



CHINA AUTO ELECTRONICS GROUP LIMITED

(Incorporated in Bermuda)

(Company Registration Number: 34300)

UNAUDITED RESULTS FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2014

Stock code: ChinaAElec (T42)

ABOUT CHINA AUTO ELECTRONICS GROUP LIMITED (“CAEG”)

CAEG was listed on the Mainboard of Singapore Exchange Securities Trading Limited since 9 July 2007. The principal places of business of CAEG Group are located at 215 East Part of Qibin Road, Qibin District, Hebi, Henan, People’s Republic of China 458030. CAEG Group’s principal activities include R&D, manufacturing and trading of automobile electronics products.

CAEG Group is one of the leading automobile electrical and electronics distribution system manufacturers in the PRC and is the largest PRC domestic manufacturer of automobile wire harnesses and connectors. CAEG Group’s manufacturing facilities are fully integrated with 10 production facilities across the PRC with the headquarters based in Hebi, Henan and also designs and builds its own assembly stations and equipments for the assembly of wire harnesses. CAEG Group supplies to automakers in both the PRC and overseas markets including US, Europe, Australia, Korea and Indonesia.

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Unaudited Results for the Nine Months Period Ended 30th September 2014

PART I – INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF YEAR AND FULL YEAR RESULTS

1(a) An income statement (for the group) together with a comparative statement for the corresponding period of the immediately preceding year.

	Group			+ / (-)	Group			+ / (-)
	Unaudited 3 months 30/09/2014 RMB'000	Unaudited 3 months 30/09/2013 RMB'000	%		Unaudited 9 months 30/09/2014 RMB'000	Unaudited 9 months 30/09/2013 RMB'000	%	
Revenue	562,089	484,030	16%	1,662,220	1,399,493	19%		
Cost of sales	(441,824)	(369,009)	20%	(1,313,485)	(1,094,553)	20%		
Gross profit	120,265	115,021	5%	348,735	304,940	14%		
Gross profit margin %	21%	24%		21%	22%			
Other items of income								
Interest income	1,662	1,971	-16%	7,447	9,038	-18%		
Other income	2,512	1,614	N.M.	9,379	5,328	76%		
Other items of expense								
Other expense	(1,514)	(27,627)	-95%	(8,869)	(38,759)	-77%		
Selling and distribution expenses	(10,755)	(9,031)	19%	(32,437)	(31,015)	5%		
Research and development expenses	(19,270)	(14,132)	36%	(49,181)	(36,696)	34%		
General and administrative expenses	(34,431)	(21,142)	63%	(90,526)	(75,077)	21%		
Finance costs	(12,802)	(11,202)	14%	(40,210)	(35,302)	14%		
Net profit before tax	45,667	35,472	29%	144,338	102,457	41%		
Income tax expense	(7,606)	(6,257)	22%	(21,934)	(15,863)	38%		
Net profit after tax	38,061	29,215	30%	122,404	86,594	41%		
Other comprehensive income, net of tax								
Foreign currency translation	102	166	N.M.	(252)	1,006	N.M.		
Total comprehensive income for the period	38,163	29,381	30%	122,152	87,600	39%		
Net profit attributable to:								
Owners of the parent	36,833	27,974	32%	115,117	84,111	37%		
Non-controlling interest	1,228	1,241	N.M.	7,287	2,483	193%		
	38,061	29,215	30%	122,404	86,594	41%		
Total comprehensive income attributable to:								
Owners of the parent	36,935	28,140	31%	114,865	85,117	35%		
Non-controlling interest	1,228	1,241	N.M.	7,287	2,483	N.M.		
	38,163	29,381	30%	122,152	87,600	39%		

N.M. – Not meaningful

1(a)(ii) Additional Information to the Income Statements:

The Group's profit before tax is arrived at after charging / (crediting) the following items:

	Group			Group		
	3 months	3 months	+ / (-) %	9 months	9 months	+ / (-) %
	30/09/2014	30/09/2013		30/09/2014	30/09/2013	
RMB'000	RMB'000		RMB'000	RMB'000		
Amortization of intangible assets	518	541	-4%	1,551	1,621	-4%
Depreciation of property, plant and equipment	7,888	7,445	6%	23,305	22,334	4%
Interest income	(1,662)	(1,971)	-16%	(7,447)	(9,038)	-18%
Interest expense	12,802	11,202	14%	40,210	35,302	14%
Provision for doubtful trade and other receivables	2,071	164	N.M.	2,308	164	N.M.

N.M. – Not meaningful

Note:

1. Interest income decreased due to timing differences in maturity of fixed deposits.
2. The increase in interest expense was due to the higher monthly average of short term loan for the period under review.

1(b)(i) A balance sheet (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.

	Group		Company	
	Unaudited 30/09/2014 RMB'000	Audited 31/12/2013 RMB'000	Unaudited 30/09/2014 RMB'000	Audited 31/12/2013 RMB'000
Assets				
<u>Non Current Assets</u>				
Property, plant and equipment	261,911	251,927	-	-
Intangible assets	68,532	69,733	-	-
Interest in subsidiaries	-	-	198,512	198,512
Deferred tax assets	8,107	8,107	-	-
	<u>338,550</u>	<u>329,767</u>	<u>198,512</u>	<u>198,512</u>
<u>Current Assets</u>				
Inventories	411,718	404,196	-	-
Trade and other receivables	843,040	879,061	304,762	310,929
Financial assets, available-for-sale	1,800	1,800	-	-
Bank deposits pledged	339,446	253,810	-	-
Cash and cash equivalents	114,168	102,557	1,891	687
	<u>1,710,172</u>	<u>1,641,424</u>	<u>306,653</u>	<u>311,616</u>
Total Assets	<u>2,048,722</u>	<u>1,971,191</u>	<u>505,165</u>	<u>510,128</u>
Liabilities				
<u>Current Liabilities</u>				
Trade and other payables	774,281	712,255	49,396	50,687
Short-term borrowings	453,597	569,320	-	-
Finance leases	14,688	13,690	-	-
Provision for income tax	11,162	5,831	-	-
	<u>1,253,728</u>	<u>1,301,096</u>	<u>49,396</u>	<u>50,687</u>
<u>Non Current Liabilities</u>				
Finance leases	28,572	20,724	-	-
Deferred government grant	21,650	22,652	-	-
	<u>1,303,950</u>	<u>1,344,472</u>	<u>49,396</u>	<u>50,687</u>
Total Liabilities	<u>1,303,950</u>	<u>1,344,472</u>	<u>49,396</u>	<u>50,687</u>
Net Assets	<u>744,772</u>	<u>626,719</u>	<u>455,769</u>	<u>459,441</u>
Equity				
Capital & Reserves attributable to equity holders of the Company				
Share capital	490,115	490,115	623,026	623,026
Other reserves	235,800	237,373	71,753	71,753
Accumulated losses	(25,704)	(140,821)	(239,009)	(235,338)
	<u>700,211</u>	<u>586,667</u>	<u>455,770</u>	<u>459,441</u>
Non-controlling interest	44,561	40,052	-	-
Total Equity	<u>744,772</u>	<u>626,719</u>	<u>455,770</u>	<u>459,441</u>
Total Equity & Liabilities	<u>2,048,722</u>	<u>1,971,191</u>	<u>505,166</u>	<u>510,128</u>

1(b)(ii) Aggregate amount of group's borrowings and debt securities.

	Group	
	Unaudited 30/09/2014 RMB'000	Audited 31/12/2013 RMB'000
Amount repayable in one year or less, or demand		
Secured	249,597	394,320
Unsecured	204,000	175,000
	453,597	569,320
Amount repayable after one year		
Secured	-	-
Unsecured	-	-
	-	-

Details of any collateral

Short-term borrowings

As at 30 September 2014, the following Group's borrowings are secured by collaterals as follows:

	Group	Group
	Unaudited 30/09/2014 RMB'000	Audited 31/12/2013 RMB'000
Fixed deposits collateral	93,189	90,527
Accounts receivable	84,248	199,593
Production and office buildings	62,000	66,000
Bills receivable	10,160	38,200
	249,597	394,320
<u>Corporate guarantees</u>		
Provided by unrelated third parties	185,000	160,000
Provided by a subsidiary of the Group	19,000	15,000
	204,000	175,000
Total	453,597	569,320

1(c) A cash flow statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Group		Group	
	Unaudited 3 months 30/9/2014 RMB'000	Unaudited 3 months 30/9/2013 RMB'000	Unaudited 9 months 30/9/2014 RMB'000	Unaudited 9 months 30/9/2013 RMB'000
Cash flows from operating activities				
Profit before tax	45,667	35,472	144,338	102,457
<i>Adjustments for:</i>				
Amortisation of intangible assets	518	541	1,551	1,621
Depreciation of property, plant and equipment	7,888	7,445	23,305	22,334
Allowance for slow-moving inventories	-	24,419	-	24,419
Allowance for doubtful trade and other receivables	2,071	164	2,308	164
Impairment loss on property, plant and equipment	-	-	(228)	-
Reversal for doubtful trade and other receivables	-	(2,200)	-	(2,200)
Loss / (Gain) from disposal of property, plant and equipment	129	-	(270)	-
Amortisation of government grant	(334)	-	(1,002)	-
Interest income	(1,662)	(1,971)	(7,447)	(9,038)
Interest expense	12,802	11,202	40,210	35,302
Operating profit before working capital changes	67,079	75,072	202,765	175,059
<i>Changes in working capital</i>				
Inventories	(20,714)	(7,866)	(7,522)	(2,565)
Trade and other receivables	110,847	(81,511)	33,710	(93,323)
Trade and other payables	14,557	(24,493)	(34,333)	(81,554)
Cash generated from / (used in) operations	171,769	(28,140)	194,620	8,275
Interest income received	1,662	1,971	7,447	9,038
Income tax paid	(4,337)	(649)	(16,602)	(9,669)
Net cash generated from / (used in) operating activities	169,094	(26,818)	185,465	7,644
Cash flows from investing activities				
Purchase of property, plant and equipment	(13,608)	(9,124)	(32,187)	(17,657)
Purchase of intangible assets	-	(154)	(1,085)	(154)
Cash paid to acquire investments	-	-	(1,700)	-
Cash received for subsidy income related to asset	-	-	-	5,000
Proceeds from disposal of property, plant and equipment	131	265	131	1,027
Net cash used in investing activities	(13,477)	(9,013)	(34,841)	(11,784)

Cash flows from financing activities				
Net proceeds from short-term borrowings	(145,719)	39,925	(115,723)	64,457
Other cash payments relating to financing activities	15,181	3,121	6,916	36,340
Changes in bill payable	7,136	(5,262)	96,240	10,658
Cash restricted in use	34,941	26,984	(85,636)	(39,839)
Dividends paid to non-controlling interest	-	-	(2,400)	(3,600)
Interest expense paid	(12,004)	(11,202)	(38,158)	(35,302)
Net cash used in financing activities	(100,465)	42,908	(138,761)	22,056
Net increase in cash and bank balances	55,152	7,077	11,863	17,916
Exchange gains/(losses) on cash and cash equivalents	102	166	(252)	1,006
Cash and cash equivalents at beginning of period	58,914	82,585	102,557	70,906
Cash and cash equivalents at end of period	114,168	89,828	114,168	89,828

Note to the Unaudited Consolidated Statements of Cash Flows

Note A: Cash and cash equivalents

Cash and bank balances	453,614	414,480	453,614	414,480
Less: Bank deposits pledged	(339,446)	(324,652)	(339,446)	(324,652)
Cash and cash equivalents	114,168	89,828	114,168	89,828

1(d) (i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalization issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

Group	Share Capital RMB'000	Other Reserves RMB'000	Accumulated Loss RMB'000	Attributable to the Equity holders of the RMB'000	Non-controlling interest RMB'000	Total Equity RMB'000
At 1 January 2014	490,115	237,373	(140,821)	586,667	40,052	626,719
Profit net of tax	-	-	115,117	115,117	7,287	122,404
Other comprehensive income for the period	-	(252)	-	(252)	-	(252)
Change in shareholding in non-controlling interests of subsidiaries	-	(1,321)	-	(1,321)	(378)	(1,699)
Dividends paid to non-controlling interest	-	-	-	-	(2,400)	(2,400)
At 30 September 2014	490,115	235,800	(25,704)	700,211	44,561	744,772
At 1 January 2013	490,115	228,164	(234,940)	483,339	37,413	520,752
Profit net of tax	-	-	84,111	84,111	2,483	86,593
Other comprehensive income for the period	-	1,006	-	1,006	-	1,006
Dividends paid to non-controlling interest	-	-	-	-	(3,600)	(3,600)
At 30 September 2013	490,115	229,170	(150,829)	568,456	36,296	604,752

Company	Share capital RMB'000	Other reserves RMB'000	Accumulated loss RMB'000	Total equity RMB'000
At 1 January 2014	623,026	71,753	(235,338)	459,441
Profit net of tax, representing total comprehensive income for the period	-	-	(3,671)	(3,671)
At 30 September 2014	623,026	71,753	(239,009)	455,770
At 1 January 2013	623,026	71,753	(227,511)	467,268
Profit net of tax, representing total comprehensive income for the period	-	-	(2,814)	(2,168)
At 30 September 2013	623,026	71,753	(230,325)	464,454

- 1(d) (ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles, as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

	Company	
	Number of shares issued	Share capital RMB'000
Issued and fully paid: As at 30 September 2014	681,600,000	623,026

The Company does not have any outstanding convertibles or treasury shares as at the end of the current financial period.

- 1(d) (iii) Total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.

	Company	
	30/09/2014	31/12/2013
Total number of issued shares	681,600,000	681,600,000

- 1(d) (iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

Not applicable.

- 2 Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.

The financial statements of the Group and the Company for the current financial period reported on have been prepared in accordance with Singapore Financial Reporting Standards ("SFRS") and have neither been audited nor reviewed by the Auditors.

- 3 Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of matter).

Not applicable.

4 Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.

Except as disclosed in Paragraph 5 below, the accounting policies have been consistently applied by the Group, and are consistent with those used in the preparation of the financial statements for the financial year ended 31 December 2013.

5 If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.

The Group has adopted the applicable new and revised Singapore Financial Reporting Standards ("SFRS") and Interpretations of Financial Reporting Standards ("INT FRS") which became effective for the accounting periods on or after January 2014. The adoption of these new and revised SFRS and INT FRS have no significant impact on the group.

6 Earnings per ordinary share of the group for the current period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.

	Group		Group	
	Unaudited 3 months 30/09/2014	Unaudited 3 months 30/9/2013	Unaudited 9 months 30/09/2014	Unaudited 9 months 30/9/2013
Earnings per shares ("EPS")				
Basic EPS (RMB cents)	<u>5.40</u>	<u>4.10</u>	<u>16.89</u>	<u>12.34</u>
Diluted EPS (RMB cents)	<u>5.40</u>	<u>4.10</u>	<u>16.89</u>	<u>12.34</u>
Issued and paid up share capital				
No. of ordinary shares	<u>681,600,000</u>	<u>681,600,000</u>	<u>681,600,000</u>	<u>681,600,000</u>
Issued share options				
No. of ordinary shares	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Basic EPS is calculated by dividing the Group's net profits attributable to equity holders of the Company by the weighted average of ordinary shares for the financial period.

There are no dilutive instruments issued by the Company for financial period ended 30 September 2014 and 30 September 2013.

- 7 **Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the (a) current financial period reported on and (b) immediately preceding financial year.**

	Group		Company	
	30/09/2014	31/12/2013	30/09/2014	31/12/2013
Net asset value per share				
Net asset value per share (RMB cents)	102.73	86.07	66.87	67.41
Issued and paid up share capital				
- No. of ordinary shares	681,600,000	681,600,000	681,600,000	681,600,000

- 8 **A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. The review must discuss any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors. It must also discuss any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.**

A) A REVIEW OF OPERATING PERFORMANCE FOR 9M2014

	China operations			US operations			Group total		
	9 months 30/09/2014 RMB'000	9 months 30/09/2013 RMB'000	+ /(-) %	9 months 30/09/2014 RMB'000	9 months 30/09/2013 RMB'000	+ /(-) %	9 months 30/09/2014 RMB'000	9 months 30/09/2013 RMB'000	+ /(-) %
Revenue	1,258,523	1,145,631	10%	403,697	253,862	59%	1,662,220	1,399,493	19%
Cost of sales	(930,996)	(851,310)	9%	(382,489)	(243,243)	57%	(1,313,485)	(1,094,553)	20%
Gross profit	327,527	294,321	11%	21,208	10,619	100%	348,735	304,940	14%
Gross profit margin	26%	26%	0%	5%	4%	1%	21%	22%	-1%

The Group recorded a net profit after tax of RMB 122.4 million for the nine months financial period ended 30 September 2014 ("9M2014") as compared to RMB 86.6 million in 9M2013.

Revenue

Group revenue increased by 19% to RMB 1.66 billion.

Revenue from China operations increased by 10% to RMB 1.26 billion, while Overseas operations increased by 59% to RMB 403.7 million. The increase in sales for overseas operations was mainly a result of more new car models being launched to meet customers' demands in the US.

Gross profit and gross profit margin

Gross profit margin for the Group maintained at 21% while the gross profit increased by 14% to RMB 348.7 million. The gross profit of China and US operations had increased by 11% and 100% respectively due to higher sales volume.

Other income

Other income increased by RMB 4.05 million to RMB 9.4 million, which was mainly due to the compensation received from insurance company for the fire damage suffered by one of our subsidiaries (Please refer to related announcement dated 8th July 2012) and subsidy income from the government recognized for the period.

Other expense

Other expense decreased by 77% or RMB 29.9 million to 8.9 million, which was mainly due to reduction in impairment loss on assets of RMB 24.6 million and assets write-off of RMB 2.5 million.

Research & Development expenses

R&D expenses increased by 34% (or RMB 12.5 million) to RMB 49.2 million. This was incurred for the development of new projects to seek opportunities to secure future sales with new and existing customers.

General and administrative expenses

General and administrative expenses increased by 21% (or RMB 15.4 million) to RMB 90.5 million. The increase was mainly due to increase in staff related expenses of RMB 9.4 million and increase in provision for asset impairment of RMB 4.3 million. The increase in staff related expenses was in line with the increase in sales activities during the financial period under review.

Finance costs

Finance costs increased by 14% (or RMB 4.9 million) to RMB 40.2 million, which was due to increase in bank charges for discounting bills receivables.

Income tax expenses

Income tax expense increased by 38% (or RMB 6.1 million) resulting from higher taxable income for the period under review.

B) A REVIEW OF FINANCIAL POSITION AS AT 30TH SEPTEMBER 2014**Property, plant and equipment**

The increase in property, plant and equipment of RMB 10.0 million was mainly due to new purchase of plant & equipment of RMB 32.2 million, but offset by depreciation expense of RMB 23.3 million.

Intangible assets

The decrease in intangible assets was due to amortization charged for land use rights, computer equipments and patent assets during the period.

Trade and other receivables

Trade receivables decreased by RMB 36.0 million to RMB 843.0 million, due to higher level of collection from trade receivables for the period under review.

Trade and other payables

The increase in trade and other payables was in line with higher amount of sales and manufacturing activities.

Short-term borrowings

Short-term borrowings decreased by RMB 115.7 million to RMB 453.6 million due to higher level of loans repaid for the period under review.

C) A REVIEW OF CASH FLOW POSITION FOR 9M2014

The Group generated RMB 185.5 million from operating activities as compared to RMB 7.6 million for the same period last year, was mainly due to higher amount of profits and collections from trade receivables during the current period under review. After payment for investing activities of RMB34.8 million and financing activities of RMB138.8 million, the cash and cash equivalent as at 30 September 2014 amounted to RMB 114.2 million.

9 Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

No forecast has been issued for the financial period under review.

10 A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

The PRC economy in 2014 continues to show stable growth, which in turn has positively impacted the overall car sales growth in PRC. This would bode well for the Group's performance.

The Group will continue to streamline its operations, and its effort to increase sales and expansion to overseas markets. Barring any unforeseen circumstances, the Group remains cautiously optimistic of its performance in 2014.

11 Dividend

(a) Current Financial Period Reported On

Any dividend recommended for the current financial period reported on?

Not applicable.

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year?

Not applicable.

(c) Date payable

Not applicable.

(d) Books closure date

Not applicable.

12 If no dividend has been declared/recommended, a statement to that effect.

No dividend has been declared or recommended for the financial period ended 30 September 2014.

13 Interested Person Transactions

No general mandate has been obtained from shareholders for interested person transactions.

14 Confirmation by the Board pursuant to Rule 705(5) of the Listing Manual.

We, Zhang Jingtang and Wang Laisheng, being directors of the Company, do hereby confirm for and on behalf of the Board of Directors of the Company that, to the best of our knowledge, nothing has come to the attention of the Board of Directors of the Company which may render the unaudited interim financial results for the financial period ended 30 September 2014 to be false or misleading in any material aspect.

Zhang Jingtang
Executive Chairman

Wang Laisheng
Executive Director

BY ORDER OF THE BOARD
China Auto Electronics Group Limited

Date: 14th November 2014