	**(187)**	(14,301)
Fair value (gains) on put option written to a non-controlling interest (Note 18)	**(2,894)**	(8,652)
Share-based payments	**2,618**	6,687
Fair value (gains) on investment property	**(133)**	(1,228)
Unrealized currency (gains) / losses	**(13,196)**	17,134
	(16,383)	6,594
EBITDA * net of other non-cash items	**456,484**	477,363
Change in working capital		
Decrease / (increase) in inventories	**39,077**	(136,167)
Decrease / (increase) in trade and other receivables	**4,541**	(79,432)
(Increase) / decrease in other non-current assets	**(395)**	3,579
(Decrease) / increase in trade and other payables	**(8,110)**	1,506
(Decrease) / increase in retirement benefit obligations **	**(1,699)**	701
(Decrease) in provisions and other liabilities	**(2,104)**	(21,638)
Change in other financial assets and liabilities	**(3,785)**	(2,247)
	27,525	(233,698)
Cash generated from operations	**484,009**	243,665

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

** Net of defined benefit pension plan assets

30. Cash Generated from Operations *(Cont'd)*

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

	2023 US$'000	2022 US$'000
Net book amount	**524**	788
Gains on disposal of property, plant and equipment (Note 22)	**4,601**	160
Proceeds from disposal of property, plant and equipment	**5,125**	948

31. Business Combination

31.1 Business combination in FY22/23

On 13 October 2022, the Group acquired 80% of the share capital of Pendix GmbH ("Pendix"), a privately held company located in Germany for consideration of US$20.8 million (EUR 21.05 million).

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, continue driving business growth of the e-bike sector within the Industry Products Group.

Acquisition transaction costs of US$0.6 million (EUR 0.5 million) were incurred in FY22/23 and recognized in the income statement within selling and administrative expenses.

Pursuant to the shareholders' agreement, the founding members of Pendix were granted two put options in which they have the right to sell 6% ("Put Option I") and the remaining 14% ("Put Option II") of the shares in Pendix to the Group. The Group was also granted two call options in which the Group has the right to acquire 6% ("Call Option I") and 14% ("Call Option II") of the shares in Pendix.

Any disposal or transfer of shares is subject to the approval of more than 88% of the Pendix shareholders' vote cast. There is no obligation for the Group to buy or the founding members of Pendix to sell the remaining shares unless both parties agree to exercise the options. Therefore, the options do not have an accounting impact on the consolidated financial statements as of 31 March 2023.

31. Business Combination *(Cont'd)*

31.1 Business combination in FY22/23 *(Cont'd)*

The aggregate revenue and net profit contributed by this acquisition are insignificant to the Group's results for the year. The acquisition would not have had any significant impact to the Group's revenue and profit for the year if it had occurred on 1 April 2022.

Details of net assets acquired and goodwill are as follows:

	2023 US$'000
Purchase consideration	20,837
Non-controlling interests *	4,017
Fair value of net assets acquired – shown as below	(24,854)
Goodwill	-

* The Group recognized the non-controlling interest in Pendix at the non-controlling interest's proportionate share of the fair values of Pendix's identifiable net assets acquired as set out above

Fair value of net assets acquired:

	31 March 2023 Fair value US$'000
Property, plant and equipment	631
Intangible assets	30,283
Inventories	3,334
Trade and other receivables	1,341
Cash and cash equivalents	510
Trade and other payables	(1,923)
Current income tax liabilities	(47)
Lease liabilities	(118)
Provisions and other liabilities	(67)
Deferred tax liabilities	(9,090)
Net assets acquired	24,854
Purchase consideration settled in cash	
Cash	20,837
Cash and cash equivalents acquired	(510)
Cash outflow on acquisition	20,327

As of 31 March 2023, the Group completed the fair value assessments for net assets acquired (including intangible assets) from the business combination activities. The fair values of net assets stated above are on a provisional basis subject to the final valuation of certain assets and liabilities.

31. Business Combination *(Cont'd)*

31.2 Business combination in 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:

	2022 US$'000
Purchase consideration	29,343
Fair value of net assets acquired - as shown below	(29,343)
Goodwill	-

Fair value of net assets acquired:

	31 March 2022 Fair value US$'000
Non-current assets	29,169
Current assets	8,803
Current liabilities	(2,441)
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

Johnson Electric Group Ten-Year Summary

US$ million	2023	2022	2021
Consolidated income statement			
Sales	**3,646.1**	3,446.1	3,156.2
Earnings before interest and tax (EBIT) [1]	**197.1**	187.2	258.8
Profit / (loss) before income tax	**181.0**	170.1	248.4
Income tax expense	**(19.7)**	(17.9)	(29.2)
Profit / (loss) for the year	**161.3**	152.2	219.2
Non-controlling interests	**(3.5)**	(5.8)	(7.2)
Profit / (loss) attributable to shareholders	**157.8**	146.4	212.0
Consolidated balance sheet			
Fixed assets	**1,649.4**	1,774.8	1,548.5
Goodwill and intangible assets	**216.1**	229.9	245.0
Cash and cash equivalents	**408.7**	345.4	539.5
Other current and non-current assets	**1,827.4**	1,988.7	1,685.4
Total assets	**4,101.6**	4,338.8	4,018.4
Equity attributable to shareholders	**2,446.9**	2,416.3	2,224.6
Non-controlling interests	**48.5**	85.4	83.4
Total equity	**2,495.4**	2,501.7	2,308.0
Total debt [2]	**474.0**	490.8	426.2
Other current and non-current liabilities	**1,132.2**	1,346.3	1,284.2
Total equity and liabilities	**4,101.6**	4,338.8	4,018.4
Per share data [3]			
Basic earnings per share (US cents)	**17.4**	16.4	23.8
Dividend per share (US cents)	**6.5**	4.4	6.5
Closing stock price (HKD)	**8.9**	10.8	20.9
Other information			
Free cash in / (out) flow from operations [4]	**214.8**	(132.4)	171.1
Earnings before interest, tax and amortization (EBITA) [5]	**220.1**	243.8	335.5
EBITA to sales %	**6.0%**	7.1%	10.6%
Earnings before interest, tax, depreciation and amortization (EBITDA) [5]	**461.5**	492.2	555.0
EBITDA to sales%	**12.7%**	14.3%	17.6%
Capital expenditure (CAPEX)	**226.6**	316.4	263.6
CAPEX to sales %	**6.2%**	9.2%	8.4%
Market capitalization	**1,052.9**	1,239.4	2,398.5
Enterprise value (EV)	**1,166.7**	1,470.2	2,368.6
Ratios			
Return on average total equity % [6]	**6.5%**	6.3%	10.4%
Total debt to capital %	**16%**	16%	16%
Free cash in / (out) flow from operations to gross debt %	**36%**	(20%)	33%
Gross debt to EBITDA (times) [5]	**1.3**	1.3	0.9
EV / EBITDA [5]	**2.5**	3.0	4.3
Interest coverage (times) [5 & 7]	**9.8**	11.9	24.2

1 Earnings before interest and tax (EBIT) is defined as operating profit plus share of profits / (losses) of associates and joint venture
2 Total debt calculated as borrowings plus bonds
3 Per share data had been adjusted to reflect the impact of a 1 for 4 share consolidation on 15 July 2014
4 Net interest received, net capital expenditure and capitalization of engineering development costs are included in free cash in / (out) flow from operations
5 We adjusted EBITA and EBITDA to exclude the impairment of goodwill and other intangible assets and significant non-cash, divested items and restructuring and other related costs. Where a business is acquired part way through the year, we adjusted EBITA and EBITDA to include 12 months for that year on a pro forma basis. EBITDA for FY13/14 to FY18/19 included a corresponding adjustment to annual lease expense on the effect of adoption of HKFRS 16 in FY19/20
6 Return on average total equity is calculated as profit for the year divided by average total equity during the year
7 Interest coverage (times) is calculated as adjusted EBITA (see note 5) divided by gross interest expense, adjusted to exclude notional interest on the Halla Stackpole put option and to include capitalized interest

2020	2019	2018	2017	2016	2015	2014
3,070.5	3,280.4	3,236.6	2,776.1	2,235.9	2,136.1	2,097.6
(454.9)	344.4	336.3	300.3	209.8	243.5	233.9
(471.7)	327.9	322.8	290.3	206.6	249.0	243.0
(15.2)	(38.3)	(48.6)	(43.8)	(23.9)	(29.2)	(28.1)
(486.9)	289.6	274.2	246.5	182.7	219.8	214.9
(6.8)	(8.3)	(10.2)	(8.6)	(10.0)	(8.9)	(7.0)
(493.7)	281.3	264.0	237.9	172.7	210.9	207.9
1,405.0	1,351.4	1,214.6	892.8	759.0	492.6	460.6
246.1	1,109.7	1,178.6	1,076.7	1,083.4	595.6	650.7
384.4	340.0	168.9	127.7	193.3	773.2	644.0
1,424.9	1,476.9	1,440.1	1,257.5	1,113.7	986.6	745.4
3,460.4	4,278.0	4,002.2	3,354.7	3,149.4	2,848.0	2,500.7
1,828.2	2,487.2	2,298.4	1,992.2	1,842.6	1,862.3	1,732.3
73.5	71.3	67.4	32.8	42.2	38.6	34.0
1,901.7	2,558.5	2,365.8	2,025.0	1,884.8	1,900.9	1,766.3
415.5	685.7	492.2	384.0	422.5	291.3	116.9
1,143.2	1,033.8	1,144.2	945.7	842.1	655.8	617.5
3,460.4	4,278.0	4,002.2	3,354.7	3,149.4	2,848.0	2,500.7
(55.8)	32.5	30.6	27.7	20.1	24.1	23.4
2.2	6.5	6.5	6.4	6.3	6.2	5.9
12.2	18.2	29.5	23.2	24.0	27.3	28.7
258.4	73.5	104.5	176.2	86.0	170.8	246.6
284.5	332.9	402.3	345.3	283.0	284.7	258.4
9.3%	10.1%	12.4%	12.4%	12.7%	13.3%	12.3%
488.8	517.6	569.7	478.1	390.3	373.6	343.5
15.9%	15.8%	17.6%	17.2%	17.5%	17.5%	16.4%
282.1	391.4	305.8	240.2	186.2	119.9	92.2
9.2%	11.9%	9.4%	8.7%	8.3%	5.6%	4.4%
1,401.2	2,019.2	3,236.1	2,565.6	2,643.3	3,032.5	3,282.2
1,505.8	2,436.2	3,626.7	2,854.7	2,914.7	2,589.3	2,789.1
(21.8%)	11.8%	12.5%	12.6%	9.7%	12.0%	12.8%
18%	21%	17%	16%	18%	13%	6%
48%	9%	17%	35%	16%	43%	115%
1.1	1.6	1.1	1.1	1.4	1.1	0.6
3.1	4.7	6.4	6.0	7.5	6.9	8.1
13.9	17.7	29.7	31.1	30.1	33.7	141.2

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, 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

Rating Agencies

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

Listing Information

Share Listing

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

Stock Code

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

Shareholders' Calendar

Annual General Meeting (AGM)

13 July 2023 (Thu)

Register of Shareholders

Closure of Register (both dates inclusive)
For attending AGM: 10 – 13 July 2023 (Mon – Thu)
For final dividend: 20 – 24 July 2023 (Thu – Mon)

Dividends (per Share)

Interim Dividend	: 17 HK cents
Paid on	: 18 January 2023 (Wed)
Final Dividend	: 34 HK cents
Dividend Warrants and Share Certificates for Final Dividend	: 6 September 2023 (Wed)

Review of Annual Results

The Company's annual results for the year ended 31 March 2023 has been reviewed by the Audit Committee.

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, 18 May 2023

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.