A MESSAGE FROM PATRICK WANG

To Our Shareholders

The financial year ended 31st March 2002 was the most challenging in **JOHNSON ELECTRIC'S** history as a public company. Unprecedented weakness in the global manufacturing sector coupled with high levels of customer uncertainty across virtually all of our business segments resulted in depressed demand for the Group's micromotors and motor systems.

In these exceptionally difficult market conditions, Johnson Electric's financial performance was solid though well below the levels we are striving for on an on-going basis:

- Total sales were US$774 million; a decrease of 2% compared to the 2001 financial year
- Operating profits before interest, tax and share of losses from joint venture and associated companies were US$133 million; down 4%
- Net earnings were down 24% to US$111 million - largely due to factors outside of the Group's primary operating businesses, including losses from joint venture and associated companies, as well as higher tax charges
- Earnings per share were US3.02 cents
- Net cash inflow from operations increased by 5% to a record of US$165 million
- Johnson Electric's underlying financial position remains exceptionally strong and, taking into account cash reserves of over US$128 million, the Group is debt free

Looking forward, there are encouraging indications of an improvement in trading conditions in the first months of the current financial year 2002/03 which should, if recent sales trends continue, result in a significant improvement in future performance. Excluding acquisitions completed last year, the Group's sales for the months of April and May, 2002 were more than 20% above the comparable two months in 2001.

DIVIDENDS

The Board has recommended a final dividend of 0.94 US cents per share, which together with the interim dividend of 0.38 US cents per share, represents a total dividend of 1.32 US cents (2001 - 1.32 US cents).

OPERATING ENVIRONMENT IN 2001/02

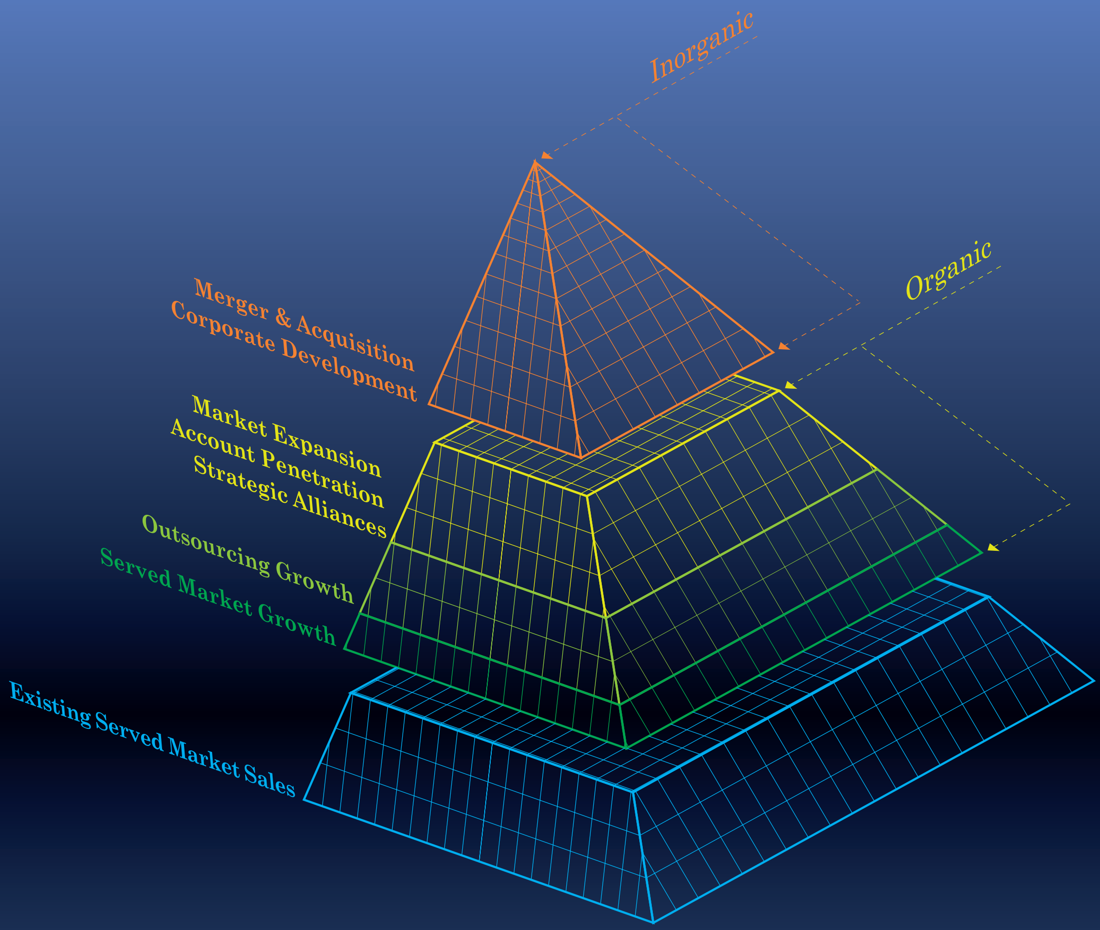
Johnson Electric supplies micromotors to a broad range of end-user applications across the world's major economies. In normal times, weakness in one business segment or geographical area is offset by above average demand in another. 2001, however, was not a typical year as the global economy experienced a painful period of readjustment following the investment boom of the 1990s.

Business investment slowed first in North America then spread rapidly to Europe. The manufacturing sector has been particularly hard hit as demand for capital equipment and components shrank, and already high inventory levels were run down sharply. A measure of how quickly the world economy shifted into reverse is the fact that while the year 2000 saw the highest increase in global trade volumes (up 12%) in more than thirty years, 2001 actually saw international trade fall by 1% - the first such decline in almost two decades.

Each of Johnson Electric's main business segments felt the effects of this broad-based downturn, which was exacerbated by the events of September 11th in the United States. Although consumer spending has generally held up remarkably well over the past few months of economic and political uncertainty, many of Johnson Electric's customers adopted an understandably cautious approach by reducing inventories and deferring orders.

The Automotive Motors Group, which contributes more than 60% of the Group's sales, recorded a 4% increase in total revenue as a result of the contributions from acquisitions completed during the year. Excluding these acquisitions, automotive revenues declined by just over 7%. The primary area of sales weakness was Johnson Electric Automotive Motors ("JEAM") in North America, which experienced lower sales of starter motors to the marine and garden industries. In addition, for most of the financial year, JEAM was engaged in a restructuring programme aimed at enhancing its longer-term competitiveness. This has involved the closure of a U.S. manufacturing facility and the successful transfer of production to Johnson Electric plants in China and Mexico.

The Commercial Motors Group, which supplies micromotors to customers in a number of application segments, saw its sales decline by 11%. Within this division, the two strongest performances came from home appliances where sales fell only slightly from the prior year, due to the continuing growth in sales to floor-care product applications, and from audio-visual products, which achieved healthy double-digit growth consistent with this business unit's relatively early stage of development. Sales from the Division's power tools, business equipment and multimedia, and personal products sectors declined quite sharply, as a result of slower consumer demand coupled with inventory corrections on the part of major customers.



Business growth over and above the "Existing Served Market Sales"(the base of the pyramid) can be catagorized as "Organic" or "Inorganic" growth. In other words, organic growth can be described as being the result of Johnson Electric programs, either in new product development, new customer acquisition, greater share of existing markets or geographic expansion. Inorganic is the term we use to describe the acquisition or purchase of another company.

GROWTH STRATEGY

PROFITABILITY AND MANAGEMENT DISCIPLINE

Profitability naturally suffered in the face of much weaker sales - although the majority of the reduction in the Group's net earnings was due to factors outside of Johnson Electric's core micromotor operations.

Lower gross margins was essentially due to the dilution caused by the consolidation of sales from businesses acquired during the year which had gross margins much lower than our existing business. Gross margins of the existing business, in fact, held up relatively well despite overall lower volumes and increased pricing pressure in certain segments, due to the continuous improvement efforts by management at our operating plants.

The reduction in profitability at the EBIT level in part reflected the continued investment by the Group in building capacity and a business infrastructure to facilitate and support Johnson Electric's long-term growth plans. Our operating leverage is such that improved sales volumes should translate quite rapidly into higher operating margins. In fact, we believe that our scalability will be a major driver of our earnings growth in the foreseeable future.

Another positive recent development in Johnson Electric's operations has been the progress in relocating the production of anti-lock braking system motors from North America to our main production facility in Shajing, China. Our superior cost base in southern China means that we are now in the position of achieving higher sales and profit margins on this product line - yet at a lower total delivered cost to our customers. This type of business improvement initiative, which requires considerable management discipline to execute effectively, is central to our strategy of delivering long-term value to our stakeholders.

During the year, we have implemented the first phase of our ERP project. This phase is a step towards building a disciplined and accurate information infrastructure. Successful implementation of this phase of the ERP project allows us to leverage our scale and achieve scalability.

Less satisfactory has been the performance of our joint venture and associated companies, which incurred higher losses than in the prior year. The Nidec Johnson Electric joint venture has taken longer than expected to achieve break-even in a difficult market environment in Japan. Similarly, the Brushless Technology Motors associated company in Italy, which is an investment in building expertise in a specific area of motors technology, has necessitated a restructuring in its business and revised pricing agreements with customers in order to put the company on a more stable footing. We are now confident of a marked improvement in the financial performance of these businesses in the current financial year.

Lastly, net earnings were significantly affected by the year-on-year change in the Group's tax position. In the prior year, Johnson Electric benefited from a net taxation credit of US$9 million. For 2001/02, however, the Group returned to a more typical level of taxation charge on profits of over US$15 million - effectively a change of approximately US$24 million compared to the previous year.

DRIVING FOR GROWTH - MICROMOTORS, CHINA AND THE GLOBAL SUPPLY CHAIN

Improving and maintaining superior levels of profitability will continue to be a top priority for management. Yet the most important long-term driver of shareholder wealth creation for a business operating in Johnson Electric's competitive arena is growth.

Despite strong positions in a number of individual product segments, the Group's overall share of the total micromotor market - including both in-house production by OEMs and a host of applications where Johnson Electric is currently not present - is less than 10 per cent. It is this potential for continuing to gain share in a growing global market for precision motors that excites us and is the focus of our development strategy.

Furthermore, two long-standing themes that underpin Johnson Electric's growth show no sign of abating. First, OEMs are increasingly impelled to seek ways to outsource non-core parts of their value chain to lower cost specialist producers. Second, China has emerged as the low cost location for manufacturing components and in the years ahead will become a pivotal part of the global supply chains of many of the world's leading multinational corporations.

Johnson Electric is uniquely positioned to benefit from the convergence of these forces. Our business hinges on working closely with global customers to deliver high quality, competitively priced small motor solutions. The core platform for delivering these solutions is a highly developed production base in China, which combines scale advantages in production and procurement with a well-trained and dedicated local workforce of approximately 20,000.

CURRENT PERFORMANCE AND OUTLOOK

Today, as many economists continue to search for concrete evidence that a sustained economic recovery is underway in the U.S. and elsewhere, it would be imprudent to offer more than the facts that we have to hand on present trading conditions. In this respect, the signs so far appear quite encouraging. As I noted earlier, excluding acquisitions completed last year, Johnson Electric's sales for the first two months of the 2002/03 financial year were more than 20% above the comparable two months in 2001 and we are seeing particularly positive signals in terms of customer orders for our newer product lines. However, with ten months of the current financial year still to go, we would caution against trying to extrapolate a full year's sales forecast from these early indications of a pick-up in customer demand.

Overall, we continue to view our business as possessing a strong competitive position in the market place and would expect a recovery in the global economy to result in a significant improvement in Johnson Electric's own economics.

On behalf of the Board, I would like to thank all of our customers, shareholders, suppliers and employees for their continued support.

On behalf of the Board

PATRICK WANG SHUI CHUNG

Chairman & Chief Executive

Hong Kong, 11th June 2002