

CIRCULAR DATED 22 NOVEMBER 2016

THIS CIRCULAR IS IMPORTANT AS IT CONTAINS THE RECOMMENDATIONS OF THE INDEPENDENT DIRECTORS (AS DEFINED HEREIN) OF CHINA AUTO ELECTRONICS GROUP LIMITED AND THE ADVICE AND RECOMMENDATIONS OF KPMG CORPORATE FINANCE PTE LTD., THE INDEPENDENT FINANCIAL ADVISER TO THE INDEPENDENT DIRECTORS. THIS CIRCULAR REQUIRES YOUR IMMEDIATE ATTENTION AND YOU SHOULD READ IT CAREFULLY.

This Circular is issued by China Auto Electronics Group Limited (the “Company”). If you are in any doubt as to the contents herein or as to any action you should take, you should consult your stockbroker, bank manager, solicitor, accountant, tax adviser or any other professional adviser immediately.

If you have sold or transferred all your shares in the capital of the Company represented by physical share certificate(s), you should immediately forward this Circular to the purchaser or transferee or to the bank, stockbroker or agent through whom the sale or transfer was effected for onward transmission to the purchaser or the transferee. If you have sold or transferred all your shares in the capital of the Company held through The Central Depository (Pte) Limited, you need not forward this Circular to the purchaser or transferee.

The Singapore Exchange Securities Trading Limited assumes no responsibility for the accuracy or correctness of any of the statements made, reports contained or opinions expressed in this Circular.



THB

CHINA AUTO ELECTRONICS GROUP LIMITED

(Company Registration Number: 34300)

(Incorporated in Bermuda with limited liability on 8 October 2003)

CIRCULAR TO SHAREHOLDERS

in relation to the

MANDATORY UNCONDITIONAL CASH OFFER

by



STIRLING COLEMAN

施霖高诚

www.stirlingcoleman.com

STIRLING COLEMAN CAPITAL LIMITED

(Company Registration Number: 200105040N)

(Incorporated in the Republic of Singapore)

for and on behalf of

THB AUTO ELECTRONICS LIMITED

(Company Registration Number: 1909352)

(Incorporated in the British Virgin Islands)

to acquire all the issued and paid-up ordinary shares in the capital of the Company other than those already owned, controlled or agreed to be acquired by the Offeror (as defined herein)

Independent Financial Adviser to the Independent Directors in respect of the Offer (as defined herein)



KPMG CORPORATE FINANCE PTE LTD.

(Company Registration Number: 198500417D)

(Incorporated in the Republic of Singapore)

SHAREHOLDERS SHOULD NOTE THAT THE OFFER DOCUMENT STATES THAT ACCEPTANCES SHOULD BE RECEIVED BY THE CLOSE OF THE OFFER AT 5.30 P.M. (SINGAPORE TIME) ON 6 DECEMBER 2016 OR SUCH LATER DATE(S) AS MAY BE ANNOUNCED FROM TIME TO TIME BY OR ON BEHALF OF THE OFFEROR.

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DEFINITIONS

In this Circular, the following definitions apply throughout unless otherwise stated:

“ 1H2016 ”	Financial period from 1 January 2016 to 30 June 2016
“ Bondholders ”	Brain and Oriental Success, collectively
“ Bonds ”	The aggregate outstanding principal amount of S\$60.0 million convertible bonds due 2018 held by the Bondholders
“ Bonds Issue ”	Shall have the meaning ascribed to it in paragraph 4.3 of Appendix II to this Circular
“ Brain ”	Brain International Investment Ltd.
“ Bye-Laws ”	The bye-laws of the Company, as may be amended or modified from time to time
“ CDP ”	The Central Depository (Pte) Limited
“ Circular ”	This circular to Shareholders issued by the Company in relation to the Offer
“ Closing Date ”	6 December 2016, or such later date(s) as may be announced from time to time by or on behalf of the Offeror, being the last day for the lodgement of acceptances for the Offer
“ Code ”	The Singapore Code on Take-overs and Mergers, as may be amended, supplemented or modified from time to time
“ Company ”	China Auto Electronics Group Limited
“ Company Securities ”	(i) Shares; or (ii) securities which carry voting rights in the Company; or (iii) convertible securities, warrants, options or derivatives in respect of (i) or (ii)
“ Consortium Agreement ”	Shall have the meaning ascribed to it in section 4.2 of this Circular
“ Directors ”	The directors of the Company (including the Independent Directors) as at the Latest Practicable Date
“ Excluded Directors ”	Mr. Zhang Jingtang, Mr. Wang Laisheng, Mr. Yang Yong Jun, Mr. Shen Zhifu and Mr. Chua Meng Hing
“ FAA ”	Form of Acceptance and Authorisation for Offer Shares, which forms part of the Offer Document and which is issued to Shareholders whose Shares are deposited with CDP
“ FAT ”	Form of Acceptance and Transfer for Offer Shares, which forms part of the Offer Document and which is issued to Shareholders whose Shares are not deposited with CDP
“ FY ”	Financial year ended or ending (as the case may be) on 31 December of a particular year as stated
“ Group ”	The Company and its subsidiaries

DEFINITIONS

“Henghuai”	Sailing M&A Henghuai Investment Fund Partnership (Limited Partnership) (上海赛领恒槐股权投资基金合伙企业(有限合伙))
“IFA”	KPMG Corporate Finance Pte Ltd., the independent financial adviser to the Independent Directors in respect of the Offer
“IFA Letter”	The letter dated 18 November 2016 by the IFA to the Independent Directors containing, <i>inter alia</i> , the advice and recommendations of the IFA to the Independent Directors in respect of the Offer, as set out in Appendix I to this Circular
“Independent Directors”	The directors of the Company who are regarded to be independent for the purposes of making a recommendation to the Shareholders in respect of the Offer, namely Mr. Sim Hong Boon and Mr. Zhang Shulin
“Interested Person”	As defined in the note on Rule 23.12 of the Code
“Latest Practicable Date”	9 November 2016, being the latest practicable date prior to the printing of this Circular
“Listing Manual”	The listing manual of the Main Board of the SGX-ST in force as at the Latest Practicable Date
“Market Day”	A day on which the SGX-ST is open for trading of securities
“Offer”	The mandatory unconditional cash offer by Stirling Coleman, for and on behalf of the Offeror, to acquire all the Offer Shares on the terms and subject to the conditions set out in the Offer Document, the FAA and the FAT, as such offer may be amended, extended and revised from time to time by or on behalf of the Offeror
“Offer Announcement”	The announcement issued by Stirling Coleman, for and on behalf of the Offeror, on the Offer Announcement Date in relation to the Offer
“Offer Announcement Date”	24 October 2016, being the date of the Offer Announcement
“Offer Document”	The offer document dated 8 November 2016 issued by Stirling Coleman, for and on behalf of the Offeror, in respect of the Offer, and any other document(s) which may be issued by or on behalf of the Offeror to amend, revise, supplement or update such offer document from time to time
“Offer Price”	S\$0.16 in cash for each Offer Share
“Offer Shares”	All Shares to which the Offer relates, as more particularly defined in section 2.2 of this Circular
“Offeror”	THB Auto Electronics Limited
“Offeror Securities”	(i) Offeror Shares; or (ii) securities which carry voting rights in the Offeror; or (iii) convertible securities, warrants, options or derivatives in respect of (i) or (ii)

DEFINITIONS

“Offeror Shares”	Issued and paid-up ordinary shares in the share capital of the Offeror
“Oriental Success”	Oriental Success International Investment Ltd.
“Overseas Shareholders”	Shall have the meaning ascribed to it in section 10 of this Circular
“PRC”	The People’s Republic of China
“Securities Account”	A securities account maintained by a depositor with CDP but does not include a securities sub-account
“Securities and Futures Act”	The Securities and Futures Act (Chapter 289) of Singapore as amended, supplemented or modified from time to time
“SGX-ST”	Singapore Exchange Securities Trading Limited
“Share Transfer Agent”	B.A.C.S. Private Limited
“Shareholders”	Registered holders of Shares, including Depositors whose Shares are deposited with CDP or who have purchased the Shares on the SGX-ST, and “Shareholder” shall be construed accordingly
“Shares”	Ordinary shares in the capital of the Company
“Shine”	Shine Sound Investments Ltd.
“Shine Undertaking”	Shall have the meaning ascribed to it in paragraph 5.9(i) of Appendix II to this Circular
“SIC”	Securities Industry Council of Singapore
“Stirling Coleman”	Stirling Coleman Capital Limited
“Undertakings”	The Shine Undertaking and the Zoro Undertaking, collectively
“THB Holding”	THB Holding Limited
“Zoro”	Zoro Express International Ltd.
“Zoro Undertaking”	Shall have the meaning ascribed to it in paragraph 5.9(ii) of Appendix II to this Circular
<u>Units and currencies</u>	
“RMB”	Renminbi, being the lawful currency of the PRC
“US\$”	United States Dollars, being the lawful currency of the United States of America
“\$” or “S\$” and “cents”	Singapore dollars and cents, respectively, being the lawful currency of Singapore
“%” or “per cent.”	Per centum or percentage

Acting in Concert. The expression “acting in concert” shall have the meaning ascribed to it in the Code.

DEFINITIONS

Depositors and Depository Agents. The terms “depositor” and “depository agent” shall have the meanings ascribed to them respectively in Section 81SF of the Securities and Futures Act.

Gender. Words importing the singular shall, where applicable, include the plural and *vice versa* and words importing the masculine gender shall, where applicable, include the feminine and neuter gender and *vice versa*. References to persons shall, where applicable, include corporations.

Headings. The headings in this Circular are inserted for convenience only and shall be ignored in construing this Circular.

Rounding. Any discrepancies in figures included in this Circular between amounts shown and the totals thereof are due to rounding. Accordingly, figures shown as totals in this Circular may not be arithmetic aggregations of the figures that precede them.

Shareholders. References to “you”, “your” and “yours” in this Circular are, as the context so determines, to Shareholders (including persons whose Offer Shares are deposited with CDP or who have purchased Offer Shares on the SGX-ST).

Statutes. Any reference in this Circular to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any word defined in the Companies Act, the Listing Manual or the Code or any modification thereof and used in this Circular shall, where applicable, have the meaning assigned to it under the Companies Act, the Listing Manual or the Code, or any modification thereof, as the case may be, unless the context otherwise requires.

Time and Date. Any reference to a time of the day and date in this Circular shall be a reference to Singapore time and date, respectively, unless otherwise stated.

Total Number of issued Shares. Any reference in this Circular to the total number of issued Shares is a reference to a total of 1,348,266,667 Shares as at the Latest Practicable Date.

Statements which are reproduced in their entirety from the Offer Document, the IFA Letter and the Bye-Laws are set out in this Circular within quotes and in *italics*, and capitalised terms used within these reproduced statements shall bear the meanings ascribed to them in the Offer Document, the IFA Letter and the Bye-Laws respectively.

CAUTIONARY NOTE ON FORWARD-LOOKING STATEMENTS

All statements other than statements of historical facts included in this Circular are or may be forward-looking statements. Forward-looking statements include but are not limited to those using words such as “seek”, “expect”, “anticipate”, “believe”, “intend”, “project”, “plan”, “strategy”, “forecast” and similar expressions or future or conditional verbs such as “if”, “will”, “would”, “shall”, “should”, “could”, “may” and “might”. These statements reflect the Company’s current expectations, beliefs, hopes, intentions or strategies regarding the future and assumptions in light of currently available information. Such forward-looking statements are not guarantees of future performance or events and involve known and unknown risks and uncertainties. Accordingly, actual results may differ materially from those described in such forward-looking statements. Shareholders and investors should not place undue reliance on such forward-looking statements, and neither the Company nor the IFA undertakes any obligation to update publicly or revise any forward-looking statements, subject to compliance with all applicable laws and regulations and/or the rules of the SGX-ST and/or any other regulatory or supervisory body or agency.

INDICATIVE TIMETABLE

Date of despatch of the Offer Document	:	8 November 2016
Date of despatch of this Circular	:	22 November 2016
Closing Date and time ⁽¹⁾	:	5.30 p.m. (Singapore time) on 6 December 2016, or such later date(s) as may be announced from time to time by or on behalf of the Offeror, being the last date and time for the lodgement of acceptances of the Offer
Date of settlement of consideration for valid acceptances of the Offer ⁽²⁾	:	Within seven (7) business days after receipt of such acceptances and all relevant documents required by the Offeror which are complete in all respects and in accordance with the instructions and requirements stated in the Offer Document and the FAA and/or the FAT (as the case may be)

Notes:

- (1) Please refer to paragraph 1 of Appendix 5 to the Offer Document for further details.
- (2) Please refer to paragraph 2 of Appendix 5 to the Offer Document for further details.

LETTER TO SHAREHOLDERS

CHINA AUTO ELECTRONICS GROUP LIMITED

(Company Registration Number: 34300)

(Incorporated in Bermuda with limited liability on 8 October 2003)

Directors :

Zhang Jingtang (Executive Chairman)
Wang Laisheng (Executive Director)
Yang Yong Jun (Non-Executive Director)
Shen Zhifu (Non-Executive Director)
Sim Hong Boon (Lead Independent Director)
Zhang Shulin (Independent Director)
Chua Meng Hing (Independent Director)

Registered Office :

Canon's Court
22 Victoria Street
Hamilton HM 12
Bermuda

22 November 2016

To: The Shareholders of China Auto Electronics Group Limited

Dear Sir/Madam

MANDATORY UNCONDITIONAL CASH OFFER BY STIRLING COLEMAN CAPITAL LIMITED, FOR AND ON BEHALF OF THB AUTO ELECTRONICS LIMITED, FOR THE OFFER SHARES

1. INTRODUCTION

1.1 Offer Announcement

On 24 October 2016, Stirling Coleman announced, for and on behalf of the Offeror, *inter alia*, that the Offeror intends to make a mandatory unconditional cash offer for all the issued Shares other than those already owned, controlled or agreed to be acquired by the Offeror, due to the conversion of the Bonds by persons acting in concert with the Offeror for the purposes of the Offer, which resulted in the Offeror and its concert parties having incurred an obligation to extend the Offer pursuant to Rule 14 of the Code.

A copy of the Offer Announcement dated 24 October 2016 is available on the website of the SGX-ST at <http://www.sgx.com>.

1.2 Offer Document

Shareholders should have, as at the date of this Circular, received a copy of the Offer Document, as announced by Stirling Coleman, for and on behalf of the Offeror, to have been despatched on 8 November 2016, setting out, *inter alia*, the terms and conditions of the Offer. The principal terms and conditions of the Offer are set out in section 2 of the Offer Document and Appendix 5 to the Offer Document.

Shareholders are urged to read the terms and conditions of the Offer set out in the Offer Document carefully.

A copy of the Offer Document is available on the website of the SGX-ST at <http://www.sgx.com>.

1.3 Independent Financial Adviser

KPMG Corporate Finance Pte Ltd. has been appointed as the IFA to the Independent Directors in respect of the Offer. The advice of the IFA is set out in the IFA Letter in **Appendix I** to this Circular.

LETTER TO SHAREHOLDERS

1.4 Purpose of this Circular

The purpose of this Circular is to provide Shareholders with relevant information pertaining to the Offer and to set out the recommendations of the Independent Directors and the advice and recommendations of the IFA to the Independent Directors in respect of the Offer.

Shareholders should read the Offer Document, this Circular and the IFA Letter carefully and consider the advice and recommendations of the IFA to the Independent Directors and the recommendations of the Independent Directors set out in this Circular before deciding whether or not to accept the Offer.

If you are in any doubt about the Offer, you should consult your stockbroker, bank manager, solicitor, accountant, tax adviser or other professional adviser immediately.

2. THE OFFER

Based on information set out in the Offer Document, Stirling Coleman has, for and on behalf of the Offeror, made the Offer to acquire all the Offer Shares on the terms and subject to the conditions set out in the Offer Document, the FAA and the FAT. The principal terms and conditions of the Offer, as extracted from the Offer Document, are set out below.

2.1 Offer Price

Section 2.1 of the Offer Document states that the Offer Price for each Offer Share will be as follows:

“For each Offer Share: S\$0.16 in cash”

Section 2.1 of the Offer Document further states, *inter alia*, the following:

“The Offeror does not intend to revise the Offer Price.”

2.2 Offer Shares

Section 1.1 of the Offer Document states, *inter alia*, the following:

“... the Offeror intends to make the Offer for all the Shares in the capital of the Company other than those already owned, controlled or agreed to be acquired by the Offeror (the “Offer Shares”).”

Section 2.2 of the Offer Document further states, *inter alia*, the following:

“The Offer is extended, on the same terms and conditions, to all the Offer Shares.”

2.3 No Encumbrances

Section 2.1 of the Offer Document states, *inter alia*, the following:

“The Offer Shares will be acquired:

- (a) *fully paid;*
- (b) *free from all claims, charges, liens, mortgages, encumbrances, hypothecation, retention of title, power of sale, equity, options, rights of pre-emption, rights of first refusal or other third party rights or interests of any nature whatsoever (“Encumbrances”); and*

LETTER TO SHAREHOLDERS

- (c) *together with all rights, benefits and entitlements attached thereto as at the Offer Announcement Date and hereafter attaching thereto, including the right to receive and retain all dividends, rights, other distributions and return of capital (“Distributions”) (if any) which may be announced, declared, paid or made by the Company on or after the Offer Announcement Date.*

Without prejudice to the foregoing, the Offer Price has been determined on the basis that the Offer Shares will be acquired with the right to receive any Distribution that may be declared, paid or made by the Company on or after the Offer Announcement Date.

In the event any Distribution is or has been declared, paid or made by the Company on or after the Offer Announcement Date to a Shareholder who validly accepts or has validly accepted the Offer, the Offer Price payable to such accepting Shareholder shall be reduced by an amount which is equal to the amount of such Distribution depending on when the settlement date in respect of the Offer Shares tendered in acceptance by Shareholders pursuant to the Offer falls, as follows:

- (i) *if such settlement date falls on or before the books closure date for the determination of entitlements to the Distribution (the “Books Closure Date”), the Offeror shall pay the relevant accepting Shareholders the unadjusted Offer Price for each Offer Share, as the Offeror will receive the Distribution in respect of such Offer Shares from the Company; or*
- (ii) *if such settlement date falls after the Books Closure Date, the Offer Price shall be reduced by an amount which is equal to the amount of the Distribution in respect of each Offer Share, as the Offeror will not receive the Distribution in respect of such Offer Shares from the Company.”*

2.4 Offer Unconditional

Section 2.3 of the Offer Document states the following:

“The Offer will be unconditional in all respects.”

2.5 Warranty

Section 2.4 of the Offer Document states the following:

“Acceptance of the Offer will be deemed to constitute an unconditional and irrevocable warranty by the accepting Shareholder that each Offer Share tendered in acceptance of the Offer is sold by the accepting Shareholder, as or on behalf of the beneficial owner(s) thereof, (a) fully paid-up, (b) free from Encumbrances, and (c) together with all rights, benefits and entitlements attached thereto as at the Offer Announcement Date and thereafter attaching thereto (including the right to receive and retain all Distributions which may be announced, declared, paid or made thereon by the Company on or after the Offer Announcement Date).”

2.6 Duration of the Offer

Paragraph 1 of Appendix 5 to the Offer Document states the following:

“Pursuant to Rule 22.3 of the Code, except insofar as the Offer is withdrawn with the consent of the SIC and every person released from any obligation incurred thereunder, the Offer will remain open for acceptances by Shareholders for a period of at least 28 days from the date of posting of the Offer Document.

Accordingly, the Offer will close at 5.30 p.m. (Singapore Time) on 6 December 2016 or such later date(s) as may be announced from time to time by or on behalf of the Offeror.”

LETTER TO SHAREHOLDERS

2.7 Details of the Offer

The Offer is made in accordance with the principal terms and conditions as set out in the Offer Document. Further details of the Offer, including details on (a) the settlement of the consideration for the Offer, (b) the requirements relating to the announcement of the level of acceptances of the Offer, and (c) the right of withdrawal of acceptances of the Offer, are set out in Appendix 5 to the Offer Document.

2.8 Procedures for Acceptance

The procedures for acceptance of the Offer are set out in Appendix 6 to the Offer Document.

3. CONVERTIBLE BONDS

Information on the Bonds, the conversion of the Bonds, the mandatory takeover obligation incurred, and the treatment of the Bonds is set out in section 4 of the Offer Document, which is extracted and reproduced in *italics* below. All terms and expressions used in the extract below shall have the same meanings as those defined in the Offer Document, unless otherwise stated.

“4. CONVERTIBLE BONDS

4.1 The Bonds

The Company had on 9 November 2015 completed the issue of the Bonds to the Bondholders. The Bonds were issued pursuant to the terms of the Bond Purchase Agreement. Pursuant to the Bond Purchase Agreement, Brain and Oriental Success subscribed for an aggregate principal amount of S\$32 million and S\$28 million of Bonds, respectively.

4.2 Brain

*Brain is an investment holding company incorporated in the BVI. It is 99% indirectly owned by Shanghai Zheng Tong Venture Investment Co., Ltd. (上海正同创业投资有限公司) (“**Shanghai Zheng Tong**”), a private equity fund principally based in Shanghai, the PRC, with investments in a number of companies listed on the Shenzhen Stock Exchange. The ultimate substantial beneficial owners of Brain are PRC nationals who are private investors and/or senior management of affiliates of Shanghai Zheng Tong.*

4.3 Oriental Success

Oriental Success is an investment holding company incorporated in the BVI. It is 99% indirectly owned by Shanghai Crystal Bridge Investment Management L.P. (上海晶桥投资管理合伙企业), a limited partnership registered in Shanghai, the PRC, whose registered business activities comprise industrial investments holding, advisory and management. The ultimate beneficial owners of Oriental Success are Qin Chuan (秦川) and Liu Li Li (刘莉莉), both of whom are principally in the business of investments and investments management.

4.4 Conversion of the Bonds

*Pursuant to the Bond Purchase Agreement, the Bonds were convertible, at the option of the holder, into Shares at a conversion price of S\$0.09 per Share (“**Conversion Price**”), subject to adjustments in the manner provided in the conditions of the Bonds.*

Pursuant to an irrevocable undertaking given by each of the Bondholders to the Offeror, each Bondholder had undertaken, inter alia, to convert all the Bonds held by it into new Shares pursuant to the terms and conditions of the Bond Purchase Agreement, prior to the close of the Offer. As no adjustments were made to the Conversion Price, upon the conversion of the Bonds, the Conversion Shares, credited as fully paid-up, were issued, representing approximately 97.8% of the existing issued Shares of the Company as at the Offer Announcement Date and 49.4% of the issued share capital of the Company on a fully-diluted basis.

LETTER TO SHAREHOLDERS

The Bondholders had, on 21 October 2016, exercised their right to convert their respective Bonds into Shares by serving a notice of conversion ("**Conversion Notice**") on the Company's share registrar in Singapore in accordance with the terms of the Bond Purchase Agreement. Pursuant to the Bond Purchase Agreement, the conversion date in respect of a Bond ("**Conversion Date**") will be deemed to be the trading day immediately following the date of delivery of the Conversion Notice. Accordingly, the relevant Conversion Date of the Bonds is 24 October 2016.

The volume weighted average traded price of the Shares on 18 October 2016, being the last market day prior to the Conversion Date on which transactions in the Shares were recorded, was S\$0.120.

Pursuant to the terms of the Bond Purchase Agreement, as soon as practicable and in any event not later than 10 trading days after the Conversion Date, the Company will take all necessary action to procure that, for so long as the Shares are listed on the SGX-ST, the relevant number of Shares are allotted to and registered in the name of the Depository for credit to the securities account with the CDP designated in the Conversion Notice, and the person or persons specified for that purpose will become the holder of record of the number of Shares issuable upon conversion with effect from the date he is or they are registered as such in the Company's register of members (the "**Registration Date**"). The Conversion Shares will in all respects rank *pari passu* with the Shares in issue on the relevant Registration Date.

4.5 **Mandatory takeover obligation under Rule 14 of the Code**

Upon conversion of the Bonds, the Conversion Shares were issued to the Bondholders and the Bondholders, together with Zoro and the Offeror, which are acting in concert for the purposes of the Offer, collectively hold 63.76% of the resultant issued share capital of the Company.

Accordingly, pursuant to the Conversion Date and the Conversion Shares issued to the Bondholders, as at the Offer Announcement Date, the Offeror and its concert parties had incurred an obligation to extend the Offer pursuant to Rule 14 of the Code.

4.6 **No separate offer to Bondholders**

The SIC has confirmed that the Offeror does not have to make an offer to the Bondholders in accordance with Rule 19 of the Code, provided that such ruling shall lapse if the Bondholders fail, or become unable, to perform their obligations under the Bondholders' Undertakings prior to the close of the Offer. The Bondholders have served their respective Conversion Notice and the Conversion Date for the Bonds is 24 October 2016. Accordingly, no separate offer will be made to the Bondholders.

4.7 **Bonds Interest Payments**

Pursuant to the terms of the Bond Purchase Agreement, the Bonds shall bear interest on their principal amount from and including the date of issue (the "**Issue Date**") at the rate of one per cent. (1%) per annum. Interest is payable annually in arrears, on the anniversary of the Issue Date in each year, commencing on the first anniversary of the Issue Date. Each Bond will cease to bear interest from and including the day immediately preceding its Conversion Date.

Accordingly, pursuant to the conversion of the Bonds by the Bondholders on the Conversion Date, the Bondholders are entitled to payments of interest on the principal amount of the Bonds in accordance with the terms and conditions of the Bond Purchase Agreement ("**Bonds Interest Payments**"). The Bond Interest Payments will be made to the Bondholders in cash.

The SIC has confirmed that the Bonds Interest Payments do not contravene General Principle 3 and Rule 10 of the Code."

LETTER TO SHAREHOLDERS

4. INFORMATION ON THE OFFEROR AND THE CONSORTIUM

4.1 Information on the Offeror

Information on the Offeror is set out in sections 5.1 to 5.4 of the Offer Document, which is extracted and reproduced in *italics* below. All terms and expressions used in the extract below shall have the same meanings as those defined in the Offer Document, unless otherwise stated.

“5. INFORMATION ON THE OFFEROR AND THE CONSORTIUM

5.1 The Offeror

The Offeror is a BVI business company incorporated in the BVI on 21 March 2016. As at the Latest Practicable Date, the Offeror has an issued and paid-up share capital of US\$10,000 comprising 1,000,000 ordinary shares, all of which are held by THB Holding. The Offeror is principally an investment holding company for the purpose of the Offer. The directors of the Offeror are Wang Laisheng, a director of the Company, Zhang Jintang, Yang Yong Jun, Dong Jianmin and Qin Chuan. Please refer to paragraph 5.7 of this Offer Document for more details on the right of Zoro and the Bondholders to appoint directors on the board of directors of the Offeror.

Appendix 2 to this Offer Document sets out additional information on the Offeror.

5.2 THB Holding

THB Holding is a BVI business company incorporated in the BVI on 16 March 2016. As at the Latest Practicable Date, THB Holding has an issued and paid-up share capital of US\$12,698.41 comprising 1,269,841 ordinary shares and RMB 420.0 million, comprising 420,000 preference shares, which are held by the shareholders as follows:

Shareholders of THB Holding	Number of shares held	Shareholding Percentage
<i>Zoro</i>	<i>1,269,841 ordinary shares</i>	<i>75.15%</i>
<i>Henghuai</i>	<i>420,000 preference shares</i>	<i>24.85%</i>
<i>Total</i>		<i>100.00%</i>

The sole director of THB Holding is Wang Laisheng, a director of the Company.

5.3 Zoro

Zoro is a BVI business company incorporated in the BVI on 27 April 2006. The sole shareholder and sole director of Zoro is Wang Laisheng, who has a beneficial interest in 35.22% in Zoro and holds the remaining beneficial interests for and on behalf of certain senior managers of the former Henan Tianhai Electric (Group) Corporation, a collective enterprise which has been restructured as a limited liability company and was indirectly acquired by the Company pursuant to the reverse takeover completed in September 2007.

Other than Wang Laisheng, the following directors and/or senior management of the Company also have beneficial interests in Zoro:

Name of Directors and/or Senior Management	Beneficial Interest in Zoro
<i>Zhang Jintang (Executive Chairman)</i>	<i>10.9%</i>
<i>Shen Zhifu (Non-Executive Director)</i>	<i>19.0%</i>
<i>Yang Yong Jun (Non-Executive Director)</i>	<i>4.1%</i>
<i>Zhou Ping (Deputy Chief Executive Officer)</i>	<i>1.9%</i>
<i>Qin Hong (Deputy Chief Executive Officer)</i>	<i>6.6%</i>

LETTER TO SHAREHOLDERS

The remaining 22.3% of the beneficial interests in Zoro are held by other senior managers and retired directors of the Company.

Under an investment agency agreement entered into between the holders of the beneficial interests of Zoro, Wang Laisheng will attend and vote in shareholders' meetings and exercise all other rights as shareholder of the Company, for and on behalf of the holders of the beneficial interests of Zoro.

5.4 Henghuai

*Henghuai is a limited partnership constituted in the PRC engaged in investment holding, investment management and investment consultancy. Its general partner is Qide (Shanghai) Investment Management Centre (Limited Partnership) (旗德(上海)投资管理中心(有限合伙)) (“**Qide**”). It has three (3) limited partners, namely, Shanghai Sailing M&A Investment Fund Limited Partnership (Limited Partnership) (上海赛领并购投资基金合伙企业(有限合伙)) (“**Sailing M&A**”), Shanghai Sailing Zhuohui Equities Investment Fund Limited Partnership (Limited Partnership) (上海赛领卓卉股权投资基金合伙企业) (“**Zhuohui**”) and Shanghai Aocheng Investment Limited Partnership (“**Aocheng**”). All the partners of Henghuai are constituted in the PRC. The interests in Henghuai are held by its limited partners as follows:*

<i>Name of Partner</i>	<i>Interest in Henghuai</i>
<i>Qide (General Partner)</i>	<i>0.1%</i>
<i>Sailing M&A (Limited Partner)</i>	<i>49.9%</i>
<i>Zhuohui (Limited Partner)</i>	<i>25.0%</i>
<i>Aocheng (Limited Partner)</i>	<i>25.0%</i>
<i>Total</i>	<i>100.0%</i>

The legal representative of Henghuai is Fu Tao, who is the managing director of Sailing M&A.”

4.2 Information on the Consortium

Information on the consortium agreement between Zoro, THB Holding, Henghuai and the Bondholders (the “**Consortium Agreement**”) is set out in sections 5.5 to 5.7 of the Offer Document, which is extracted and reproduced in *italics* below. All terms and expressions used in the extract below shall have the same meanings as those defined in the Offer Document, unless otherwise stated.

“5.5 Consortium Agreement

*Zoro, THB Holding, Henghuai and the Bondholders have agreed to form a consortium through the Offeror to undertake the Offer and have, on the Offer Announcement Date, entered into a consortium agreement with the Offeror (the “**Consortium Agreement**”) to govern the relationship of Zoro, THB Holding, Henghuai and the Bondholders with respect to the Offer. Pursuant to the Consortium Agreement, each of the Offeror, Zoro, THB Holding, Henghuai and the Bondholders have agreed, amongst others, as follows:*

- (a) pursuant to an irrevocable undertaking given by Zoro (the “**Zoro Undertaking**”) and the subscription agreement entered into between Zoro and the Offeror, Zoro has agreed to:
 - (i) tender all its 193,114,000 Shares in acceptance of the Offer (“**Zoro Acceptance**”);**

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- (ii) waive the right to receive consideration in cash for the Zoro Acceptance ("**Zoro Consideration**"); and
 - (iii) subscribe for new Offeror Shares, and pay for the subscription amount in respect of such Offeror Shares ("**Zoro Set-Off Amount**") by setting off in full the Zoro Set-Off Amount against the proceeds that would otherwise be payable by the Offeror as consideration pursuant to the acceptance of the Offer by Zoro ("**Zoro Capitalisation**");
- (b) pursuant to the irrevocable undertaking given by each Bondholder (collectively, the "**Bondholders' Undertakings**") and a subscription agreement entered into between each Bondholder with the Offeror, each Bondholder has agreed to:
- (i) convert all the Bonds held by it into Conversion Shares pursuant to the terms and conditions of the Bond Purchase Agreement;
 - (ii) tender all the Conversion Shares held by it in acceptance of the Offer ("**Bondholder Acceptance**");
 - (iii) waive the right to receive consideration in cash for the Bondholder Acceptance ("**Bondholders' Consideration**"); and
 - (iv) subscribe for new Offeror Shares, and pay for the subscription amount in respect of such Offeror Shares ("**Bondholders Set-Off Amount**") by setting off in full the Bondholders Set-Off Amount against the proceeds that would otherwise be payable by the Offeror as consideration pursuant to the acceptance of the Offer by each Bondholder ("**Bondholders Capitalisation**").

Pursuant to the terms of the Consortium Agreement, the Offeror shareholders have agreed, amongst others, that:

- (A) Zoro shall have the right to appoint two (2) directors to the board of directors of the Offeror, in addition to Wang Laisheng, and each of Brain and Oriental shall have the right to nominate one (1) director ("**Bondholder Directors**") to the board of directors of the Offeror; and
- (B) the Offeror shall not undertake any of the following corporate matters without obtaining the prior affirmative vote of both the Bondholder Directors:
 - (1) any matter in connection with the conduct of the Offer;
 - (2) materially change or diversify the scope, nature, business, operations, investment strategies, financial condition and/or business direction of the Offeror;
 - (3) declare or distribute profits whether by way of dividends or otherwise;
 - (4) repay any loans to any person, including but not limited to any shareholders' loans;
 - (5) enter into any contracts with any person, including but not limited to any sale and purchase of the shares, merger and acquisition arrangements, or establishing any joint venture, partnership, or subsidiaries;

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- (6) *save for the shareholders' loan from THB Holding for the financial resources to satisfy the Offer, assume or incur or agree to assume or incur, whether actual or contingent, any debt, lien, liabilities, guarantees, obligation, and/or pledge of assets;*
- (7) *provide loans or guarantee, indemnity or such other similar arrangement, or grant credits, to any person;*
- (8) *alter the capital or shareholding structure of the Offeror;*
- (9) *vary, amend or modify the rights attaching to the shares or any other securities in the Offeror, as may be created from time to time;*
- (10) *vary, amend or modify the constitutional documents of the Offeror;*
- (11) *commence any proceedings for winding up, whether voluntary or otherwise, of the Offeror; and*
- (12) *appoint or remove its auditors, and/or vary, amend or alter the accounting year or accounting policies of the Offeror.*

The SIC has confirmed that the Consortium Agreement and the Irrevocable Undertakings do not constitute a special deal in breach of Rule 10 of the Code.

5.6 **Resultant Shareholding in the Offeror**

Following the close of the Offer, the Zoro Capitalisation and the Bondholders Capitalisation, it is expected that the percentage of shareholding to be held by each Offeror shareholder in the Offeror will be as follows:

No.	Name of Shareholder	Percentage of share capital in the Offeror
1.	Zoro	14.32%
2.	Brain	26.37%
3.	Oriental Success	23.07%
4.	THB Holding	36.23%
<i>Total</i>		<i>100.00%</i>

5.7 **Appointment of directors**

Pursuant to the Consortium Agreement, Zoro shall have the right to appoint two (2) directors to the board of directors of the Offeror, in addition to Wang Laisheng. Each of Brain and Oriental have the right to nominate one (1) director to the board of directors of the Offeror. Zhang Jintang and Yang Yong Jun have been nominated by Zoro. Dong Jianmin and Qin Chuan have been nominated by each of Brain and Oriental respectively."

5. IRREVOCABLE UNDERTAKINGS

In addition to the information set out in section 5.5 of the Offer Document (as extracted and reproduced in section 4.2 of this Circular above), further information on irrevocable undertakings received by the Offeror is set out in section 6 of the Offer Document, which is extracted and reproduced in *italics* below. All terms and expressions used in the extract below shall have the same meanings as those defined in the Offer Document, unless otherwise stated.

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“6. IRREVOCABLE UNDERTAKINGS

6.1 Shine

Yang Yong Jun holds the entire issued share capital in Shine as bare trustee for and on behalf of certain representatives of the employees of the former Henan Tianhai Electric (Group) Corporation, a collective enterprise which has been restructured as a limited liability company and was indirectly acquired by the Company pursuant to the reverse takeover completed in September 2007. Yang Yong Jun was legally appointed as trustee for the entire issued share capital in Shine through a trust agreement executed under the laws of the PRC, and does not have any beneficial interests in Shine.

6.2 Shine Undertaking

As at the Latest Practicable Date, besides Zoro and the Bondholders, Shine has provided an irrevocable undertaking (the “**Shine Undertaking**”) to the Offeror to, inter alia, accept the Offer in respect of an aggregate of 143,886,000 Shares, representing approximately 10.7% of the total number of issued Shares (after the issue of the Conversion Shares).

6.3 Irrevocable Undertakings

Pursuant to the Zoro Undertaking, the Bondholders’ Undertakings and the Shine Undertaking (collectively, the “**Irrevocable Undertakings**”, and Zoro, the Bondholders and Shine being collectively, the “**Undertaking Shareholders**”), the Offeror has received irrevocable undertakings to accept the Offer in respect of an aggregate of 1,003,666,667 Shares, representing approximately 74.4% of the total number of issued Shares (after the issue of the Conversion Shares).

Details of the Undertaking Shareholders and the number of Shares to be tendered in acceptance of the Offer by each Undertaking Shareholder pursuant to their respective Irrevocable Undertakings are as follows:

Undertaking Shareholder	Number of Shares to be tendered in acceptance of the Offer	Percentage of the total number of issued Shares⁽¹⁾
Zoro	193,114,000	14.32%
Shine	143,886,000	10.67%
Brain	355,555,556	26.37%
Oriental Success	311,111,111	23.07%
Total	1,003,666,667	74.43%

Note:

(1) Based on 1,348,266,667 issued Shares as at the Latest Practicable Date, after issuance of the Conversion Shares pursuant to the conversion of the Bonds.

6.4 Each Irrevocable Undertaking will terminate or lapse if the Offer lapses or is withdrawn for any reason without being declared unconditional in all respects in accordance with its terms.

6.5 Save for the Irrevocable Undertakings, as at the Latest Practicable Date, neither the Offeror nor any party acting in concert with the Offeror has received any irrevocable undertaking from any other party to accept or reject the Offer.”

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6. RATIONALE FOR THE OFFER

The full text of the rationale for the Offer has been extracted from section 7 of the Offer Document and reproduced in *italics* below. All terms and expressions used in the extract below shall have the same meanings as those defined in the Offer Document, unless otherwise stated. **Shareholders are advised to read the extract below carefully.**

“7. RATIONALE FOR THE OFFER

7.1 Low Trading Liquidity of Shares

The trading volume of the Shares has been low, with an average daily trading volume¹ of approximately 91,632 Shares, 140,252 Shares, 121,676 Shares and 155,767 Shares during the respective one (1)-month period, three (3)-month period, six (6)-month period and 12-month period up to and including the Last Trading Day. Each of these represents less than 0.03% of the total number of issued Shares for any of the aforementioned relevant periods.

The Offer therefore provides Shareholders who find it difficult to exit the Company as a result of the low trading volume in Shares with an opportunity to liquidate and realise their investment in the Shares at a premium to the prevailing market prices which would otherwise not be available given the low trading liquidity.

7.2 Offer Price at a Premium to the Last Transacted Share Price

The Offer Price represents a premium of approximately 23.08% over the last transacted price per Share of S\$0.130 on 18 October 2016, being the last Market Day on which the Shares were transacted prior to the Offer Announcement Date.

When compared to the benchmark prices of the Shares up to and including the Last Trading Day, the Offer Price also represents a premium of approximately 56.86%, 64.95%, 64.95% and 86.05% over the VWAP per Share for the one (1)-month, three (3)-month, six (6)-month and 12-month periods, respectively.

The Offer presents Shareholders with a clean cash exit opportunity to realise their entire investment in the Shares at a premium over the prevailing trading prices of the Shares without incurring brokerage and other trading costs.

7.3 Greater Management Flexibility

The Offeror is making the Offer with a view to delisting the Company from the SGX-ST and exercising any rights of compulsory acquisition that may arise under the Bermuda Companies Act. The Offeror believes that privatising the Company will give the Offeror and the management of the Company more flexibility to manage the business of the Company, optimise the use of its management and capital resources and facilitate the implementation of any operational change.

7.4 Compliance Costs of Maintaining Listing

In maintaining its listed status, the Company incurs compliance and associated costs. In the event that the Company is delisted from the SGX-ST, the Company will be able to save on expenses relating to the maintenance of a listed status and focus its resources on its business operations.”

¹ Calculated by using the total volume of Shares traded divided by the number of Market Days with respect to the one (1)-month period, three (3)-month period, six (6)-month period and 12-month period respectively up to and including 18 October 2016.

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7. THE OFFEROR'S INTENTIONS IN RELATION TO THE COMPANY

Information on the Offeror's intentions in relation to the Company is set out in section 9.3 of the Offer Document, which is extracted and reproduced in *italics* below. All terms and expressions used in the extract below shall have the same meanings as those defined in the Offer Document, unless otherwise stated.

"9. LISTING STATUS AND COMPULSORY ACQUISITION

...

9.1 Offeror's intentions

The Offeror intends to make the Company its wholly-owned subsidiary and does not intend to preserve the listing status of the Company. Accordingly, the Offeror, if and when entitled, intends to exercise its rights of compulsory acquisition under the Bermuda Companies Act and does not intend to take any step for the public float to be restored and/or for any trading suspension of the Shares by the SGX-ST to be lifted in the event that, inter alia, less than 10% of the total number of issued Shares (excluding any Shares held in treasury) are held in public hands. In addition, the Offeror also reserves the right to seek a voluntary delisting of the Company from the SGX-ST pursuant to Rules 1307 and 1309 of the Listing Manual.

Subject to normal business conditions, the Offeror does not intend to (i) make major changes to the business of the Company or its management team, (ii) re-deploy the fixed assets of the Company or (iii) discontinue the employment of the employees of the Company and of its subsidiaries, other than in the normal course of business. Nonetheless, the Offeror retains the flexibility at any time to consider any options or opportunities which may present themselves and which the Offeror may regard to be in the interest of the Company."

8. LISTING STATUS AND COMPULSORY ACQUISITION

Further information in relation to the listing status of the Company and the compulsory acquisition of Shares are set out in sections 9.1 and 9.2 of the Offer Document, which is extracted and reproduced in *italics* below. All terms and expressions used in the extract below shall have the same meanings as those defined in the Offer Document, unless otherwise stated.

"9. LISTING STATUS AND COMPULSORY ACQUISITION

9.1 Listing Status

Pursuant to Rule 1105 of the Listing Manual, upon an announcement by the Offeror that acceptances have been received pursuant to the Offer that bring the holdings owned by the Offeror and parties acting in concert with it to above 90% of the total number of issued Shares (excluding any Shares held in treasury), the SGX-ST may suspend the trading of the Shares on the SGX-ST until it is satisfied that at least 10% of the total number of issued Shares (excluding any Shares held in treasury) are held by at least 500 Shareholders who are members of the public.

Rule 1303(1) of the Listing Manual provides that if the Offeror succeeds in garnering acceptances exceeding 90% of the total number of issued Shares (excluding any Shares held in treasury), thus causing the percentage of the total number of issued Shares (excluding any Shares held in treasury) held in public hands to fall below 10%, the SGX-ST will suspend trading of the Shares only at the close of the Offer.

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Under Rule 724(1) of the Listing Manual, if the percentage of the Shares held in public hands falls below 10%, the Company must, as soon as practicable, announce that fact, and the SGX-ST may suspend trading of all the Shares. Rule 724(2) of the Listing Manual states that the SGX-ST may allow the Company a period of three (3) months, or such longer period as the SGX-ST may agree, to raise the percentage of the Shares held in public hands to at least 10%, failing which the Company may be delisted from the SGX-ST.

9.2 **Compulsory Acquisition under the Bermuda Companies Act**

Pursuant to Section 102 of the Bermuda Companies Act, where an offeror who has, within four (4) months after the making of an offer under a scheme or contract:

- (a) obtained acceptances from shareholders holding not less than 90.0% in value of the shares in a target Bermuda company whose transfer is involved (other than shares already held, at the date of the offer, by the offeror, the offeror's subsidiaries, and nominees of the offeror or its subsidiaries); and*
- (b) where, at the date of the offer, shares in the target Bermuda company whose transfer is involved, are already held by the offeror, the offeror's subsidiaries, and nominees of the offeror or its subsidiaries to a value greater than 10.0% of the total issued shares of the target Bermuda company, such accepting shareholders also represent not less than 75.0% in number of the holders of shares in the target Bermuda company whose transfer is involved (other than shares already held, at the date of the offer, by the offeror, the offeror's subsidiaries, and nominees of the offeror or its subsidiaries), and further provided that the offeror must have made the offer on the same terms to all holders of the shares whose transfer is involved (other than those already held as aforesaid),*

*the offeror may at any time within two (2) months beginning from the date on which such threshold is achieved, give notice under Section 102(1) of the Bermuda Companies Act to any dissenting shareholder that the offeror wishes to acquire his shares (the "**Acquisition Notice**"). When such Acquisition Notice is given the offeror shall, unless an application is made by the dissenting shareholder(s) to the Supreme Court of Bermuda (the "**Court**") within one (1) month from the date on which the Acquisition Notice was given and the Court thinks fit to order otherwise, be entitled and bound to acquire those shares on the terms of the offer.*

*Once the offeror (together with its subsidiaries and nominees) holds 90.0% or more in value of the shares of the target Bermuda company including those held at the date of the transfer, the offeror has one (1) month in which it must notify the remaining shareholders of such 90.0% holding (the "**Ownership Notice**"). Once the Ownership Notice is given to the remaining shareholders, the dissenting shareholders have three (3) months in which they may give the offeror a notice (an "**Offeree Notice**") requiring the offeror to acquire the dissenting shareholders' shares and where a dissenting shareholder gives an Offeree Notice with respect to any shares in the target Bermuda company, the offeror shall be entitled and bound to acquire those shares on the same terms of the original offer (or on such other terms as may be agreed or as the Court, on the application of either the offeror or the dissenting shareholder, thinks fit to order), notwithstanding that the offeror may not have issued the Acquisition Notice.*

Under Section 103 of the Bermuda Companies Act, holders of not less than 95.0% of the shares in the target Bermuda company may give notice to the remaining shareholders of their intention to acquire the remaining shareholders' shares on the terms set out in the notice. When such a notice is given, the purchasers shall be entitled and bound to acquire the shares of the remaining shareholders on the terms set out in the notice unless a remaining shareholder applies to the Court to have the Court appraise the value of such shares. The procedure in connection with the acquisition is set out in the said Section 103.

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Shareholders who are in doubt of their position under the Bermuda Companies Act are advised to seek their own independent legal advice.

In the event that the Offeror is unable to exercise the right to compulsorily acquire all the Offer Shares not acquired under the Offer but receives such number of acceptances such that the public float of the Company falls to below 10.00%, resulting in the Company not being in compliance with the requirements relating to the minimum public float under Rules 723 and/or 724, the SGX-ST may exercise its discretion under Rule 1305 to remove the Company from the Official List of the SGX-ST. Under Rule 1307 of the Listing Manual, the Offeror may submit an application to the SGX-ST to obtain approval to delist the Company, subject to among others, Rules 1306 and 1309 of the Listing Manual.”

9. ADVICE AND RECOMMENDATIONS IN RESPECT OF THE OFFER

9.1 Appointment of the IFA

KPMG Corporate Finance Pte Ltd. has been appointed as the independent financial adviser to advise the Independent Directors in respect of the Offer. Shareholders should read and consider carefully the advice and recommendations of the IFA to the Independent Directors and the recommendations of the Independent Directors in their entirety before deciding whether or not to accept the Offer. The advice and recommendations of the IFA to the Independent Directors is set out in the IFA Letter, which is set out in **Appendix I** to this Circular.

9.2 Advice of the IFA to the Independent Directors on the Offer

The following is an extract from section 9 of the IFA Letter and should be read in conjunction with, and interpreted in, the full context of the IFA Letter. All terms and expression used in the extract below shall have the same meanings as those defined in the IFA Letter, unless otherwise stated. Shareholders should read and consider carefully the key considerations relied upon by the IFA, in arriving at its advice and recommendations to the Independent Directors.

“9 CONCLUSION

In arriving at our opinion to the Independent Directors, we have carefully considered the financial information that has been made available to us, and the above factors set forth in this IFA Letter including, amongst other things, the following:

Comparison against the historical pricing of the Shares

The Offer Price is at a premium of 23.08%, 50.94%, 64.95%, 64.95%, and 88.24% over the Last Market Day, one-month, three-month, six-month, and one-year VWAP prior to the Offer Announcement Date.

Comparison with recently completed successful transactions

The premium of 23.08%, 50.94%, 64.95%, and 64.95% implied by the Offer Price over the last transacted market price, one-month, three-month, and six-month prior to the Possible Offer Announcement Date is within the range of premiums, and lower than the mean and median of premiums for the MGO; and

The premium of 88.24% implied by the Offer Price over the 12-month VWAP prior to the Possible Offer Announcement Date is within the range of premiums, and higher than the median of premiums for the MGO.

Comparable Companies analysis

The EV/EBITDA multiples of the Company implied by the Offer Price of 5.6 times is within the range of the EV/EBITDA multiples for the Comparable Companies, and is lower than the mean and median EV/EBITDA multiples for the Comparable Companies;

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The P/E multiple of the Company implied by the Offer Price on a fully diluted basis of 3.3 times is within the range for the P/E multiples for the Comparable Companies, and is lower than the mean and median P/E multiples for the Comparable Companies; and

The P/NAV multiples of the Company implied by the Offer Price on a fully diluted basis of 1.1 times respectively, are within the range for the P/NAV multiples for Comparable Companies, and but slightly lower than the median P/NAV multiples for the Comparable Companies.

Comparable Transactions analysis

The EV/EBITDA multiple of the Company of 5.6 times as implied by the Offer Price is within the range of the Implied TEV/EBITDA for the Comparable Transactions, but is slightly lower than the mean and median of the corresponding EV/EBITDA multiple of the selected Comparable Transactions;

The P/E multiple of the Company as implied by the Offer Price on a fully diluted basis of 3.3 times, is not within the range of the Implied P/E for the Comparable Transactions; and

The P/NAV multiple of the Company of 1.1 times as implied by the Offer Price on a fully diluted basis is within the range of the Implied P/NAV for the Comparable Transactions, and is higher than the median of the corresponding P/NAV multiple of the selected Comparable Transactions.

Having carefully considered the information available to us and our analysis set out above, we are of the view that the Offer is fair and reasonable from a financial point of view.

Accordingly, we advise the Independent Directors to recommend Shareholders to ACCEPT the Offer.

If Shareholders wish to realise their investments in the Company, they can choose to sell their Shares in the open market if they can obtain a price higher than the Offer Price (after deducting transaction costs)."

9.3 Exemption relating to Directors' Recommendations

Mr. Sim Hong Boon and Mr. Zhang Shulin are regarded as independent for the purposes of the Offer and are required to make a recommendation to Shareholders in respect of the Offer.

As each of Mr. Zhang Jingtang, Mr. Wang Laisheng, Mr. Yang Yong Jun and Mr. Shen Zhifu is acting in concert with the Offeror for the purposes of the Offer, they will each face conflict of interests in relation to the Offer that would render it inappropriate for each of them to join the Independent Directors in making a recommendation to Shareholders in respect of the Offer.

As Mr. Chua Meng Hing (together with Mr. Zhang Jingtang, Mr. Wang Laisheng, Mr. Yang Yong Jun and Mr. Shen Zhifu, the "Excluded Directors") holds the position of "Managing Director (PRC) Transaction Origination" and is a senior management member of Stirling Coleman, he would have, or be reasonably perceived to have, an interest in a favourable outcome for the Offeror, which would render it inappropriate for him to join the Independent Directors in making a recommendation to Shareholders in respect of the Offer.

The SIC had ruled on 16 November 2016 that the Excluded Directors are exempted from the requirement to make a recommendation to Shareholders in respect of the Offer.

Notwithstanding the above, all the Directors (including, for the avoidance of doubt, the Excluded Directors) are jointly and severally responsible for the accuracy of facts stated, opinions expressed and completeness of the information given by the Company to Shareholders on the Offer, including information contained in documents, announcements and advertisements issued by or on behalf of the Company in connection with the Offer.

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9.4 Recommendations of the Independent Directors

The Independent Directors, having considered carefully the terms of the Offer and the advice and recommendations given by the IFA to the Independent Directors as set out in the IFA Letter, **CONCUR** with the advice and recommendations of the IFA in respect of the Offer. The advice and recommendations of the IFA is set out in section 9.2 above.

Accordingly, the Independent Directors recommend the Shareholders to **ACCEPT** the Offer or to sell their Shares in the open market if they can obtain a price higher than the Offer Price (after deducting transaction costs).

In making their recommendations, the IFA and the Independent Directors have not taken into consideration any specific investment objectives, financial situation, risk profiles, tax position, or particular needs and constraints of any individual Shareholder. As each individual Shareholder would have different investment objectives and profiles, the Independent Directors, as advised by the IFA, recommend that any individual Shareholder who may require specific advice in relation to his investment portfolio should consult his stockbroker, bank manager, solicitor, accountant, tax adviser, or other professional adviser immediately.

Shareholders are advised to read the terms and conditions of the Offer Document carefully. Shareholders are also advised to read the IFA Letter set out in Appendix I to this Circular carefully and in its entirety before deciding whether or not to accept the Offer. Shareholders are advised that the advice and recommendations of the IFA and the Independent Directors should not be relied upon by any Shareholder as the sole basis for deciding whether or not to accept the Offer.

10. OVERSEAS SHAREHOLDERS

10.1 Availability of the Offer to Overseas Shareholders

Overseas Shareholders should refer to section 11 of the Offer Document, which is extracted and reproduced in *italics* below. All terms and expressions used in the extract below shall have the same meanings as those defined in the Offer Document, unless otherwise stated.

“11. OVERSEAS SHAREHOLDERS

*The availability of the Offer to Shareholders whose addresses are outside Singapore, as shown on the register of members of the Company or, as the case may be, in the records of CDP (each, an “Overseas Shareholder”) may be affected by the laws of the relevant overseas jurisdictions. Accordingly, any Overseas Shareholder should inform himself about and observe any applicable legal requirements, and exercise caution in relation to the Offer, as this Offer Document, the FAAs and the FATs have not been reviewed by any regulatory authority in any overseas jurisdiction. **Where there are potential restrictions on sending this Offer Document, the FAAs and/or the FATs to any overseas jurisdictions, the Offeror, Stirling Coleman and CDP each reserves the right not to send these documents to Shareholders in such overseas jurisdictions. For the avoidance of doubt, the Offer is open to all Shareholders, including those to whom this Offer Document, the FAAs and/or the FATs have not been, or may not be, sent.***

*Copies of this Offer Document and any other formal documentation relating to the Offer are not being, and must not be, directly or indirectly, mailed or otherwise forwarded, distributed or sent in or into or from any jurisdiction where the making of or the acceptance of the Offer would violate the laws of that jurisdiction (a “**Restricted Jurisdiction**”) and will not be capable of acceptance by any such use, instrumentality or facility within any Restricted Jurisdiction and persons receiving such documents (including custodians, nominees and trustees) must not mail or otherwise forward, distribute or send them in or into or from any Restricted Jurisdiction.*

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The Offer (unless otherwise determined by the Offeror and permitted by applicable law and regulation) will not be made, directly or indirectly, in or into, or by the use of mails of, or by any means or instrumentality (including without limitation, telephonically or electronically) of interstate or foreign commerce of, or any facility of a national, state or other securities exchange of, any Restricted Jurisdiction, and the Offer will not be capable of acceptance by any such use, means, instrumentality or facilities.

Overseas Shareholders may, nonetheless, obtain copies of this Offer Document, the FAAs and/or the FATs and any related documents, during normal business hours and up to the Closing Date, from the Offeror through its receiving agent, B.A.C.S. Private Limited at 8 Robinson Road #03-00, ASO Building, Singapore 048544, or The Central Depository (Pte) Limited at 9 North Buona Vista Drive, #01-19/20, The Metropolis, Singapore 138588.

Alternatively, an Overseas Shareholder may write to the Offeror through B.A.C.S. Private Limited at the address listed above or The Central Depository (Pte) Limited at Robinson Road Post Office, P.O. Box 1984, Singapore 903934, to request for copies of this Offer Document, the FAAs and/or the FATs and any related documents to be sent to an address in Singapore by ordinary post at the Overseas Shareholder's own risk, up to three (3) Market Days prior to the Closing Date.

*It is the responsibility of any Overseas Shareholder who wishes to (a) request for copies of this Offer Document, the FAAs and/or the FATs and/or any related documents, or (b) accept the Offer, to satisfy himself as to the full observance of the laws of the relevant jurisdiction in that connection, including the obtaining of any governmental or other consent which may be required, and compliance with all necessary formalities or legal requirements and the payment of any taxes, imposts, duties or other requisite payments due in such jurisdiction. Such Overseas Shareholder shall be liable for any such taxes, imposts, duties or other requisite payments payable and the Offeror and any person acting on its behalf (including Stirling Coleman) shall be fully indemnified and held harmless by such Overseas Shareholder for any such taxes, imposts, duties or other requisite payments as the Offeror and/or any person acting on its behalf (including Stirling Coleman) may be required to pay. In (i) requesting for copies of this Offer Document, the FAAs and/or the FATs and any related documents and/or (ii) accepting the Offer, the Overseas Shareholder represents and warrants to the Offeror and Stirling Coleman that he is in full observance of the laws of the relevant jurisdiction in that connection, and that he is in full compliance with all necessary formalities or legal requirements. **Any Overseas Shareholder who is in any doubt about his position should consult his professional adviser in the relevant jurisdiction.***

The Offeror and Stirling Coleman each reserves the right to notify any matter, including the fact that the Offer has been made, to any or all Overseas Shareholders by announcement to the SGX-ST or notice and if necessary, by paid advertisement in a newspaper published and circulated in Singapore, in which case such notice shall be deemed to have been sufficiently given notwithstanding any failure by any Shareholder to receive or see such announcement, notice or advertisement."

10.2 Copies of Circular

This Circular and any related documents may not be sent to certain Overseas Shareholders due to the potential restrictions on sending such documents to overseas jurisdictions. Any affected Overseas Shareholder may, nonetheless, obtain copies of this Circular during normal business hours and up to the Closing Date, from the office of the Share Transfer Agent at 8 Robinson Road, #03-00 ASO Building, Singapore 048544. Alternatively, any Overseas Shareholder may write to the Share Transfer Agent at the aforementioned address to request for this Circular and any related documents to be sent to an address in Singapore by ordinary post at his own risk (the last date for despatch in respect of such request shall be a date falling three (3) Market Days prior to the Closing Date).

LETTER TO SHAREHOLDERS

In requesting for this Circular and any related documents, each of the Overseas Shareholders represents and warrants to the Company that each of them is in full observance of the laws of the relevant jurisdiction in that connection, and that each of them is in full compliance with all necessary formalities or legal requirements.

11. ACTION TO BE TAKEN BY SHAREHOLDERS

11.1 Shareholders who wish to accept the Offer

Shareholders who wish to accept the Offer must do so not later than 5.30 p.m. (Singapore time) on 6 December 2016, and should take note of the procedures for acceptance of the Offer as set out in Appendix 6 to the Offer Document, the FAA and/or the FAT.

11.2 Shareholders who do not wish to accept the Offer

Shareholders who do not wish to accept the Offer need not take any further action in respect of the Offer Document and the FAA and/or the FAT which have been sent to them.

12. DIRECTORS' RESPONSIBILITY STATEMENT

Save that the recommendation of the Independent Directors to Shareholders set out in section 9.4 of this Circular is the sole responsibility of the Independent Directors, the Directors (including those who may have delegated detailed supervision of the preparation of this Circular) have taken all reasonable care to ensure that the facts stated and all opinions expressed in this Circular (excluding those relating to the Offeror, parties acting in concert or deemed to be acting in concert with the Offeror, the Offer, and in **Appendix I** to this Circular for which the IFA has taken responsibility) are fair and accurate and that no material facts have been omitted from this Circular, the omission of which would make any statement in this Circular (excluding those relating to the Offeror, parties acting in concert or deemed to be acting in concert with the Offeror, the Offer, and the advice and recommendations expressed by the IFA in the IFA Letter for which the IFA has taken responsibility) misleading, and they jointly and severally accept full responsibility accordingly.

In respect of the IFA letter set out in **Appendix I** to this Circular, the sole responsibility of the Directors has been to ensure that the facts stated therein with respect to the Company are, to the best of their knowledge and belief, fair and accurate in all material respects.

Where any information in this Circular has been extracted or reproduced from published or otherwise publicly available sources (including, without limitation, the Offer Announcement and the Offer Document), the sole responsibility of the Directors has been to ensure, through reasonable enquiries, that such information has been accurately and correctly extracted from such sources or, as the case may be, accurately and correctly reflected or reproduced in this Circular in its proper form and context.

13. ADDITIONAL GENERAL INFORMATION

Additional general information is provided in **Appendix II** to this Circular.

Yours faithfully

For and on behalf of the Board of Directors of
CHINA AUTO ELECTRONICS GROUP LIMITED

Zhang Jingtang
Executive Chairman

APPENDIX I:
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IN RESPECT OF THE MANDATORY UNCONDITIONAL CASH OFFER

Private and confidential
The Independent Directors
China Auto Electronics Group Limited
Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda

Our ref VS/KC
Contact Vishal Sharma

18 November 2016

Dear Sirs

**MANDATORY UNCONDITIONAL CASH OFFER BY STIRLING COLEMAN
CAPITAL LIMITED, FOR AND ON BEHALF OF THB AUTO ELECTRONICS
LIMITED, FOR THE OFFER SHARES**

*Unless otherwise defined in this letter ("**IFA Letter**") or where the context otherwise requires, all terms defined in the shareholders' circular dated 22 November 2016 to shareholders of China Auto Electronics Group Limited in connection with the proposed mandatory unconditional cash offer (the "**Circular**") shall have the same meaning when used in this IFA Letter.*

*For the purpose of this IFA Letter, where applicable and unless otherwise stated, we have used the closing exchange rate of SGD 1:CNY 4.8462 on 9 November 2016 (the "**Latest Practicable Date**"). The above exchange rate is extracted from information published by Bloomberg L.P. and is provided solely for information.*

1 INTRODUCTION

1.1 Offer Announcement

On 24 October 2016 ("**Offer Announcement Date**"), Stirling Coleman Capital Limited ("**Stirling Coleman**") announced that for and on behalf of THB Auto Electronics Limited ("**Offeror**"), the Offeror intends to make a mandatory unconditional cash offer ("**Offer**") for all the issued and paid-up ordinary shares ("**Shares**") in the capital of China Auto Electronics Group Limited ("**Company**") other than those already owned, controlled or agreed to be acquired by the Offeror ("**Offer Shares**").

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The Offer will be made at the offer price of S\$0.16 in cash for each Offer Share ("**Offer Price**").

1.2 Background leading up to the Offer

Prior to the Offer Announcement Date, the Company had existing issued Shares amounting to 681,600,000, and had on 9 November 2015 completed the issue of aggregate principal amount of S\$60.0 million convertible bonds due 2018 ("**Bonds**"). The Bonds were issued pursuant to the terms of the conditional bond purchase agreement dated 14 August 2015 entered into between the Company and the Bondholders (as defined herein) ("**Bond Purchase Agreement**"). Brain International Investment Ltd. ("**Brain**") and Oriental Success International Investment Ltd. ("**Oriental Success**"), both investment holding companies incorporated in the British Virgin Islands ("**BVI**"), subscribed for an aggregate principal amount of S\$32.0 million and S\$28.0 million of Bonds, respectively.

Brain and Oriental Success (collectively, "**Bondholders**") had, on 21 October 2016, exercised their right to convert their respective Bonds ("**Bond Conversion**") into ordinary shares in the capital of the Company ("**Conversion Shares**") by serving a notice of conversion ("**Conversion Notice**") on the Company's share registrar in Singapore in accordance with the terms of the Bond Purchase Agreement. Pursuant to the Bond Purchase Agreement, the conversion date in respect of the Bonds ("**Conversion Date**") was deemed to be the trading day immediately following the date of delivery of the Conversion Notice. Accordingly the relevant Conversion Date of the Bonds was 24 October 2016.

Pursuant to the Bond Purchase Agreement, the Bonds were convertible, at the option of the holder, into Shares at a conversion price of S\$0.09 per Share ("**Conversion Price**"), subject to adjustments in the manner provided in the conditions of the Bonds. As no adjustments were made to the Conversion Price, the Company announced on 31 October 2016 that it had issued and allotted an aggregate of 666,666,667 Conversion Shares to the Bondholders, representing approximately 97.8% of the existing issued Shares of the Company amounting to 681,600,000 prior to the Offer Announcement Date and 49.4% of the issued share capital of the Company on a fully-diluted basis of 1,348,266,667. On 4 November 2016, the Company announced that the 666,666,667 Conversion Shares have since been listed and quoted for trading on the Mainboard of the SGX-ST.

1.3 Mandatory Take-over Obligation Triggered

Under Rule 14 of the Singapore Code on Take-overs and Mergers ("**Code**"), except with the Securities Industry Council's ("**SIC**") consent, where:

- (a) any person acquires, whether by a series of transactions over a period of time or not, shares which (taken together with shares held or acquired by persons

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acting in concert with him) carry 30% or more of the voting rights of a company; or

- (b) any person who, together with persons acting in concert with him, holds not less than 30%, but not more than 50% of the voting rights of a company and such person, or any person acting in concert with him, acquires in any period of 6 months additional shares carrying more than 1% of the voting rights of the company,

such person must extend offers immediately, on the basis set out in Rule 14 of the Code, to the holders of any class of share capital of the company which carries votes and in which such person, or persons acting in concert with him, hold shares. In addition to such person, each of the principal members of the group of persons acting in concert with him may, according to the circumstances of the case, have the obligation to extend an offer.

Arising from the conversion of the Bonds into Conversion Shares issued to the Bondholders on the Conversion Date, the Bondholders together with Zoro Express International Ltd. ("**Zoro**") and the Offeror (being concert parties) had incurred an obligation to extend the Offer as at the Offer Announcement Date, pursuant to Rule 14 of the Code.

Please refer to paragraph 3 of the Circular for more details on the Bondholders, the Bonds, the conversion and the mandatory takeover obligation.

1.4 No Separate Offer to Bondholders

According to the offer document dated 8 November 2016 ("**Offer Document**"), the SIC has confirmed that the Offeror does not have to make an offer to the Bondholders in accordance with Rule 19 of the Code, provided that such ruling shall lapse if the Bondholders fail, or become unable, to perform their obligations under the Bondholders' Undertakings prior to the close of the Offer. The Bondholders have served their respective Conversion Notice and the Conversion Date for the Bonds is 24 October 2016. Accordingly, no separate offer will be made to the Bondholders.

1.5 Consortium Agreement and Irrevocable Undertakings

Zoro, THB Holding Limited ("**THB Holding**"), Sailing M&A Henghuai Investment Fund Partnership (Limited Partnership) ("**Henghuai**") and the Bondholders have agreed to form a consortium through the Offeror to undertake the Offer and have, on the Offer Announcement Date, entered into a consortium agreement with the Offeror ("**Consortium Agreement**") to govern the relationship of Zoro, THB Holding, Henghuai and the Bondholders with respect to the Offer.

Pursuant to the Consortium Agreement, Zoro and the Bondholders have agreed, amongst others, to provide irrevocable undertakings to the Offeror ("**Zoro Undertaking**") and the

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“Bondholders’ Undertakings”) to tender all of each of their Shares held in the Company in acceptance of the Offer.

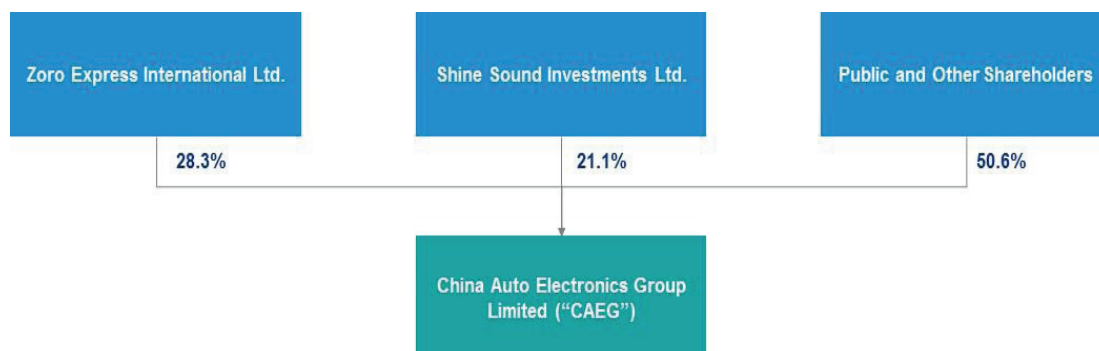
In addition, Shine Sound Investments Ltd. (“Shine”) has also provided an irrevocable undertaking to the Offeror (“Shine Undertaking”) to, *inter alia*, tender all of its Shares held in the Company in acceptance of the Offer.

Pursuant to the Zoro Undertaking, the Bondholders’ Undertakings and the Shine Undertaking (collectively, “Irrevocable Undertakings” and Zoro, the Bondholders and Shine being collectively, “Undertaking Shareholders”), the Offeror has received irrevocable undertakings to accept the Offer in respect of an aggregate of 1,003,666,667 Shares, representing approximately 74.4% of the total number of issued Shares (after the issue of the Conversion Shares). Accordingly, the Offer is unconditional in all respects.

According to the Offer Document, the SIC has confirmed that the Consortium Agreement and the Irrevocable Undertakings do not constitute a special deal in breach of Rule 10 of the Code.

1.6 Shareholding Structure of the Company

Before Conversion of Bonds

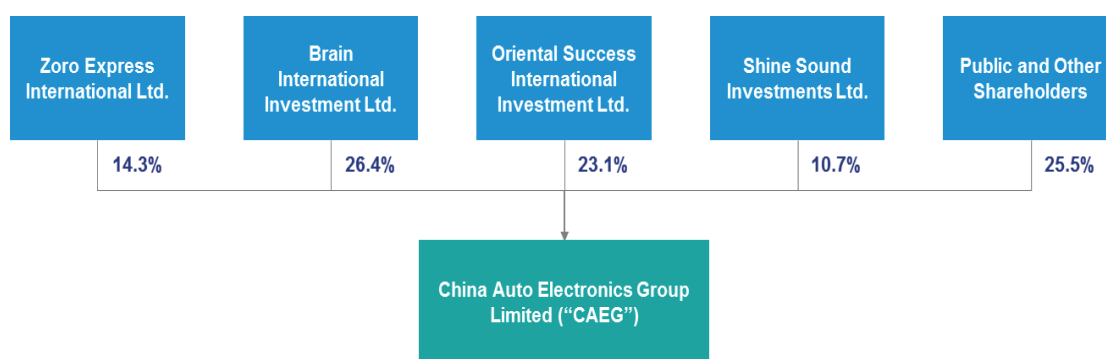


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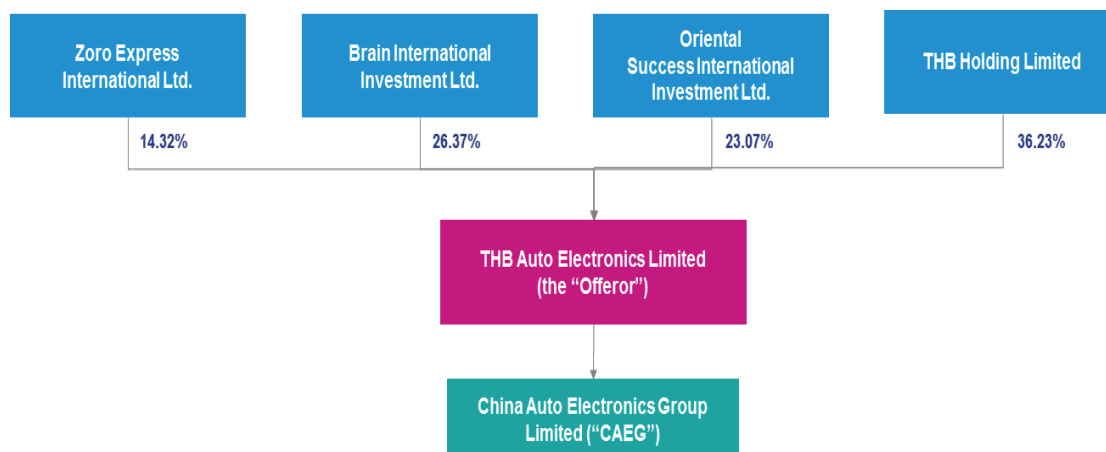
After Conversion of Bonds and at Offer Announcement Date

Upon conversion of the Bonds, the Conversion Shares were issued to the Bondholders and the Bondholders, together with Zoro, which are acting in concert for the purposes of the Offer, collectively hold 63.8% of the resultant issued share capital of the Company.



Shareholding Structure of the Offeror

Based on the Offer Document dated 24 October 2016, following acceptance by Shareholders and the close of the Offer, it is expected that the shareholding structure of the Offeror will be as follows:



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1.7 Appointment of Independent Financial Adviser ("IFA")

On 8 November 2016, Stirling Coleman announced, for and in behalf of the Offeror, that the Offer Document setting out, *inter alia*, the terms and conditions of the Offer has been despatched to Shareholders on 8 November 2016.

In connection with the Offer, the Company has appointed KPMG Corporate Finance Pte Ltd ("KPMG CF") as the IFA to advise the Directors of the Company who are deemed independent ("Independent Directors") for the purpose of making their recommendation to the Shareholders in relation to the Offer.

The Company has confirmed to us that only two Directors of the Company, namely Mr Sim Hong Boon and Mr Zhang Shulin are deemed to be independent for the purpose of making a recommendation to the Shareholders in respect of the Offer.

This IFA Letter is addressed to the Independent Directors and sets out, *inter alia*, our evaluation and advice on the financial terms of the Offer, and our recommendations to the Independent Directors on the Offer. This IFA Letter forms part of the Circular which provides, *inter alia*, the details of the Offer and the recommendation of the Independent Directors to the Shareholders in respect of the Offer.

2 TERMS OF REFERENCE

KPMG CF has been appointed as the IFA to advise the Independent Directors in respect of their recommendation to the Shareholders in relation to the Offer.

We were not a party to any negotiations in relation to the Offer or related transactions. We were not requested to, and did not provide advice or opinion concerning the structure, the specific amounts of the Offer or any other aspects of the Offer, or to provide services other than the delivery of this opinion. We were neither instructed nor authorised to, and did not solicit, any expressions of interest from any third party with respect to the Shares or the sale of all or any part of the Company or any other alternative transaction.

For the purposes of assessing the financial terms of the Offer, we have not relied upon any financial projections or forecasts in respect of the Company and the Group. Our terms of reference do not require us to express and we do not express, an opinion on the growth prospects, financial position or earnings potential of the Company and/or the Group. We are therefore not expressing any opinion as to the price at which the Shares may trade upon completion of the Offer or on the financial performance of the Company.

It is also not within our terms of reference to comment on the merits of the Offer, or evaluate or comment on the legal, strategic, and/or commercial merits and risks of the Offer. We do not address the relative merits of the Offer as compared to any alternative transaction or other alternatives, or whether such alternatives are available or achievable.

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Such evaluations or comments are, and remain, the sole responsibility of the Directors and/or the management of the Company (“**Management**”), although we may draw upon their views or make such comments in respect thereof (to the extent deemed necessary or appropriate by us) in arriving at our opinion as set out in this letter.

In the course of our evaluation of the financial terms of the Offer, we have held discussions with the Directors and the Management and have examined publicly available information as well as information, written and verbal, provided to us by the Directors, the Management and the other professional advisers of the Company. We have not independently verified (nor have we assumed responsibility or liability for independently verifying) such information, whether written or verbal, and accordingly cannot and do not warrant or make any representation (whether express or implied) regarding, or accept any responsibility for, or liability for, independently verifying the accuracy, completeness or adequacy of such information. However, we have made such enquiries and exercised our judgement as we deem necessary on such information and have found no reason to doubt the reliability of the information.

We have relied upon the assurances of the Directors (including those who have delegated detailed supervision of the Circular) that they have taken all reasonable care to ensure that the facts stated and opinions expressed by them or the Company (excluding those expressed in this IFA Letter and excluding, in the case of the relevant Directors, the recommendation of the Independent Directors) in the Circular are fair and accurate in all material respects and that no material facts have been omitted. The Directors have confirmed to us that, having made all reasonable enquiries and to the best of their knowledge, information and belief, all material information available to them in connection with the Company, the Offer and the Circular has been disclosed to us, and that such information is true, complete and accurate in all material respects and there are no omissions which may cause any information disclosed to us to be inaccurate, incomplete or misleading. The Directors have jointly and severally accepted the responsibility for the accuracy and completeness of such information.

Where information relating to the Offer, the Offeror and parties acting in concert with it has been extracted from published or otherwise publicly available sources, the responsibility of the Directors has been to ensure that, having made reasonable enquiries, such information has been accurately and correctly extracted from the relevant sources.

We have not conducted any valuation or appraisal of any assets or liabilities, nor have we evaluated the solvency of the Company, or the Offeror and its concert parties under applicable laws relating to bankruptcy, insolvency or other similar matters. We are not legal, regulatory or tax experts. We are financial advisers only, and have relied on, without independent verification, the assessments made by the advisers to the Company with respect to such issues.

We have assumed that all governmental, regulatory or other approvals and consents required for the Offer will be obtained and that no delays, limitations, conditions or

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restrictions will be imposed that would have a material adverse effect on the contemplated benefits expected to be derived from the Offer.

Unless as otherwise stated, the opinion set forth herein is based solely on publicly available information and information provided by the Directors and the Management, and is predicated upon the economic and market conditions prevailing as at the Latest Practicable Date prior to the printing of the Circular.

Our evaluation of the Offer, from a financial point of view, is based upon market, economic, industry, monetary, and other conditions in effect on, and the information made available to us as at the Latest Practicable Date. Events occurring after the date hereof may affect the contents of this IFA Letter and the assumptions used in preparing it. We assume no responsibility to update, revise or reaffirm the contents of this IFA Letter in the light of any subsequent development after the Latest Practicable Date even if it might affect our opinion contained herein.

We have acted as IFA to the Independent Directors for the purposes of the Offer and will receive a fee for our services in connection with the delivery of this IFA Letter. KPMG CF may also seek to provide services to the Company or the Offeror and parties acting in concert with it in the future and expect to receive fees for rendering such services.

In expressing our opinion, we did not have regard to general or specific investment objectives, financial situation, risk profile, tax position or particular needs and constraints or other particular circumstances of any shareholder, nor hold ourselves out as advisers to, any person other than the Independent Directors. As different shareholders would have different investment profiles and objectives, we advise the Independent Directors to advise any individual shareholder who may require specific advice in relation to their investment portfolio to consult their stockbroker, bank manager, solicitor, accountant, tax adviser or other professional adviser.

The Company has been separately advised in relation to the preparation of the Circular (other than this IFA Letter). We were not involved in and have not provided any advice in the preparation, review and verification of this Circular (other than this IFA Letter). Accordingly, we take no responsibility for, and express no views (express or implied) on, the contents of the Circular (other than this IFA Letter).

Whilst a copy of this IFA Letter may be reproduced in the Circular, neither the Company nor the Directors may reproduce, disseminate or quote this IFA Letter (or any part thereof) for any other purposes at any time and in any manner, without the prior written consent of KPMG CF in each specific case.

Our opinion is addressed to the Independent Directors for their benefit and deliberation of the Offer. The recommendation made to the Shareholders in relation to the Offer, as the case may be, shall remain the sole responsibility of the Independent Directors.

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Our recommendation to the Independent Directors in relation to the Offer should be considered in the context of the entirety of this IFA Letter and the Circular.

3 INFORMATION ON THE COMPANY

Based on publicly available information, the Company is a company limited by shares incorporated in Bermuda as an exempted company and its Shares are listed on the Mainboard of the SGX-ST since 9 July 2004 (prior to reverse takeover by the Company of the former Henan Tianhai Electric (Group) Corporation which was completed in September 2007). The Company is one of the leading automotive electrical and electronics distribution system manufacturers in the People's Republic of China ("PRC") and the largest PRC domestic manufacturer of automotive wire harnesses and connectors. It supplies to automotive manufacturers in both the PRC and the USA. It has 16 production facilities across the PRC with its headquarters located in Hebi City, Henan Province, the PRC, and has a subsidiary in the USA.

As at the Latest Practicable Date, based on publicly available information, the issued and paid-up share capital of the Company comprises 1,348,266,667 ordinary Shares (including the Conversion Shares), and the Company does not hold any treasury shares. The Company does not have in place any employee share option scheme or performance share plan.

As at the Latest Practicable Date, save as disclosed in the Circular and save for information on the Company which is publicly available (including without limitation, the unaudited consolidated financial statements of the Group for the half year ended 30 June 2016 which was released by the Company on SGXNET on 12 August 2016 and other announcements released by the Company on SGXNET), there has not been, within the knowledge of the Directors, any material change in the financial position or prospects of the Company since 31 December 2015, being the date of the last balance sheet of the Company laid before Shareholders in a general meeting.

The last transacted price of the Shares on the SGX-ST on 18 October 2016, being the last Market Day on which the Shares were traded on the SGX-ST prior to the Offer Announcement Date, was S\$0.13.

Based on the 681,600,000 issued Shares (pre-Bond Conversion) and the last transacted share price of S\$0.13 on the Last Trading Day, the Company's market capitalisation was approximately S\$88.61 million.

Based on the Offer Price of S\$0.16 per share and the 1,348,266,667 issued Shares as at the Latest Practicable Date, the implied market capitalisation of the Company is approximately S\$215.72 million.

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4 INFORMATION ON THE OFFEROR AND THE CONSORTIUM

4.1 The Offeror

The Offeror is a BVI business company incorporated in the BVI on 21 March 2016. As at the Latest Practicable Date, the Offeror has an issued and paid-up share capital of US\$10,000 comprising 1,000,000 ordinary shares, all of which are held by THB Holding. The Offeror is principally an investment holding company for the purpose of the Offer. The directors of the Offeror are Wang Laisheng, a director of the Company, Zhang Jintang, Yang Yong Jun, Dong Jianmin and Qin Chuan.

4.2 The Consortium

The Offeror, together with THB Holding, Zoro and the Bondholders, have formed a consortium to make the Offer, and are deemed to be acting in concert for the purposes of the Offer. The Offeror and its concert parties collectively hold 63.76% of the resultant issued share capital of the Company.

THB Holding

THB Holding is a BVI business company incorporated in the BVI on 16 March 2016. As at the Latest Practicable Date, THB Holding has an issued and paid-up share capital of US\$12,698.41 comprising 1,269,841 ordinary shares and RMB 420.0 million, comprising 420,000 preference shares, which are held by the shareholders as follows:

Shareholders of THB Holding	Number of shares held	Shareholding Percentage
Zoro	1,269,841 ordinary shares	75.15%
Henghuai	420,000 preference shares	24.85%
Total		100.00%

The sole director of THB Holding is Wang Laisheng, a director of the Company.

Zoro

Zoro is a BVI business company incorporated in the BVI on 27 April 2006. The sole shareholder and sole director of Zoro is Wang Laisheng, who has a beneficial interest in 35.22% in Zoro and holds the remaining beneficial interests for and on behalf of certain senior managers of the former Henan Tianhai Electric (Group) Corporation, a collective enterprise which has been restructured as a limited liability company and was indirectly acquired by the Company pursuant to the reverse takeover completed in September 2007.

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Other than Wang Laisheng, the following directors and/or senior management of the Company also have beneficial interests in Zoro:

Name of Directors and/or Senior Management	Beneficial Interest in Zoro
Zhang Jingtang (Executive Chairman)	10.9%
Shen Zhifu (Non-Executive Director)	19.0%
Yang Yong Jun (Non-Executive Director)	4.1%
Zhou Ping (Deputy Chief Executive Officer)	1.9%
Qin Hong (Deputy Chief Executive Officer)	6.6%

The remaining 22.3% of the beneficial interests in Zoro are held by other senior managers and retired directors of the Company.

Under an investment agency agreement entered into between the holders of the beneficial interests of Zoro, Wang Laisheng will attend and vote in shareholders' meetings and exercise all other rights as shareholder of the Company, for and on behalf of the holders of the beneficial interests of Zoro.

Henghuai

Henghuai is a limited partnership constituted in the PRC engaged in investment holding, investment management and investment consultancy. Its general partner is Qide (Shanghai) Investment Management Centre (Limited Partnership) ("**Qide**"). It has three (3) limited partners, namely, Shanghai Sailing M&A Investment Fund Limited Partnership (Limited Partnership) ("**Sailing M&A**"), Shanghai Sailing Zhuohui Equities Investment Fund Limited Partnership (Limited Partnership) ("**Zhuohui**") and Shanghai Aocheng Investment Limited Partnership ("**Aocheng**"). All the partners of Henghuai are constituted in the PRC. The interests in Henghuai are held by its limited partners as follows:

Name of the Partner	Interest in Henghuai
Qide (General Partner)	0.1%
Sailing M&A (Limited Partner)	49.9%
Zhuohui (Limited Partner)	25.0%
Aocheng (Limited Partner)	25.0%
Total	100.0%

The legal representative of Henghuai is Fu Tao, who is the managing director of Sailing M&A.

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Consortium Agreement

Zoro, THB Holding, Henghuai and the Bondholders have agreed to form a consortium through the Offeror to undertake the Offer and have, on the Offer Announcement Date, entered into a consortium agreement with the Offeror ("**Consortium Agreement**") to govern the relationship of Zoro, THB Holding, Henghuai and the Bondholders with respect to the Offer. Pursuant to the Consortium Agreement, each of the Offeror, Zoro, THB Holding, Henghuai and the Bondholders have agreed, amongst others, as follows:

- (a) pursuant to an irrevocable undertaking given by Zoro ("**Zoro Undertaking**") and the subscription agreement entered into between Zoro and the Offeror, Zoro has agreed to:
 - (i) tender all its 193,114,000 Shares in acceptance of the Offer ("**Zoro Acceptance**");
 - (ii) waive the right to receive consideration in cash for the Zoro Acceptance ("**Zoro Consideration**"); and
 - (iii) subscribe for new Offeror Shares, and pay for the subscription amount in respect of such Offeror Shares ("**Zoro Set-Off Amount**") by setting off in full the Zoro Set-Off Amount against the proceeds that would otherwise be payable by the Offeror as consideration pursuant to the acceptance of the Offer by Zoro ("**Zoro Capitalisation**");

- (b) pursuant to the irrevocable undertaking given by each Bondholder (collectively, "**Bondholders' Undertakings**") and a subscription agreement entered into between each Bondholder with the Offeror, each Bondholder has agreed to:
 - (i) convert all the Bonds held by it into Conversion Shares pursuant to the terms and conditions of the Bond Purchase Agreement;
 - (ii) tender all the Conversion Shares held by it in acceptance of the Offer ("**Bondholder Acceptance**");
 - (iii) waive the right to receive consideration in cash for the Bondholder Acceptance ("**Bondholders' Consideration**"); and
 - (iv) subscribe for new Offeror Shares, and pay for the subscription amount in respect of such Offeror Shares ("**Bondholders Set-Off Amount**") by setting off in full the Bondholders Set-Off Amount against the proceeds that would otherwise be payable by the Offeror as consideration pursuant to the acceptance of the Offer by each Bondholder ("**Bondholders Capitalisation**").

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According to the Offer Document, the SIC has confirmed that the Consortium Agreement and the Irrevocable Undertakings do not constitute a special deal in breach of Rule 10 of the Code.

4.3 Disclosure of Interest

No Indemnity Arrangements

As at the Latest Practicable Date, save for the Consortium Agreement, the Irrevocable Undertakings and the subscription agreements entered into by each of Zoro and the Bondholders with the Offeror, neither the Offeror nor any party acting in concert with it has entered into any arrangement of the kind referred to in Note 7 on Rule 12 of the Code, including indemnity or option arrangements and any agreement or understanding, formal or informal, of whatever nature, relating to the Shares which may be an inducement to deal or refrain from dealing in the Shares.

No Agreement having any Connection with or Dependence upon the Offer

As at the Latest Practicable Date, save for the Consortium Agreement, the Irrevocable Undertakings and the subscription agreements entered into by each of Zoro and the Bondholders with the Offeror, there is no agreement, arrangement or understanding between (i) the Offeror or any party acting in concert with it, and (ii) any of the present or recent directors of the Company, or any of the present or recent Shareholders that has any connection with or dependence upon, the Offer.

No Agreement Conditional upon Outcome of the Offer

As at the Latest Practicable Date, save for the Consortium Agreement and the Irrevocable Undertakings, no agreement or arrangement exists between the Offeror and any of the directors of the Company or any other person in connection with or conditional upon the outcome of the Offer or otherwise connected with the Offer.

5 RATIONALE FOR THE OFFER

The rationale for the Offer, according to paragraph 7 of the Offer Document, is as reproduced below:

“7.1 Low Trading Liquidity of Shares

The trading volume of the Shares has been low, with an average daily trading volume of approximately 91,632 Shares, 140,252 Shares, 121,676 Shares and 155,767 Shares during the respective one (1)-month period, three (3)-month period, six (6)-month period and 12-month period up to and including the Last Trading Day. Each of these represents less than 0.03% of the total number of issued Shares for any of the aforementioned relevant periods.

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The Offer therefore provides Shareholders who find it difficult to exit the Company as a result of the low trading volume in Shares with an opportunity to liquidate and realise their investment in the Shares at a premium to the prevailing market prices which would otherwise not be available given the low trading liquidity.

7.2 Offer Price at a Premium to the Last Transacted Share Price

The Offer Price represents a premium of approximately 23.08% over the last transacted price per Share of S\$0.130 on 18 October 2016, being the last Market Day on which the Shares were transacted prior to the Offer Announcement Date.

When compared to the benchmark prices of the Shares up to and including the Last Trading Day, the Offer Price also represents a premium of approximately 56.86%, 64.95%, 64.95% and 86.05% over the VWAP per Share for the one (1)-month, three (3)-month, six (6)-month and 12-month periods, respectively.

The Offer presents Shareholders with a clean cash exit opportunity to realise their entire investment in the Shares at a premium over the prevailing trading prices of the Shares without incurring brokerage and other trading costs.

7.3 Greater Management Flexibility

The Offeror is making the Offer with a view to delisting the Company from the SGX-ST and exercising any rights of compulsory acquisition that may arise under the Companies Act 1981 of Bermuda. The Offeror believes that privatising the Company will give the Offeror and the management of the Company more flexibility to manage the business of the Company, optimise the use of its management and capital resources and facilitate the implementation of any operational change.

7.4 Compliance Costs of Maintaining Listing

In maintaining its listed status, the Company incurs compliance and associated costs. In the event that the Company is delisted from the SGX-ST, the Company will be able to save on expenses relating to the maintenance of a listed status and focus its resources on its business operations."

6 THE OFFER

The detailed terms of the Offer are set out in Section 2 of the Offer Document. The key terms of the offer are set out below for your reference.

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6.1 Consideration

The consideration for each Offer Share, according to paragraph 2.1 of the Offer Document, is as reproduced below:

"For each Offer Share: S\$0.16 in cash.

The Offeror does not intend to revise the Offer Price.

The Offer Shares will be acquired:

- (a) fully paid;*
- (b) free from all claims, charges, liens, mortgages, encumbrances, hypothecation, retention of title, power of sale, equity, options, rights of pre-emption, rights of first refusal or other third party rights or interests of any nature whatsoever ("**Encumbrances**") ; and*
- (c) together with all rights, benefits and entitlements attached thereto as at the Offer Announcement Date and hereafter attaching thereto, including the right to receive and retain all dividends, rights, other distributions and return of capital (collectively "**Distributions**") (if any) which may be announced, declared, paid or made by the Company on or after the Offer Announcement Date.*

Without prejudice to the foregoing, the Offer Price has been determined on the basis that the Offer Shares will be acquired with the right to receive any Distribution that may be declared, paid or made by the Company on or after the Offer Announcement Date.

In the event any Distribution is or has been declared, paid or made by the Company on or after the Offer Announcement Date to a Shareholder who validly accepts or has validly accepted the Offer, the Offer Price payable to such accepting Shareholder shall be reduced by an amount which is equal to the amount of such Distribution depending on when the settlement date in respect of the Offer Shares tendered in acceptance by Shareholders pursuant to the Offer falls, as follows:

- (i) if such settlement date falls on or before the books closure date for the determination of entitlements to the Distribution ("**Books Closure Date**"), the Offeror shall pay the relevant accepting Shareholders the unadjusted Offer Price for each Offer Share, as the Offeror will receive the Distribution in respect of such Offer Shares from the Company; or*
- (ii) if such settlement date falls after the Books Closure Date, the Offer Price shall be reduced by an amount which is equal to the amount of the Distribution in respect of each Offer Share, as the Offeror will not receive the Distribution in respect of such Offer Shares from the Company."*

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"2.2 Offer Shares

The Offer is extended, on the same terms and conditions, to all the Offer Shares."

"2.3 Unconditional

The Offer is unconditional in all respects."

"2.4 Warranty

Acceptance of the Offer will be deemed to constitute an unconditional and irrevocable warranty by the accepting Shareholder that each Offer Share tendered in acceptance of the Offer is sold by the accepting Shareholder, as or on behalf of the beneficial owner(s) thereof, (a) fully paid, (b) free from Encumbrances, and (c) together with all rights, benefits and entitlements attached thereto as at the Offer Announcement Date and thereafter attaching thereto (including the right to receive and retain all Distributions which may be announced, declared, paid or made thereon by the Company on or after the Offer Announcement Date)."

7 IRREVOCABLE UNDERTAKINGS

"Shine

Yang Yong Jun holds the entire issued share capital in Shine as bare trustee for and on behalf of certain representatives of the employees of the former Henan Tianhai Electric (Group) Corporation, a collective enterprise which has been restructured as a limited liability company and was indirectly acquired by the Company pursuant to the reverse takeover completed in September 2007. Yang Yong Jun was legally appointed as trustee for the entire issued share capital in Shine through a trust agreement executed under the laws of the PRC, and does not have any beneficial interests in Shine.

*As at the Latest Practicable Date, besides Zoro and the Bondholders, Shine has provided an irrevocable undertaking ("**Shine Undertaking**") to the Offeror to, inter alia, accept the Offer in respect of an aggregate of 143,886,000 Shares, representing approximately 10.7% of the total number of issued Shares (after the issue of the Conversion Shares).*

*Pursuant to the Zoro Undertaking, the Bondholders' Undertakings and the Shine Undertaking (collectively, "**Irrevocable Undertakings**"), and Zoro, the Bondholders and Shine being collectively, "**Undertaking Shareholders**"), the Offeror has received irrevocable undertakings to accept the Offer in respect of an aggregate of 1,003,666,667 Shares, representing approximately 74.4% of the total number of issued Shares (after the issue of the Conversion Shares).*

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Details of the Undertaking Shareholders and the number of Shares to be tendered in acceptance of the Offer by each Undertaking Shareholder pursuant to their respective Irrevocable Undertakings are as follows:

Undertaking Shareholder	Number of shares to be tendered in acceptance of the Offer	Percentage of the total number of Issued Shares ⁽¹⁾
Zoro	193,114,000	14.32%
Shine	143,886,000	10.67%
Brain	355,555,556	26.37%
Oriental Success	311,111,111	23.07%
Total	1,003,666,667	74.43%

Note:

1. Calculated based on 1,348,266,667 issued Shares as at the Latest Practicable Date, after issuance of the Conversion Shares pursuant to the conversion of the Bonds.

Save for the Irrevocable Undertakings, as at the Latest Practicable Date, neither the Offeror nor any party acting in concert with the Offeror has received any irrevocable undertaking from any other party to accept or reject the Offer."

8 FINANCIAL ASSESSMENT OF THE OFFER

We have confined our evaluation to the financial terms of the Offer. In evaluating the Offer, from a financial point of view, we have performed our analysis based on publicly available information or information made available to us by the Directors and Management of the Company as at the Latest Practicable Date. The figures and underlying financial data used in our analysis, including share prices and trading volumes have been extracted from various sources as noted herein. We make no representation or warranty, expressed or implied, on the accuracy or completeness of such information.

8.1 Share price performance

The market valuation of the shares of a company (traded on a recognised stock exchange) provides a perspective on its financial value. Accordingly, we have considered the current and historical price performance of the Shares.

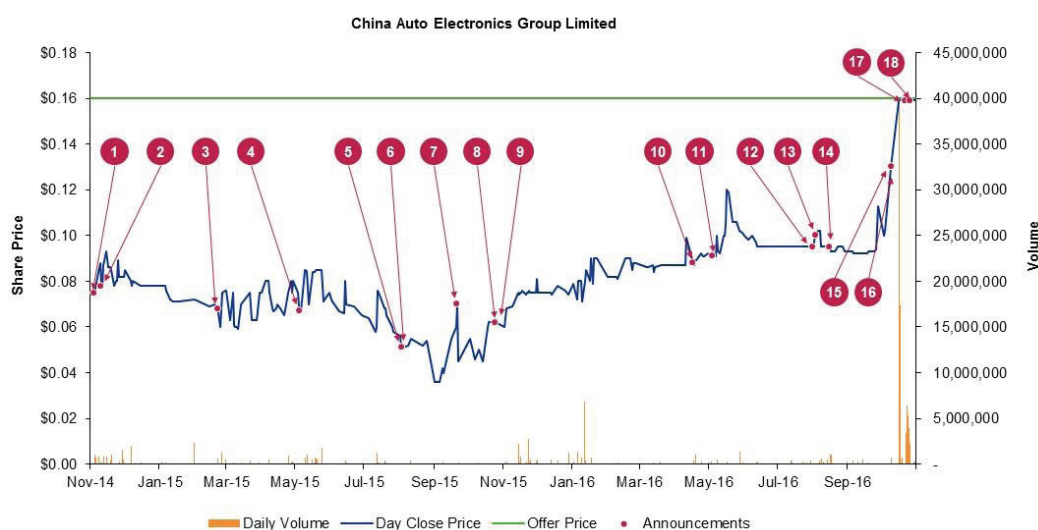
We wish to highlight that under ordinary circumstances the market valuation of the shares of a company (traded on a recognised stock exchange) may be affected by, amongst other things, the relative liquidity, the size of the free float, the extent of applicable research coverage and investor interest, and the general market sentiment at a given point in time. Accordingly, this analysis serves as an illustrative guide only.

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8.1.1 Share price chart

The chart below shows the Offer Price relative to the daily last transacted prices and trading volume of the Shares since November 2014 and up to the Latest Practicable Date.



Notes:

No	Date	Announcement
1	13-Nov-14	Announcement of 3Q2014 Results
2	19-Nov-14	Discharge of shares by major shareholder Zoro Express International Ltd and Shine Sound Investments Ltd
3	01-Mar-15	Announcement of FY2014 Results
4	14-May-15	Announcement of 1Q2015 Results
5	14-Aug-15	Announcement by the Company in relation to the proposed issue of S\$60 million in aggregate principal amount of convertible bonds due 2018
6	14-Aug-15	Announcement of 2Q2015 Results
7	30-Sep-15	Received bonds issue in-principle approval from the SGX-ST
8	09-Nov-15	Closing of bond issue
9	12-Nov-15	Announcement of 3Q2015 Results
10	26-Apr-16	Announcement of FY2015 Results
11	14-May-16	Announcement of 1Q2016 Results
12	10-Aug-16	Acquisition of Henan Feixun Communication Technology Co. Ltd
13	12-Aug-16	Announcement of 2Q2016 Results
14	24-Aug-16	Incorporation of Joint Venture Company in Changde City, Hunan Prov, PRC

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No	Date	Announcement
15	24-Oct-16	Bond Issue - Receipt of Conversion Notice
16	24-Oct-16	Announcement by Company in relation to the Mandatory Unconditional Cash Offer by THB Auto Electronics Limited
17	31-Oct-16	Allotted and issued an aggregate of 666,666,667 Conversion Shares to Bondholders
18	04-Nov-16	Listing of Conversion Shares for trading on the SGX-ST

Based on the chart above, we observed that the Shares have traded below the Offer Price throughout the two-year period.

The last transacted share price of the Company on 18 October 2016, being the last Market Day on which the Shares were transacted prior to the Offer Announcement Date, was S\$0.13 (“Last Trading Day”).

8.1.2 Liquidity analysis of the Shares

Ordinarily, share prices may be affected by different factors including but not limited to relative liquidity, free float and investor interest or market sentiment at a given point in time. In considering the Offer Price relative to the Company’s historical share price, we have considered the relative liquidity of the Company in comparison with a total of 40 companies listed on the SGX-ST mainboard of similar market capitalisation, comprising of 20 companies as of Last Traded Day and 20 companies as of Latest Practicable Date.

Last Trading Day

We note that as of the Last Trading Day, the Company had a market capitalisation of S\$88.6 million. The 20 companies that we have used in our analysis had a market capitalisation ranging from S\$81.7 million to S\$95.0 million.

We note that for the 12 months leading up to the Last Trading Day, the Company had an average daily traded volume of 0.29 million shares. When calculated as a percentage of total shares outstanding as of Last Trading Day, the average daily trading volume of the Shares was 0.043%. When compared with our selection of companies with similar market capitalization, this lies within the first and third quartiles of 0.030% and 0.093% respectively, and marginally below the median of 0.046%.

8.1.3 Comparison against the historical pricing of the Shares

We set out below the volume-weighted average price of the Shares (“VWAP”) for varying time periods before and after the Offer Announcement Date compared to the premium implied by the Offer Price over the respective VWAP:

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Reference period	VWAP (\$\$)	Premium to VWAP (%)	Average daily trading volume (mln)	Average daily trading volume as a percentage of free float (%)
VWAP Period				
Last Trading Day	0.13	23.08%	0.70	0.10%
One-month prior	0.11	50.94%	0.15	0.02%
Three-month prior	0.10	64.95%	0.21	0.03%
Six-month prior	0.10	64.95%	0.21	0.03%
One year prior	0.09	88.24%	0.29	0.04%
Periods after the Offer Announcement Date up to the Latest Practicable Date				
Between the Offer Announcement Date and the Latest Practicable Date	0.16	0.63%	8.95	0.66%
Latest transacted price of the Latest Practicable Date	0.16	0.00%	27.34	2.03%

Source: Capital IQ

Having benchmarked the Offer Price against the VWAP for varying periods preceding the Offer Announcement Date, we observe as follows:

- (a) the Offer Price is at a premium of 23.08% over the Last Trading Day VWAP prior to the Offer Announcement Date, respectively;
- (b) the Offer Price is at a premium of 50.94% over the one-month VWAP prior to the Offer Announcement Date;
- (c) the Offer Price is at a premium of 64.95% over the three-month VWAP prior to the Offer Announcement Date;
- (d) the Offer Price is at a premium of 64.95% over the six-month VWAP prior to the Offer Announcement Date; and
- (e) the Offer Price is at a premium of 88.24% over the one-year VWAP prior to the Offer Announcement Date.

Having benchmarked the Offer Price against the VWAP for varying periods post Offer Announcement Date, we observe as follows:

- (a) the Offer Price is at a premium of 0.63% between the Offer Announcement Date and the Latest Practicable Date; and

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- (b) the Offer Price is at a premium of 0.00% over the VWAP at the Latest Practicable Date, respectively.

Since the Offer Announcement Date, the Shares have traded at levels higher than historical traded prices, but not exceeding the Offer Price.

We note that should the Company fail to be delisted, there is no assurance that the price of the Shares will remain at current levels after the close of the Offer. In addition, we note that our analysis of the past price performance of the Shares is not indicative of the future price levels of the Shares.

8.2 Financial analysis of the Group

8.2.1 Financial Performance of the Group

We set out below a summary of the audited financial results of the Group for the last three financial years ended 31 December 2013 ("FY2013"), 31 December 2014 ("FY2014"), and 31 December 2015 ("FY2015"), and unaudited interim financial results of the Group for the first half ended 30 June 2015 ("1H2015") and first half ended 30 June 2016 ("1H2016").

	Audited			Unaudited	
	2013 S\$'000	2014 S\$'000	2015 S\$'000	1HFY2015 S\$'000	1HFY2016 S\$'000
Revenue	403,950	473,742	572,981	283,274	346,410
Cost of Sales	(323,764)	(379,213)	(465,036)	(226,862)	(273,119)
Gross Profit	80,186	94,528	107,945	56,413	73,291
Other income	1,420	2,698	1,498	590	5,901
Selling and distribution expenses	(9,099)	(9,437)	(12,548)	(5,262)	(6,637)
Research and development expenses	(11,571)	(14,969)	(19,174)	(8,071)	(12,505)
General and administrative expenses	(23,044)	(30,137)	(36,876)	(18,893)	(23,632)
Other expenses	(4,836)	(2,095)	(1,813)	(165)	(8,376)
Profit from operating activities	33,055	40,587	39,033	24,611	28,042
Interest income	2,677	2,240	1,601	-	-
Finance costs	(9,755)	(9,966)	(7,065)	(1,823)	(3,079)
Net finance income/(expenses)	(7,078)	(7,726)	(5,463)	(1,823)	(3,079)
Profit before income tax	25,977	32,861	33,569	22,788	24,963
Income tax expense	(3,976)	(5,104)	(7,217)	(3,558)	(6,090)

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	Audited			Unaudited	
	Net profit/(loss) for the period	22,001	27,758	26,352	19,230
Attributable to:					
Owners of the Company	20,985	25,914	24,986	18,059	17,103
Non-controlling interest	1,016	1,844	1,366	1,171	1,769
	22,001	27,758	26,352	19,230	18,873
Fair value losses on financial liabilities at fair value through profit or loss	-	-	(4,072)	-	(9,884)
KPMG's analysis					
Adjusted profit attributable to owners of the Company for the period (excluding non-recurring items)	20,985	25,914	29,058	18,059	26,987
Adjusted profit growth rate		26.2%	9.6%		49.5%
Adjusted profit margin	5.4%	5.9%	5.3%	6.8%	8.3%

Source: The Company's annual reports for FY2013, FY2014 and FY2015, and the unaudited results of the Group for 1H2015 and 1H2016

The Group has been profitable for the last three financial years.

We note that for FY2015 and 1H2016, the Group reported non-recurring items which could affect the reported profit attributable to the owners of the Company from year to year. Hence, based on the Company's disclosures in its results announcements, we have shown above the adjusted profit attributable to the owners of the Company which excludes these non-recurring items.

Based on the Group's adjusted profit from FY2013 to FY2015, we note that the Group had achieved a compounded annual profit growth of 17.6%. Based on the adjusted net profit, the Group had achieved stable adjusted net profit margin ranging from 5.3% in FY2015 to 5.9% in FY2014.

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8.2.2 Financial Position of the Group

	Audited	Unaudited
	2015	30 June 2016
	S\$'000	S\$'000
Assets		
Current assets		
Cash and short-term deposits	78,845	50,828
Trade and other receivables	242,987	309,706
Financial assets, available-for-sale	371	371
Inventories	108,564	99,903
Bank deposits pledged	18,219	40,804
	<u>448,986</u>	<u>501,612</u>
Non-current assets		
Property, plant and equipment	78,097	89,724
Intangible assets	21,831	21,771
Deferred income tax assets	4,188	4,653
Investment in subsidiaries	-	-
	<u>104,116</u>	<u>116,149</u>
Total assets	<u>553,102</u>	<u>617,761</u>
Equity and Liabilities		
Current liabilities		
Trade and other payables	198,926	248,077
Provision for income tax	4,381	4,154
Borrowings	85,765	81,873
	<u>289,071</u>	<u>334,104</u>
Non-current liabilities		
Borrowings	72,361	78,532
Deferred income	10,375	4,953
	<u>82,736</u>	<u>83,485</u>
Total liabilities	<u>371,807</u>	<u>417,590</u>
Net assets	<u>181,294</u>	<u>200,171</u>
Equity attributable to owners of the Company		
Share capital	101,134	101,134
Other reserves	53,654	53,658
Retained earnings	16,100	33,204
	<u>170,888</u>	<u>187,995</u>
Non-controlling interest	10,406	12,176
Total equity	<u>181,294</u>	<u>200,171</u>
Total equity and liabilities	<u>553,102</u>	<u>617,761</u>

Source: The Company's annual report for FY2015 and the unaudited results of the Group for 1H2016

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STIRLING COLEMAN CAPITAL LIMITED, FOR AND ON
BEHALF OF THB AUTO ELECTRONICS LIMITED, FOR
THE OFFER SHARES
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KPMG's analysis	2015	30 June 2016
Number of issued Shares (before Bond Conversion) ('000)	681,600	681,600
NAV attributable to owners of the Company (S\$'000)	170,888	187,995
NAV per share (S\$)	0.25	0.28
NTA attributable to owners of the Company (S\$'000)	149,058	166,224
NTA per share (S\$)	0.22	0.24
Number of issued Shares (after Bond Conversion) ('000)	1,348,267	1,348,267
NAV attributable to owners of the Company based on historical numbers on a fully diluted basis) (S\$'000)	170,888	187,995
NAV per share based on historical numbers on a fully diluted basis	0.13	0.14
NTA attributable to owners of the Company based on historical numbers on a fully diluted basis) (S\$'000)	149,058	166,224
NTA per share based on historical numbers on a fully diluted basis	0.11	0.12

Source: The Company's annual report for FY2015, unaudited results of the Group for 1H2016 and KPMG analysis

The increase in property, plant and equipment of S\$11.6 million to S\$89.7 million was mainly due to new purchase of assets of S\$16.9 million.

The decrease in inventories was due to increase in sales of the available inventories in 1H2016. The increase in trade and other receivables was in line with the increase in sales activities.

The increase in trade and other payables was mainly due to the increase in manufacturing activities during 1H2016, which was in line with the increase in sales activities.

The decrease in short-term borrowings was due to repayment during the financial period under review.

8.3 Historical multiple analysis

Historical trading multiples are related to how the Company is perceived by the stock market and subject to market efficiency and rationality, reflect the information relevant to a company such as its business directions, plans and strategies, expected financial performance, future prospects and potential growth and are susceptible to, amongst other things, the degree of broker coverage of the company, trading liquidity, investor sentiment and market speculation.

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8.3.1 EV/EBITDA

Enterprise Value (“**EV**”) is the sum of a company’s market capitalisation, preferred equity, minority interests, short and long term debt less its investments in associated companies, other long term investments and cash and cash equivalents. “**EBITDA**” stands for earnings before interest, tax, depreciation and amortisation expenses. The EV/EBITDA multiple illustrates the market value of a company’s business relative to its historical pre-tax operating cashflow performance, without regard to the company’s capital structure.

For our analysis, we have calculated the implied EV/EBITDA of the Group as follows:

- (a) EV, which is calculated based on market capitalisation implied by the Offer Price and relevant financial information of the Company as at 30 June 2016, divided by;
- (b) Trailing twelve months (“**T12M**”) EBITDA based on the following:
 - i. of EBITDA for FY2015; and
 - ii. the Group’s relevant financial performance for T12M, for the period from 1 July 2015 to 30 June 2016, for the calculation of T12M EBITDA.

The EV/EBITDA of the Group as implied by the Offer Price are as follows:

	Based on FY2015	Based on T12M for the period from 1 July 2015 to 30 June 2016
EV/EBITDA	6.6x	5.6x

Source: The Company’s annual report for FY2015 and the unaudited results of the Group for 1H2015 and 1H2016

The EV of the Group as implied by the Offer Price and based on the Group’s relevant financial information as at 30 June 2016 is S\$337.5 million.

The Group’s EBITDA for FY2015 of S\$50.8 million results in an implied FY2015 EV/EBITDA multiple of 6.6 times.

The Group’s T12M EBITDA of S\$60.6 million results in an implied T12M EV/EBITDA of 5.6 times.

8.3.2 Price-to-Earnings

The Price-to-Earnings (“**P/E**”) multiple is the ratio of the market price of a company’s shares relative to its earnings per share.

In our computation in the P/E multiple, we have adjusted the earnings for the non-recurring items. For reference see paragraph 8.2.1.

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For our analysis, we have evaluated the P/E of the Group as implied by the Offer Price divided by:

- (a) The Group's FY2015 adjusted basic earnings per Share ("EPS");
- (b) The Group's T12M adjusted basic EPS for the period from 1 July 2015 to 30 June 2016;
- (c) The Group's FY2015 adjusted EPS on a fully diluted basis; and
- (d) The Group's T12M adjusted EPS on a fully diluted basis for the period from 1 July 2015 to 30 June 2016.

The P/E of the Group as implied by the Offer Price are as follows:

		Based on FY2015	Based on T12M for the period from July 2015 to 30 June 2016
P/E	Basic	2.0x	1.3x
	Diluted	3.9x	3.3x

Source: The Company's annual report for FY2015 and the unaudited results of the Group for 1H2015 and 1H2016

Comparison based on adjusted basic EPS

The Group's adjusted basic FY2015 EPS was S\$0.08, and thus values the Group on a FY2015 P/E of 2.0 times.

The Group's adjusted basic T12M EPS was S\$0.12, and thus values the Group on a T12M P/E of 1.3 times.

Comparison based on adjusted EPS on a fully diluted basis

The Group's FY2015 adjusted EPS on a fully diluted basis was S\$0.04, and thus values the Group on a diluted FY2015 P/E of 3.9 times.

The Group's diluted T12M adjusted EPS on a fully diluted basis was S\$0.05, and thus values the Group on a diluted T12M P/E of 3.3 times.

8.3.3 Price-to-Net Asset Value and Price-to-Net Tangible Assets

The Price-to-Net Asset Value ("P/NAV") and Price-to-Net Tangible Assets ("P/NTA") multiple is the ratio of the market capitalisation of a company relative to its net asset value and net tangible assets value respectively. The NAV and NTA per share of a company shows the extent to which the value of each share is backed by total assets net of liabilities and tangible assets net of liabilities respectively.

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For our analysis, we have evaluated the P/NAV and P/NTA of the Group as implied by the Offer Price and the following:

- (a) the Group's audited financial position as at 31 December 2015; and
- (b) the Group's unaudited financial position as at 30 June 2016.

The P/NAV and P/NTA of the Group as implied by the Offer Price are as follows:

		As at 31 December 2015	As at 30 June 2016
P/NAV	Before Bond Conversion	0.64x	0.58x
	After Bond Conversion	1.26x	1.15x
P/NTA	Before Bond Conversion	0.73x	0.66x
	After Bond Conversion	1.45x	1.30x

Source: The Company's annual report for FY2015 and the unaudited results of the Group for 1H2016

Comparison before Bond Conversion

The Group's audited NAV per share as at 31 December 2015 and unaudited NAV per share as at 30 June 2016 was S\$0.25 and S\$0.28, respectively. The Offer Price thus values the Group P/NAV as at 31 December 2015 and 30 June 2016 at 0.64 times and 0.58 times, respectively.

The Group's audited NTA per share as at 31 December 2015 and unaudited NTA per share as at 30 June 2016 was S\$0.22 and S\$0.24, respectively. The Offer Price thus values the Group P/NTA as at 31 December 2015 and 30 June 2016 at 0.73 times and 0.66 times, respectively.

Comparison after Bond Conversion

The Group's pro-forma NAV per share as at 31 December 2015 and pro-forma NAV per share as at 30 June 2016 was S\$0.13 and S\$0.14, respectively. The Offer Price thus values the pro-forma Group P/NAV as at 31 December 2015 and 30 June 2016 at 1.26 times and 1.15 times, respectively.

The Group's pro-forma NTA per share as at 31 December 2015 and pro-forma NTA per share as at 30 June 2016 was S\$0.11 and S\$0.12, respectively. The Offer Price thus values the pro-forma Group P/NTA as at 31 December 2015 and 30 June 2016 at 1.45 times and 1.30 times, respectively.

The above comparisons made with respect to the Company's historical EV/EBITDA, P/E, P/NAV and P/NTA multiples are for illustrative purposes only. We would like to highlight that the historical trading multiples implied by the Offer Price should not, in any way, be relied upon as an indication of future trading multiples, which will be affected by, *inter*

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alia, the performance and prospects of the Company, prevailing economic conditions, economic outlook, stock market conditions and sentiments.

8.4 Comparison with recently completed transactions for companies listed on the on the SGX-ST

In assessing the reasonableness of the Offer Price, we have compared the financial terms of the Offer with those of the recently completed precedent transactions announced since October 2014 and up to the Latest Practicable Date ("**Precedent Transactions**").

This analysis serves as a general indication of the level of premium that other offerors had paid in order to acquire the target companies without having regard to their specific industry characteristics or other considerations. We have set out below the premiums implied by the offer prices compared to the respective VWAP of the respective targets for the one-day, one-month, three-month, six-month and twelve-month periods prior to the respective announcement dates of the offer price (except as otherwise noted).

We wish to highlight that the target companies as set out in the analysis below may not be directly comparable to the Company in terms of market capitalization, size of operations, composition of business activities, asset base, geographical spread, track record, operating and financial leverage, risk profile, liquidity, accounting policies, future prospects and other relevant criteria. Moreover, the Company is not in the same industry and does not conduct the same business as other target companies, and hence it may not be directly comparable to the target companies. Each transaction should therefore be evaluated based on its own financial and commercial merits.

It should also be noted that the level of premium or discount that an offeror pays in any Precedent Transactions varies in different circumstances depending, amongst other things, on the attractiveness of the underlying business to be acquired, the potential synergies to be gained from integration with an existing business to be acquired, the possibility of significant revaluation of the assets to be acquired, the availability of cash reserves, the liquidity of the target company's traded shares, the presence of competing bids for the target company, the form of consideration offered by an acquirer, the extent of control the acquirer already had in the target company and the prevailing market expectations. The list of Precedent Transactions provided is by no means exhaustive and conclusions drawn from the comparisons may not necessarily provide a meaningful basis that reflects the perceived or implied market valuation of the Company, and conclusions drawn with respect to these transactions merely serves as an illustrative guide.

We have compared the financial terms of the Offer with:

- (a) Selected recently completed transactions for companies listed on the SGX-ST; and
- (b) Selected recently completed mandatory general offer ("**MGO**").

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For all Precedent Transactions

Company	Announcement date	Offer price (\$S)	Premium of offer price over ⁽¹⁾				
			Last transacted price prior to announcement	1-month VWAP prior to announcement	3-month VWAP prior to announcement	6-month VWAP prior to announcement	12-month VWAP prior to announcement
Lee Kim Tah Holdings	25-Sep-2014	1.08	6.4%	11.8%	12.3%	13.5%	15.0%
UE E&C Ltd	03-Oct-2014	1.25	-2.3%	2.7%	5.0%	-2.9%	6.9%
Forterra Trust	04-Nov-2014	2.25	32.4%	51.1%	49.7%	39.8%	25.1%
ECS Holdings Limited	14-Nov-2014	0.68	11.5%	9.0%	11.7%	9.2%	7.3%
CH Offshore Ltd	11-Dec-2014	0.55	18.3%	20.4%	17.0%	16.8%	20.1%
Hafary Holdings Limited	30-Dec-2014	0.24	9.1%	11.1%	11.1%	14.8%	16.5%
LCD Global Investments Limited	12-Jan-2015	0.33	10.0%	10.4%	13.0%	14.6%	32.0%
Popular Holdings Limited	14-Jan-2015	0.32	39.1%	39.7%	37.3%	32.2%	28.5%
Keppel Land Limited	23-Jan-2015	4.38	20.0%	25.0%	28.8%	28.2%	29.6%
Action Asia Limited	27-Feb-2015	0.19	69.6%	68.1%	66.7%	65.2%	54.5%
United Envirotech Ltd.	05-Mar-2015	1.65	1.9%	2.1%	2.4%	8.4%	13.7%
Sinotel Technologies Ltd	12-Mar-2015	0.128	33.3%	30.6%	45.5%	-4.5%	29.3%
Neptune Orient Lines Limited	19-Jul-2015	1.30	48.6%	51.0%	32.9%	30.7%	35.1%
Lizhong Wheel Group Ltd.	17-Aug-2015	0.50	96.1%	90.8%	74.8%	87.3%	92.3%
Chosen Holdings Limited	01-Sep-2015	0.24	21.2%	25.7%	27.0%	32.6%	37.9%
Eastern Holdings Ltd	22-Sep-2015	0.425	41.7%	41.7%	26.8%	21.8%	5.1%
Novo Group Ltd.	24-Sep-2015	0.681	161.5%	188.1%	151.9%	163.6%	191.8%
Jacks International Limited	06-Oct-2015	0.80	90.5%	103.5%	103.5%	121.8%	124.1%
Biosensors International Group, Ltd.	04-Nov-2015	0.84	23.5%	23.0%	21.0%	12.9%	19.8%
Tiger Airways Holdings Limited	06-Nov-2015	0.41	32.0%	35.0%	42.0%	37.0%	33.0%
Li Heng Chemical Fibre Technologies Limited	22-Dec-2015	1.00	115.1%	100.8%	104.5%	60.3%	58.7%
Interplex Holdings Ltd.	23-Dec-2015	0.82	15.5%	10.8%	12.9%	16.3%	19.4%
HTL International Holdings Limited	07-Jan-2016	1.00	46.0%	71.5%	101.2%	108.3%	116.0%
Lantrovision (S) Ltd	27-Jan-2016	3.25	47.7%	42.8%	46.2%	56.6%	42.1%
Xinren Aluminium Holdings	25-Feb-2016	0.60	66.7%	63.9%	63.5%	57.9%	35.7%
Osim International Ltd	07-Mar-2016	1.41	27.0%	40.9%	42.5%	16.7%	-2.2%
Pteris Global Limited	21-Apr-2016	0.735	15.8%	19.3%	24.6%	29.4%	25.6%
China Merchants Holdings (Pacific) Limited	09-May-2016	1.02	22.9%	21.9%	25.5%	20.1%	8.0%
Eu Yan Sang International Limited	16-May-2016	0.60	2.6%	8.5%	16.5%	24.7%	22.5%
Otto Marine Limited	08-Jun-2016	0.32	39.1%	44.8%	43.5%	42.9%	-13.5%
Ellipsis Ltd	07-Jul-2016	0.38	5.6%	7.7%	9.6%	15.7%	13.5%
China Hongcheng Holdings Limited	15-Jul-2016	0.01	-32.5%	35.0%	-61.4%	-58.5%	-58.5%
Sim Lian Group Limited	08-Aug-2016	1.08	14.9%	16.8%	19.5%	26.5%	28.0%

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Company	Announcement date	Offer price (\$)	Premium of offer price over ⁽¹⁾				
			Last transacted price prior to announcement	1-month VWAP prior to announcement	3-month VWAP prior to announcement	6-month VWAP prior to announcement	12-month VWAP prior to announcement
Min			-32.5%	2.1%	-61.4%	-58.5%	-58.5%
Mean			34.9%	40.2%	37.2%	34.5%	33.7%
Median			23.5%	30.6%	27.0%	25.6%	25.6%
Max			161.5%	188.1%	151.9%	163.6%	191.8%
China Auto Electronics Group Limited	24-Oct-2016	0.16	23.08%	50.94%	64.95%	64.95%	88.24%

Source: Capital IQ, company filings, KPMG analysis

Note:

1. Market premia/discounts calculated relative to the closing price of the respective target companies one day prior to the respective announcement dates and VWAP of the 1-month, 3-month, 6-month and 12-month period prior to the respective announcement dates, as stated in the respective offer documents.

Having benchmarked the premiums implied by the Offer Price against the Precedent Transactions, other than the MGOs, we observe as follows:

- (a) the premium of 23.08% implied by the Offer Price over the last transacted market price prior to the Possible Offer Announcement Date is within the range of premiums, and slightly lower than the median of premiums for all Precedent Transactions;
- (b) the premium of 50.94% implied by the Offer Price over the 1-month VWAP prior to the Possible Offer Announcement Date is within the range of premiums, and higher than the mean and median of premiums for all Precedent Transactions;
- (c) the premium of 64.95% implied by the Offer Price over the 3-month VWAP prior to the Possible Offer Announcement Date is within the range of premiums, and higher than the mean and median of premiums for all Precedent Transactions;
- (d) the premium of 64.95% implied by the Offer Price over the 6-month VWAP prior to the Possible Offer Announcement Date is within the range of premiums, and higher than the mean and median of premiums for all Precedent Transactions; and
- (e) the premium of 88.24% implied by the Offer Price over the 12-month VWAP prior to the Possible Offer Announcement Date is within the range of

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premiums, and higher than the mean and median of premiums for all Precedent Transactions.

For all MGO transactions

Company	Announcement date	Offer price (\$)	Premium of offer price over ⁽¹⁾				
			Last transacted price prior to announcement	1-month VWAP prior to announcement	3-month VWAP prior to announcement	6-month VWAP prior to announcement	12-month VWAP prior to announcement
Forterra Trust	04-Nov-2014	2.25	32.4%	51.1%	49.7%	39.8%	25.1%
Novo Group Ltd.	24-Sep-2015	0.681	161.5%	188.1%	151.9%	163.6%	191.8%
Jacks International Limited	06-Oct-2015	0.80	90.5%	103.5%	103.5%	121.8%	124.1%
Ellipsiz Ltd	07-Jul-2016	0.38	5.6%	7.7%	9.6%	15.7%	13.5%
Min			5.6%	7.7%	9.6%	15.7%	13.5%
Mean			72.5%	87.6%	78.7%	85.2%	88.6%
Median			61.4%	77.3%	76.6%	80.8%	74.6%
Max			161.5%	188.1%	151.9%	163.6%	191.8%
China Auto Electronics Group Limited	24-Oct-2016	0.16	23.08%	50.94%	64.95%	64.95%	88.24%

Source: Capital IQ, company filings, KPMG analysis

Note:

1. Market premia/discounts calculated relative to the closing price of the respective target companies one day prior to the respective announcement dates and VWAP of the 1-month, 3-month, 6-month and 12-month period prior to the respective announcement dates, as stated in the respective offer documents.

Having benchmarked the premiums implied by the Offer Price against the Precedent Transactions, specifically for the MGOs, we observe as follows:

- (a) the premium of 23.08% implied by the Offer Price over the last transacted market price prior to the Possible Offer Announcement Date is within the range of premiums, and lower than the mean and median of premiums for the MGO;
- (b) the premium of 50.94% implied by the Offer Price over the 1-month VWAP prior to the Possible Offer Announcement Date is within the range of premiums, and lower than the mean and median of premiums for the MGO;
- (c) the premium of 64.95% implied by the Offer Price over the 3-month VWAP prior to the Possible Offer Announcement Date is within the range of premiums, and lower than the mean and median of premiums for the MGO;

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- (d) the premium of 64.95% implied by the Offer Price over the 6-month VWAP prior to the Possible Offer Announcement Date is within the range of premiums, and lower than the mean and median of premiums for the MGO; and
- (e) the premium of 88.24% implied by the Offer Price over the 12-month VWAP prior to the Possible Offer Announcement Date is within the range of premiums, and higher than the median of premiums for the MGO.

8.5 Comparable companies analysis

The Company is one of the leading automotive electrical and electronics distribution system manufacturers in the PRC and the largest PRC domestic manufacturer of automotive wire harnesses and connectors. The Company supplies to automotive manufacturers in both the PRC and the USA. It has 16 production facilities across the PRC with its headquarters located in Hebi City, Henan Province, the PRC, and has a subsidiary in the USA.

The Company has been certified as original equipment manufacturer supplier by major automotive manufacturers including Fiat Chrysler Automobiles, Dongfeng Motor Corporation, Shanghai Volkswagen Automotive Co., Ltd, FAW-Volkswagen Automobile Co., Ltd, General Motors Corporation, Chery Automobile Co., Ltd, Changan Automobile Group Ltd, and Geely Automobile.

For the purposes of assessing the financial terms of the Offer, it is meaningful to compare the valuation statistics of the Company implied by the Offer Price, with those of select companies that are predominately engaged in the manufacturing of wire harnesses and cable connectors globally and which are, in our opinion, broadly comparable to the Company ("**Comparable Companies**").

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A brief description of the Comparable Companies is set out below:

Comparable Companies	Country	Business description
Delphi Automotive PLC	United Kingdom	Manufacturer of automotive components in electrical and electronic products and systems, powertrain systems, and safety technology solutions
Lear Corp.	United States	Engages in the design, development, manufacture, assembly, supply of automotive seating and electrical distribution systems
LEONI AG	Germany	Engages in the development and production of wires, cables, various cables systems for applications in the automotive sector and other industries
Nexen Tech Corporation	South Korea	Engages in the production of wiring harnesses for the automotive industry
THN Corporation	South Korea	Engages in the research & development and production of wire harnesses components for the automotive industry
Asti Corporation	Japan	Manufacturer of electrical control systems and wire harnesses for the automotive industry and electronic control products for consumer appliances manufacturers

Source: Capital IQ

Our comparison with the Comparable Companies is for illustrative purposes only. We wish to highlight that the Comparable Companies do not form an exhaustive list and they may not be directly comparable with the Company and may vary with respect to, amongst other factors, market capitalisation, size of operations, composition of business activities, asset base, geographical spread, track record, operating and financial leverage, risk profile, liquidity, accounting policies, future prospects and other relevant criteria. Accordingly, the Comparable Companies may not provide a meaningful basis for valuation comparison.

The valuation statistics of the Comparable Companies set out below are based on their last transacted share prices and latest available financial figures as at the Latest Practicable Date:

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Company	Country	Market capitalisation (\$million)	EV/EBITDA	P/E	P/NAV
Delphi Automotive PLC	United Kingdom	25,129.6	8.0x	17.0x	7.0x
Lear Corp.	United States	11,615.2	4.5x	8.9x	2.7x
LEONI AG	Germany	1,706.8	5.5x	18.3x	1.2x
Nexen Tech Corporation	South Korea	71.6	10.2x	31.1x	1.3x
THN Corporation	South Korea	45.9	6.8x	2.7x	1.2x
Asti Corporation	Japan	81.2	5.8x	8.5x	0.5x
Low			4.5x	2.7x	0.5x
Mean			6.8x	14.4x	2.3x
Median			6.3x	12.9x	1.3x
High			10.2x	31.1x	7.0x
China Auto Electronics Group Limited					
Implied by Offer Price of S\$0.16	China	215.7	5.6x	3.3x⁽¹⁾	1.1x⁽¹⁾

Source: Capital IQ

Note:

1. Implied by Offer Price on a fully diluted basis

For the purposes of comparison with the Comparable Companies, we have considered the EV/EBITDA, P/E, and P/NAV multiples. We believe the EV/EBITDA multiple to be the most appropriate metric to use as it avoids the distortionary effects of different gearing ratios, non-operating line items and differences arising from accounting/taxation jurisdictions, which are inherent when using the net earnings multiples.

Having benchmarked the valuation statistics of the Company as implied by the Offer Price against those of the Comparable Companies, we observe as follows:

- (a) The EV/EBITDA multiples of the Company implied by the Offer Price of 5.6 times is within the range of the EV/EBITDA multiples for the Comparable

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Companies, and is lower than the mean and median EV/EBITDA multiples for the Comparable Companies;

- (f) The P/E multiple of the Company implied by the Offer Price on a fully diluted basis of 3.3 times is within the range for the P/E multiples for the Comparable Companies, and is lower than the mean and median P/E multiples for the Comparable Companies; and
- (g) The P/NAV multiples of the Company implied by the Offer Price on a fully diluted basis of 1.1 times respectively, are within the range for the P/NAV multiples for Comparable Companies, and but slightly lower than the median P/NAV multiples for the Comparable Companies.

8.6 Comparable transactions analysis

We have compared the valuation statistics of the Company as implied by the Offer Price and the unaffected price with those of select completed transactions between February 2012 and the Latest Practicable Date, involving targets that are engaged in the manufacturing of wire harnesses, cable connectors, and other automotive parts, electronic products and components business in Asia and which are, in our opinion, broadly comparable to the Company ("**Comparable Transactions**").

Our comparison with the Comparable Transactions is for illustrative purposes only. We wish to highlight that the Comparable Transactions do not form an exhaustive list and they may not be directly comparable with the Offer. The Comparable Transactions may have occurred over a reasonably long period of time, when conditions may have been different from those presently. Accordingly, the Comparable Transactions may not provide a meaningful basis for valuation comparison.

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Announce- ment Date	Company	Country	Percent Sought %	Implied Equity Value (S\$m)	Implied Enterprise Value (S\$m)	Implied TEV/ EBITDA	Implied P/E	Implied P/NAV
13/09/2016	Shanghai Shenglan Industrial Co., Ltd.	China	100.0	145.5	145.5	NM	13.6x	0.0x
15/01/2015	Shanghai Jinting Automobile Harness Limited	China	100.0	621.4	621.4	NM	NM	6.6x
16/04/2013	Ingress Corporation Berhad	Malaysia	70.2	50.9	128.6	9.7x	8.0x	0.7x
30/08/2012	Beijing Mobis Transmission Co. Ltd.	China	32.0	462.4	462.4	NM	10.1x	1.4x
28/02/2012	TSM Global Berhad, Substantially All Assets	Malaysia	100.0	37.4	50.8	2.3x	NM	0.7x
28/02/2012	Faltec Co., Ltd.	Japan	57.4	184.3	184.3	NM	NM	0.0x
	Low					2.3x	8.0x	0.0x
	Mean					6.0x	10.6x	1.6x
	Median					6.0x	10.1x	0.7x
	High					9.7x	13.6x	6.6x
	China Auto Electronics Group Limited							
24/10/2016	Implied by Offer Price of S\$0.16					5.6x	3.3x⁽¹⁾	1.1x⁽¹⁾

Source: Capital IQ

Note:

1. Implied by Offer Price on a fully diluted basis

For the purposes of comparison with the Comparable Transactions, we have considered the EV/EBITDA, P/E, and P/NAV multiples. We believe the EV/EBITDA multiple to be the most appropriate metric to use as it avoids the distortionary effects of different gearing ratios, non-operating line items and differences arising from accounting/taxation jurisdictions, which are inherent when using the net earnings multiples.

Based on the above, we note that:

- (a) The EV/EBITDA multiple of the Company of 5.6 times as implied by the Offer Price is within the range of the Implied TEV/EBITDA for the Comparable Transactions, but is slightly lower than the mean and median of

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the corresponding EV/EBITDA multiple of the selected Comparable Transactions;

- (b) The P/E multiple of the Company as implied by the Offer Price on a fully diluted basis of 3.3 times, is not within the range of the Implied P/E for the Comparable Transactions; and
- (c) The P/NAV multiple of the Company of 1.1 times as implied by the Offer Price on a fully diluted basis is within the range of the Implied P/NAV for the Comparable Transactions, and is higher than the median of the corresponding P/NAV multiple of the selected Comparable Transactions.

8.7 Other considerations

8.7.1 Dividend analysis

We note that the Company has not distributed any dividends since 2007.

8.8 Other considerations

8.8.1 Mandatory Unconditional Cash Offer and No Revision to the Offer Price

The Offer is made by the Offeror as a result of the Bond Conversion and is made to comply with Rule 14 of the Code. The Offer will not be conditional upon a minimum number of acceptances being received by the Offeror. The Offer Price is final and the Offeror does not intend to revise the Offer Price. Therefore, in accordance with Rule 20.2 of the Code, the Offeror will not be allowed to subsequently amend the terms of the Offer, including the Offer Price, in any way.

8.8.2 Alternative offer from third parties

As at the Latest Practicable Date, the Directors have confirmed that, apart from the Offer made by the Offeror, the Company has not received any alternative offer from any other party.

8.8.3 Listing Status and Suspension of Trading

Pursuant to Rule 1105 of the Listing Manual, upon an announcement by the Offeror that acceptances have been received pursuant to the Offer that bring the holdings owned by the Offeror and parties acting in concert with it to above 90% of the total number of issued Shares (excluding any Shares held in treasury), the SGX-ST may suspend the trading of the Shares on the SGX-ST until it is satisfied that at least 10% of the total number of issued Shares (excluding any Shares held in treasury) are held by at least 500 Shareholders who are members of the public.

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Rule 1303(1) of the Listing Manual provides that if the Offeror succeeds in garnering acceptances exceeding 90% of the total number of issued Shares (excluding any Shares held in treasury), thus causing the percentage of the total number of issued Shares (excluding any Shares held in treasury) held in public hands to fall below 10%, the SGX-ST will suspend trading of the Shares only at the close of the Offer.

Under Rule 724(1) of the Listing Manual, if the percentage of the Shares held in public hands falls below 10%, the Company must, as soon as practicable, announce that fact, and the SGX-ST may suspend trading of all the Shares. Rule 724(2) of the Listing Manual states that the SGX-ST may allow the Company a period of three (3) months, or such longer period as the SGX-ST may agree, to raise the percentage of the Shares held in public hands to at least 10%, failing which the Company may be delisted from the SGX-ST.

In the event the Company does not meet the Free Float Requirement, the Offeror does not intend to preserve the listing status of the Company and does not intend to take any steps for any trading suspension in the securities of the Company to be lifted.

8.8.4 Compulsory Acquisition

Pursuant to Section 102 of the Bermuda Companies Act, where an offeror who has, within four (4) months after the making of an offer under a scheme or contract:

- (a) obtained acceptances from shareholders holding not less than 90.0% in value of the shares in a target Bermuda company whose transfer is involved (other than shares already held, at the date of the offer, by the offeror, the offeror's subsidiaries, and nominees of the offeror or its subsidiaries); and
- (b) where, at the date of the offer, shares in the target Bermuda company whose transfer is involved, are already held by the offeror, the offeror's subsidiaries, and nominees of the offeror or its subsidiaries to a value greater than 10.0% of the total issued shares of the target Bermuda company, such accepting shareholders also represent not less than 75.0% in number of the holders of shares in the target Bermuda company whose transfer is involved (other than shares already held, at the date of the offer, by the offeror, the offeror's subsidiaries, and nominees of the offeror or its subsidiaries), and further provided that the offeror must have made the offer on the same terms to all holders of the shares whose transfer is involved (other than those already held as aforesaid);

the offeror may at any time within two (2) months beginning from the date on which such threshold is achieved, give notice under Section 102(1) of the Bermuda Companies Act to any dissenting shareholder that the offeror wishes to acquire his shares ("**Acquisition Notice**"). When such Acquisition Notice is given the offeror shall, unless an application is made by the dissenting shareholder(s) to the Supreme Court of Bermuda ("**Court**") within one (1) month from the date on which the Acquisition Notice was given and the Court

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thinks fit to order otherwise, be entitled and bound to acquire those shares on the terms of the offer.

Once the offeror (together with its subsidiaries and nominees) holds 90.0% or more in value of the shares of the target Bermuda company including those held at the date of the transfer, the offeror has one (1) month in which it must notify the remaining shareholders of such 90.0% holding ("**Ownership Notice**"). Once the Ownership Notice is given to the remaining shareholders, the dissenting shareholders have three (3) months in which they may give the offeror a notice ("**Offeree Notice**") requiring the offeror to acquire the dissenting shareholders' shares and where a dissenting shareholder gives an Offeree Notice with respect to any shares in the target Bermuda company, the offeror shall be entitled and bound to acquire those shares on the same terms of the original offer (or on such other terms as may be agreed or as the Court, on the application of either the offeror or the dissenting shareholder, thinks fit to order), notwithstanding that the offeror may not have issued the Acquisition Notice.

Under Section 103 of the Bermuda Companies Act, holders of not less than 95.0% of the shares in the target Bermuda company may give notice to the remaining shareholders of their intention to acquire the remaining shareholders' shares on the terms set out in the notice. When such a notice is given, the purchasers shall be entitled and bound to acquire the shares of the remaining shareholders on the terms set out in the notice unless a remaining shareholder applies to the Court to have the Court appraise the value of such shares. The procedure in connection with the acquisition is set out in the said Section 103.

In such event, the Offeror intends to exercise its right to compulsorily acquire all the Offer Shares not acquired under the Offer. The Offeror will then proceed to delist the Company from the SGX-ST.

Shareholders who are in doubt of their position under the Bermuda Companies Act are advised to seek their own independent legal advice.

In the event that the Offeror is unable to exercise the right to compulsorily acquire all the Offer Shares not acquired under the Offer but receives such number of acceptances such that the public float of the Company falls to below 10.00%, resulting in the Company not being in compliance with the requirements relating to the minimum public float under Rules 723 and/or 724, the SGX-ST may exercise its discretion under Rule 1305 to remove the Company from the Official List of the SGX-ST. Under Rule 1307 of the Listing Manual, the Offeror may submit an application to the SGX-ST to obtain approval to delist the Company, subject to among others, Rules 1306 and 1309 of the Listing Manual.

8.8.5 Offeror's Intentions in Relation to the Company

The Offeror intends to make the Company its wholly-owned subsidiary and does not intend to preserve the listing status of the Company. Accordingly, the Offeror, if and when entitled, intends to exercise its rights of compulsory acquisition under the Bermuda

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Companies Act and does not intend to take any step for the public float to be restored and/or for any trading suspension of the Shares by the SGX-ST to be lifted in the event that, *inter alia*, less than 10% of the total number of issued Shares (excluding any Shares held in treasury) are held in public hands. In addition, the Offeror also reserves the right to seek a voluntary delisting of the Company from the SGX-ST pursuant to Rules 1307 and 1309 of the Listing Manual.

Subject to normal business conditions, the Offeror does not intend to (i) make major changes to the business of the Company or its management team, (ii) re-deploy the fixed assets of the Company or (iii) discontinue the employment of the employees of the Company and of its subsidiaries, other than in the normal course of business. Nonetheless, the Offeror retains the flexibility at any time to consider any options or opportunities which may present themselves and which the Offeror may regard to be in the interest of the Company.

8.8.6 Implications of Delisting for Shareholders

Shareholders should note that shares of unlisted companies are generally valued at a discount to the shares of comparable listed companies as a result of the lack of marketability. Following the proposed delisting, it is likely to be difficult for Shareholders who do not accept the Offer to sell their company Shares in the absence of a public market for the company Shares as there is no arrangement for Shareholders to exit. If the Company is delisted, even if such Shareholders were able to sell their company Shares, they may receive a lower price as compared to the Offer Price. Further, any transfer or sale of company Shares represented by share certificates will be subject to stamp duty.

Shareholders should also note that, under the Code, except with the consent of the SIC, neither the Offeror nor any person acting in concert with it may, within six (6) months of the closure of the Offer, make a second offer to, or acquire any company Shares from, any Shareholder on terms better than those made available under the Offer. As an unlisted company, the Company will no longer be obliged to comply with the listing requirements of the SGX-ST, in particular the continuing corporate disclosure requirements under Chapter 7 and Appendices 7.1, 7.2, 7.4.1 and 7.4.2 of the Listing Manual.

9 CONCLUSION

In arriving at our opinion to the Independent Directors, we have carefully considered the financial information that has been made available to us, and the above factors set forth in this IFA Letter including, amongst other things, the following:

Comparison against the historical pricing of the Shares

The Offer Price is at a premium of 23.08%, 50.94%, 64.95%, 64.95%, and 88.24% over the Last Market Day, one-month, three-month, six-month, and one-year VWAP prior to the Offer Announcement Date.

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Comparison with recently completed successful transactions

The premium of 23.08%, 50.94%, 64.95%, and 64.95% implied by the Offer Price over the last transacted market price, one-month, three-month, and six-month prior to the Possible Offer Announcement Date is within the range of premiums, and lower than the mean and median of premiums for the MGO; and

The premium of 88.24% implied by the Offer Price over the 12-month VWAP prior to the Possible Offer Announcement Date is within the range of premiums, and higher than the median of premiums for the MGO.

Comparable Companies analysis

The EV/EBITDA multiples of the Company implied by the Offer Price of 5.6 times is within the range of the EV/EBITDA multiples for the Comparable Companies, and is lower than the mean and median EV/EBITDA multiples for the Comparable Companies;

The P/E multiple of the Company implied by the Offer Price on a fully diluted basis of 3.3 times is within the range for the P/E multiples for the Comparable Companies, and is lower than the mean and median P/E multiples for the Comparable Companies; and

The P/NAV multiples of the Company implied by the Offer Price on a fully diluted basis of 1.1 times respectively, are within the range for the P/NAV multiples for Comparable Companies, and but slightly lower than the median P/NAV multiples for the Comparable Companies.

Comparable Transactions analysis

The EV/EBITDA multiple of the Company of 5.6 times as implied by the Offer Price is within the range of the Implied TEV/EBITDA for the Comparable Transactions, but is slightly lower than the mean and median of the corresponding EV/EBITDA multiple of the selected Comparable Transactions;

The P/E multiple of the Company as implied by the Offer Price on a fully diluted basis of 3.3 times, is not within the range of the Implied P/E for the Comparable Transactions; and

The P/NAV multiple of the Company of 1.1 times as implied by the Offer Price on a fully diluted basis is within the range of the Implied P/NAV for the Comparable Transactions, and is higher than the median of the corresponding P/NAV multiple of the selected Comparable Transactions.

Having carefully considered the information available to us and our analysis set out above, we are of the view that the Offer is fair and reasonable from a financial point of view.

Accordingly, we advise the Independent Directors to recommend Shareholders to ACCEPT the Offer.

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If Shareholders wish to realise their investments in the Company, they can choose to sell their Shares in the open market if they can obtain a price higher than the Offer Price (after deducting transaction costs).

In rendering the above opinion, we have not taken into consideration any general or specific investment objectives, financial situation, risk profile, tax position or particular needs and constraints of any individual shareholder. We advise the Independent Directors to advise any individual shareholder who may require specific advice in relation to their investment portfolio to consult their stockbroker, bank manager, solicitor, accountant, tax adviser, or other professional adviser immediately.

Our opinion is only based on a financial analysis and does not incorporate any assessment of commercial, legal tax, regulatory or other matters. Our opinion also does not incorporate an assessment of the price at which Shares may trade following close of the Offer. Such factors (including the aforesaid illustrations) are beyond the ambit of our review and do not fall within our terms of reference in connection with the Offer.

We wish to emphasise that we have been appointed to render our opinion as at the Latest Practicable Date. Our terms of reference do not require us to express, and we do not express, an opinion on the future growth prospects of the Company. This opinion is addressed to the Independent Directors solely for their benefit in connection with and for the purposes of their consideration of the Offer and should not be relied on by any other party or used for any other purpose. This IFA Letter does not constitute, and should not be relied on, as an opinion or a recommendation to, or confer any rights or remedies upon, any shareholder. Nothing herein shall confer or be deemed or is intended to confer any right or benefit to any third party and the Contracts (Rights of Third Parties) Act (Chapter 53B) of Singapore shall not apply. The recommendation made by the Independent Directors to the Shareholders in relation to the Offer remains the sole responsibility of the Independent Directors.

Yours faithfully

Vishal Sharma
Executive Director

Kenneth Chan
Associate Director

**APPENDIX II:
ADDITIONAL GENERAL INFORMATION**

1. DIRECTORS

The names, addresses and descriptions of the Directors as at the Latest Practicable Date are as follows:

Name	Address	Description
Mr. Zhang Jingtang	Room 101, West Unit, No. 2 Building, Residential Courtyard, Auto Electrical Factory, Jiuzhou Road, Qibin District, Hebi, Henan	Executive Chairman
Mr. Wang Laisheng	Room 102, West Unit, No. 8 Building, Sanhejiayuan, Huaxia South Road, Qibin District, Hebi, Henan	Executive Director
Mr. Yang Yong Jun	Room 302, Unit 1, No. 3 Building, Tianhai Electrical Factory, Qihe Road, Qibin District, Hebi, Henan	Non-Executive Director
Mr. Shen Zhifu	No. 2 Building, Residential Courtyard, Auto Electrical Factory, Jiuzhou Road, Qibin District, Hebi, Henan	Non-Executive Director
Mr. Sim Hong Boon	15 Ridout Road Singapore 248414	Lead Independent Director
Mr. Zhang Shulin	Room 401, No. 3 Building, Baiwanzhuangzheng Xicheng District, Beijing	Independent Director
Mr. Chua Meng Hing	326 Siglap Road Singapore 455915	Independent Director

2. REGISTERED OFFICE

The registered office of the Company is at Canon's Court, 22 Victoria Street, Hamilton HM12, Bermuda.

3. HISTORY AND PRINCIPAL ACTIVITIES

The Company was incorporated in Bermuda on 8 October 2003, and its Shares have been listed on the Main Board of the SGX-ST since 9 July 2004 (prior to a reverse takeover by the Company of the former Henan Tianhai Electric (Group) Corporation which was completed in September 2007).

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The Company is principally engaged in the research, development, manufacture and trade of automotive electrical and electronics distribution system, and automotive wire harnesses and connectors in the PRC and internationally.

4. SHARE CAPITAL

4.1 Issued Share Capital

The Company has one class of shares, being ordinary shares, which carry equal ranking rights to dividend, voting at general meetings and return of capital. As at the Latest Practicable Date, the issued and paid-up share capital of the Company is RMB913,150,000 comprising 1,348,266,667 Shares. As at the Latest Practicable Date, the Company does not hold any treasury Shares.

4.2 Capital, dividends and voting rights

The rights of Shareholders in respect of capital, dividends and voting are contained in the Bye-Laws, which are available for inspection at the office of the Company's Share Transfer Agent, 8 Robinson Road, #03-00, ASO Building, Singapore 048544.

The relevant provisions in the Bye-Laws relating to the rights of Shareholders in respect of capital, dividends and voting have been extracted and reproduced in **Appendix V** to this Circular. Capitalised terms and expressions not defined in the extracts have the meanings ascribed to them in the Bye-Laws.

4.3 Number of Shares issued since the end of the last financial year

At the special general meeting of the Company held on 3 November 2015, the Shareholders had approved the issue of the Bonds, which are convertible into an aggregate of 666,666,667 Shares at a conversion price of S\$0.090, to the Bondholders (the "**Bonds Issue**").

On 31 October 2016, the Company had issued and allotted an aggregate of 666,666,667 Shares to the Bondholders, pursuant to full conversion of the Bonds by the Bondholders, in the following proportions:

<u>Name of Subscriber</u>	<u>Number of Shares</u>
Oriental Success	311,111,111
Brain	355,555,556

Shareholders should refer to the Company's circular dated 19 October 2015 and the announcements released by the Company on SGXNET for further details on the Bonds Issue.

Save as disclosed above, as at the Latest Practicable Date, there has been no issue of new Shares by the Company since 31 December 2015, being the end of the last financial year.

4.4 Convertible Instruments

As at the Latest Practicable Date, there are no outstanding instruments convertible into, rights to subscribe for, and options in respect of, securities being offered for or which carry voting rights affecting any Shares.

**APPENDIX II:
ADDITIONAL GENERAL INFORMATION**

5. DISCLOSURE OF INTERESTS

5.1 Interests of the Company in Offeror Securities

The Company does not have any direct or deemed interests in the Offeror Securities as at the Latest Practicable Date.

5.2 Dealings by the Company in Offeror Securities

The Company has not dealt for value in the Offeror Securities during the period commencing six (6) months prior to the Offer Announcement Date and ending on the Latest Practicable Date.

5.3 Interests of the Directors in Offeror Securities

Each of the following Directors, namely Mr. Wang Laisheng, Mr. Zhang Jingtang and Mr. Yang Yong Jun, is a director of the Offeror.

Based on section 5 of the Offer Document (and as extracted in section 4 of this Circular):

- (i) THB Holding is the sole shareholder of the Offeror;
- (ii) the shareholders of THB Holding are Zoro and Henghuai, which hold 75.15% and 24.85% of THB Holding, respectively;
- (iii) the sole shareholder of Zoro is Wang Laisheng, who has a beneficial interest in 35.22% in Zoro; and
- (iv) the following Directors also have beneficial interest in Zoro:

<i>Name of Directors</i>	<i>Beneficial Interest in Zoro</i>
<i>Zhang Jingtang (Executive Chairman)</i>	<i>10.9%</i>
<i>Shen Zhifu (Non-Executive Director)</i>	<i>19.0%</i>
<i>Yang Yong Jun (Non-Executive Director)</i>	<i>4.1%</i>

Save as disclosed above and in section 4 of this Circular, none of the Directors has any direct or deemed interests in the Offeror Securities as at the Latest Practicable Date.

5.4 Dealings by the Directors in Offeror Securities

None of the Directors has dealt for value in the Offeror Securities during the period commencing six (6) months prior to the Offer Announcement Date and ending on the Latest Practicable Date.

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5.5 Interests of the Directors in Company Securities

As at the Latest Practicable Date, the direct or deemed interests of the Directors in the Company Securities are set out in the table below:

Directors	Direct interest		Deemed interest		Total interest	
	No. of Shares	% ⁽¹⁾	No. of Shares	% ⁽¹⁾	No. of Shares	% ⁽¹⁾
Mr. Zhang Jingtang	–	–	–	–	–	–
Mr. Wang Laisheng	–	–	252,960,500 ⁽²⁾	18.76	252,960,500	18.76
Mr. Yang Yong Jun	–	–	143,886,000 ⁽³⁾	10.67	143,886,000	10.67
Mr. Shen Zhifu	–	–	–	–	–	–
Mr. Sim Hong Boon	–	–	–	–	–	–
Mr. Zhang Shulin	–	–	–	–	–	–
Mr. Chua Meng Hing	–	–	–	–	–	–

Notes:

- (1) Calculated based on 1,348,266,667 Shares in the capital of the Company as at the Latest Practicable Date.
- (2) Mr. Wang Laisheng is deemed to have an interest in (i) the 193,114,000 Shares held directly by Zoro, by virtue of his approximately 35.22% beneficial interest in Zoro (he holds the remaining beneficial interests in Zoro for and on behalf of certain senior managers of the former Henan Tianhai Electric (Group) Corporation, a collective enterprise which has been restructured as a limited liability company and was indirectly acquired by the Company pursuant to the reverse takeover which was completed in September 2007); and (ii) the 59,846,500 Shares held indirectly by Zoro through the Offeror, as derived based on the announcement made by Stirling Coleman for and on behalf of the Offeror in respect of dealings as at 5.00 p.m. on 9 November 2016.
- (3) Mr. Yang Yong Jun is deemed to have an interest in the 143,886,000 Shares held by Shine, by virtue of his voting control over the shares in Shine. He holds the entire issued share capital in Shine as bare trustee for and on behalf of certain representative of the employees of the former Henan Tianhai Electric (Group) Corporation, a collective enterprise which has been restructured as a limited liability company and was indirectly acquired by the Company pursuant to the reverse takeover which was completed in September 2007.

Save as disclosed above, none of the Directors has any direct or deemed interests in the Company Securities as at the Latest Practicable Date.

5.6 Dealings by the Directors in Company Securities

None of the Directors has dealt for value in the Company Securities during the period commencing six (6) months prior to the Offer Announcement Date and ending on the Latest Practicable Date.

5.7 Interests of the IFA in Company Securities

The IFA does not have any direct or deemed interests in the Company Securities as at the Latest Practicable Date.

5.8 Dealings by the IFA in Company Securities

The IFA has not dealt for value in the Company Securities during the period commencing six (6) months prior to the Offer Announcement Date and ending on the Latest Practicable Date.

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5.9 Intentions of the Directors in respect of their Shares

As at the Latest Practicable Date, the following Directors who have direct or deemed interests in the Shares have informed the Company of their intentions in respect of their Shares as follows:

- (a) Shine has provided an irrevocable undertaking to the Offeror to, *inter alia*, accept the Offer in respect of all the 143,886,000 Shares held by it (in which Mr. Yang Yong Jun is deemed interested) (the “**Shine Undertaking**”); and
- (b) Zoro has provided an irrevocable undertaking to the Offeror to, *inter alia*, accept the Offer in respect of all the 193,114,000 Shares held by it (in which Mr. Wang Laisheng is deemed interested) (the “**Zoro Undertaking**”).

The details of such irrevocable undertakings (i.e. the Shine Undertaking and the Zoro Undertaking) are set out in sections 5.5 and 6.2 of the Offer Document, which is extracted and reproduced in *italics* in sections 4.2 and 5 of this Circular.

6. OTHER DISCLOSURES

6.1 Directors’ service contracts

As at the Latest Practicable Date:

- (a) there are no service contracts between any of the Directors or proposed directors with the Company or any of its subsidiaries which have more than 12 months to run and which are not terminable by the employing company within the next 12 months without paying any compensation; and
- (b) there are no such contracts entered into or amended during the period commencing six (6) months prior to the Offer Announcement Date and ending on the Latest Practicable Date.

6.2 Arrangements affecting Directors

- (a) As at the Latest Practicable Date, it is not proposed that any payment or other benefit shall be made or given to any Director or director of any other corporation which is by virtue of Section 6 of the Companies Act (Chapter 50) of Singapore deemed to be related to the Company, as compensation for loss of office or otherwise in connection with the Offer.
- (b) Save for the making of the Offer by the Offeror, the Consortium Agreement and the Undertakings, and save as otherwise disclosed in this Circular, as at the Latest Practicable Date, there are no agreements or arrangements made between any Director and any other person in connection with or conditional upon the outcome of the Offer.
- (c) Save for the making of the Offer by the Offeror, the Consortium Agreement and the Undertakings, and save as otherwise disclosed in this Circular, as at the Latest Practicable Date, none of the Directors has a material personal interest, whether direct or indirect, in any material contract entered into by the Offeror.

7. MATERIAL CONTRACTS WITH INTERESTED PERSONS

Save as disclosed below, neither the Company nor its subsidiaries has entered into material contracts (not being a contract entered into in the ordinary course of business) with persons who are Interested Persons during the period beginning three (3) years before the Offer Announcement Date, and ending on the Latest Practicable Date.

**APPENDIX II:
ADDITIONAL GENERAL INFORMATION**

Date of Contract	Names of parties	Description	Consideration	Salient terms and conditions
14 August 2015	(1) Brain (being a concert party of the Offeror)	Purchase agreement dated 14 August 2015 between the Company and the Bondholders relating to subscription of the Bonds	An aggregate principal amount of the Bonds amounting to S\$60 million, at a conversion price of S\$0.90 per Share	Please refer to the Company's circular dated 19 October 2015 and the announcements released by the Company on SGXNET for further details on the Bonds Issue.
	(2) Oriental Success (being a concert party of the Offeror)			
	(3) The Company			

8. MATERIAL LITIGATION

As at the Latest Practicable Date, save as disclosed in note 27 of the audited consolidated financial statements of the Group for FY2015 as set out in **Appendix III** to this Circular, neither the Company nor its subsidiaries are engaged in any material litigation or arbitration proceedings, either as plaintiff or defendant, which might materially and adversely affect the financial position of the Company or the Group, taken as a whole. As at the Latest Practicable Date, the Directors are not aware of any litigation, claims or proceedings pending or threatened against the Company or any of its subsidiaries or of any facts likely to give rise to any litigation, claims or proceedings which might materially and adversely affect the financial position of the Company and its subsidiaries taken as a whole.

9. FINANCIAL INFORMATION

9.1 Consolidated Statements of Comprehensive Income

A summary of the audited consolidated statement of comprehensive income of the Group for FY2013, FY2014, FY2015, and the unaudited consolidated statement of comprehensive income of the Group for the 6 months period ended 30 June 2016 ("1H2016") is set out below.

	Audited FY2013 (RMB '000)	Audited FY2014 (RMB '000)	Audited FY2015 (RMB '000)	Unaudited 1H2016 Results (RMB '000)
Revenue	1,957,621	2,295,848	2,776,781	860,962
Profit/(Loss) before tax	125,889	159,253	162,683	46,077
Profit/(Loss) after tax	106,622	134,520	127,708	34,866
Minority interest	4,926	8,935	6,622	3,590
Basic earnings per Share (cents)	14.92	18.43	17.76	4.59
Diluted earnings per Share (cents)	14.92	18.43	9.03	2.37

Notes:

- (1) There are no exceptional items in the audited consolidated statement of comprehensive income of the Group for FY2013, FY2014, FY2015 and 1H2016.
- (2) The Company did not declare any dividends in respect of each of FY2013, FY2014, FY2015 and 1H2016.

This summary financial information should be read together with the audited consolidated financial statements of the Group for FY2013 to FY2015 and the consolidated financial statements of the Group for the relevant financial periods and related notes thereto, copies of which are available for inspection at the office of the Share Transfer Agent at 8 Robinson Road, #03-00 ASO Building, Singapore 048544 during normal business hours for the period during which the Offer remains open for acceptance.

The audited consolidated financial statements of the Group for FY2015 are set out in **Appendix III** to this Circular.

**APPENDIX II:
ADDITIONAL GENERAL INFORMATION**

9.2 Consolidated Balance Sheet

A summary of the audited consolidated balance sheet of the Group as at 31 December 2015 and the unaudited consolidated balance sheet of the Group as at 30 June 2016 is set out below.

	GROUP	
	30/06/2016	31/12/2015
	RMB '000	RMB '000
ASSETS		
Non-Current Assets		
Property, plant and equipment	434,820	378,476
Land Use Rights	83,624	86,634
Intangible assets	21,885	19,161
Interest in subsidiaries	–	–
Deferred income tax assets	22,550	20,295
Total non-current assets	562,879	504,566
Current Assets		
Inventories	484,150	526,125
Trade and other receivables	1,500,896	1,177,562
Financial assets, available-for-sale	1,800	1,800
Bank deposits pledged	197,744	88,291
Cash and cash equivalents	246,322	382,098
Total current assets	2,430,912	2,175,876
Total Assets	2,993,791	2,680,442
LIABILITIES		
Non-current liabilities		
Borrowings	380,583	350,677
Deferred income	24,003	50,279
Total non-current liability	404,586	400,956
Current Liabilities		
Trade and other payables	1,202,233	964,036
Short-term borrowings	396,773	415,632
Provision for income tax	20,131	21,229
Total current liabilities	1,619,137	1,400,897
Total Liabilities	2,023,723	1,801,853
NET CURRENT ASSETS	811,775	774,979
NET ASSETS	970,068	878,589
Equity		
Share capital	490,115	490,115
Other reserves	260,037	260,019
Retained earnings/ (Accumulated losses)	160,911	78,025
Non-controlling interests	59,005	50,430
Total Equity	970,068	878,589
Total Equity and Liabilities	2,993,791	2,680,442

APPENDIX II: ADDITIONAL GENERAL INFORMATION

This summary financial information should be read together with the audited consolidated financial statements of the Group for the relevant years and the consolidated financial statements of the Group for the relevant financial periods and related notes thereto, copies of which are available for inspection at the office of the Share Transfer Agent at 8 Robinson Road, #03-00 ASO Building, Singapore 048544 during normal business hours for the period during which the Offer remains open for acceptance.

A statement of the assets and liabilities of the Group as at 31 December 2015 is set out in the audited consolidated financial statements of the Group for FY2015 which are set out in **Appendix III** to this Circular.

9.3 Significant Accounting Policies

A summary of the significant accounting policies of the Group is set out in the notes to the audited consolidated financial statements for FY2015, copies of which are available for inspection at the office of the Share Transfer Agent at 8 Robinson Road, #03-00 ASO Building, Singapore 048544 during normal business hours for the period during which the Offer remains open for acceptance, and section 4 of the unaudited consolidated financial statements of the Group for 1H2016, which are set out in **Appendix IV** to this Circular.

Save as disclosed in the notes to the audited consolidated financial statements of the Group for FY2015, and the unaudited consolidated financial statements of the Group for 1H2016:

- (a) there were no significant accounting policies or any matter from the notes of the financial statements of the Company which are of any major relevance for the interpretation of the financial statements of the Company; and
- (b) as at the Latest Practicable Date, there is no change in the accounting policy of the Company which will cause the figures disclosed in this Circular not to be comparable to a material extent.

9.4 Material Changes in Financial Position

Save as disclosed in publicly available information on the Group (including but not limited to the unaudited consolidated financial statements for 1H2016), as at the Latest Practicable Date, there has been no known material change in the financial position of the Company since 31 December 2015, being the date of the Company's last published audited financial statements.

9.5 Material Changes in Information

Save as disclosed in this Circular and in publicly available information on the Group and the Offer, there has been no material change in any information previously published by or on behalf of the Company during the period commencing from the Offer Announcement Date and ending on the Latest Practicable Date.

10. GENERAL

- 10.1** All expenses and costs incurred by the Company in relation to the Offer will be borne by the Company.
- 10.2** The IFA has given and has not withdrawn its written consent to the issue of this Circular with the inclusion of (i) its name and all references thereto; and (ii) the IFA Letter containing its advice to the Independent Directors in respect of the Offer as set out in **Appendix I** to this Circular and all references thereto, in the form and context in which they appear in this Circular.

**APPENDIX II:
ADDITIONAL GENERAL INFORMATION**

11. DOCUMENTS FOR INSPECTION

Copies of the following documents are available for inspection at the office of the Share Transfer Agent at 8 Robinson Road, #03-00 ASO Building, Singapore 048544 during normal business hours for the period during which the Offer remain open for acceptance:

- (a) the Bye-Laws;
- (b) the annual reports of the Company for FY2013, FY2014 and FY2015;
- (c) the IFA Letter as set out in **Appendix I** to this Circular; and
- (d) the letter of consent from the IFA referred to in paragraph 10.2 to this **Appendix II** above.

APPENDIX III:
AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2015

The information set out in this **Appendix III** is a reproduction of selected financial information extracted from the annual report of the Company for FY2015, and was not specifically prepared for inclusion in this Circular.

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**CONSOLIDATED STATEMENT OF
COMPREHENSIVE INCOME**

For the financial year ended 31 December 2015

	Note	2015 RMB'000	2014 RMB'000
Revenue	4	2,776,781	2,295,848
Cost of sales		(2,253,656)	(1,837,744)
Gross profit		523,125	458,104
Interest income – bank deposits		7,759	10,854
Other income	5	7,259	5,741
Other (losses)/gains – net	6	(8,787)	6,464
Selling and distribution expenses		(60,808)	(45,736)
Research and development expenses		(92,919)	(72,544)
General and administrative expenses		(178,710)	(153,388)
Finance expenses	7	(34,236)	(50,242)
Profit before income tax	8	162,683	159,253
Income tax expense	9	(34,975)	(24,733)
Profit after income tax		127,708	134,520
Other comprehensive income, net of tax			
Currency translation difference	22	(2,203)	(1,655)
Total comprehensive income for the year		125,505	132,865
Profit attributable to:			
Owners of the Company		121,086	125,585
Non-controlling interests		6,622	8,935
		127,708	134,520
Total comprehensive income attributable to:			
Owners of the Company		118,883	123,930
Non-controlling interests		6,622	8,935
		125,505	132,865
Earnings per share (RMB cents)			
Basic	12	17.76	18.43
Diluted	12	9.03	18.43

The accompanying notes form an integral part of these financial statements.

APPENDIX III:
AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2015

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BALANCE SHEETS - GROUP AND COMPANY

As at 31 December 2015

	Note	Group		Company	
		2015 RMB'000	2014 RMB'000	2015 RMB'000	2014 RMB'000
ASSETS					
Non-current assets					
Property, plant and equipment	13	378,476	280,869	13	–
Intangible assets	14	105,795	68,038	–	–
Investment in subsidiaries	15	–	–	198,512	198,512
Deferred income tax assets	16	20,295	9,663	–	–
Total non-current assets		504,566	358,570	198,525	198,512
Current assets					
Inventories	17	526,125	448,160	–	–
Trade and other receivables	18	1,177,562	929,441	304,523	304,523
Financial assets, available-for- sale	19	1,800	1,800	–	–
Bank deposits pledged	20	88,291	237,547	–	–
Cash and cash equivalents	20	382,098	129,245	276,040	798
Total current assets		2,175,876	1,746,193	580,563	305,321
TOTAL ASSETS		2,680,442	2,104,763	779,088	503,833
LIABILITIES					
Non-current liabilities					
Borrowings	24	350,677	20,247	291,740	–
Deferred income	25	50,279	20,439	–	–
Total non-current liabilities		400,956	40,686	291,740	–
Current liabilities					
Trade and other payables	23	964,036	821,871	52,007	44,696
Borrowings	24	415,632	479,383	–	–
Provision for income tax		21,229	7,339	–	–
Total current liabilities		1,400,897	1,308,593	52,007	44,696
NET CURRENT ASSETS		774,979	437,600	528,556	260,625
TOTAL LIABILITIES		1,801,853	1,349,279	343,747	44,696
NET ASSETS		878,589	755,484	435,341	459,137
EQUITY					
Share capital	21	490,115	490,115	623,026	623,026
Other reserves	22	260,019	250,746	71,753	71,753
Retained earnings/(Accumulated losses)		78,025	(31,585)	(259,438)	(235,642)
Equity attributable to owners of the Company		828,159	709,276	435,341	459,137
Non-controlling interests		50,430	46,208	–	–
TOTAL EQUITY		878,589	755,484	435,341	459,137
TOTAL EQUITY AND LIABILITIES		2,680,442	2,104,763	779,088	503,833

The accompanying notes form an integral part of these financial statements.

APPENDIX III:
AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2015

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2015

	Share capital	Other reserves	Retained earnings / (Accumulated losses)	Attributable to owners of the Company	Non- controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Group	Note 21	Note 22				
At 1 January 2014	490,115	237,373	(140,821)	586,667	40,052	626,719
Profit after income tax	-	-	125,585	125,585	8,935	134,520
Currency translation difference	-	(1,655)	-	(1,655)	-	(1,655)
Total comprehensive income/ (loss) for the year	-	(1,655)	125,585	123,930	8,935	132,865
Changes in shareholding in non- controlling interests of subsidiaries	-	(1,321)	-	(1,321)	(379)	(1,700)
Dividend payments to non-controlling interests	-	-	-	-	(2,400)	(2,400)
Transfer to PRC statutory reserves	-	16,349	(16,349)	-	-	-
At 31 December 2014	490,115	250,746	(31,585)	709,276	46,208	755,484
At 1 January 2015	490,115	250,746	(31,585)	709,276	46,208	755,484
Profit after income tax	-	-	121,086	121,086	6,622	127,708
Currency translation difference	-	(2,203)	-	(2,203)	-	(2,203)
Total comprehensive income/ (loss) for the year	-	(2,203)	121,086	118,883	6,622	125,505
Dividend payments to non-controlling interests	-	-	-	-	(2,400)	(2,400)
Transfer to PRC statutory reserves	-	11,476	(11,476)	-	-	-
At 31 December 2015	490,115	260,019	78,025	828,159	50,430	878,589

The accompanying notes form an integral part of these financial statements.

APPENDIX III:
AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2015

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STATEMENT OF CHANGES IN EQUITY - COMPANY

For the financial year ended 31 December 2015

	Share capital RMB'000	Other reserves RMB'000	Accumulated losses RMB'000	Total equity RMB'000
Company	Note 21	Note 22		
At 1 January 2014	623,026	71,753	(235,340)	459,439
Loss after income tax, representing total comprehensive loss for the year	–	–	(302)	(302)
At 31 December 2014	<u>623,026</u>	<u>71,753</u>	<u>(235,642)</u>	<u>459,137</u>
At 1 January 2015	623,026	71,753	(235,642)	459,137
Loss after income tax, representing total comprehensive loss for the year	–	–	(23,796)	(23,796)
At 31 December 2015	<u>623,026</u>	<u>71,753</u>	<u>(259,438)</u>	<u>435,341</u>

The accompanying notes form an integral part of these financial statements.

APPENDIX III:
AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2015

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CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2015

	Note	2015 RMB'000	2014 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before income tax		162,683	159,253
Adjustments for:			
Depreciation of property, plant and equipment	13	37,771	32,135
Amortisation of intangible assets	14	2,984	2,071
Allowance for slow-moving inventories	17	37,316	18,365
Allowance for impairment on trade and other receivables	18	5,454	7,214
Waiver of trade payables	6	-	(698)
Loss/(gain) from disposal of property, plant and equipment	6	683	(183)
Interest income		(7,759)	(10,854)
Finance expenses	7	34,236	50,242
Fair value losses on financial liabilities at fair value through profit or loss	6	19,736	-
Amortisation of government grant	25	(3,574)	(2,213)
Foreign currency translation loss		1,102	685
Operating profit before working capital changes		<u>290,632</u>	<u>256,017</u>
Changes in working capital			
Inventories		(115,281)	(62,329)
Trade and other receivables		(259,156)	(58,807)
Trade and other payables		195,908	51,438
Cash generated from operations		<u>112,103</u>	<u>186,319</u>
Costs-related government grants received	25	10,285	-
Interest received		7,759	10,854
Income tax paid		(31,717)	(24,781)
Net cash provided by operating activities		<u>98,430</u>	<u>172,392</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property, plant and equipment		(147,519)	(46,713)
Net cash outflow from acquisition of additional interest of a subsidiary	15	-	(1,700)
Purchases of intangible assets		(40,741)	(376)
Proceeds from disposal of property, plant and equipment		2,980	787
Assets-related government grants received	25	23,129	-
Net cash used in investing activities		<u>(162,151)</u>	<u>(48,002)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings	24	944,136	1,005,571
Repayments of borrowings	24	(971,902)	(1,111,621)
Changes in bills payable	23	(51,312)	43,466
Cash receipts from issuance of convertible bond	24	272,004	-
Decrease in pledged bank deposits	20	149,256	16,263
Interest paid		(22,106)	(48,296)
Dividends paid to non-controlling interests		(2,400)	(2,400)
Net cash provided by/(used in) financing activities		<u>317,676</u>	<u>(97,017)</u>
Net increase in cash and cash equivalents		<u>253,955</u>	<u>27,373</u>
Exchange loss on cash and cash equivalents		(1,102)	(685)
Cash and cash equivalents at beginning of financial year		<u>129,245</u>	<u>102,557</u>
Cash and cash equivalents at end of financial year	20	<u>382,098</u>	<u>129,245</u>

The accompanying notes form an integral part of these financial statements.

APPENDIX III: AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2015

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1. GENERAL INFORMATION

China Auto Electronics Group Limited (the "Company"), is a limited company domiciled and incorporated in Bermuda and listed on the Mainboard of the Singapore Exchange Securities Trading Limited since 9 July 2007.

The registered office of the Company is located at Canon's Court, 22 Victoria Street, Hamilton HM12, Bermuda. The principal place of business is at 233 East Part of Qibin Road, Qibin District, Hebi, Henan, People's Republic of China ("PRC").

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are disclosed in Note 15.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) Basis of preparation

These financial statements have been prepared in accordance with Singapore Financial Reporting Standards ("FRS") under the historical cost convention, except as disclosed in the accounting policies below. The financial statements are presented in Chinese Renminbi ("RMB") and all values are rounded to the nearest thousand (RMB'000) except as otherwise indicated.

Certain comparative amounts have been reclassified to better reflect the nature of the underlying transactions and to make the comparative comparable with the current year. These reclassifications only impacted the reclassification of the consolidated statement comprehensive income, and had no effect on reported total assets, liabilities, equity or profit.

	As previously reported	Reclassification	As stated
	31 December 2014		31 December 2014
	RMB'000	RMB'000	RMB'000
<u>Consolidated statement of comprehensive income</u>			
Other income	13,074	(7,333)	5,741
Other gains	–	6,464	6,464
Other expenses	(10,153)	10,153	–
General and administrative expenses	(146,050)	(7,338)	(153,388)
Finance expenses	(48,296)	(1,946)	(50,242)

The preparation of financial statements in conformity with FRS requires management to exercise its judgement in the process of applying the Group's accounting policies. It also requires the use of certain critical accounting estimates and assumptions. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

Interpretations and amendments to published standards effective in 2015

On 1 January 2015, the Group adopted the new or amended FRS and Interpretations to FRS ("INT FRS") that are mandatory for application from the financial year. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective FRS and INT FRS.

The adoption of these new or amended FRS and INT FRS did not result in substantial changes to the Group's and Company's accounting policies and had no material effect on the amounts reported for the current or prior financial years.

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AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2015

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NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(2) Revenue recognition

Sales comprise the fair value of the consideration received or receivable for the sale of goods in the ordinary course of the Group's activities. Sales are presented, net of value-added tax, rebates and discounts, and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue and related cost can be reliably measured, it is probable that the collectability of the related receivables is reasonably assured and when the specific criteria for each of the Group's activities are met.

(a) *Sale of goods*

Revenue from sale of goods is recognised when the Group has delivered the products to the customers and significant risks and rewards of ownership are transferred to the customer, there is neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, the amount of revenue and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

(b) *Interest income*

Interest income is recognised using the effective interest method.

(c) *Rental income*

Rental income from operating leases (net of any incentives given to the lessees) is recognised on a straight-line basis over the lease term.

(3) Government grants

Grants from the government are recognised as a receivable at their fair value when there is reasonable assurance that the grant will be received and the Group will comply with all the attached conditions.

Government grants receivable are recognised as income over the periods necessary to match them with the related costs that they are intended to compensate, on a systematic basis. Government grants relating to expenses are shown separately as other income. Government grants relating to property, plant and equipment are recognised as deferred income and are credited to profit or loss on a straight-line basis over the expected lives of the related assets.

(4) Group accounting

(a) *Subsidiaries*

(i) *Consolidation*

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date on that control ceases.

In preparing the consolidated financial statements, transactions, balances and unrealised gains on transactions between group entities are eliminated. Unrealised losses are also eliminated but are considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests comprise the portion of a subsidiary's net results of operations and its net assets, which is attributable to the interests that are not owned directly or indirectly by the equity holders of the Company. They are shown separately in the consolidated statement of comprehensive income, statement of changes in equity and balance sheet. Total comprehensive income is attributed to the non-controlling interests based on their respective interests in a subsidiary, even if this results in the non-controlling interests having a deficit balance.

APPENDIX III:
AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2015

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(4) Group accounting (continued)

(a) Subsidiaries (continued)

(ii) Acquisitions

The acquisition method of accounting is used to account for business combinations entered into by the Group.

The consideration transferred for the acquisition of a subsidiary or business comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes any contingent consideration arrangement and any pre-existing equity interest in the subsidiary measured at their fair values at the acquisition date.

Acquisition-related costs are expensed as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree at the date of acquisition either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of (i) the aggregate of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the (ii) fair value of the identifiable assets acquired net of the fair values of the liabilities and any contingent liabilities assumed is recorded as goodwill. Please refer to the paragraph "Intangible assets - Goodwill" for the accounting policy on goodwill subsequent to the initial recognition.

(iii) Disposals

When a change in the Group's ownership interest in a subsidiary results in a loss of control over the subsidiary, the assets and liabilities of the subsidiary including any goodwill are derecognised. Amounts previously recognised in other comprehensive income in respect of that entity are also reclassified to profit or loss or transferred directly to retained earnings if required by a specific Standard.

Any retained equity interest in the entity is re-measured at fair value. The difference between the carrying amount of the retained interest at the date when control is lost and its fair value is recognised in profit or loss.

Please refer to the paragraph "Investments in subsidiaries and associated companies" for the accounting policy on investments in subsidiaries in the separate financial statements of the Company.

(b) Transactions with non-controlling interests

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control over the subsidiary are accounted for as transactions with equity owners of the Group. Any difference between the change in the carrying amounts of the non-controlling interest and the fair value of the consideration paid or received is recognised within equity attributable to the equity holders of the Company.

APPENDIX III:
AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2015

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NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(5) Property, plant and equipment

Property, plant and equipment are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Cost also includes borrowing costs (refer to Note 2-(7) on borrowing costs) and any fair value gains or losses on qualifying cash flow hedges of property, plant and equipment that are transferred from the hedging reserve.

Construction-in-progress is not depreciated. Depreciation on other items of property, plant and equipment is calculated using the straight-line method to allocate their depreciable amounts over their estimated useful lives as follows:

	Estimated useful lives	Estimated residual value as a percentage of cost
Buildings	10 or 35 years	5%
Machinery and equipment	5 to 10 years	5%
Furniture, fittings and equipment	3 or 5 years	5%
Motor vehicles	5 to 10 years	5%

The residual values, estimated useful lives and depreciation method of property, plant and equipment are reviewed, and adjusted as appropriate, at each balance sheet date. The effects of any revision are recognised in profit or loss when the changes arise.

Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset 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. All other repair and maintenance expenses are recognised in profit or loss when incurred.

On disposal of an item of property, plant and equipment, the difference between the disposal proceeds and its carrying amount is recognised in profit or loss. Any amount in revaluation reserve relating to that asset is transferred to retained profits directly.

(6) Intangible assets and land use rights

(i) Land use rights

Land use rights are initially recognised at cost. Following initial recognition, land use rights are carried at cost less accumulated amortisation and accumulated impairment losses.

The land use rights are amortised to profit or loss on a straight-line basis over 50 years, which is the lease term of the land.

(ii) Goodwill

Goodwill on acquisitions of subsidiaries and businesses on or after 1 January 2010 represents the excess of (i) the aggregate of the consideration transferred, the aggregate amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over (ii) the fair value of the identifiable assets acquired, net of the fair values of the liabilities and any contingent liabilities assumed.

Goodwill on acquisition of subsidiaries and businesses prior to 1 January 2010 represents the excess of the cost of the acquisition over the fair value of the Group's share of the net identifiable assets acquired.

Goodwill on subsidiaries is recognised separately as intangible assets and carried at cost less accumulated impairment losses.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(6) Intangible assets and land use rights (continued)

(ii) Goodwill (continued)

Gains and losses on the disposal of subsidiaries include the carrying amount of goodwill relating to the entity sold, except for goodwill arising from acquisitions prior to 1 January 2001. Such goodwill was adjusted against retained profits in the year of acquisition and is not recognised in profit or loss on disposal.

(iii) Computer software and technology know-how

Computer software and technology know-how are initially capitalised at cost which includes the purchase price (net of any discounts or rebates) and other directly attributable cost of preparing the asset for its intended use.

Computer software and technology know-how are subsequently carried at cost less accumulated amortisation and accumulated impairment losses. These costs are amortised to profit or loss using the straight-line method over their estimated useful lives of ten years.

The amortisation period and amortisation method of intangible assets other than goodwill are reviewed at least at each balance sheet date. The effects of any revision are recognised in profit or loss when the changes arise.

(7) Borrowing costs

Borrowing costs are recognised in profit or loss using the effective interest method except for those costs that are directly attributable to the construction or development of properties and assets under construction. This includes those costs on borrowings acquired specifically for the construction or development of properties and assets under construction, as well as those in relation to general borrowings used to finance the construction or development of properties and assets under construction.

The actual borrowing costs incurred during the period up to the issuance of the temporary occupation permit less any investment income on temporary investment of these borrowings, are capitalised in the cost of the property under development. Borrowing costs on general borrowings are capitalised by applying a capitalisation rate to construction or development expenditures that are financed by general borrowings.

(8) Investments in subsidiaries

Investments in subsidiaries are carried at cost less accumulated impairment losses in the Company's balance sheet. On disposal of investments in subsidiaries, the difference between disposal proceeds and the carrying amounts of the investments are recognised in profit or loss.

(9) Impairment of non-financial assets

(a) Goodwill

Goodwill recognised separately as an intangible asset is tested for impairment annually and whenever there is indication that the goodwill may be impaired.

For the purpose of impairment testing of goodwill, goodwill is allocated to each of the Group's cash-generating-units ("CGU") expected to benefit from synergies arising from the business combination.

An impairment loss is recognised when the carrying amount of a CGU, including the goodwill, exceeds the recoverable amount of the CGU. The recoverable amount of a CGU is the higher of the CGU's fair value less cost to sell and value-in-use.

The total impairment loss of a CGU is allocated first to reduce the carrying amount of goodwill allocated to the CGU and then to the other assets of the CGU pro-rata on the basis of the carrying amount of each asset in the CGU.

An impairment loss on goodwill is recognised as an expense and is not reversed in a subsequent period.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(9) Impairment of non-financial assets (continued)

- (b) Intangible assets
Property, plant and equipment
Investments in subsidiaries

Intangible assets, property, plant and equipment and investments in subsidiaries are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired.

For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash inflows that are largely independent of those from other assets. If this is the case, the recoverable amount is determined for the CGU to which the asset belongs.

If the recoverable amount of the asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount.

The difference between the carrying amount and recoverable amount is recognised as an impairment loss in profit or loss, unless the asset is carried at revalued amount, in which case, such impairment loss is treated as a revaluation decrease. Please refer to the paragraph "Property, plant and equipment" for the treatment of a revaluation decrease.

An impairment loss for an asset other than goodwill is reversed only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of this asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortisation or depreciation) had no impairment loss been recognised for the asset in prior years.

A reversal of impairment loss for an asset other than goodwill is recognised in profit or loss, unless the asset is carried at revalued amount, in which case, such reversal is treated as a revaluation increase. However, to the extent that an impairment loss on the same revalued asset was previously recognised as an expense, a reversal of that impairment is also recognised in profit or loss.

(10) Financial assets

- (a) Classification

The Group classifies its financial assets in the following categories: loans and receivables, and available-for-sale. The classification depends on the nature of the asset and the purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition.

- (i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are presented as current assets, except for those expected to be realised later than 12 months after the balance sheet date which are presented as non-current assets. Loans and receivables are presented as "trade and other receivables" (Note 18), "bank deposits pledged" and "cash and cash equivalents" (Note 20) on the balance sheet.

- (ii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are presented as non-current assets unless the investment matures or management intends to dispose of the assets within 12 months after the balance sheet date.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(10) Financial assets (continued)

(b) Recognition and de-recognition

Regular way purchases and sales of financial assets are recognised on trade date - the date on which the Group commits to purchase or sell the asset.

Financial assets are de-recognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. On disposal of a financial asset, the difference between the carrying amount and the sale proceeds is recognised in profit or loss. Any amount in other comprehensive income relating to that asset is reclassified to profit or loss.

Trade receivables that are factored out to banks and other financial institutions with recourse to the Group are not de-recognised until the recourse period has expired and the risks and rewards of the receivables have been fully transferred. The corresponding cash received from the financial institutions is recorded as borrowings.

(c) Initial measurement and subsequent measurement

Financial assets are initially recognised at fair value plus transaction costs. Available-for-sale financial assets are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Interest and dividend income on available-for-sale financial assets are recognised separately in income. Changes in the fair values of available-for-sale debt securities (i.e. monetary items) denominated in foreign currencies are analysed into currency translation differences on the amortised cost of the securities and other changes; the currency translation differences are recognised in profit or loss and the other changes are recognised in other comprehensive income and accumulated in the fair value reserve. Changes in fair values of available-for-sale equity securities (i.e. non-monetary items) are recognised in other comprehensive income and accumulated in the fair value reserve, together with the related currency translation differences.

(d) Impairment

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired and recognises an allowance for impairment when such evidence exists.

(i) Loans and receivables

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy, and default or significant delay in payments are objective evidence that these financial assets are impaired.

The carrying amount of these assets is reduced through the use of an impairment allowance account which is calculated as the difference between the carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. When the asset becomes uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are recognised against the same line item in profit or loss.

The impairment allowance is reduced through profit or loss in a subsequent period when the amount of impairment loss decreases and the related decrease can be objectively measured. The carrying amount of the asset previously impaired is increased to the extent that the new carrying amount does not exceed the amortised cost had no impairment been recognised in prior periods.

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For the financial year ended 31 December 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(10) Financial assets (continued)

(d) Impairment (continued)

(ii) Available-for-sale financial assets

In addition to the objective evidence of impairment described in Note 2-(10)(d)(i), a significant or prolonged decline in the fair value of an equity security below its cost is considered as an indicator that the available-for-sale financial asset is impaired.

If any evidence of impairment exists, the cumulative loss that was previously recognised in other comprehensive income is reclassified to profit or loss. The cumulative loss is measured as the difference between the acquisition cost (net of any principal repayments and amortisation) and the current fair value, less any impairment loss previously recognised as an expense. The impairment losses recognised as an expense on equity securities are not reversed through profit or loss.

(e) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

(11) Financial guarantees

Financial guarantees are initially recognised at their fair values plus transaction costs in the Group's balance sheet.

Financial guarantees are subsequently amortised to profit or loss over the period of the Group's borrowings, unless it is probable that the Group will reimburse the bank for an amount higher than the unamortised amount. In this case, the financial guarantees shall be carried at the expected amount payable to the bank in the Group's balance sheet.

Intra-group transactions are eliminated on consolidation.

(12) Borrowings

Borrowings are presented as current liabilities unless the Group has an unconditional right to defer settlement for at least 12 months after the balance sheet date, in which case they are presented as non-current liabilities.

Except for convertible bonds, borrowings are initially recognised at fair value (net of transaction costs) and subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method. Refer to Note 2-(13) on the accounting policies of convertible bonds.

(13) Convertible bonds

Convertible bonds issued by the Group can be converted to share capital at the option of the holder. This convertible bond is denominated in a currency other than the functional currency and the conversion option will be settled other than by the exchange of a fixed amount of cash or other financial assets for a fixed number of the Group's shares.

The Group designated the convertible bonds as financial liabilities at fair value through profit or loss. They are initially recognised at fair value. Any directly attributable transaction costs are recognised as finance expense in the consolidated statement of comprehensive income. Subsequent to initial recognition, the convertible bonds are carried at fair value with changes in fair value recognised in the consolidated statement of comprehensive income.

The convertible bonds are classified as current unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(14) Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. They are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are initially recognised at fair value, and subsequently carried at amortised cost using the effective interest rate method.

(15) Operating lease

Leases where substantially all risks and rewards incidental to ownership are retained by the lessors are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are recognised in profit or loss on a straight-line basis over the period of the lease. Penalty payments on early termination, if any, are recognised in profit or loss when incurred.

(16) Inventories

Inventories are carried at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of finished goods and work-in-progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity) but excludes borrowing costs. Cost also includes any gains or losses on qualifying cash flow hedges of foreign currency purchases of inventories. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and applicable variable selling expenses.

(17) Income taxes

Current income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date.

Deferred income tax is recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except when the deferred income tax arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and affects neither accounting nor taxable profit or loss at the time of the transaction.

A deferred income tax liability is recognised on temporary differences arising on investments in subsidiaries, except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred income tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilised.

Deferred income tax is measured:

- (i) at the tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date; and
- (ii) based on the tax consequence that will follow from the manner in which the Group expects, at the balance sheet date, to recover or settle the carrying amounts of its assets and liabilities except for investment properties. Investment property measured at fair value is presumed to be recovered entirely through sale.

Current and deferred income taxes are recognised as income or expense in profit or loss, except to the extent that the tax arises from a business combination or a transaction which is recognised directly in equity. Deferred income tax arising from a business combination is adjusted against goodwill on acquisition.

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For the financial year ended 31 December 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(18) Provisions

Provisions for legal claim are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Other provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised in the consolidated statement of comprehensive income as finance expense.

Changes in the estimated timing or amount of the expenditure or discount rate are recognised in profit or loss when the changes arise.

(19) Employee compensation

Employee benefits are recognised as an expense, unless the cost qualifies to be capitalised as an asset.

(a) Defined contribution plans - retirement benefits

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. The Company makes contributions for the employees in Singapore to the Central Provident Fund scheme in Singapore, a defined contribution pension scheme, on a mandatory, contractual or voluntary basis. Payments to defined contribution plans - retirement benefits are charged as an expense as they fall due. The Group has no further payment obligations once the contributions have been paid.

Pursuant to the relevant regulations of the PRC government, the PRC subsidiaries of the Group ("PRC Subsidiaries") have participated in central pension schemes ("the Schemes") operated by local municipal government whereby the PRC subsidiaries are required to contribute a certain percentage of the basic salaries of their employees to the Schemes to fund their retirement benefits. The local municipal governments undertake to assume the retirement benefit obligations of all existing and future retired employees of the PRC subsidiaries. The only obligation of the PRC subsidiaries with respect to the Schemes is to pay the ongoing required contributions under the Schemes mentioned above. Contributions under the Schemes are charged to the consolidated statement of comprehensive income as incurred.

(b) Termination benefits

Termination benefits are those benefits which are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of FRS37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

(20) Currency translation

(a) Functional and presentation currency

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The financial statements are presented in Renminbi ("RMB"), which is the functional currency of the Company.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(20) Currency translation (continued)

(a) Functional and presentation currency (continued)

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates at the dates of the transactions. Currency exchange differences resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the balance sheet date are recognised in profit or loss. However, in the consolidated financial statements, currency translation differences arising from borrowings in foreign currencies and other currency instruments designated and qualifying as net investment hedges and net investment in foreign operations, are recognised in other comprehensive income and accumulated in the currency translation reserve.

When a foreign operation is disposed of or any borrowings forming part of the net investment of the foreign operation are repaid, a proportionate share of the accumulated currency translation differences is reclassified to profit or loss, as part of the gain or loss on disposal.

(b) Transactions and balances

Foreign exchange gains and losses that relate to borrowings are presented in the income statement within "finance expenses". All other foreign exchange gains and losses impacting profit or loss are presented in the income statement within "other gains and losses".

Non-monetary items measured at fair values in foreign currencies are translated using the exchange rates at the date when the fair values are determined.

(c) Translation of Group entities' financial statements

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) Assets and liabilities are translated at the closing exchange rates at the reporting date;
- (ii) Income and expenses are translated at average exchange rates (unless the average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated using the exchange rates at the dates of the transactions); and
- (iii) All resulting currency translation differences are recognised in other comprehensive income and accumulated in the currency translation reserve.

Goodwill and fair value adjustments arising on the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and translated at the closing rates at the reporting date.

(21) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the executive committee whose members are responsible for allocating resources and assessing performance of the operating segments.

(22) Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents include cash on hand, deposits with financial institutions which are subject to an insignificant risk of change in value. Bank deposits pledged are excluded from cash and cash equivalents.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(23) Share capital and treasury shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares are deducted against the share capital account.

When any entity within the Group purchases the Company's ordinary shares ("treasury shares"), the consideration paid including any directly attributable incremental cost is presented as a component within equity attributable to the Company's equity holders, until they are cancelled, sold or reissued.

When treasury shares are subsequently cancelled, the cost of treasury shares are deducted against the share capital account if the shares are purchased out of capital of the Company, or against the retained profits of the Company if the shares are purchased out of earnings of the Company.

When treasury shares are subsequently sold, the cost of treasury shares is reversed from the treasury share account and the realised gain or loss on sale, net of any directly attributable incremental transaction costs and related income tax, is recognised in the capital reserve.

(24) Dividends to shareholders

Dividends to the shareholders are recognised when the dividends are approved for payment.

(25) Research and development expenses

Research and development expenses relating to costs incurred on feasibility studies in and testing of new technologies are expensed off when incurred.

(26) Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or to exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control. Related parties may be individuals or corporate entities.

(27) Fair value estimation of financial assets and liabilities

The fair values of financial instruments traded in active markets (such as exchange-traded and over-the-counter securities and derivatives) are based on quoted market prices at the balance sheet date. The quoted market prices used for financial assets are the current bid prices; the appropriate quoted market prices used for financial liabilities are the current asking prices.

The fair values of financial instruments that are not traded in an active market are determined by using valuation techniques. The Group uses a variety of methods and makes assumptions based on market conditions that are existing at each balance sheet date. Where appropriate, quoted market prices or dealer quotes for similar instruments are used. Valuation techniques, such as discounted cash flow analysis, are also used to determine the fair values of the financial instruments.

The fair values of current financial assets and liabilities carried at amortised cost approximate their carrying amounts.

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3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances:

(i) Allowances for doubtful receivables

Management reviews its receivables for objective evidence of impairment at least quarterly. Significant financial difficulties of the debtor, the probability that the debtor will enter bankruptcy, and default or significant delay in payments are considered objective evidence that a receivable is impaired. In determining this, management makes judgement as to whether there is observable data indicating that there has been a significant change in the payment ability of the debtor, or whether there have been significant changes with adverse effect in the technological, market, economic or legal environment in which the debtor operates in.

Where there is objective evidence of impairment, management has made judgements as to whether an impairment loss should be recorded as an expense. In determining this, management uses estimates based on historical loss experience for assets with similar credit risk characteristics. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between the estimated loss and actual loss experience.

The carrying amounts of the Group's trade and other receivables are disclosed in Note 18. Management is of the view that the allowance for impairment of trade and other receivables recorded is adequate and no further allowance is required.

(ii) Income tax

The Group operates in various countries. Significant judgement is involved in determining the group-wide provision for income tax. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional tax will be due.

Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred income tax provisions in the period in which such determination is made.

(iii) Claims and litigations

The Group entered into various contracts with third parties in its ordinary course of business and is exposed to other risk of claims and litigations from the contractual parties. These can arise for various reasons, including change in scope of work, delay and disputes, defective specifications or routine checks etc. The scope, enforceability and validity of any claim or litigation may be highly uncertain. In making its judgement as to whether it is probable that any such claim or litigation will result in a liability and whether any such liability can be measure reliably, management relies on past experience and the opinion of legal and technical expertise. Please refer to Note 27 for details.

(iv) Impairment of non-financial assets

The Group assesses annually whether the non-financial assets including property, plant and equipment, intangible assets and goodwill may be impaired, in accordance with the accounting policy stated in Note 2(9) to the financial statements. The calculation requires the use of estimates and assumptions as disclosed in Note 14(a) to the financial statements.

(v) Useful lives of property, plant and equipment

The estimates for the useful lives and related depreciation charges for property, plant and equipment are based on commercial and production factors which could change significantly as a result of technical innovations and competitor actions in response to severe market conditions. The carrying amount of property, plant and equipment at 31 December 2015 is RMB 378,476,000 (2014: RMB 280,869,000). The estimated useful lives of property, plant and equipment have been assessed as appropriate by management.

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For the financial year ended 31 December 2015

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

(vi) Allowance for slow-moving inventories

Management reviews the inventory aging listing on a quarterly basis. The review involves comparison of the carrying amount of the aged inventory items with the respective net realisable value. The purpose is to ascertain whether the allowance is required to be made in the financial statements for slow-moving items. The carrying amount of inventories at 31 December 2015 is RMB 526,125,000 (2014: RMB 448,160,000). Management is of the view that the allowance for inventories recorded is adequate and no further allowance is required.

(vii) Deferred income tax assets

The Group recognises deferred income tax assets on deductible temporary differences to the extent there are sufficient future taxable profits against which the temporary differences can be utilised. At the balance sheet date, deferred income tax assets are measured at the tax rates that are expected to apply to the period when the asset is realised. When the estimates changed due to the future economic and operating conditions, the Group will re-evaluate and estimate. The Group performs review and adjustment on profit forecast and estimates at each year end.

If no sufficient future taxable profit would be available against which the temporary differences could be utilised as at 31 December 2015, the Group would have to write off deferred income tax asset to the extent of RMB 20,295,000 (2014: RMB 9,663,000) as income tax expenses.

(viii) Convertible bonds

As disclosed in Note 24(a), the fair value of the convertible bonds at the dates of issue and balance sheet dates were determined based on retrospective valuations performed by an independent valuer, using valuation techniques. The Group uses its judgements to select a variety of methods and make assumptions that are mainly based on market conditions existing at the respective valuation dates. The Group has applied Binomial Option Pricing Model to determine the fair value of convertible bonds.

4. REVENUE

	Group	
	2015 RMB'000	2014 RMB'000
Sales of finished goods	2,575,672	2,122,654
Sales of raw materials	201,109	173,194
	<u>2,776,781</u>	<u>2,295,848</u>

5. OTHER INCOME

	Group	
	2015 RMB'000	2014 RMB'000
Subsidy income	7,256	5,618
Rental income	3	123
	<u>7,259</u>	<u>5,741</u>

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For the financial year ended 31 December 2015

6. OTHER (LOSSES) / GAINS - NET

	Group	
	2015 RMB'000	2014 RMB'000
Fair value losses on financial liabilities at fair value through profit or loss (Note 24(a))	(19,736)	-
Foreign exchange gains / (losses) - net	9,434	(547)
Gain on disposal of scrapped materials	1,014	591
Products' quality compensation from suppliers	922	841
Penalty claim	(944)	(322)
(Loss)/gain from disposal of property, plant and equipment	(683)	183
Insurance compensation for fire accident (Note a)	-	2,773
Waiver of trade payables (Note b)	478	1,635
Others	728	1,310
	(8,787)	6,464

- (a) Hebi Tianzhong Connectors Co., Ltd., a subsidiary of the Group suffered a fire accident ignited in a neighbouring third party company in June 2012. The Group provided full provision on the assets damaged in the fire of RMB 4,239,000, including inventory provision of RMB 2,921,000 and fixed assets impairment of RMB 1,318,000. In the prior financial year, the Group received insurance compensation for the fire amounting to RMB 2,773,000.
- (b) During the current financial year, Henan Tianhai Electric Co., Ltd., a subsidiary of the Group, obtained waiver of trade payables amounting to RMB 478,000 (2014: RMB 1,635,000) due to defective goods from suppliers and for long outstanding payables which is not expected to be paid in the foreseeable future.

7. FINANCE EXPENSES

	Group	
	2015 RMB'000	2014 RMB'000
Interest expense:		
- Bank borrowings	25,289	35,746
- Discounted bills receivable	5,394	12,550
- Convertible bonds	4,031	-
Net foreign exchange (gains) / losses on borrowings	(478)	1,946
	34,236	50,242

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8. PROFIT BEFORE INCOME TAX

In addition to the charges and credits as disclosed elsewhere in the notes to the financial statements, these items include the following:

	Group	
	2015 RMB'000	2014 RMB'000
Charging:		
Cost of inventories recognised as an expense (Note 17)	1,630,892	1,260,410
Depreciation of property, plant and equipment (Note 13)	37,771	32,135
Rental expense on operating lease	13,570	10,785
Amortisation of intangible assets (Note 14 (b))	2,984	2,071
Allowance for impairment of trade and other receivables (Note 18)	5,454	7,214
Allowance for inventories write down (Note 17)	37,316	18,365
Employee compensation expenses (Note 10)	480,029	368,372

9. INCOME TAX EXPENSE

The major components of income tax expense for the financial years ended 31 December 2015 and 2014 are as below:

	Group	
	2015 RMB'000	2014 RMB'000
Current income tax:		
Current income tax on profits for the year	43,892	23,727
Under-provision in respect of prior year	1,715	2,562
Total current income tax	45,607	26,289
Deferred income tax: (Note 16)		
Recognition of deferred income tax assets	(10,632)	(1,556)
Total deferred income tax	(10,632)	(1,556)
Income tax expense	34,975	24,733

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the statutory rate of income tax as follows:

	Group	
	2015 RMB'000	2014 RMB'000
Profit before income tax	162,683	159,253
Tax calculated at domestic tax rates applicable to profits in the respective jurisdictions	43,311	28,838
Tax effects of:		
Preferential tax of certain subsidiaries	(14,428)	(8,787)
Expense not deductible for tax purposes	1,707	1,888
Research and development super-deduction expense	(6,473)	(6,451)
Utilisation of previously unrecognised tax losses	-	(5,361)
Current year unrecognised tax losses	9,143	12,044
Under-provision in prior year	1,715	2,562
Income tax expense	34,975	24,733

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9. INCOME TAX EXPENSE (continued)

The Company has no taxable income for the financial year ended 31 December 2015 (2014: Nil).

The PRC subsidiaries

The statutory income tax rate for the PRC subsidiaries is 25% (2014: 25%), lower tax rate is given for specific provinces by local authority. Tax incentives given are as follows:

Three of the PRC subsidiaries are granted the tax status of “High-Tech Enterprise” (高新技术企业) by the PRC Tax authority. The applicable income tax rates are 15% (2014: 15%) for the financial year ended 31 December 2015. The tax benefit for these subsidiaries will expire in subsequent years.

Tianhai Snowcity (Chongqing) Auto Electric Co., Ltd., a subsidiary of the Group, has applied with the in-charge tax authority together with relevant materials for the reduced corporate income tax rate of 15% under preferential tax policies for China’s western region (西部大开发). The in-charge tax authority has approved the application and issued the written notice to allow Tianhai Snowcity (Chongqing) Auto Electric Co., Ltd. to adopt 15% for 2015 provisional quarterly corporate income tax filing.

The US subsidiary

The Group’s subsidiary in the United States (“US”) is subject to a system of granted marginal tax rates, ranging from 15% to 35% (2014: 15% to 35%), applied to all taxable income. The US subsidiary has income tax expenses of RMB 126,000 in financial year ended 31 December 2015 (2014: RMB 406,000).

There are no tax credits relating to components of other comprehensive income.

10. EMPLOYEE COMPENSATION EXPENSES

	Group	
	2015	2014
	RMB'000	RMB'000
Wages and salaries	390,036	299,750
Employees expenses relating to defined contribution plans	56,166	45,201
Other staff related expenses	30,974	21,843
Directors’ remuneration included in staff costs	2,113	828
Directors’ fees	740	750
	480,029	368,372

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11. RELATED PARTY TRANSACTIONS

Related parties in these financial statements refer to companies which are controlled by the Group's key management personnel and their close family members of non-controlling shareholders of the subsidiaries, key shareholders and the key management personnel.

In addition to the information disclosed elsewhere in the financial statements, the following transactions took place between the Group and related parties at terms agreed between the parties:

(a) Purchase of services

	Group	
	2015 RMB'000	2014 RMB'000
Purchase of services - An entity whose director is the key management personnel of the Group	6,328	-

(b) Compensation of key management personnel (including directors)

Key management personnel compensation is analysed as follows:

	Group	
	2015 RMB'000	2014 RMB'000
Salaries and other short-term employee benefits	5,892	4,080
Defined contribution plans	344	308
	6,236	4,388
Comprises amounts paid to:		
- Directors of the Company	2,113	1,828
- Other key management personnel	4,123	2,560
	6,236	4,388

Key management personnel are directors and those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. The above amount is for all the directors and other key management personnel.

The remuneration of key management personnel is determined by the board of directors having regards to the performance of individuals and market trends.

(c) Pledged shares contributed by shareholders for cross-guarantee

In November 2012, the Group, due to its operational financing needs, entered into a mutual guarantee agreement with Weihua Group Co., Ltd ("Weihua"), a leading crane manufacturing company in China Mainland with total assets of RMB 4.1 billion, to provide guarantee to each other in respect of the bank borrowings of the other party within one year from the effective date of the agreement subject to a maximum amount of RMB 300 million. Such loan is borrowed for working capital purposes.

In 2013, in connection with the mutual guarantee agreement, Zoro Express International Ltd. ("Zoro") and Shine Sound Investment Ltd. ("Shine Sound"), the major shareholders of the Company as at 31 December 2013, agreed to pledge Zoro's equity interests with quantity of 178,735,557 shares and Shine Sound's equity interests with quantity of 132,724,727 shares to Weihua as counter-guarantees for the guarantee provided by Weihua in favour of the Group under the mutual guarantee agreement.

In 2014, the Group had been released from the mutual guarantee agreement with Weihua, and the shareholders' shares are no longer pledged as counter-guarantees under the mutual guarantee agreement.

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12. EARNINGS PER SHARE

(a) Basic

Basic earnings per share for the years ended 31 December 2015 and 2014 are calculated by dividing the profit attributable to the shareholders by the weighted average number of ordinary shares in issue during the year excluding ordinary shares purchased by the Company.

	Group	
	2015 RMB'000	2014 RMB'000
Basic earnings per share		
Profit after income tax attributable to owners of the Company (in RMB'000)	121,086	125,585
Weighted average number of ordinary shares for the purpose of basic earnings per share (in thousands)	681,600	681,600
Basic earnings per share (in RMB cents)	17.76	18.43

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has one category of dilutive potential ordinary shares: convertible bonds. The convertible bonds are assumed to have been converted into ordinary shares, and the net profit is adjusted to eliminate the interest expense less the tax effect.

	Group	
	2015 RMB'000	2014 RMB'000
Diluted earnings per share		
Profit after income tax attributable to owners of the Company (in RMB'000)	121,086	125,585
Interest expense on convertible bonds (net of income tax) (in RMB'000)	688	-
Profit used to determine diluted earnings per share (in RMB'000)	121,774	125,585
Weighted average number of ordinary shares for the purpose of basic earnings per share (in thousands)	681,600	681,600
Assumed conversion of convertible bonds (in thousands)	666,667	-
Weighted average number of ordinary shares for the purpose of diluted earnings per share (in thousands)	1,348,267	681,600
Diluted earnings per share (in RMB cents)	9.03	18.43

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13. PROPERTY, PLANT AND EQUIPMENT

Group	Buildings RMB'000	Machinery and Equipment RMB'000	Construction in Progress RMB'000	Furniture, fittings and equipment RMB'000	Motor vehicles RMB'000	Renovation RMB'000	Total RMB'000
<u>Cost</u>							
At 1 January 2014	130,963	210,769	3,369	27,800	12,675	2,044	387,620
Additions	252	47,103	8,630	4,213	1,213	201	61,612
Transfer of construction in progress	2,583	95	(2,678)	-	-	-	-
Disposals	-	(4,339)	-	(1,327)	(579)	-	(6,245)
Currency translation difference	22	-	-	53	-	-	75
At 31 December 2014	133,820	253,628	9,321	30,739	13,309	2,245	443,062
Additions	469	75,431	47,310	10,302	5,003	-	138,515
Transfer of construction in progress	26,245	605	(27,473)	116	507	-	-
Disposals	(298)	(10,634)	-	(1,641)	(4,135)	-	(16,708)
Currency translation difference	378	34	-	273	-	-	685
At 31 December 2015	160,614	319,064	29,158	39,789	14,684	2,245	565,554
<u>Accumulated depreciation and impairment losses</u>							
At 1 January 2014	23,823	84,401	-	19,072	7,495	902	135,693
Charge for the year	4,602	22,620	-	2,771	1,780	362	32,135
Disposals	-	(4,416)	-	(720)	(505)	-	(5,641)
Currency translation difference	1	-	-	5	-	-	6
At 31 December 2014	28,426	102,605	-	21,128	8,770	1,264	162,193
Charge for the year	4,579	27,632	-	3,412	1,804	344	37,771
Disposals	(34)	(8,358)	-	(1,403)	(3,250)	-	(13,045)
Currency translation difference	28	7	-	124	-	-	159
At 31 December 2015	32,999	121,886	-	23,261	7,324	1,608	187,078
<u>Net book value</u>							
At 31 December 2014	105,394	151,023	9,321	9,611	4,539	981	280,869
At 31 December 2015	127,615	197,178	29,158	16,528	7,360	637	378,476

As at 31 December 2015, buildings of the Group with a total carrying value of RMB 34,005,000 (2014: RMB 35,719,000) were pledged to secure short-term borrowings as disclosed in Note 24.

In 2015, the amounts of depreciation expense charged to cost of sales, selling and distribution expenses, general and administrative expenses were RMB 28,400,000 (2014: RMB 23,179,000), RMB 132,000 (2014: RMB 186,000) and RMB 9,239,000 (2014: RMB 8,770,000), respectively.

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13. PROPERTY, PLANT AND EQUIPMENT (continued)

Company	Office equipment RMB'000	Total RMB'000
<u>Cost</u>		
At 1 January 2014 and 31 December 2014	51	51
Additions	13	13
At 31 December 2015	64	64
<u>Accumulated depreciation</u>		
At 1 January 2014, 31 December 2014 and 31 December 2015	51	51
<u>Net book value</u>		
At 31 December 2014	-	-
At 31 December 2015	13	13

14. INTANGIBLE ASSETS AND LAND USE RIGHTS

	Note	Group	
		2015 RMB'000	2014 RMB'000
Goodwill arising on acquisition	(a)	9,713	9,713
Land use rights	(b)	86,634	54,848
Other intangible assets	(b)	9,448	3,477
		105,795	68,038

(a) Goodwill arising on acquisition

	Group	
	2015 RMB'000	2014 RMB'000
Balance at beginning and end of financial year	9,713	9,713

Goodwill acquired through business combination has been allocated to the Group's cash-generating units ("CGUs"), identified according to the operating segments of (i) Wire harness (China operations) and (ii) Connectors (China operations).

An operating segment-level summary of the goodwill allocation is presented as below:

	Group	
	2015 RMB'000	2014 RMB'000
Wire harness (China operations)	9,622	9,622
Connectors (China operations)	91	91
	9,713	9,713

The recoverable amounts of all CGUs have been determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below. The growth rate does not exceed the long-term average growth rate for the business in which the CGU operates.

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14. INTANGIBLE ASSETS AND LAND USE RIGHTS (continued)

(a) Goodwill arising on acquisition (continued)

The key assumptions used in the value-in-use calculations in 2015 are as follows:

	Connectors China operations	Wire harness China operations
Gross margin	34%	10%
Growth rate	10%	10%
Pre-tax discount rate	8.6%	8.6%

These assumptions have been used for the analysis of each CGU within the operating segment.

Management determined budgeted gross margin based on the past performance and its expectations of market development. The weighted average growth rates used are consistent with the forecasts included in industry reports. The discount rates used are pre-tax and reflect specific risks relating to the relevant operating segments.

These assumptions have been used for the analysis of the CGU. The discount rate used is pre-tax and reflects specific risks relating to the automotive electrical and electronics distribution system division. Based on the sensitivity analysis performed, any reasonable change in the key assumptions would not result in any impairment adjustments.

(b) Land use rights and other intangible assets

Group	Land use rights RMB'000	Computer software RMB'000	Technology know-how RMB'000	Total RMB'000
<u>Cost</u>				
At 1 January 2014	62,519	7,156	4,495	74,170
Additions	–	376	–	376
At 31 December 2014	62,519	7,532	4,495	74,546
Additions	33,767	6,974	–	40,741
At 31 December 2015	96,286	14,506	4,495	115,287
<u>Accumulated amortisation and accumulated impairment losses</u>				
At 1 January 2014	6,255	5,708	2,187	14,150
Amortisation for the year	1,416	651	4	2,071
At 31 December 2014	7,671	6,359	2,191	16,221
Amortisation for the year	1,981	998	5	2,984
At 31 December 2015	9,652	7,357	2,196	19,205
<u>Carrying amount</u>				
At 31 December 2014	54,848	1,173	2,304	58,325
At 31 December 2015	86,634	7,149	2,299	96,082

Land use rights of the Group with a total carrying amount of RMB 22,686,000 as at 31 December 2015 (2014: RMB 23,208,000) were pledged to secure borrowings as disclosed in Note 24.

In 2015, amortisation of RMB 2,984,000 (2014: RMB 2,071,000) is included in "general and administrative expenses" in the consolidated statement of comprehensive income.

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15. INVESTMENT IN SUBSIDIARIES

	Company	
	2015 RMB'000	2014 RMB'000
Unquoted equity shares, at cost	198,512	198,512

The Company has the following subsidiaries as at 31 December 2015:

Name	Principal activities	Country of business/ incorporation	Proportion of ordinary shares directly held by parent		Proportion of ordinary shares held by the Group		Proportion of ordinary shares held by non-controlling interests	
			2015	2014	2015	2014	2015	2014
			%	%	%	%	%	%
Tianhai Electric (Group) Corporation	Investment holding	BVI	100	100	100	100	-	-
Tianhai Technologies Co., Ltd.	Investment holding, research and development, manufacturing and trading of automobile electronics products	PRC	-	-	100	100	-	-
Hebi Si Kaer Investment Co., Ltd.	Investment holding	PRC	-	-	100	100	-	-
Hebi Sai Er Investment Co., Ltd.	Investment holding	PRC	-	-	100	100	-	-
Henan Tianhai Electric Co., Ltd.	Manufacturing and trading of connectors, wire harnesses and moulds	PRC	-	-	100	100	-	-
Tianhai Snowcity Auto-Electric R&D (Shanghai) Co., Ltd.	Research and development of automobile electronics products, automobile wire harnesses	PRC	-	-	100	100	-	-
Shanghai Zhong'an Electrical & Plastic Co., Ltd.	Manufacturing and trading of automobile plastic parts	PRC	-	-	60	60	40	40
Hebi Haichang Special Equipment Co., Ltd.	Manufacturing and trading of special equipment for producing automobile wire harnesses	PRC	-	-	100	100	-	-
Jiangxi Changhe Tianhai Electric Parts Co., Ltd.	Manufacturing and trading of automobile wire harnesses	PRC	-	-	60	60	40	40

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15. INVESTMENT IN SUBSIDIARIES (continued)

Name	Principal activities	Country of business/ incorporation	Proportion of ordinary shares directly held by parent		Proportion of ordinary shares held by the Group		Proportion of ordinary shares held by non-controlling interests	
			2015	2014	2015	2014	2015	2014
			%	%	%	%	%	%
Wuhu Tianxin Electric Parts Co., Ltd.	Manufacturing and trading of automobile wire harnesses	PRC	-	-	100	100	-	-
Shenyang Tianhai Electric Parts Co., Ltd.	Manufacturing and trading of automobile wire harnesses	PRC	-	-	100	100	-	-
Hebi Tianzhong Connectors Co., Ltd. (*)	Manufacturing and trading of connectors	PRC	-	-	100	100	-	-
Harbin Shengbang Hafei Auto-Wiring Harness Co., Ltd.	Manufacturing of automobile wire harnesses	PRC	-	-	100	100	-	-
China Auto Electronic (Hebi) Ltd.	Manufacturing and trading of automobile wires	PRC	-	-	100	100	-	-
Hebi Tianhai Huanqiu Electric Co., Ltd.	R&D, manufacturing and trading of automobile electronics products, automobile wire harnesses	PRC	-	-	100	100	-	-
Tianhai Snowcity (Chongqing) Auto Electric Co., Ltd.	Manufacturing and trading of automobile wire harnesses	PRC	-	-	100	100	-	-
Fujian Juan Kuang Wireharness Electric Co., Ltd.	Manufacturing and trading of automobile wire harnesses	PRC	-	-	56	56	44	44
Tianhai Electric North America, Inc.	Manufacturing and trading of automobile wire harnesses	USA	-	-	100	100	-	-
Liaoning Tianhai Electric Co., Ltd.	Manufacturing and trading of automobile wire harnesses	PRC	-	-	100	100	-	-
THB Europe GMBH	Manufacturing and trading of automobile wire harnesses	GER	-	-	100	100	-	-
LiuZhou Tianhai Mengli Electric Co.,Ltd.	Manufacturing and trading of automobile wire harnesses	PRC	-	-	51	51	49	49

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15. INVESTMENT IN SUBSIDIARIES (continued)

Name	Principal activities	Country of business/ incorporation	Proportion of ordinary shares directly held by parent		Proportion of ordinary shares held by the Group		Proportion of ordinary shares held by non-controlling interests	
			2015	2014	2015	2014	2015	2014
			%	%	%	%	%	%
Henan Kadan Electronic Technology Co, Ltd.	R&D, manufacturing and trading of wireless tire pressure monitoring system products	PRC	-	-	66	66	34	34
Zhengzhou Tianhai Xinke Auto Electronic Co., Ltd.	Research and development of automobile electronics products, automobile wire harnesses	PRC	-	-	75	75	25	25

(*) On 16 March 2014, Henan Tianhai Electric Co., Ltd ("Henan Tianhai") entered into a sale and purchase agreement with a third party to acquire the remaining 20% equity interest in Hebi Tianzhong Connectors Co., Ltd ("Hebi Tianzhong") for a purchase consideration of RMB 1,700,000 which includes a cash premium of RMB 1,321,000. The acquisition was completed on 21 March 2014. Thereafter, Hebi Tianzhong becomes a wholly owned subsidiary of Henan Tianhai.

BVI – The British Virgin Islands
USA – United States of America
GER – Germany

Significant restrictions

Cash and short-term deposits of RMB 191,619,000 (2014: RMB 365,252,000) are held in the People's Republic of China and are subject to local exchange control regulations. These local exchange control regulations provide for restrictions on exporting capital from the country, other than through normal dividends.

Material non-controlling interests

The total non-controlling interest for 2015 is RMB 50,430,000 (2014: RMB 46,208,000). The breakdown is as follows:

	2015 RMB'000	2014 RMB'000
Shanghai Zhong'an Electrical & Plastic Co., Ltd.	23,615	23,492
Jiangxi Changhe Tianhai Electric Parts Co., Ltd.	5,867	6,064
Fujian Juan Kuang Wireharness Electric Co., Ltd.	17,693	13,076
Other subsidiaries with immaterial non-controlling interest	3,255	3,576
Total	50,430	46,208

Summarised financial information of subsidiaries with material non-controlling interests

Set out below are the summarised financial information for each subsidiary that has non-controlling interests that are material to the Group. These are presented before inter-company eliminations.

There were no transactions with non-controlling interests for the financial years ended 31 December 2015 and 2014.

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15. INVESTMENT IN SUBSIDIARIES (continued)

Summarised balance sheet

	Shanghai Zhong'an Electrical & Plastic Co., Ltd.		Jiangxi Changhe Tianhai Electric Parts Co., Ltd.		Fujian Juan Kuang Wireharness Electric Co., Ltd.	
	As at 31 December		As at 31 December		As at 31 December	
	2015	2014	2015	2014	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Current						
Assets	75,371	66,106	51,772	40,558	79,864	47,776
Liabilities	(32,046)	(24,668)	(42,811)	(29,484)	(42,839)	(22,238)
Total current net assets	43,325	41,438	8,961	11,074	37,025	25,538
Non-current						
Assets	15,712	17,292	5,705	4,086	3,187	4,181
Total non-current net assets	15,712	17,292	5,705	4,086	3,187	4,181
Net assets	59,037	58,730	14,666	15,160	40,212	29,719

Summarised income statement

	Shanghai Zhong'an Electrical & Plastic Co., Ltd.		Jiangxi Changhe Tianhai Electric Parts Co., Ltd.		Fujian Juan Kuang Wireharness Electric Co., Ltd.	
	For period ended 31 December		For period ended 31 December		For period ended 31 December	
	2015	2014	2015	2014	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	113,080	93,869	75,724	71,023	87,101	61,419
Profit/(loss) before income tax	8,877	13,552	(149)	3,105	14,472	5,773
Income tax expense	(2,571)	(3,754)	(345)	(851)	(3,979)	(1,657)
Profit/(loss) after income tax and total comprehensive income/ (loss)	6,306	9,798	(494)	2,254	10,493	4,116
Total comprehensive income/ (loss) allocated to non- controlling interests	2,523	3,919	(198)	902	4,617	1,811
Dividends paid to non-controlling interests	2,400	2,400	-	-	-	-

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15. INVESTMENT IN SUBSIDIARIES (continued)

Summarised cash flows

	Shanghai Zhong'an Electrical & Plastic Co., Ltd.		Jiangxi Changhe Tianhai Electric Parts Co., Ltd.		Fujian Juan Kuang Wireharness Electric Co., Ltd.	
	For period ended 31 December		For period ended 31 December		For period ended 31 December	
	2015	2014	2015	2014	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<u>Cash flows from operating activities</u>						
Cash generated from/(used in) operations	8,600	12,676	4,496	(1,105)	787	(4,045)
Interest income received	11	15	4	9	216	356
Income tax paid	(3,606)	(4,405)	(386)	(859)	(1,057)	(1,723)
Net cash provided by/(used in) operating activities	5,005	8,286	4,114	(1,955)	(54)	(5,412)
Net cash provided by/(used in) investing activities	(1,166)	(250)	1	(14)	(1,051)	(896)
Net cash (used in)/provided by financing activities	(8,842)	(6,874)	-	-	(32)	5,371
Net increase/(decrease) in cash and cash equivalents	(5,003)	1,162	4,115	(1,969)	(1,137)	(937)
Cash and cash equivalents at beginning of financial year	7,974	6,812	801	2,770	3,813	4,750
Cash and cash equivalents at end of financial year	2,971	7,974	4,916	801	2,676	3,813

16. DEFERRED INCOME TAX

The analysis of deferred income tax assets is as follows:

	Group	
	2015 RMB'000	2014 RMB'000
Deferred income tax assets (to be recovered within one year)	11,591	6,919
Deferred income tax assets (to be recovered after one year)	8,704	2,744
Total deferred income tax assets	20,295	9,663

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16. DEFERRED INCOME TAX (continued)

The movement on the deferred income tax assets of the Group during the year is as follows and there are no deferred income tax liabilities in 2015 and 2014:

	Group			
	Government grants	Provisions	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Deferred income tax assets				
At 1 January 2014	3,398	3,081	1,628	8,107
Tax (charged)/credited to profit or loss (Note 9)	(332)	(370)	2,258	1,556
At 31 December 2014	3,066	2,711	3,886	9,663
Tax credited/(charged) to profit or loss (Note 9)	6,931	3,865	(164)	10,632
At 31 December 2015	9,997	6,576	3,722	20,295

Deferred income tax assets are recognised for tax loss carried forward to the extent that the realisation of the related tax benefit through future taxable profit is probable. The Group did not recognise deferred income tax assets of RMB 34,179,000 (2014: RMB 34,104,000) in respect of losses amounting to RMB 110,743,000 (2014: RMB 106,759,000) that can be carried forward against future taxable income subject to meeting certain statutory requirements by those companies with unrecognised tax losses in their respective countries of incorporation. The tax losses will expire between 2016 and 2033.

Deferred income tax liabilities of RMB 52,482,000 (2014: RMB 42,194,000) have not been recognised for the withholding tax that would be payable on the earnings of certain subsidiaries when remitted to the ultimate holding company. Such amounts are permanently reinvested. Unremitted earnings totalled RMB 524,821,000 at 31 December 2015 (2014: RMB 421,936,000). The directors are of the view that the likelihood of these earnings being distributed to the ultimate holding company in the foreseeable future is low, therefore no deferred tax liability is recognised on these unremitted earnings.

17. INVENTORIES

	Group	
	2015 RMB'000	2014 RMB'000
Raw materials	253,836	193,912
Work-in-progress	34,444	36,717
Finished goods	274,804	229,002
Inventories total - gross	563,084	459,631
Provision	(36,959)	(11,471)
Inventories total - net	526,125	448,160
Movement in allowance:		
At 1 January	11,471	12,993
Additions	37,316	18,365
Write-off	(11,828)	(19,887)
At 31 December	36,959	11,471

The cost of inventories recognised as an expense and included in "cost of sales" amounted to RMB 1,630,892,000 (2014: RMB 1,260,410,000).

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18. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2015 RMB'000	2014 RMB'000	2015 RMB'000	2014 RMB'000
Bills receivable	285,266	199,812	-	-
Trade receivables-third parties	840,604	691,803	-	-
Less: Allowance for impairment	(14,387)	(13,589)	-	-
Other receivables-third parties	30,204	26,159	-	-
Less: Allowance for impairment	(716)	(1,030)	-	-
Amounts due from subsidiaries (non-trade)	-	-	304,377	304,377
Advance payments to suppliers	15,996	16,054	146	146
Deposits	12,133	7,177	-	-
Prepayments	6,919	2,124	-	-
Receivables from related parties				
-Trade	331	331	-	-
-Non-trade	1,212	600	-	-
	1,177,562	929,441	304,523	304,523

Movement of allowance for impairment on trade receivables:

	Group		Company	
	2015 RMB'000	2014 RMB'000	2015 RMB'000	2014 RMB'000
At 1 January	13,589	7,072	-	-
Allowance during the year	5,454	7,214	-	-
Write-off of impaired receivables	(4,656)	(697)	-	-
At 31 December	14,387	13,589	-	-

Allowance for impairment is provided based on the estimated irrecoverable amounts from sale of goods, determined by reference to past default experience.

Movement of allowance for impairment on other receivables:

	Group		Company	
	2015 RMB'000	2014 RMB'000	2015 RMB'000	2014 RMB'000
At 1 January	1,030	1,850	-	-
Reversal of allowance	(22)	-	-	-
Write-off of impaired receivables	(292)	(820)	-	-
At 31 December	716	1,030	-	-

As at 31 December 2015, some of bills receivable is used to secure the bills payable as disclosed in Note 23.

As at 31 December 2015, trade receivables of RMB 163,765,000 (2014: RMB 172,595,000) was pledged to secure short-term borrowings as disclosed in Note 24.

The Group's non-trade receivables due from related parties and the Company's non-trade receivables due from subsidiaries are unsecured, interest free and repayable on demand.

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18. TRADE AND OTHER RECEIVABLES (continued)

The aging analysis of trade receivables is as follows:

	Group		Company	
	2015 RMB'000	2014 RMB'000	2015 RMB'000	2014 RMB'000
Current	726,541	598,830	-	-
Up to 3 months overdue	87,891	73,505	-	-
More than 3 months overdue	26,172	19,468	-	-
	840,604	691,803	-	-

The carrying amounts of the trade and other receivables are dominated in the following currencies:

	Group		Company	
	2015 RMB'000	2014 RMB'000	2015 RMB'000	2014 RMB'000
USD	121,219	100,520	-	-
Euro	11,473	5,087	-	-
RMB	707,912	586,196	-	-
	840,604	691,803	-	-

19. FINANCIAL ASSETS, AVAILABLE-FOR-SALE

	Group	
	2015 RMB'000	2014 RMB'000
<u>Unquoted investments, at cost</u>		
At 1 January	2,623	2,623
Less allowance for impairment	(823)	(823)
At 31 December	1,800	1,800

In accordance with paragraph 46(c) of FRS 39 "Financial Instruments: Recognition and Measurement", as the fair value of the equity investment cannot be measured reliably because the range of possible fair value estimates is wide and the probabilities of the various estimates within the range cannot be reasonably assessed, the investment is stated at cost. The directors are of the view that under such circumstances, it is also not possible to disclose the range of estimates within which a fair value is highly likely to lie.

20. CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the statement of cash flows comprise the following:

	Group		Company	
	2015 RMB'000	2014 RMB'000	2015 RMB'000	2014 RMB'000
Cash and bank balances	470,389	366,792	276,040	798
Less: Bank deposits pledged	(88,291)	(237,547)	-	-
Cash and cash equivalents	382,098	129,245	276,040	798

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20. CASH AND CASH EQUIVALENTS (continued)

The cash and bank balances comprise the following:

	Group		Company	
	2015 RMB'000	2014 RMB'000	2015 RMB'000	2014 RMB'000
Cash in hand	237	116	–	–
Cash at bank	470,152	366,676	276,040	798
	470,389	366,792	276,040	798

Bank deposits pledged represent bank balances held by banks to cover bills payable as disclosed in Note 23 and to secure the borrowings as disclosed in Note 24.

21. SHARE CAPITAL

	Group		Company	
	No. of ordinary shares '000	RMB'000	No. of ordinary shares '000	RMB'000
Authorised, issued and fully paid As at 1 January 2015 and 31 December 2015 (par value: Singapore dollar 0.10 per share)	681,600	490,115	681,600	623,026
Authorised, issued and fully paid As at 1 January 2014 and 31 December 2014 (par value: Singapore dollar 0.10 per share)	681,600	490,115	681,600	623,026

22. OTHER RESERVES

Group	Capital reserves RMB'000	Contributed surplus * RMB'000	Share option reserve RMB'000	Translation reserve RMB'000	Total RMB'000
At 1 January 2014	162,780	71,000	1,676	1,917	237,373
Changes in shareholding in non-controlling interests of subsidiaries	–	(1,321)	–	–	(1,321)
Currency translation differences	–	–	–	(1,655)	(1,655)
Transfer to PRC statutory reserves	16,349	–	–	–	16,349
At 31 December 2014	179,129	69,679	1,676	262	250,746
Currency translation differences	–	–	–	(2,203)	(2,203)
Transfer to PRC statutory reserves	11,476	–	–	–	11,476
At 31 December 2015	190,605	69,679	1,676	(1,941)	260,019

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22. OTHER RESERVES (continued)

Company	Contributed surplus * RMB'000	Share option reserve RMB'000	Total RMB'000
At 1 January 2014, 31 December 2014 and 31 December 2015	70,077	1,676	71,753

Capital reserves

The above capital reserves include PRC statutory reserves and other capital reserves created upon the conversion of a subsidiary to a limited liability company in the previous years.

The PRC statutory reserves are set up as required under the relevant PRC regulations.

With the exception of 4 PRC subsidiaries ("entities"), the Group's other subsidiaries incorporated in the PRC are required on an annual basis to allocate at least 10% of their after-tax profit, after the recovery of accumulated deficit to the statutory common reserve. The amount of allocation is calculated based on a company's after-tax profit shown in its statutory financial statements which is prepared in accordance with PRC accounting standards. Once the total statutory common reserve fund reaches 50% of the registered capital of the respective companies, further appropriation are discretionary. The statutory common reserve fund is not distributable to shareholders except in the event of liquidation. During the year ended 31 December 2015, the Group made total appropriations to the statutory common reserve fund amounting RMB 10,603,000 (2014: RMB 15,356,000).

The PRC entities of the Group incorporated in the PRC are required on an annual basis to make appropriations of retained earnings, calculated in accordance with PRC accounting standards and regulations, to non-distributable statutory reserves, comprising of enterprise statutory reserve, employees' bonus and welfare fund and enterprise expansion fund. The percentages of the appropriation are determined by the boards of directors of the entities. During the year ended 31 December 2015, the entities made appropriations to these statutory reserves amounting to RMB 873,000 (2014: RMB 993,000).

Contributed surplus*

The contributed surplus represents the excess of the combined net assets value of the subsidiaries acquired over the nominal value of the paid-up capital of the Company issued in exchange thereof.

The Bermuda Companies Act provides that a company shall not declare or pay a dividend or make a distribution out of contributed surplus, if there are reasonable grounds for believing that (a) the company is, or would after the payment be, unable to pay its liabilities as they become due; or (b) the realisable value of the company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

On 21 March 2014, Henan Tianhai Electric Co., Ltd. completed the sale and purchase transaction to acquire the remaining 20% equity interest in Hebi Tianzhong Connectors Co., Ltd. for a consideration of RMB 1,700,000 which included a cash premium of RMB 1,321,000, which was debited to contributed surplus.

Translation reserve

The translation reserve represents exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

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23. TRADE AND OTHER PAYABLES

	Group		Company	
	2015 RMB'000	2014 RMB'000	2015 RMB'000	2014 RMB'000
Trade payables	620,849	477,425	-	-
Bills payable	162,295	213,607	-	-
Other payables	113,510	75,771	-	-
Amounts due to subsidiaries				
- Non-trade	-	-	45,493	42,392
Amounts due to related parties				
- Trade	2,041	345	-	-
Accruals	16,579	9,884	6,514	2,304
Provision for guarantee obligation (Note 27(a))	40,000	40,000	-	-
Advance receipts from customers	7,763	4,044	-	-
Deposits	999	795	-	-
	964,036	821,871	52,007	44,696

Bills payable are secured by certain bank deposits held by the banks as disclosed in Note 20 and bill receivable in Note 18.

The non-trade amounts due to subsidiaries and related parties are unsecured, interest free and repayable on demand.

24. BORROWINGS

	Group		Company	
	2015 RMB'000	2014 RMB'000	2015 RMB'000	2014 RMB'000
Non-current				
Secured borrowings	58,937	20,247	-	-
Convertible bonds (Note (a))	291,740	-	291,740	-
	350,677	20,247	291,740	-
Current				
Secured borrowings	251,632	245,383	-	-
Unsecured borrowings	164,000	234,000	-	-
	415,632	479,383	-	-
Total borrowings	766,309	499,630	291,740	-

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24. BORROWINGS (continued)

As at balance sheet date, the borrowings were repayable as follows:

	Group			
	Borrowings		Convertible bonds	
	2015	2014	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Within 1 year	415,632	479,383	-	-
Between 1 and 2 years	32,557	13,272	-	-
Between 2 and 5 years	26,380	6,975	291,740	-
	474,569	499,630	291,740	-

	Company			
	Borrowings		Convertible bonds	
	2015	2014	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Between 2 and 5 years	-	-	291,740	-

The carrying amounts of borrowing are denominated in the following currencies:

	Group		Company	
	2015	2014	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000
USD	172,736	146,932	-	-
SGD	291,740	-	291,740	-
RMB	301,833	352,698	-	-
	766,309	499,630	291,740	-

The Group's borrowings bear interest rates ranging from 1.23% to 12.3% (2014: 1.24% to 12.3%) per annum. The secured borrowings are secured by the pledge of the Group's plant, property and equipment as disclosed in Note 13, land use rights as disclosed in Note 14(b), trade and other receivables as disclosed in Note 18 and bank deposits as disclosed in Note 20. The unsecured borrowings are covered by letters of credit of the Group and corporate guarantees provided by a subsidiary of the Group and by third parties as disclosed in Note 11 and 27(c). The Group also has bank letters of credit facilities which are secured by bank deposits as disclosed in Note 20.

The carrying amount of the borrowings above are determined from the cash flow analysis, discounted at market borrowing rates of an equivalent instrument at the balance sheet date which the directors expect to be available to the Group as follows:

	Group		Company	
	2015	2014	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Borrowings	11.22%	10.97%	-	-

The fair values of the convertible bonds equal to the carrying amount as of 31 December 2015, which are within level 3 of the fair values hierarchy.

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24. BORROWINGS (continued)

(a) Convertible bonds

The Company issued convertible bonds with a total par value of SGD 60,000,000 in November 2015 ("Issue Date") at a fixed interest rate of 1% per annum. The bonds will mature in three years from the issue date at the par value and can be converted into the Company's ordinary shares at the holder's option at the rate of SGD 0.09 per share any time on and after one month after the Issue Date. The values of the whole convertible bonds were determined upon issuance of the bonds. During the year ended 31 December 2015, no convertible bonds were converted to ordinary shares.

The Company measures the whole contract at fair value through profit and loss and the convertible bonds were classified as financial liabilities. The convertible bonds recognised in the balance sheet are calculated as follows:

	Group and Company	
	2015	2014
	RMB'000	RMB'000
At 1 January	-	-
Issuance of convertible bonds during the year	272,004	-
Fair value losses on financial liabilities at fair value through profit or loss (Note 6)	19,736	-
At 31 December	291,740	-

The fair values, which were determined by an independent qualified appraiser using Binomial Option Pricing Model, of the convertible bonds as at the Issue Date and 31 December 2015 was approximately RMB 272,004,000 (equivalent of SGD 60,000,000) and RMB 291,740,000 (equivalent of SGD 63,594,578), respectively. The following assumptions were adopted to calculate the fair value of the convertible bonds on the Issue Date and the year end:

	Issued on 9 November 2015	As of 31 December 2015
Average share price	SGD 0.062	SGD 0.078
Exercise price	SGD 0.09	SGD 0.09
Expected life of options	36 months	34 months
Expected volatility	110.1%	109%
Expected dividend yield	0%	0%
Risk free rate	1.6%	1.4%

The expected volatility is determined by calculating the historical volatility of the price of listed companies with similar business to the Group. The expected dividend yield is determined by the Directors based on the expected future performance and dividend policy of the Group.

The attributable amount charged to the consolidated income statement during the year ended 31 December 2015 was approximately RMB 19,736,000 (2014: Nil).

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25. DEFERRED INCOME

	Group	
	2015	2014
	RMB'000	RMB'000
Government grants related to assets	50,279	20,439

The movements of the above government grants for the years ended 31 December 2015 and 2014 are as follows:

	Group	
	2015	2014
	RMB'000	RMB'000
At beginning of the year	20,439	22,652
Granted during the year	33,414	-
Amortised to profit or loss	(3,574)	(2,213)
At end of the year	50,279	20,439

In 2015, the Group received government grants of RMB 33,414,000 (2014: Nil) relating to new plant construction, acquisition of assets and other expenses. In accordance with the accounting policy describe in Note 2-(3), the government grants relating to purchase and/or construction of property, plant and equipment are recognised as deferred income and be credited to the profit or loss on a straight-line basis over the expected useful lives of the related property, plant and equipment. The government grants relating to expenses are recognised as income over the period necessary to match them with the related costs that they are intended to compensate on a systematic basis.

26. COMMITMENTS

(a) Capital commitments

Capital expenditures contracted for at end of the reporting period but not recognised in the financial statements are analysed as follows:

	Group	
	2015	2014
	RMB'000	RMB'000
Capital commitments in respect of:		
- Payment for additions of property, plant and equipment	23,992	31,845

The capital commitment as at 31 December 2015 and 2014 relates to new construction contract for new plant between Hebi Tianhai Huanqiu Electric Co., Ltd. and Henan Hongqiqiu Construction Group Co., Ltd.

(b) Operating lease commitments

The Group leases various factories and warehouses under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights.

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26. COMMITMENTS (continued)

(b) Operating lease commitments (continued)

The future aggregate minimum lease payables under non-cancellable operating lease contracted for at end of the reporting period but not recognised as liabilities, are analysed as follows:

	Group	
	2015 RMB'000	2014 RMB'000
Within one year	16,222	8,323
Within two to five years	19,193	11,152
After five years	653	1,224
	36,068	20,699

27. CONTINGENT LIABILITIES

The Group had the following contingent liabilities as at 31 December 2015:

- (a) During the financial year ended 31 December 2008, a fully owned subsidiary of the Group, Henan Tianhai Electronics Co., Ltd. ("Henan Tianhai"), issued a corporate guarantee for a loan of RMB 40,000,000 granted by a PRC bank, Agricultural & Development Bank of China (ADBC), to Henan Snowcity Science and Technology Limited ("Henan Snowcity"), a former subsidiary of the Group which was disposed in 2008. Henan Snowcity has defaulted on the loan and ADBC filed a law suit against Snowcity and Henan Tianhai. On 10 November 2009, the Intermediate People's Court of Zhengzhou City made a judgment against Henan Tianhai. As such, provision for the guarantee amounted to RMB 40,000,000 (Note 23) was provided for in the Group's consolidated financial statements during the year ended 31 December 2009. Henan Tianhai has filed an appeal against the court judgment and the case was returned to the Intermediate People's Court of Zhengzhou City for re-trial. On 20 February 2012, the Intermediate People's Court of Zhengzhou made a judgment, in favour of ADBC, for RMB 39,600,000 and interest amount of approximately RMB 754,780 calculated till 31 May 2009 based on the terms of the original loan between ADBC and Henan Snowcity. On 7 March 2012, Henan Tianhai submitted its appeal to High People's Court of Henan Province. The case was assigned to the local police criminal investigation by High People's Court of Henan Province in November 2012. As at 31 December 2015, this case was still under criminal investigation.

Based on legal advice obtained, management is of the view that the existing provision of RMB 40,000,000 in the Group's consolidated balance sheet as at 31 December 2015 is sufficient to cover the loss that Henan Tianhai will probably incur as a result of this legal case.

- (b) The Group's subsidiary, Tianhai Electric North America, Inc. ("TENA"), and its other affiliated entities which are also the Group's subsidiaries, are involved in a lawsuit whereby the plaintiff seeks claims for amounts in excess of US\$11.5 million since 2009. TENA has filed a counterclaim suit against the plaintiff. Based on legal advice obtained, the lawsuit is currently under the court's proceeding and therefore the potential outcome of these proceedings or the potential loss for TENA and its affiliated entities cannot be reasonably estimated as at the date of these consolidated financial statements. The Directors are of the view that the probability of loss arising from the claim is remote. Accordingly, no provision for this litigation had been made as of 31 December 2015.
- (c) The Group's subsidiary, Henan Tianhai Electronic Co., Ltd. ("Henan Tianhai"), has provided corporate guarantees in favour of unrelated third parties in return for counter guarantees by the unrelated third parties in favour of the Group's borrowings as disclosed in Note 24. The balance of third parties' short-term borrowings under guarantee by Henan Tianhai was RMB 130,000,000 (2014: RMB 170,000,000) as at 31 December 2015. Management is of the view that no liability will arise from the corporate guarantee provided to the third parties as at 31 December 2015.

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28. SEGMENT INFORMATION

(a) Business segments

The chief operating decision-maker has been identified as the Executive Directors. The Executive Directors monitor the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment.

For management purposes, the Group is organised into business units based on their products and services, and has four reportable operating segments, (i) Wire harness (China operations), (ii) Connectors (China operations), (iii) Mould and machinery (China operations), and (iv) Wire harness (America operations).

No operating segments have been aggregated to/from the above reportable operating segments.

Segment performance is evaluated based on operating profit or loss which in certain respects, as explained in the table below, is measured differently from the recognition in the consolidated financial statements. Group financing (including finance costs) are managed on a group basis and are not allocated to operating segments.

Segment assets and liabilities cannot be directly attributable to individual business segments and it is not practicable to allocate them to the business segments. Accordingly, it is not meaningful to disclose assets and liabilities by business segments.

(b) Geographical segments

In presenting information on the basis of geographical segments, the group segment revenue is based on the location of the customers regardless of where the goods are produced.

Business segments

	← China operations →			America operation	Others	Elimination	Total
	Wire harness	Connectors	Mould and machinery	Wire harness			
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Year ended 31 December 2015							
Revenue							
External customers	1,718,766	458,304	97,306	455,299	47,106	-	2,776,781
Inter-segment	505,372	236,600	31,818	124,067	6,129	(903,986)	-
Total revenue	<u>2,224,138</u>	<u>694,904</u>	<u>129,124</u>	<u>579,366</u>	<u>53,235</u>	<u>(903,986)</u>	<u>2,776,781</u>
Segment results							
Segment gross profit	<u>226,529</u>	<u>220,323</u>	<u>49,146</u>	<u>22,539</u>	<u>10,733</u>	<u>(6,145)</u>	523,125
Unallocated expenses, net							(333,965)
Finance expenses, net							(26,477)
Profit before income tax							<u>162,683</u>
Income tax expense							(34,975)
Profit after income tax							<u>127,708</u>

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28. SEGMENT INFORMATION (continued)

Business segments (continued)

	← China operations →			America operation	Others	Elimination	Total
	Wire harness	Connectors	Mould and machinery	Wire harness			
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Year ended 31 December 2014							
Revenue							
External customers							
Inter-segment	1,349,486	411,370	79,719	425,750	29,523	–	2,295,848
Total revenue	604,412	160,064	22,457	112,842	7,224	(906,999)	–
	<u>1,953,898</u>	<u>571,434</u>	<u>102,176</u>	<u>538,592</u>	<u>36,747</u>	<u>(906,999)</u>	<u>2,295,848</u>
Segment results							
Segment gross profit	195,981	196,911	39,205	26,977	8,564	(9,534)	458,104
Unallocated expenses, net							(259,463)
Finance expenses, net							(39,388)
Profit before income tax							159,253
Income tax expense							(24,733)
Profit after income tax							<u>134,520</u>

Geographical segments

	Group	
	2015	2014
	RMB'000	RMB'000
Revenues by location		
People's Republic of China	2,197,415	1,757,256
United States of America	579,366	538,592
	<u>2,776,781</u>	<u>2,295,848</u>

29. CAPITAL MANAGEMENT

The Group's capital management objectives are:

- (a) To ensure the Group's ability to continue as a going concern,
- (b) To provide an adequate return to shareholders,
- (c) To support the Group's sustainable growth, and
- (d) To provide capital for the purpose of potential mergers and acquisitions.

The Group sets the amount of equity capital in proportion to its overall financing structure. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares, or sell assets to reduce debt.

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For the financial year ended 31 December 2015

29. CAPITAL MANAGEMENT (continued)

The capital-to-overall financing ratios as at end of the reporting period are as follows:

	Group	
	2015 RMB'000	2014 RMB'000
Capital		
Total equity	878,589	755,484
Overall financing		
Borrowings	766,309	499,630
Capital-to-overall financing ratio	1.15	1.51

30. FINANCIAL RISK MANAGEMENT

(a) Risk Management Policies For Financial Instruments

General risk management principles

The entity's financial instruments comprise borrowings, some cash and liquid resources, and various items, such as trade and other receivables, trade and other payables, which arise directly from its operations. The main purpose of these financial instruments is to raise finance for the entity's operations. The main risks arising from the entity's financial instruments are credit risk, interest rate risk, liquidity risk, foreign currency risk and price risk. The management reviews and agrees policies for managing each of these risks and they are summarised below:

Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risk arises primarily from trade and other receivables. For other financial assets (including investment securities, cash and cash equivalents), the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties.

Cash and cash equivalents are placed with reputable financial institutions. Therefore, credit risk arises mainly from the inability of its customers to make payments when due. The amounts presented in the balance sheet are net of allowance for impairment of receivables, estimated by management based on past experience and the current economic environment.

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subjected to credit verification procedures. In addition, receivable balances are monitored on an on-going basis with the result that the Group's exposure to bad debts is not significant.

Concentration of credit risk exists when changes in economic, industry or geographical factors similarly affect group of counterparties whose aggregate credit exposure is significant in relation to the Group's total credit exposure.

Financial guarantees provided to third parties (Note 27(c)) expose the Group to the credit risk associated with the loss that would be recognised upon a default by the parties to which the guarantees were provided. To mitigate these risks, the management limits these contracts period to a certain acceptable level and continually monitors and reviews the credit risks and has established processes including performing credit evaluation of the parties to which it is providing the guarantee.

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For the financial year ended 31 December 2015

30. FINANCIAL RISK MANAGEMENT (continued)

(a) Risk Management Policies For Financial Instruments (continued)

Financial assets that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are creditworthy debtors with good payment record with the Group. Cash and cash equivalents, investment securities that are neither past due nor impaired are placed with or entered into with reputable financial institutions or companies with high credit ratings and no history of default.

Financial assets that are past due but not impaired

The age analysis of trade receivables that are past due but not impaired is as follows. They are related to a number of independent customers for whom there is no recent history of default.

	Group	
	2015 RMB'000	2014 RMB'000
Less than 30 days	18,410	28,294
31 to 60 days	4,182	13,702
61 to 90 days	2,133	990
More than 90 days	10,632	19,351
	35,357	62,337

As of 31 December 2015, trade receivables of RMB 14,387,000 (2014: RMB 13,589,000) was past due, impaired and fully provided (Note 18).

Liquidity risk

Liquidity risk is the risk that the Group and the Company will not be able to meet its financial obligation as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group monitors its liquidity risk and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and to mitigate the effects of fluctuations in cash flows.

The following table detail the remaining contractual maturity for non-derivative financial liabilities based on the undiscounted cash flows of financial liabilities, on the earliest date on which the Group and Company can be required to pay.

	Group		Company	
	2015 RMB'000	2014 RMB'000	2015 RMB'000	2014 RMB'000
<u>Within one year</u>				
Non-interest bearing payables	955,274	817,032	-	-
Borrowings and future interest to be paid	432,724	493,138	-	-
	1,387,998	1,310,170	-	-
<u>Over one year</u>				
Borrowings and future interest to be paid	351,175	21,627	300,492	-

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For the financial year ended 31 December 2015

30. FINANCIAL RISK MANAGEMENT (continued)

(a) Risk Management Policies For Financial Instruments (continued)

Financial assets that are past due but not impaired (continued)

Market risk

Market risk is the risk that changes in market prices, such as interest rates, foreign exchange rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group and the Company's financial instruments will fluctuate because of changes in market interest rate.

The Group's exposure to interest rate relates primarily to interest-earning financial assets and interest-bearing financial liabilities. Interest rate risk is managed by the Group on an ongoing basis with the primary objective of limiting the extent to which net interest expense could be affected by an adverse movement in interest rates.

The Group obtains additional financing through bank borrowings and issuance of convertible bond. The Group's policy is to obtain the most favourable interest rates available considering the related foreign currency exposure if the borrowing and convertible bonds are denominated in foreign currency. The Group has not used any derivatives to hedge its exposure to interest rate risk for the year ended 31 December 2015.

The following table sets out the carrying amounts as at 31 December, by maturity or re-pricing, whichever is earlier, of the financial instruments of the Group that are exposed to interest rate risk:

	Group		Company	
	2015 RMB'000	2014 RMB'000	2015 RMB'000	2014 RMB'000
Within one year				
Fixed rate:				
Cash and cash equivalents	470,389	366,792	-	-
Borrowings	400,522	419,146	-	-
Floating rate:				
Borrowings	15,110	60,237	-	-
Over one year				
Fixed rate:				
Borrowings	350,677	20,247	291,740	-

Sensitivity analysis

Fair value sensitivity analysis for fixed rate instruments

For fixed rate financial assets and liabilities other than convertible bonds, the Group does not account at fair value through profit or loss. Therefore a change in interest rate at end of the reporting period would not affect the Group's consolidated statement of comprehensive income.

For convertible bonds, the Group accounts at fair value through profit or loss. As at 31 December 2015, if interest rates on Singapore dollar denominated convertible bonds had been 100 basis points higher/lower with all other variable held constant, the profit would be increased/(decreased) by RMB 2,917,000 (2014: Nil).

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30. FINANCIAL RISK MANAGEMENT (continued)

- (a) Risk Management Policies For Financial Instruments (continued)

Interest rate risk (continued)

Cash flow sensitivity analysis for variable rate instruments

For the variable rate financial assets and liabilities, a change of 100 basis points in interest rate at end of the reporting period would increase/(decrease) profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	Profit or (loss)	
	100 bp Increase RMB'000	100 bp Decrease RMB'000
Group		
31 December 2015		
Floating rate instruments	(151)	151
31 December 2014		
Floating rate instruments	(602)	602

Foreign currency risk

The Group incurs foreign currency risk in sales, purchases, borrowings and capital flows that are denominated in currencies other than Renminbi ("RMB"). The currencies giving rise to this risk are primarily United States dollars, Singapore dollars and Euro.

There is no formal hedging policy with respect to foreign currency exposure. Exposure to foreign currency risk is monitored on an ongoing basis and the Group endeavours to keep the net exposure at an acceptable level.

Currently, the PRC government imposes control over foreign currencies. RMB, the official currency of PRC, is not freely convertible. Enterprises operating in the PRC can enter into exchange transactions through the People's Bank of China or other authorised financial institutions.

At end of the reporting period, the carrying amounts of monetary assets and monetary liabilities denominated in currencies other than the respective group entities' functional currencies are as follows:

	Assets		Liabilities	
	2015 RMB'000	2014 RMB'000	2015 RMB'000	2014 RMB'000
Group				
US dollar	131,863	14,176	190,543	149,158
Singapore dollar	276,040	798	291,740	-
Euro	20,165	2,351	2,456	271
	428,068	17,325	484,739	149,429
Company				
Singapore dollar	276,040	798	291,740	-

The Company has a number of investments in foreign subsidiaries, whose net assets are exposed to currency translation risk. The Group does not currently designate its foreign currency denominated debts as a hedging instrument for the purpose of hedging the translation of its foreign operations.

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30. FINANCIAL RISK MANAGEMENT (continued)

(a) Risk Management Policies For Financial Instruments (continued)

Foreign currency risk (continued)

The following table details the sensitivity to a 2% (2014: 2%) increase and decrease in the relevant foreign currencies against the functional currency of each group entity. 2% (2014: 2%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 2% (2014: 2%) change in foreign currency rates. The sensitivity analysis includes external loans as well as to foreign operations within the Group where they gave rise to an impact on the Group's consolidated statement of comprehensive income.

		Group	
		2015	2014
		Profit or (loss)	Profit or (loss)
		RMB'000	RMB'000
USD/RMB	- strengthened 2% (2014: 2%)	(1,174)	(2,700)
	- weakened 2% (2014: 2%)	1,174	2,700
SGD/RMB	- strengthened 2% (2014: 2%)	(314)	(16)
	- weakened 2% (2014: 2%)	314	16
EUR/RMB	- strengthened 2% (2014: 2%)	354	42
	- weakened 2% (2014: 2%)	(354)	(42)
		Company	
		2015	2014
		Profit or (loss)	Profit or (loss)
		RMB'000	RMB'000
SGD/RMB	- strengthened 2% (2014: 2%)	(314)	(16)
	- weakened 2% (2014: 2%)	314	16

Price risk

Price risk is the risk that the value of a financial instrument will fluctuate due to changes in market prices whether those changes are caused by factors specific to the individual security or its issuer or factors affecting all securities traded in the market.

The Group is exposed to equity price risk arising from its investments in unquoted equity instruments, being classified as financial assets, available-for-sale. Available-for-sale equity investments are held for strategic rather than trading purposes. The Group does not actively trade available-for-sale investments. The equity price risk is not considered to be significant to the Group.

Further details of these equity investments as disclosed in Note 19 to the financial statements.

(b) Other Business Risks and Uncertainties

The Group is subject to a number of risks including the rendering of assistance to development of customers' unproven products, the need to maintain adequate financing, strong competitors and dependency on essential personnel. The industry is characterised by technological developments, dependency on copper and changes in customer requirements. Significant technological changes, copper shortage or severe copper price hikes could adversely affect the business plan and operating results of the Group.

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NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

30. FINANCIAL RISK MANAGEMENT (continued)

(b) Other Business Risks and Uncertainties (continued)

To illustrate, a 10% (2014: 10%) increase in the price of copper for the financial years ended 31 December 2015 and 2014 would have the effect of decreasing the net profit by the amount shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	31 December 2015 RMB'000	31 December 2014 RMB'000
Copper	1,138	994

A 10% decrease in the price of copper for the financial years ended 31 December 2015 and 2014 would have had the equal opposite effect on the amount shown above, on the basis that all other variables remain constant.

Fair value of financial instruments

Where possible, fair values have been estimated using market prices for the financial instruments. Where market prices are not available, values have been estimated using quoted prices for financial instruments with similar characteristics, or otherwise using a suitable valuation technique where it is practicable to do so. The fair value information presented represents the Group's and the Company's best estimate of those values, subject to certain assumptions and limitations.

Methodologies

The methodologies and assumptions used in estimating fair values depend on the terms and risk characteristics of the various instruments and include the following:

Interest-bearing bank loans

The carrying value of interest-bearing bank loans with a maturity of less than one year is assumed to approximate their fair value.

Convertible bonds

The convertible bonds are carried at fair value with changes in fair value recognised in the consolidated statement of comprehensive income. Refer to Note 24 (a) for detailed information regarding the methodology used.

Other financial assets and liabilities

The carrying amounts of financial assets and liabilities with a maturity of less than one year (including trade and other receivables, cash and cash equivalents, bills payable to banks and trade and other payables) are assumed to approximate their fair values because of the short period to maturity. All other financial assets and liabilities are discounted to determine their fair values.

Financial guarantees

As at 31 December 2015, the Group had a provision of RMB 40,000,000 (2014: RMB 40,000,000) for a guarantee provided for a third party's bank borrowing (Note 27(a)) which represented the amount that the Group will probably reimburse the bank under the guarantee arrangement.

Other than the above, there are no terms attached to the guarantee contracts that would have a material effect on the amount, timing and uncertainty of the Company's future cash flows.

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30. FINANCIAL RISK MANAGEMENT (continued)

(b) Other Business Risks and Uncertainties (continued)

Financial instruments by category

	Loans and receivables RMB'000	Available- for-sale RMB'000	Total RMB'000
31 December 2015			
Assets as per balance sheet:			
Available-for-sale financial assets	–	1,800	1,800
Trade and other receivables excluding prepayments	1,154,647	–	1,154,647
Bank deposits pledged	88,291	–	88,291
Cash and cash equivalents	382,098	–	382,098
Total	1,625,036	1,800	1,626,836

	Liabilities at fair value through the profit or loss RMB'000	Other financial liabilities at amortised cost RMB'000	Total RMB'000
31 December 2015			
Liabilities as per balance sheet:			
Borrowings	291,740	474,569	766,309
Trade and other payables excluding advance receipts and statutory liabilities	–	937,653	937,653
Total	291,740	1,412,222	1,703,962

	Loans and receivables RMB'000	Available- for-sale RMB'000	Total RMB'000
31 December 2014			
Assets as per balance sheet:			
Available-for-sale financial assets	–	1,800	1,800
Trade and other receivables excluding prepayments	911,263	–	911,263
Bank deposits pledged	237,547	–	237,547
Cash and cash equivalents	129,245	–	129,245
Total	1,278,055	1,800	1,279,855

		Other financial liabilities at amortised cost RMB'000	Total RMB'000
31 December 2014			
Liabilities as per balance sheet:			
Borrowings		499,630	499,630
Trade and other payables excluding advance receipts and statutory liabilities		807,598	807,598
Total		1,307,228	1,307,228

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For the financial year ended 31 December 2015

31. NEW ACCOUNTING STANDARDS AND INTERPRETATION NOT YET EFFECTIVE

Below are the mandatory standards, amendments and interpretations to existing standards that have been published, and are relevant for the Group's accounting periods beginning on or after 1 January 2016 and which the Group has not early adopted:

- FRS 16 *Property plant and equipment* and FRS 38 *Intangible assets* (effective for annual periods beginning on or after 1 January 2016)

This amendment clarifies that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. This has also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. The presumption may only be rebutted in certain limited circumstances. These are where the intangible asset is expressed as a measure of revenue; or where it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated.

This amendment is not expected to have any significant impact on the financial statements of the Group.

- FRS 111 *Joint Arrangements* (effective for annual periods beginning on or after 1 January 2016)

This amendment provides new guidance on how to account for the acquisition of an interest in a joint venture operation that constitutes a business. The amendments require an investor to apply the principles of business combination accounting when it acquires an interest in a joint operation that constitutes a 'business'. The amendments are applicable to both the acquisition of the initial interest in a joint operation and the acquisition of additional interest in the same joint operation. However, a previously held interest is not re-measured when the acquisition of an additional interest in the same joint operation results in retaining joint control.

This amendment is not expected to have any significant impact on the financial statements of the Group.

- FRS 110 *Consolidated financial statements* and FRS 28 *Investments in associates and joint ventures* (effective for annual periods beginning on or after 1 January 2016*)

These amendments address an inconsistency between FRS 110 and FRS 28 in the sale or contribution of assets between an investor and its associate or joint venture. A full gain or loss is recognised when a transaction involves a business. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if those assets are in a subsidiary.

This amendment is not expected to have any significant impact on the financial statements of the Group.

**(In August 2015, the IASB has published an Exposure Draft to propose deferring the effective date of the amendment indefinitely. Earlier application of the amendment continues to be permitted. Deferral has been made for similar amendment to FRS 110 and FRS 28 for annual period beginning on or after a date to be determined).*

- FRS 1 *Presentation of financial statements* (effective for annual periods beginning on or after 1 January 2016)

The amendment clarifies guidance in FRS 1 on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies.

This amendment is not expected to have any significant impact on the financial statements of the Group.

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AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2015

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For the financial year ended 31 December 2015

31. NEW ACCOUNTING STANDARDS AND INTERPRETATION NOT YET EFFECTIVE (continued)

- FRS 115 *Revenue from contracts with customers* (effective for annual periods beginning on or after 1 January 2017*)

This is the converged standard on revenue recognition. It replaces FRS 11 Construction contracts, FRS 18 Revenue, and related interpretations. Revenue is recognised when a customer obtains control of a good or service. A customer obtains control when it has the ability to direct the use of and obtain the benefits from the good or service. The core principle of FRS 115 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

FRS 115 also includes a cohesive set of disclosure requirements that will result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers.

This amendment is not expected to have any significant impact on the financial statements of the Group.

**(The effective date of FRS 115 Revenue from contracts with customers has been deferred from 1 January 2017 to 1 January 2018).*

- FRS 109 *Financial instruments* (effective for annual periods beginning on or after 1 January 2018)

The complete version of FRS 109 replaces most of the guidance in FRS 39. FRS 109 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through Other Comprehensive Income (OCI) and fair value through Profit or Loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI. There is now a new expected credit losses model that replaces the incurred loss impairment model used in FRS 39.

For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value, through profit or loss. FRS 109 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under FRS 39.

This amendment is not expected to have any significant impact on the financial statements of the Group.

32. AUTHORISATION OF FINANCIAL STATEMENTS FOR ISSUE

The financial statements for the year ended 31 December 2015 were authorised for issue in accordance with a resolution of the Board of Directors on 23 May 2016.

APPENDIX IV:
UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE
6 MONTHS PERIOD ENDED 30 JUNE 2016

The information set out in this **Appendix IV** is a reproduction of selected financial information extracted from the financial statement and dividend announcement relating to the unaudited result for 1H2016, and was not specifically prepared for inclusion in this Circular.



China Auto Electronics Group Limited

CHINA AUTO ELECTRONICS GROUP LIMITED

(Incorporated in Bermuda)

(Company Registration Number: 34300)

UNAUDITED RESULTS FOR THE HALF YEAR ENDED 30 JUNE 2016

PART I INFORMATION REQUIRED FOR QUARTERLY RESULTS, HALF-YEAR AND FULL YEAR ANNOUNCEMENTS

1(a)(i) An income statement and statement of comprehensive income, or a statement of comprehensive income, for the group, together with a comparative statement for the corresponding period of the immediately preceding financial year

	Second Quarter Ended on			Half Year Ended on		
	30/06/2016	30/06/2015	Change	30/06/2016	30/06/2015	Change
	RMB'000	RMB'000	%	RMB'000	RMB'000	%
Revenue	817,809	635,221	28.7%	1,678,771	1,372,804	22.3%
Cost of sales	(643,294)	(497,100)	29.4%	(1,323,588)	(1,099,417)	20.4%
Gross profit	174,515	138,121	26.3%	355,183	273,387	29.9%
Other items of income						
Other income	26,091	1,789	1358.4%	28,596	2,861	899.5%
Other items of expense						
Other losses-net	(8,486)	(71)	11852.1%	(40,594)	(801)	4967.9%
Selling and distribution expenses	(18,023)	(11,799)	52.8%	(32,162)	(25,503)	26.1%
Research and development expenses	(34,656)	(22,245)	55.8%	(60,600)	(39,113)	54.9%
General and administrative expenses	(57,708)	(43,058)	34.0%	(114,524)	(91,561)	25.1%
Finance costs-net	(6,834)	(3,892)	75.6%	(14,923)	(8,835)	68.9%
Profit before income tax	74,899	58,845	27.3%	120,976	110,435	9.5%
Income tax	(18,304)	(8,805)	107.9%	(29,515)	(17,243)	71.2%
Profit for the period	56,595	50,040	13.1%	91,461	93,192	-1.9%
Currency translation difference	(372)	285	N.M	18	(1,053)	N.M.
Total comprehensive income for the period	56,223	50,325	11.7%	91,479	92,139	-0.7%
Profit attributable to:						
Owners of the Company	51,610	47,320	9.1%	82,886	87,517	-5.3%
Non-controlling interests	4,985	2,720	83.3%	8,575	5,675	51.1%
	56,595	50,040	13.1%	91,461	93,192	-1.9%
Total comprehensive income attributable to:						
Owners of the Company	51,238	47,605	7.6%	82,904	86,464	-4.1%
Non-controlling interests	4,985	2,720	83.3%	8,575	5,675	51.1%
	56,223	50,325	11.7%	91,479	92,139	-0.7%

Note: "N.M." means "Not Meaningful"

**APPENDIX IV:
UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE
6 MONTHS PERIOD ENDED 30 JUNE 2016**

1(a)(ii) Additional information to the income statement for the current financial period reported on and the corresponding period of the immediately preceding financial year:

Profit before income tax is arrived at after charging/(crediting):

	Second Quarter Ended on			Half Year Ended on		
	30/06/2016	30/06/2015	Change	30/06/2016	30/06/2015	Change
	RMB'000	RMB'000	%	RMB'000	RMB'000	%
Amortisation of intangible assets	890	702	26.8%	1,766	1,284	37.5%
Depreciation of property, plant and equipment	11,786	8,813	33.7%	24,976	17,227	45.0%
Interest income	(937)	(2,587)	-63.8%	(1,401)	(5,188)	-73.0%
Interest expense	7,759	7,696	0.8%	16,091	16,697	-3.6%
(Write back)/Provision of allowance for slow-moving inventories	(647)	(3,230)	-80.0%	(1,626)	8,568	N.M
Provision for doubtful trade and other receivables	272	1,739	-84.4%	258	14,363	N.M
Fair value losses on financial liabilities at fair value through profit or loss	21,858	-	N.M.	47,900	-	N.M.

"N.M" mean not meaningful

Note:

Please refer to item 8 on page 10 for details.

The comparative figures have been restated to better reflect the nature of the underlying transactions and to make the comparatives comparable with the current year.

	As previously reported	Reclassification	As stated
	30.06.2015		30.06.2015
Statement of comprehensive income			
Interest income	5,188	(5,188)	-
Other income	5,922	(3,061)	2,861
Other expenses	(4,519)	4,519	-
Other losses - net	-	(801)	(801)
General and administrative expenses	(88,230)	(3,331)	(91,561)
Finance cost - net	(16,697)	7,862	(8,835)

**APPENDIX IV:
UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE
6 MONTHS PERIOD ENDED 30 JUNE 2016**

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

Statements of Financial Position:

	GROUP		COMPANY	
	30/06/2016 RMB'000	31/12/2015 RMB'000	30/06/2016 RMB'000	31/12/2015 RMB'000
ASSETS				
Non-Current Assets				
Property, plant and equipment	434,820	378,476	13	13
Land Use Rights	83,624	86,634	-	-
Intangible assets	21,885	19,161	-	-
Interest in subsidiaries	-	-	198,512	198,512
Deferred income tax assets	22,550	20,295	-	-
Total non-current assets	562,879	504,566	198,525	198,525
Current Assets				
Inventories	484,150	526,125	-	-
Trade and other receivables	1,500,896	1,177,562	568,269	304,524
Financial assets, available-for- sale	1,800	1,800	-	-
Bank deposits pledged	197,744	88,291	-	-
Cash and cash equivalents	246,322	382,098	8,411	276,040
Total current assets	2,430,912	2,175,876	576,680	580,564
Total Assets	2,993,791	2,680,442	775,205	779,089
LIABILITIES				
Non-current liabilities				
Borrowings	380,583	350,677	339,640	291,740
Deferred income	24,003	50,279	-	-
Total non-current liability	404,586	400,956	339,640	291,740
Current Liabilities				
Trade and other payables	1,202,233	964,036	51,805	52,009
Short-term borrowings	396,773	415,632	-	-
Provision for income tax	20,131	21,229	-	-
Total current liabilities	1,619,137	1,400,897	51,805	52,009
Total Liabilities	2,023,723	1,801,853	391,445	343,749
NET CURRENT ASSETS	811,775	774,979	524,875	528,555
NET ASSETS	970,068	878,589	383,760	435,340
Equity				
Share capital	490,115	490,115	623,026	623,026
Other reserves	260,037	260,019	71,753	71,753
Retained earnings/ (Accumulated losses)	160,911	78,025	(311,019)	(259,439)
Non-controlling interests	59,005	50,430	-	-
Total Equity	970,068	878,589	383,760	435,340
Total Equity and Liabilities	2,993,791	2,680,442	775,205	779,089

**APPENDIX IV:
UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE
6 MONTHS PERIOD ENDED 30 JUNE 2016**

Analysis of Statements of Financial Position

A. The Group

1. The increase in property, plant and equipment of RMB56.3 million to RMB434.8 million was mainly due to new purchase of assets of RMB 81.7 million but was offset by depreciation of RMB 24.9 million and disposal of assets of RMB 0.5 million.
2. The decrease in inventories was due to increase in sales of the available inventories in 1Q2016 & 2Q2016. The increase in trade and other receivables was in line with the increase in sales activities.
3. The increase in trade and other payables was mainly due to the increase in manufacturing activities during the financial period under review which was in line with the increase in sales activities.
4. The decrease in short-term borrowings was due to repayment during the financial period under review.

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

	GROUP	
	30/06/2016	31/12/2015
Amount repayable in one year or less, or on demand		
Secured	236,458	181,269
Unsecured	160,315	234,363
	396,773	415,632
Amount repayable after one year		
Secured	40,943	58,937
Unsecured	339,640	291,740
	380,583	350,677

Details of any collateral

Short-term borrowings

As at 30 June 2016, the Group's secured borrowings were secured by the following collaterals:

	GROUP	
	30/06/2016	31/12/2015
	RMB'000	RMB'000
<u>Secured</u>		
Fixed deposits collateral	16,247	15,111
Accounts receivable	120,373	87,706
Production and office buildings	65,000	44,000
Finance lease	75,782	93,389
<u>Unsecured</u>		
Corporate guarantees		
Granted by unrelated third parties	-	69,000
Others	160,315	165,363

**APPENDIX IV:
UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE
6 MONTHS PERIOD ENDED 30 JUNE 2016**

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

	Second Quarter Ended on		Half Year Ended on	
	30/06/2016	30/06/2015	30/06/2016	30/06/2015
	RMB'000	RMB'000	RMB'000	RMB'000
Cash flows from operating activities :				
Profit before income tax	74,899	58,845	120,976	110,435
Adjustments for :				
Amortisation of intangible assets	890	702	1,766	1,284
Depreciation of property, plant and equipment	11,786	8,813	24,976	17,227
(Write back)/Provision of allowance for slow-moving inventories	(647)	(3,230)	(1,626)	8,568
(Write back)/Provision of allowance for doubtful trade and other receivables	272	1,739	258	14,363
Loss from disposal of property, plant and equipment	-	10	-	23
Interest income	(937)	(2,587)	(1,401)	(5,188)
Interest expense	7,759	7,696	16,091	16,697
Amortisation of government grant	(25,414)	(524)	(26,276)	(1,061)
Fair value losses on financial liabilities at fair value through profit or loss	21,858	-	47,900	-
Operating profit before working capital changes	90,466	71,464	182,664	162,348
<i>Changes in working capital</i>				
Inventories	9,152	(19,934)	43,601	(24,512)
Trade and other receivables	(207,925)	(21,381)	(323,592)	(173,757)
Trade and other payables	(13,997)	(13,691)	34,148	64,731
Cash (used in)/generated from operations	(122,304)	16,458	(63,179)	28,810
Interest received	937	2,587	1,401	5,188
Income tax paid	(23,444)	(16,824)	(32,868)	(21,765)
Net cash (used in)/generated from operating activities	(144,811)	2,221	(94,646)	12,233
Cash flows from investing activities :				
Purchase of property, plant and equipment	(51,148)	(30,298)	(81,703)	(40,920)
Purchase of land use rights	(643)	(2,505)	(1,480)	(36,778)
Proceeds from disposal of property, plant and equipment	189	335	383	391
Cash subsidy received from government	-	25,415	-	25,415
Net cash used in investing activities	(51,602)	(7,053)	(82,800)	(51,892)

APPENDIX IV:
UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE
6 MONTHS PERIOD ENDED 30 JUNE 2016

	<u>Second Quarter Ended on</u>		<u>Half Year Ended on</u>	
	<u>30/06/2016</u>	<u>31/12/2015</u>	<u>30/06/2016</u>	<u>31/12/2015</u>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
Cash flows from financing activities :				
Net proceeds from short-term borrowings	(21,395)	34,810	(36,853)	25,461
Changes in bills payables	184,987	(13,151)	204,049	(30,912)
Cash restricted in use	(69,291)	(10,473)	(109,453)	43,817
Dividends paid to non-controlling interest	-	-	-	(2,400)
Interest paid	(7,759)	(7,696)	(16,091)	(16,697)
Net cash generated from financing activities	86,542	3,490	41,652	19,269
Net decrease in cash and bank balances	(109,871)	(1,342)	(135,794)	(20,390)
Effects of currency translation difference	(372)	285	18	(1,053)
Cash and cash equivalents at beginning of financial period	356,565	108,859	382,098	129,245
Cash and cash equivalents at end of financial period (Note A)	246,322	107,802	246,322	107,802

Note A

Cash and cash equivalents comprise :

Cash and bank balances	444,066	301,532	444,066	301,532
Less: Pledged deposits	(197,744)	(193,730)	(197,744)	(193,730)
	246,322	107,802	246,322	107,802

APPENDIX IV:
UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE
6 MONTHS PERIOD ENDED 30 JUNE 2016

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	Other reserves	Retained Earnings	Attributable to the Equity holders of the Company	Non-controlling interest	Total Equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2016	490,115	260,019	78,025	828,159	50,430	878,589
Profit for the period	-	-	82,886	82,886	8,575	91,461
Currency Translation Difference	-	18	-	18	-	18
Total comprehensive income	-	18	82,886	82,904	8,575	91,479
Balance at 30 June 2016	490,115	260,037	160,911	911,063	59,005	970,068
Balance at 1 January 2015	490,115	250,746	(31,585)	709,276	46,209	755,485
Profit for the period	-	-	87,517	87,517	5,675	93,192
Currency Translation Difference	-	(1,053)	-	(1,053)	-	(1,053)
Total comprehensive income/(loss)	-	(1,053)	87,517	86,464	5,675	92,139
Dividends paid to non-controlling interest	-	-	-	-	(2,400)	(2,400)
Balance at 30 June 2015	490,115	249,693	55,932	795,740	49,484	845,224

COMPANY	Share capital	Other reserves	Accumulated loss	Attributable to the Equity holders of the Company	Total Equity	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Balance at 1 January 2016		623,026	71,753	(259,439)	435,340	435,340
Loss net of tax, representing total comprehensive loss for the period		-	-	(51,580)	(51,580)	(51,580)
Balance at 30 June 2016		623,026	71,753	(311,019)	383,760	383,760
Balance at 1 January 2015		623,026	71,753	(235,642)	459,137	459,137
Loss net of tax, representing total comprehensive loss for the period		-	-	(1,839)	(1,839)	(1,839)
Balance at 30 June 2015		623,026	71,753	(237,481)	457,298	457,298

**APPENDIX IV:
UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE
6 MONTHS PERIOD ENDED 30 JUNE 2016**

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

	Number of Ordinary Shares	Share Capital RMB'000
Share capital:		
As at 1 January 2015 and 30 June 2015	681,600,000	623,026
As at 1 January 2016 and 30 June 2016	681,600,000	623,026

On 14 August 2015, the Company entered into agreement with Brian International Investment Ltd and Oriental Success International Investment (the "Investors"). The Investors agree to subscribe to the Company's convertible bonds of S\$60 million. These convertible bonds are convertible one month after issuance date. The conversion price of the convertible bond is fixed at S\$0.09/share. The number of shares that may be issued on conversion of all the outstanding convertibles is 666,666,667 shares. As at 30 June 2016, there is no conversion into ordinary shares.

The Company does not have any outstanding treasury shares as at 30 June 2016 and 2015.

1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the preceding year

	Group		Company	
	30/06/2016	31/12/2015	30/06/2016	31/12/2015
Number of issued shares	681,600,000	681,600,000	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 figures have not 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 a 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 2015.

APPENDIX IV:
UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE
6 MONTHS PERIOD ENDED 30 JUNE 2016

- 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 become effective for the accounting periods beginning on or after 1 January 2016. The adoption of these new and revised SFRS and INT FRS have no significant impact to the Group.

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

(a) ***Based on the weighted average number of ordinary shares on issue; and***

(b) ***On a fully diluted basis (detailing any adjustments made to the earnings)***

	Second Quarter Ended on		Half Year Ended on	
	30/06/2016	30/06/2015	30/06/2016	30/06/2015
Profit attributable to shareholders of the Company (RMB'000)	51,610	47,320	82,886	87,517
Number of shares	681,600,000	681,600,000	681,600,000	681,600,000
Earnings per share (RMB cents)				
- Basic	7.57	6.94	12.16	12.84

For the purpose of calculating diluted earnings per share, net profit attributable to equity holders of the company and weighted average number of ordinary shares in issue are adjusted for the dilutive effects of potential ordinary shares issues.

The Company has one category of potential dilutive ordinary shares, which is convertible bond as at 31 March 2016.

For convertible bonds, the weighted average number of shares in issue has been adjusted as if all dilutive convertible bonds were converted, and the net profit is adjusted to eliminate all interest expenses, less tax effect

	Second Quarter Ended on		Half Year Ended on	
	30/06/2016	30/06/2015	30/06/2016	30/06/2015
Profit attributable to shareholders of the Company (RMB'000)	51,610	47,320	82,886	87,517
Interest Expense on Convertible Bond (net of tax) (RMB'000)	738	-	1,456	-
Profit used to determine earnings per share (RMB '000)	52,348	47,320	84,342	87,517
Weighted average number of ordinary shares	681,600,000	681,600,000	681,600,000	681,600,000
Assumed conversion	666,666,667	-	666,666,667	-
Weighted average number of ordinary shares for the purpose of diluted earnings per share	1,348,266,667	681,600,000	1,348,266,667	681,600,000
Diluted earnings per share (RMB Cents)	3.88	6.94	6.26	12.84

**APPENDIX IV:
UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE
6 MONTHS PERIOD ENDED 30 JUNE 2016**

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	
	30/06/2016	31/12/2015	30/06/2016	31/12/2015
Net assets (RMB'000)	911,063	828,159	383,760	435,340
Number of shares	681,600,000	681,600,000	681,600,000	681,600,000
Net assets value per share (RMB cents)	133.67	121.50	56.30	63.87

8 *A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:-*

(a) *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; and*

(b) *any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on*

Revenue

	China Operations			US Operations			TOTAL		
	6 months FY2016	6 months FY2015	Change	6 months FY2016	6 months FY2015	Change	6 months FY2016	6 months FY2015	Change
	RMB'000	RMB'000	%	RMB'000	RMB'000	%	RMB'000	RMB'000	%
Revenue	1,417,267	1,079,323	31.3%	261,504	293,481	-10.9%	1,678,771	1,372,804	22.3%
Cost of sales	(1,071,391)	(816,549)	31.2%	(252,197)	(282,868)	-10.8%	(1,323,588)	(1,099,417)	20.4%
Gross profit	345,876	262,774	31.6%	9,307	10,613	-12.3%	355,183	273,387	29.9%
Gross profit margin	24%	24%		4%	4%		21%	20%	

The Group recorded a net profit after tax of RMB91.5 million for the financial period ended 30 June 2016 ("2Q2016") as compared to RMB93.2 million in 2Q2015.

Group revenue for 2Q2016 increased by 22.3% to RMB1.68 billion.

Revenue from China operations increased by 31.3% to RMB1.42 billion, while US operations decreased by 10.9% to RMB261.5 million. The increase in sales for China operations was mainly due to increase in sales of wire harnesses and connector products.

Gross profit and gross profit margin

Gross profit margin for the Group increased by 1.0%, while the gross profit increased by 29.9% to RMB355.2 million. The increase in gross profit of China operation by 31.6% was mainly due to higher sales volumes while US operations decreased by 12.3% which was mainly due to cancellation of some projects.

**APPENDIX IV:
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6 MONTHS PERIOD ENDED 30 JUNE 2016**

Net profit before income tax

Other income increased by RMB25.7 million to RMB28.6 million (or 899.5%), which was mainly due to the subsidy income from the government amortized during the financial period.

Other losses- net increased by RMB39.8million to RMB40.60 million, which was mainly due to adjustment made on fair value of the convertible bond which resulted in a charge of RMB47.90 million.

Fair value losses on financial liabilities at fair value through profit or loss on the valuation of convertible bonds for the quarter ended 30.6. 2016 amounting to RMB 21.8 million resulted in profit before income tax of RMB 75.0 million. The profit before income tax would have been RMB 96.80 million in the event that these fair value losses is excluded for the quarter and likewise, if the year to-date fair value losses on valuation of convertible bonds amounting to RMB 47.9 million is excluded, the profit before income tax as at 30.6.2016 would be RMB 168.88 million.

Research and development expenses increased by RMB21.5 million (or 54.9%) to RMB60.6 million, which was incurred for the development of new projects after securing various sales projects with new and existing customers.

General and administrative expenses increased by RMB23.0 million (or 25.1%) to RMB114.5 million, which was mainly due to decrease in provision for bad and doubtful debts of RMB14.1 million and increase in staff related expenses of RMB20.5 million, increase in depreciation charge of RMB 7.8 million and bank charges increase of RMB 1.0 million.

Net finance cost increased by RMB 6.1 million to RMB 14.9 million due to the reduction in interest income of RMB 3.8 million and changes in foreign exchange of RMB 2.9 million.

Taxation

Income tax expense increased by RMB12.27 million (or 71.2%), which was in line with higher taxable income from increased profits for the financial period under review.

Cash flows

The Group used RMB94.64 million (2Q2015: generated RMB12.2 million) from operating activities, which was mainly due to increase of account receivables during the financial period under review. After payments for investing activities of RMB82.8 million (2Q2015: RMB51.89 million) and cash generated from financing activities of RMB41.65 million (2Q2015: RMB19.3 million- inflow), the cash and cash equivalent as at 30 June 2016 amounted to RMB246.3 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 or prospect statement had been previously 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 automotive industry in 2016 continues to show stable growth which 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 as well as impose stringent cost controls. Barring any unforeseen circumstances, the Group remains cautiously optimistic of its performance in 2016.

11 *Dividend*

(a) Current Financial Period Reported On 30 June 2016

Any dividend declared for the current financial period reported on?

None.

**APPENDIX IV:
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6 MONTHS PERIOD ENDED 30 JUNE 2016**

(b) Corresponding Period of the Immediately Preceding Financial Period

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

None.

(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 June 2016.

13 If the Group has obtained a general mandate from shareholders for IPTs, the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect

No IPT general mandate has been obtained from the shareholders.

14. Use of Proceeds from the Convertible Bonds

The company had on 9 November 2015 announced the completion of the issue of S\$60 million in aggregate principal amount of unsecured convertible bonds due 2018 (the "Bonds Issue"). As at 30.6.2016, the following disbursement of the proceeds had been made.

	Amount Allocated (RMB) ⁽²⁾	Amount Allocated (S\$) ⁽²⁾⁽³⁾	Amount Utilised (RMB)	Balance (RMB)
Use of Proceeds				
Repayment of Bank Loans	125,000,000	27,512,500	125,000,000	-
Business Expansion	122,600,000	26,984,260	30,000,000	92,600,000
General Working Capital	21,823,000	4,803,242	9,086,779	12,736,221

Notes:

(1) The above figures do not take into account cost and expenses of S\$ 700,000 which had since been utilised for payment in the relevant professional involved in the bond issue.

(2) As stated in the Circular.

(3) Based on an exchange rate of RMB 1.00 to S\$0.2201 as stated in the Circular.

15 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 June 2016 to be false or misleading in any material aspect.

BY ORDER OF THE BOARD

Zhang Jingtang (张景堂)

Executive Chairman

12 August 2016

APPENDIX V: EXTRACT OF BYE-LAWS

The provisions in the Bye-Laws relating to the rights of Shareholders in respect of capital, dividends and voting have been reproduced below:

Rights in respect of capital

“

SHARES, WARRANTS AND MODIFICATION OF RIGHTS

- | | | |
|----|---|--------------------------------------|
| 3. | Without prejudice to any special rights or restrictions for the time being attaching to any shares or any class of shares, any share may be issued upon such terms and conditions and with such preferred, deferred or other special rights, or such restrictions, whether in regard to dividend, voting, return of capital or otherwise, as the Company may from time to time by Ordinary Resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the Board may determine) and any preference share may, subject to the Companies Act and with the sanction of a Special Resolution, be issued on the terms that it is liable to be redeemed upon the happening of a specified event or upon a given date and either at the option of the Company or, if so authorised by the Memorandum of Association of the Company, at the option of the holder. | Issue of shares |
| 4. | The Board may, subject to the approval by the shareholders in general meeting, issue warrants to subscribe for any class of shares or securities of the Company on such terms as the Board may from time to time determine. Where warrants are issued to bearer, no certificate thereof shall be issued to replace one that has been lost unless the Board is satisfied beyond reasonable doubt that the original certificate thereof has been destroyed and the Company has received an indemnity in such form as the Board shall think fit with regard to the issue of any such replacement certificate. | Warrants |
| 5. | <p>(A) In the event of preference shares being issued the total nominal value of issued preference shares shall not at any time exceed the total nominal value of the issued ordinary shares and preference shareholders shall have the same rights as ordinary shareholders as regards receiving of notices, reports and balance sheets and attending general meetings of the Company, and preference shareholders shall also have the right to vote at any meeting convened for the purpose of reducing the capital or winding-up or sanctioning a sale of the undertaking of the Company or where the proposal to be submitted to the meeting directly affects their rights and privileges or when the dividend on the preference shares is more than six (6) months in arrears.</p> <p>(B) The Company has power to issue further preference capital ranking equally with, or in priority to, preference shares already issued.</p> | Preference Shares |
| 6. | <p>(A) For the purposes of Section 47 of the Companies Act, if at any time the capital is divided into different classes of shares, all or any of the special rights attached to any class (unless otherwise provided for by the terms of issue of the shares of that class) may, subject to the provisions of the Companies Act, be varied or abrogated either with the consent in writing of holders of not less than three-fourths (3/4) in nominal value of the issued shares of that class or with the sanction of a Special Resolution passed at a separate general meeting of the holders of the shares of the class. To every such separate general meeting the provisions of these Bye-Laws relating to general meetings shall mutatis mutandis apply, but so that the necessary quorum shall be not less than two (2) persons holding or representing by proxy or by corporate representative one-third (1/3) in nominal value of the issued shares of that class, and that any holder of shares of the class present in person or by proxy or by duly authorised corporate representative may demand a poll.</p> | How rights of shares may be modified |

**APPENDIX V:
EXTRACT OF BYE-LAWS**

- (B) The repayment of preference capital other than redeemable preference capital, or any alteration of preference shareholders' rights, may only be made pursuant to a Special Resolution passed at a general meeting of the holders of the shares of that class. Provided that, where the necessary majority for such a Special Resolution is not obtained at the general meeting, consent in writing if obtained from the holders of not less than three-fourths (3/4) in nominal value of the issued shares of that class within two (2) months of such general meeting, shall be as valid and effectual as a Special Resolution carried at the general meeting.
- (C) The provisions of this Bye-Law shall apply to the variation or abrogation of the special rights attached to the shares of any class as if each group of shares of the class differently treated formed a separate class the rights whereof are to be varied or abrogated.
- (D) The special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to or the terms of issue of such shares, be deemed to be altered or abrogated by the creation or issue of further shares ranking *pari passu* therewith.

SHARES AND INCREASE OF CAPITAL

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| 7. | (A) | The authorised share capital of the Company at the date on which these Bye-Laws come into effect is US\$6,000,000 divided into 300,000,000 shares of US\$0.02 each. | Authorised Share Capital |
| | (B) | Subject to the Statutes, the power contained in the Memorandum of Association for the Company to purchase or otherwise acquire its shares shall be exercisable by the Board upon such terms and subject to such conditions as it thinks fit. | Company to purchase its own shares |
| 8. | | The Company in general meeting may from time to time, whether or not all the shares for the time being authorised shall have been issued and whether or not all the shares for the time being issued shall have been fully paid up, by Ordinary Resolution in accordance with Section 45 of the Companies Act, increase its share capital by the creation of new shares, such new capital to be of such amount and to be divided into shares of such class or classes and of such amounts in Hong Kong dollars, Singapore dollars or United States dollars or such other currency as the shareholders may think fit and as the resolution may prescribe. | Power to increase capital |
| 9. | | Any new shares shall be issued upon such terms and conditions and with such rights, privileges or restrictions annexed thereto as the general meeting resolving upon the creation thereof shall direct, and if no direction be given, subject to the provisions of the Statutes and of these Bye-Laws, as the Board shall determine; and in particular such shares may be issued with a preferential or qualified right to dividends and in the distribution of assets of the Company with a special right or without any right of voting. | On what conditions new shares may be issued |

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10. Subject to any direction to the contrary that may be given by the Company in general meeting including, or except as permitted under the listing rules of the Designated Stock Exchange all new shares shall before issue be offered to such persons who as at the date of the offer are entitled to receive notices from the Company in respect of General Meetings in proportion as nearly as the circumstances admit to the number of the existing shares to which they are entitled. The offer shall be made by notice specifying the number of shares offered, and limiting a time within which the offer, if not accepted, will be deemed to be declined. After the expiration of the aforesaid time or on the receipt of an intimation from the person to whom the offer is made that he declines to accept the shares offered the Board may dispose of those shares in a manner they think most beneficial to the Company. The Board may likewise dispose of any new shares which (by reason of the ratio which the new shares bear to shares held by persons entitled to an offer of new shares) cannot in the opinion of the Board be conveniently offered in the manner herein before provided.
- When to be offered to existing shareholders
11. Except so far as otherwise provided by the conditions of issue or by these Bye-Laws, any capital raised by the creation of new shares shall be treated as if it formed part of the original capital of the Company and such shares shall be subject to the provisions contained in these Bye-Laws with reference to the payment of calls and instalments, transfer and transmission, forfeiture, lien, cancellation, surrender, voting and otherwise.
- New shares to form part of original capital
12. (A) Subject to the provisions of the Companies Act and to the provisions of these Bye-laws and without prejudice to any special rights or restrictions for the time being allocated to any shares or any class of shares, all unissued shares shall be at the disposal of the Board and it may offer, allot (with or without conferring a right of renunciation), grant options over or otherwise dispose of them to such persons, at such times, for such consideration and generally on such terms as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount provided always that:-
- Shares at the disposal of the Board
- (i) no shares shall be issued to transfer a controlling interest in the Company without the prior approval of the shareholders in general meeting;
 - (ii) (subject to any direction to the contrary that may be given by the Company in general meeting) any issue of shares for cash to shareholders holding shares of any class shall be offered to such shareholders in proportion as nearly as may be to the number of shares of such class then held by them and the provisions of Bye-law 10 with such adaptations as are necessary shall apply;
 - (iii) any other issue of shares, the aggregate of which would exceed the limits set out in paragraph (B) below, shall be subject to the approval of the Members in General Meeting; and
 - (iv) the rights attaching to shares of a class other than ordinary shares shall be expressed in the resolution creating the same.

The Directors shall, as regards any offer or allotment of shares, comply with the provisions of the Companies Act, if and so far as such provisions may be applicable thereto.

**APPENDIX V:
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- (B)** Notwithstanding Bye-law 12(A) above, the Company may by Ordinary Resolution give to the Directors a general authority, either unconditionally or subject to such conditions as may be specified in the Ordinary Resolution, to issue shares (whether by way of rights, bonus or otherwise) where:-
- (i) the aggregate number of shares to be issued pursuant to such authority does not exceed 50 percent (or such other limit as may be prescribed by the Designated Stock Exchange) of the issued share capital of the Company for the time being, of which the aggregate number of shares to be issued other than on a pro-rata basis to shareholders of the Company does not exceed 20 percent (or such other limit as may be prescribed by the Stock Exchange) of the issued share capital of the Company for the time being; and
 - (ii) unless previously revoked or varied by the Company at a meeting, such authority conferred to issue shares does not continue beyond the conclusion of the Annual General Meeting of the Company next following the passing of the Ordinary Resolution or the date by which such Annual General Meeting is required to be held, or the expiration of such other period as may be prescribed by the Companies Act, whichever is the earliest date.
- (C)** Neither the Company nor the Board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such offer, option or shares to shareholders or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the Board, be unlawful or impracticable. Shareholders affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of shareholders for any purpose whatsoever.
- 13.** The Company may at any time pay a commission to any person for subscribing or agreeing to subscribe (whether absolutely or conditionally) for any shares in the Company or procuring or agreeing to procure subscriptions (whether absolute or conditional) for any shares in the Company, but so that the conditions and requirements of the Companies Act shall be observed and complied with. Company may pay commission
- 14.** Except as otherwise expressly provided by these Bye-Laws or as required by law or as ordered by a court of competent jurisdiction, no person shall be recognized by the Company as holding any share upon any trust and, except as aforesaid, the Company shall not be bound by or be compelled in any way to recognize (even when having notice thereof) any equitable, contingent, futures or partial interest in any share or any interest in any fractional part of a share or any other right or claim to or in respect of any shares except an absolute right to the entirety thereof of the registered holder. Company not to recognize trusts in respect of shares
- 15.** Subject to the terms and conditions of any application for shares, the Board shall allot shares applied for within ten (10) market days of the closing date of any such application (or such other period as may be approved by the Designated Stock Exchange). Share Allotment

**APPENDIX V:
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16. Subject to the Companies Act and these Bye-Laws, the Board may at any time after the allotment of shares but before any person has been entered in the Register as the holder, recognise a renunciation thereof by the allottee in right to effect such renunciation upon and subject to such terms and conditions as the Board considers fit to impose.

Renunciation of Allotment

REGISTER OF SHAREHOLDERS AND SHARE CERTIFICATES

17. (A) The Company shall cause to be kept a register of the shareholders and there shall be entered therein the particulars required under the Companies Act.

Share register

- (B) Subject to the provisions of the Companies Act, if the Board considers it necessary or appropriate, the Company may establish and maintain a local or branch register at such location outside Bermuda as the Board thinks fit and the Board may make and vary such registration as it determines in respect of the keeping of any such register and maintaining a Registration Office in conditions therewith.

Local or branch register

18. Subject to the payment of all or any part of the stamp duty payable (if any) on each such share certificate prior to the delivery thereof which the Board in its absolute discretion may require, every person whose name is entered as a shareholder in the Register shall be entitled to receive within ten (10) market days of the closing dates for applications for an issue of shares (or such other period as may be approved by the Designated Stock Exchange) or within ten (10) market days after the date of lodgement of a registrable transfer (or such other period as may be approved by the Designated Stock Exchange) one certificate for all his shares of any one class or several certificated in reasonable denominations each for a part of the shares so allotted or transferred. Where such a Shareholder transfers part only of the shares comprised in a certificate or where such a Shareholder requires the Company to cancel any certificate or certificates and issue new certificates for the purpose of subdividing his holding in a different manner, the old certificate or certificates shall be cancelled and a new certificate or certificates for the balance of such shares issued in lieu thereof and such Shareholder shall pay all or any part of the stamp duty payable (if any) on each share certificate prior to the delivery thereof which the Board in its absolute discretion may require and a maximum fee of two Singapore dollars (S\$2.00) for each new certificate, or such other fee as the Board may from time to time determine having regard to any limitation thereof as may be prescribed by the Designated Stock Exchange upon which the shares in the Company may be listed, provided that in respect of a share or shares held jointly by several persons the Company shall not be bound to issue a certificate or certificates to each such person, and the issue and delivery of a certificate or certificates to one of the joint holders shall be sufficient delivery to all such holders.

Share Certificates

19. Every certificate for shares, warrants or debentures or representing any other form of securities of the Company shall be issued under the Seal of the Company, which for this purpose may be a Securities Seal. The Board may by resolution determine, either generally or in any particular case, that any signatures on any such certificates need not be autographic but may be affixed to such certificates by some mechanical means or may be printed thereon or that such certificates need not be signed by any persons.

Share certificates to be sealed

20. Every share certificate hereafter issued shall specify the number and class of shares in respect of which it is issued and the amount paid thereon and may otherwise be in such form as the Board may from time to time prescribe. A share certificate shall relate to only one (1) class of shares.

Share certificate to specify the number and class of shares

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- 21. (A)** Except in the case of executors or administrators or trustees of the estate of a deceased shareholder the Company shall not be bound to register more than three (3) persons as joint holders of any share. Joint holders
- (B)** If any share shall stand jointly in the names of two (2) or more persons, the person first named in the register shall be deemed the sole holder thereof as regards service of notice and, subject to the provisions of these Bye-Laws, all or any other matter connected with the Company, except the transfer of the shares.
- 22.** Subject to the Statutes and the Singapore Companies Act, if any share certificate shall be defaced, worn out, destroyed, stolen or lost, it may be renewed on such evidence being produced and a letter of indemnity (if required) being given by the purchaser, registered holder, transferee, person entitled or shareholder of the Designated Stock Exchange or on its behalf or their client or clients as the Directors shall require and in the case of defacement or wearing out on delivery up of the old certificate and in any case on payment of such sum not exceeding two Singapore dollars (S\$2.00) as the Board may from time to time require (or such other amount as may be permitted under the Statutes). In the case of theft, destruction or loss the registered holder or the person entitled to whom such renewed certificates is given shall also bear the loss and pay to the Company all expenses incidental to the investigations by the Company of the evidence of such theft, destruction or loss. Where shares are registered jointly in the names of several persons, any such request may be by any one of the registered joint holders. Replacement of share certificates

LIEN

- 23.** The Company shall have a first and paramount lien on every share (not being a fully paid share) for all moneys, whether presently payable or not, called or payable at a fixed time in respect of such shares. The Company shall also have a first and paramount lien on all shares (not being fully paid up shares) registered in the name of a shareholder, whether singly or jointly with any other person or persons, for all the debts and liabilities of such shareholders or his estate to the Company and whether the same shall have been incurred before or after notice to the Company of any equitable or other interest of any person other than such shareholder, and whether the period for the payment or discharge of the same shall have actually arrived or not, and notwithstanding that the same are joint debts or liabilities of such shareholder or his estate and any other person, whether a shareholder of the Company or not. The Company's lien (if any) on a share shall extend to all dividends or other moneys declared in respect thereof. the Board may at any time either generally or in any particular case waive any lien that has arisen, or declare any share to be exempt wholly or partially from the provisions of this Bye-Law. Company's lien
- 24.** Subject to these Bye-laws, the Company may sell, in such manner as the Board thinks fit, any shares on which the Company has a lien, but no sale shall be made unless some sum in respect of which the lien exists is presently payable or the liability or engagement in respect of which such lien exists is liable to be presently fulfilled or discharged, nor until the expiration of fourteen (14) days after a notice in writing, stating and demanding payment of the sum presently payable or specifying the liability or engagement and demanding fulfilment or discharge thereof and giving notice of intention to sell in default, shall have been given to the registered holder for the time being of the shares or the person entitled to the shares by reason of such holder's death, bankruptcy or winding-up. Sale of shares subject to lien

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| 25. | The net proceeds of such sale after the payment of the costs of such sale shall be applied in or towards payment or satisfaction of the debt or liability or engagement in respect whereof the lien exists, so far as the same is presently payable, and any residue shall (subject to a like lien for debts or liabilities not presently payable as existed upon the shares prior to the sale) be paid to the person entitled to the shares at the time of the sale or to his executors, administrators or assignees or as he may direct. for the purpose of giving effect to any such sale, the Board may authorise some person to transfer the shares sold to the purchaser thereof and may enter the purchaser's name in the register as holder of the shares, and the purchaser shall not be bound to see to the application of the purchase money, nor shall his title to the shares be affected by any irregularity or invalidity in the proceedings in relating to the sale. | Application of proceeds of sale |
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CALLS ON SHARES

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| 26. | Subject to these Bye-laws and to the terms of allotment the Board may from time to time make such calls as it may think fit upon the shareholders in respect of any moneys unpaid on the shares held by them respectively (whether on account of the nominal value of shares or by way of premium) and not by the conditions of issue or allotment thereof made payable at a fixed time. A call may be made payable either in one sum or by instalments. | Calls/
Instalments |
| 27. | Fourteen (14) days' notice at least of any call shall be given specifying the time and place of payment and to whom such call shall be paid. | Notice of call |
| 28. | A copy of the notice referred to in Bye-Law 27 shall be sent to shareholders in the manner in which notices may be sent to shareholders by the Company as herein provided. | Copy of notice to be sent to shareholders |
| 29. | In addition to the giving of notice in accordance with Bye-Law 28, notice of the person appointed to receive payment of every call and of the times and places appointed for payment may be given to the shareholders by notice to be published at least once in the Newspapers. | Notice of call may be given |
| 30. | Every shareholder upon whom a call is made shall pay the amount of every call so made on him to the person and at the time or times and place or places as the Board shall appoint. | Time and place for payment of call |
| 31. | A call shall be deemed to have been made at the time when the resolution of the Board authorising such call was passed. | When call deemed to have been made |
| 32. | The joint holders of a share shall be severally as well as jointly liable for the payment of all calls and instalments due in respect of such share or other moneys due in respect thereof. | Liability of joint holders |
| 33. | The Board may from time to time at its discretion extend the time fixed for any call, and may extend such time as regards all or any of the shareholders whom due to residence outside the Relevant Territory or other cause the Board may deem entitled to any such extension but no shareholder shall be entitled to any such extension except as a matter of grace and favour. | Board may extend time fixed for call |

**APPENDIX V:
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| 34. | If the sum payable in respect of any call or instalments is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as the Board shall fix from the day appointed for the payment thereof to the time of the actual payment, but the Board may in its absolute discretion waive payment of such interest wholly or in part. | Interest on unpaid calls |
| 35. | No shareholder shall be entitled to receive any dividend or bonus or to be present and vote (save as proxy for another shareholder) at any general meeting, either personally, or (save as proxy for another shareholder) by proxy or by duly authorised corporate representative, or be reckoned in a quorum, or to exercise any other privilege as a shareholder until all calls or instalments due from him to the Company, whether alone or jointly with any other person, together with interest and expenses (if any) shall have been paid. | Suspension of privileges while call unpaid |
| 36. | On the trial or hearing of any action or other proceedings for the recovery of any money due for any call, it shall be sufficient to prove that the name of the shareholder sued is entered in the register as the holder, or one (1) of the holders, of the shares in respect of which such debt accrued; that the resolution of the Board making the call has been duly recorded in the minute book of the Board; and that notice of such call was duly given to the shareholder sued, in pursuance of these Bye-Laws, and it shall not be necessary to prove the appointment of the Board who made such call, not any other matters whatsoever, but the proof of the matters aforesaid shall be conclusive evidence of a debt due from the shareholder sued to the Company. | Evidence in action for call |
| 37. | Any sum which by the terms of allotment of a share is made payable upon allotment or at any fixed date, whether on account of the nominal value of the share and/or by way of premium, shall for all purposes of these Bye-Laws be deemed to be a call duly made, notified, and payable on the date fixed for payment, and in case of non-payment all the relevant provisions of these Bye-Laws as to payment of interest and expenses, forfeiture and the like, shall apply as if such sums had become payable by virtue of a call duly made and notified. the Board may on the issue of shares differentiate between the allottees or holders as to the amount of calls to be paid and in the time of payment of such calls | Sums payable on allotment deemed a call

Shares may be issued subject to different conditions as to calls, etc. |
| 38. | The Board may, if it thinks fit, receive from any shareholder willing to advance the same, and either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the moneys so advanced the Company may pay interest at such rate (if any) not exceeding twenty per cent. (20%) per annum as the Board may decide but a payment in advance of a call shall not whilst carrying interest entitle the shareholder to participate in profits, to receive any dividend or to exercise any other rights or privileges as a shareholder in respect of the share or the due portion of the shares upon which payment has been advanced by such shareholder before it is called up. The Board may at any time repay the amount so advanced upon giving to such shareholder no less than one month's notice in writing of their intention in that behalf, unless before the expiration of such notice the amount so advanced shall have been called up on the shares in respect of which it was advanced. | Payment of calls in advance |

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TRANSFER OF SHARES

- 39.** Subject to the Companies Act and these Bye-laws, all transfers of shares may be effected by transfer in writing in the form for the time being approved by the Designated Stock Exchange and the Board. Form of transfer
- 40.** The instrument of transfer of any share shall be executed by or on behalf of the transferor and by or on behalf of the transferee provided that an instrument of transfer in respect of which the transferee is the Depository shall be effective although not signed or witnessed by or on behalf of the Depository and provided further that the Board may dispense with the execution of the instrument of transfer by the transferee in any case in which it thinks fit, in its absolute discretion, to do so. The Board may also resolve, either generally or in any particular case, upon request by either the transferor or transferee, to accept mechanically executed transfers. The transferor shall be deemed to remain the holder of the shares until the name of the transferee is entered in the register in respect thereof. Nothing in these Bye-Laws shall preclude the Board from recognising a renunciation of the allotment or provisional allotment of any share by the allottee in favour of some other person. Execution of transfer
- 41. (A)** The Board may, in its absolute discretion, at any time and from time to time transfer any share upon the Principal Register to any branch register or any share on any branch register to the principal Register or any other branch register. Shares registered on principal register, branch register, etc.
- (B)** Unless the Board otherwise agrees (which agreement may be on such terms and subject to such conditions as the Board in its absolute discretion may from time to time stipulate, and which agreement it shall, without giving any reason therefor, be entitled in its absolute discretion to give or withhold) no shares on the Principal Register shall be transferred to any branch register nor shall shares on any branch register be transferred to the Principal Register or any other branch register and all transfers and other documents of title shall be lodged for registration, and registered, in the case of any shares on a branch register, at the relevant Registration Office, and, in the case of any shares on the Principal Register, at the transfer Office. Unless the Board otherwise agrees, all transfers and other documents of title shall be lodged for registration with, and registered at, the relevant Registration Office.
- (C)** Notwithstanding anything contained in this Bye-Law, the Company shall as soon as practicable and on a regular basis record in the Principal Register all transfers of shares effected on any branch register and shall at all times maintain the Principal Register in all respects in accordance with the Companies Act.
- 42.** The Board may, in its absolute discretion, and without assigning any reason, refuse to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or any share issued under any share option scheme for employees upon which a restriction on transfer imposed thereby still subsists, and it may also refuse to register a transfer of any share (whether fully paid up or not) to more than three (3) joint holders except in the case of executors or administrators of the estate of a deceased shareholder or a transfer of any shares (not being a fully paid up share) on which the Company has a lien. Board may refuse to register a transfer

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| <p>43. Save as provided in these Bye-laws, there shall be no restriction on the transfer of full-paid shares (except where required by law or the listing rules of the Designated Stock Exchange), but without limiting the generality of the foregoing, the Board may also decline to recognise any instrument of transfer unless:-</p> <p>(i) such sum, (not exceeding two Singapore dollars (S\$2.00)) as the Board may from time to time determine is paid to the Company in respect of any instrument of transfer, probate, letters of administration, certificate of marriage or death, power of attorney or any document relating to or affecting the title to the shares to be reasonable in the territory in which the relevant register is situate, or otherwise such sum as the Board shall from time to time determine is paid to the Company in respect thereof;</p> <p>(ii) the instrument of transfer is lodged at the relevant Registration Office or, as the case may be, the Transfer Office accompanied by the certificate of the shares to which it relates, and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer (and, if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do);</p> <p>(iii) the instrument of transfer is in respect of only one (1) class of share;</p> <p>(iv) the shares concerned are free of any lien in favour of the Company;</p> <p>(v) if applicable, the instrument of transfer is properly stamped; and</p> <p>(vi) where applicable, the permission of the Bermuda Monetary Authority with respect thereto has been obtained.</p> | <p>Requirements as to transfer</p> |
| <p>44. No transfer of any shares (not being a fully paid up share) shall be made to an infant or to a person of unsound mind or under other legal disability.</p> | <p>No transfer to an infant</p> |
| <p>45. If the Board shall refuse to register a transfer of any share, it shall, within one (1) month after the date on which the transfer was lodged with the Company, send to each of the transferor and the transferee notice of the refusal, stating the facts which are considered to justify the refusal.</p> | <p>Notice of refusal</p> |
| <p>46. Upon every transfer of shares the certificate held by the transferor shall be given up to be cancelled, and shall forthwith be cancelled accordingly, and a new certificate shall be issued without charge to the transferee in respect of the shares transferred to him, and if any of the shares included in the certificate so given up shall be retained by the transferor a new certificate in respect thereof shall be issued to him without charge. The Company shall also retain the instrument of transfer.</p> | <p>Certificate to be given up on transfer</p> |
| <p>47. The registration of transfers may be suspended and the register closed on giving notice to the Designated Stock Exchange and by advertisement in an appointed newspaper and in the Newspapers at such times and for such periods as the Board may from time to time determine and either generally or in respect of any class of shares. The register shall not be closed for more than thirty (30) days in any year.</p> | <p>When transfer books and register may be closed</p> |

APPENDIX V: EXTRACT OF BYE-LAWS

TRANSMISSION OF SHARES

- 48.** In the case of the death of a shareholder, the survivor or survivors where the deceased was a joint holder, and the legal personal representatives of the deceased where he was a sole or only surviving holder, shall be the only persons recognised by the Company as having any title to his interest in the shares; but nothing herein contained shall release the estate of a deceased holder (whether sole or joint) from any liability in respect of any share solely or jointly held by him. Deaths of registered holder or of joint holder of shares
- 49.** Any person becoming entitled to a share in consequence of the death or bankruptcy or winding-up of a shareholder may, upon such evidence as to his title being produced as may from time to time be required by the Board, and subject as hereinafter provided, elect either to be registered himself as holder of the share or to have some person nominated by him registered as the transferee thereof. Registration of personal representatives and trustees in bankruptcy
- 50.** If the person becoming entitled to a share pursuant to Bye-Law 49 shall elect to be registered himself, as the holder of such share he shall deliver or send to the Company a notice in writing signed by him at (unless the Board otherwise agrees) the Registration Office, stating that he so elects. If he shall elect to have his nominee registered, he shall testify his election by executing a transfer of such shares to his nominee. All the limitations, restrictions and provisions of these presents relating to the right to transfer and the registration of transfers of shares shall be applicable to any such notice or transfer as aforesaid as if the death, bankruptcy or winding-up of the shareholder had not occurred and the notice or transfer were a transfer executed by such shareholder. Notice of election to be registered and registration of nominee
- 51.** A person becoming entitled to a share by reason of the death, bankruptcy or winding-up of the holder shall be entitled to the same dividends and other advantages to which he would be entitled if he were the registered holder of the share. However, the Board may, if it thinks fit, withhold the payment of any dividend payable or other advantages in respect of such share until such person shall become the registered holder of the share or shall have effectually transferred such share, but, subject to the requirements of Bye-Law 80 being met, such a person may vote at general meetings of the Company. Retention of dividends, etc. until transfer or transmission of shares of a deceased or bankrupt shareholder

FORFEITURE OF SHARES

- 52.** If a shareholder fails to pay any call or instalment of a call on the day appointed for payment thereof, the Board may, at any time thereafter during such time as any part of the call or instalment remains unpaid, without prejudice to the provisions of Bye-Law 36, serve a notice on him requiring payment of so much of the call or instalment as is unpaid, together with any interest which may have accrued by reason of such non-payment and which may thereafter accrue up to the date of actual payment as the Board shall determine. If call or instalment not paid notice may be given
- 53.** The notice shall name a further day (not earlier than the expiration of fourteen (14) days from the date of the notice) on or before which the payment required by the notice is to be made, and it shall also name the place where payment is to be made, such place being either the Registered Office or a Registration Office. The notice shall also state that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited. Content of notice of call

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54. If the requirements of any such notice as aforesaid are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect. Such forfeiture shall include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture. The Directors may accept the surrender of any shares liable to be forfeited hereunder and in such cases references in these Bye-Laws to forfeiture shall include surrender. If notice not complied with shares may be forfeited
55. Any share so forfeited shall be deemed to be the property of the Company, and may be sold or otherwise disposed of on such terms and in such manner as the Board thinks fit and at any time before a sale or disposition the forfeiture may be cancelled on such terms as the Board thinks fit. The residue of the proceeds of such sale pursuant to this Bye-law after the satisfaction of the unpaid calls and accrued interest and expenses of such sale shall be paid to the person entitled to the shares at the time of the sales or to his executors, administrators or assigns, as he may direct it. To give effect to any such sale, the Board may, if necessary, authorise some other person to transfer or effect the transfer of a forfeited share to any such person as aforesaid. Forfeited shares to become property of Company
56. A person whose shares have been forfeited shall cease to be a shareholder in respect of the forfeited shares, but shall, notwithstanding, remain liable to pay to the Company all moneys which, at the date of forfeiture, were payable by him to the Company in respect of the forfeited shares, together with (if the Board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the Board may prescribe, and the Board may enforce the payment thereof if it thinks fit, and without any deduction or allowance for the value of the shares at the date of forfeiture, but his liability shall cease if and when the Company shall have received payment in full of all such moneys in respect of the shares. The forfeiture of a share shall involve the extinction at the time of forfeiture of all interest in and claims and demand against the Company in respect of the share and all other rights and liabilities incidental to the share as between the person whose share is forfeited and the Company except only such of those rights and liabilities as are by the Bye-laws owed or as are by the Companies Act given or imposed in the case of past shareholders. For the purposes of this Bye-Law any sum which by the terms of issue of a share, is payable thereon at a fixed time which is subsequent to the date of forfeiture, whether on account of the nominal value of the share or by way of premium, shall notwithstanding that such time has not yet arrived be deemed to be payable at the date of forfeiture, and the same shall become due and payable immediately upon the forfeiture, but interest thereon shall only be payable in respect of any period between the said fixed time and the date of actual payment. Arrears to be paid notwithstanding forfeiture
57. A statutory declaration in writing that the declarant is a Director or the Secretary of the Company, and that a share in the Company has been duly forfeited or surrendered on a date stated in the declaration, shall be conclusive evidence of the facts therein stated as against all persons claiming to be entitled to the share. The Company may receive the consideration, if any, given for the share on any sale or disposition thereof and may execute a transfer of the share in favour of the person to whom the share is sold or disposed of and he shall thereupon be registered as the holder of the share, and shall not be bound to see to the application of the purchase money, if any, nor shall his title to the share be affected by any irregularity or invalidity in the proceedings in reference to the forfeiture, sale or disposal of the share. Evidence of forfeiture and transfer of forfeited shares

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EXTRACT OF BYE-LAWS**

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| 58. | When any share shall have been forfeited, notice of the forfeiture shall be given to the shareholder in whose name it stood immediately prior to the forfeiture, and an entry of the forfeiture, with the date thereof', shall forthwith be made in the register, but no forfeiture shall be in any manner invalidated by any omission or neglect to give such notice or make any such entry. | Notice after forfeiture |
| 59. | Notwithstanding any such forfeiture as aforesaid the Board may at any time, before any shares so forfeited shall have been sold, re-allotted or otherwise disposed of, cancel the forfeiture on such terms as the Board thinks fit or permit the shares so forfeited to be bought back or redeemed upon the terms of payment of all calls and interest due upon and expenses incurred in respect of the shares, and upon such further terms (if any) as it thinks fit. | Power to redeem forfeited shares |
| 60. | The forfeiture of a share shall not prejudice the right of the Company to any call already made or instalment payment thereon. | Forfeiture not to prejudice Company's right to call or instalment payment |
| 61. | <p>(A) The provisions of these Bye-Laws as to forfeiture shall apply in the case of non-payment of any sum which, by terms of issue of a share, becomes payable at a fixed time, whether on account of the nominal value of the share or by way of premium, as if the same had been payable by virtue of a call duly made and notified.</p> <p>(B) In the event of a forfeiture of shares the shareholder shall be bound to deliver and shall forthwith deliver to the Company the certificate or certificates held by him for the shares so forfeited and in any event the certificates representing shares so forfeited shall be void and of no further effect.</p> | Forfeiture for non-payment of any sum due on shares |

ALTERATION OF CAPITAL

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| 62. | <p>(A) The Company may from time to time by Ordinary Resolution in accordance with Section 45 of the Companies Act:-</p> <p>(i) increase its capital as provided by Bye-Law 8;</p> <p>(ii) consolidate or divide all or any of its share capital into shares of larger amount than its existing shares; and on any consolidation of fully paid shares into shares of larger amount, the Board may settle any difficulty which may arise as it thinks expedient and in particular (but without prejudice to the generality of the foregoing) may as between the holders of shares to be consolidated determine which particular shares are to be consolidated into a consolidated share, and if it shall happen that any person shall become entitled to fractions of a consolidated share or shares, such fractions may be sold by some person appointed by the Board for that purpose and the person so appointed may transfer the shares so sold to the purchaser thereof and the validity of such transfer shall not be questioned, and so that the net proceeds of such sale (after deduction of the expenses of such sale) may either be distributed among the persons who would otherwise be entitled to a fraction or fractions of a consolidated share or shares rateably in accordance with their rights and interest or may be paid to the Company for the Company's benefit;</p> | Increase in capital, consolidation and division of capital and sub-division, cancellation of shares and re-denomination etc. |
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- (iii) divide its shares into several classes and attach thereto respectively any preferential, deferred, qualified or special rights, privileges or conditions;
 - (iv) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum of Association, subject nevertheless to the provisions of the Companies Act, and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one (1) or more of the shares may have any such preferred or other special rights over, or may have such deferred rights or be subject to any such restrictions as compared with the others as the Company has power to attach to unissued or new shares;
 - (v) cancel any shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person, and diminish the amount of its share capital by the amount of the shares so cancelled;
 - (vi) make provision for the issue and allotment of shares which do not carry any voting rights; and
 - (vii) change the currency denomination of its share capital.
- (B)** The Company may by Special Resolution in accordance with the Companies Act reduce its share capital, any capital redemption reserve fund or any share premium account or other undistributable reserve in any manner authorised and subject to any conditions prescribed by law.

Reduction of
capital

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THE STOCK

- 190.** The following provisions shall have effect at any time and from time to time that they are not prohibited or inconsistent with the Statutes:
- (1) The Company may by Ordinary Resolution convert any paid up shares into stock, and may from time to time by like resolution reconvert any stock into paid up shares of any denomination.
 - (2) The holders of stock may transfer the same or any part thereof in the same manner, and subject to the same regulations as and subject to which the shares from which the stock arose might prior to conversion have been transferred or as near thereto as circumstances admit, but the Directors may from time to time, if they think fit, fix the minimum amount of stock transferable and restrict or forbid the transfer of fractions of that minimum, but so that such minimum shall not exceed the nominal amount of the shares from which the stock arose. No warrants to bearer shall be issued in respect of any stock.

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- (3) The holders of stock shall, according to the amount of the stock held by them, have the same rights, privileges and advantages as regards dividends, participation in assets on a winding-up, voting at meetings, and other matters, as if they held the shares from which the stock arose, but no such privilege or advantage (except participation in the dividends and profits of the Company) shall be conferred by an amount of stock which would not, if existing in shares, have conferred such privilege or advantage.

- (4) Such of the provisions of these Bye-Laws as are applicable to paid up shares shall apply to stock, and the words "share" and "shareholder" therein shall include "stock" and "stockholder".

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**APPENDIX V:
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Rights in respect of voting

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GENERAL MEETINGS

- 63. (A)** The Company shall in each year hold a general meeting as its annual general meeting in addition to any other meeting in that year and shall specify the meeting as such in the notice calling it; and not more than fifteen (15) months shall elapse between the date of one annual general meeting of the Company and that of the next. The annual general meeting shall be held in the Relevant Territory or elsewhere as may be determined by the Board and at such time and place as the Board shall appoint. A meeting of the shareholders or any class thereof may be held by means of such telephone, electronic or other communication facilities as permit all persons participating in the meeting to communicate with each other simultaneously and instantaneously, and participation in such a meeting shall constitute presence in person at such meeting. When annual general meeting to be held
- (B)** Save where a general meeting is required by the Companies Act, a resolution in writing signed (in such manner as to indicate, expressly or impliedly, unconditional approval) by or on behalf of all persons for the time being entitled to receive notice of and to attend and vote at general meetings of the Company shall, for the purposes of these Bye-Laws, be treated as an Ordinary Resolution duly passed at a general meeting of the Company and, where relevant, as a Special Resolution so passed. Any such resolution shall be deemed to have been passed at a meeting held on the date on which it was signed by the last shareholder to sign, and where the resolution states a date as being the date of his signature thereof by any shareholder the statement shall be prima facie evidence that it was signed by him on that date. Such a resolution may consist of several documents in the like form, each signed by one (1) or more relevant shareholders. Written Resolutions of Shareholders
- 64.** All general meetings other than annual general meetings shall be called special general meetings. Special general meeting
- 65.** The Board may, whenever it thinks fit, convene a special general meeting, and special general meetings shall also be convened on requisition, as provided by the Companies Act, and, in default, may be convened by the requisitionists as provided by the Act. Convening of special general meeting
- 66.** An annual general meeting and a meeting called for the passing of a Special Resolution shall be called by at least twenty-one (21) clear days' notice in writing, and a meeting of the Company other than an annual general meeting or a meeting for the passing of a Special Resolution shall be called by at least fourteen (14) clear days' notice in writing to be given by advertisement in the Newspapers and in writing to the Designated Stock Exchange. The notice shall be given in clear days, and shall specify the place, the day and the hour of meeting and, in case of special business, must be accompanied by a statement regarding the general nature of that business and the effect of any proposed resolution in respect of such special business, and shall be given, in the manner hereinafter mentioned or in such other manner, if any, as may be prescribed by the Company in general meeting, to such persons as are, under these Bye-Laws, entitled to receive such notices from the Company, provided that, subject to the provisions of the Companies Act, a meeting of the Company shall notwithstanding that it is called by shorter notice than that specified in this Bye-Law be deemed to have been duly called if it is so agreed:- Notice of meetings
- (i) in the case of a meeting called as the annual general meeting, by all the shareholders entitled to attend and vote thereat; and

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- (ii) in the case of any other meeting, by a majority in number of the shareholders having a right to attend and vote at the meeting, being a majority together holding not less than ninety-five per cent. (95%) in nominal value of the shares giving that right.
- 67. (A)** The accidental omission to give any notice to, or the non-receipt of any notice by, any person entitled to receive notice shall not invalidate any resolution passed or any proceedings at any such meeting. Omission to give notice
- (B)** In the case where instruments of proxy are sent out with any notice, the accidental omission to send such instrument of proxy to, or the non-receipt of such instrument of proxy by, any person entitled to receive notice of the relevant meeting shall not invalidate any resolution passed or any proceeding at any such meeting.

PROCEEDINGS AT GENERAL MEETINGS

- 68.** All business shall be deemed special that is transacted at a special general meeting, and also all business that is transacted at an annual general meeting with the exception of sanctioning dividends, the reading, considering and adopting of the accounts and balance sheet and the reports of the Directors and Auditors and other documents required to be annexed to the balance sheet, the election of Directors and appointment of Auditors and other officers in the place of those retiring, the fixing of the remuneration of the Auditors, and the voting of ordinary or extra or special remuneration to the Directors. Special business, business of annual general meeting
- 69.** For all purposes the quorum for a general meeting shall be two (2) shareholders present in person or by duly authorised corporate representative or by proxy and entitled to vote. No business shall be transacted at any general meeting unless the requisite quorum shall be present at the commencement of the meeting. Quorum
- 70.** If within fifteen (15) minutes from the time appointed for the meeting a quorum is not present, the meeting, if convened upon the requisition of shareholders, shall be dissolved, but in any other case it shall stand adjourned to the same day in the next week and at such time and place as shall be decided by the Board. At the adjourned meeting, any one (1) or more shareholders present in person or by a duly authorised corporate representative or by proxy shall be a quorum. When if quorum not present meeting to be dissolved and when to be adjourned
- 71.** The Chairman (if any) of the Board or, if he is absent or declines to take the chair at such meeting, the Deputy Chairman (if any) shall take the chair at every general meeting, or, if there be no such Chairman or Deputy Chairman, or, if at any general meeting neither of such Chairman or Deputy Chairman is present within fifteen (15) minutes after the time appointed for holding such meeting, or both such persons decline to take the chair at such meeting, the Directors present shall choose one of their number as Chairman, and if no Director be present or if all the Directors present decline to take the chair or if the Chairman chosen shall retire from the chair, then the shareholders present shall choose one (1) of their number to be Chairman. Chairman of general meeting

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- 72.** The Chairman may, with the consent of any general meeting at which a quorum is present, and shall, if so directed by the meeting, adjourn any meeting from time to time and from place to place as the meeting shall determine. Whenever a meeting is adjourned for fourteen (14) days or more, at least seven (7) clear days' notice, specifying the place, the day and the hour of the adjourned meeting shall be given in the same manner as in the case of an original meeting but it shall not be necessary to specify in such notice the nature of the business to be transacted at the adjourned meeting. Save as aforesaid, no shareholder shall be entitled to any notice of an adjournment or of the business to be transacted at an adjourned meeting. No business shall be transacted at an adjourned meeting other than the business which might have been transacted at the meeting from which the adjournment took place.
- Power to adjourn general meeting, business of adjourned meeting
- 73.** At any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) demanded:-
- (i) by the Chairman of the meeting; or
 - (ii) by at least three (3) shareholders present in person or by duly authorised corporate representative or by proxy for the time being entitled to vote at the meeting; or
 - (iii) by any shareholder or shareholders present in person or by duly authorised corporate representative or by proxy and representing not less than one-tenth (1/10) of the total voting rights of all the shareholders having the right to vote at the meeting; or
 - (iv) by any shareholder or shareholders present in person or by duly authorised corporate representative or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth (1/10) of the total sum paid up on all the shares conferring that right.
- 74.** Unless a poll be so demanded and the demand is not withdrawn, a declaration by the Chairman that a resolution has on a show of hands been carried or carried unanimously, or by a particular majority, or lost, and an entry to that effect in the book containing the minutes of the proceedings of the Company shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favour or against such resolution.
- What is to be evidence of the passing of a resolution where poll not demanded
- 75.** If a poll is demanded as aforesaid, it shall (subject as provided in Bye-Law 76) be taken in such manner (including the use of ballot or voting papers or tickets) and at such time and place, not being more than thirty (30) days from the date of the meeting or adjourned meeting at which the poll was demanded, as the Chairman directs. No notice need be given of a poll not taken immediately. The result of the poll shall be deemed to be the resolution of the meeting at which the poll was demanded. The demand for a poll may be withdrawn, with the consent of the Chairman, at any time before the close of the meeting at which the poll was demanded or the taking hands of the poll, whichever is the earlier.
- Poll
- 75.** Any poll duly demanded on the election of a Chairman of a meeting or on any question of adjournment shall be taken at the meeting and without adjournment.
- In what case poll taken without adjournment

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| 76. | In the case of an equality of votes, whether on a show of hands or on a poll, the Chairman of the meeting at which the show of hands takes place or at which the poll is demanded, shall be entitled to a second or casting vote. In case of any dispute as to the admission or rejection of any vote the Chairman shall determine the same, and such determination shall be final and conclusive. | Chairman to have casting vote |
| 77. | The demand for a poll shall not prevent the continuance of a meeting for the transaction of any business other than the question on which a poll has been demanded. | Business may proceed notwithstanding demand for poll |
| 78. | For the purposes of section 106 of the Companies Act, a Special Resolution of the Company, and of any relevant class of shareholders, shall be required to approve any amalgamation agreement as referred to in that section. | Approval of amalgamation agreement |

VOTES OF SHAREHOLDERS

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| 79. | Subject to any special rights, privileges or restrictions as to voting for the time being attached to any class or classes of shares, at any general meeting on a show of hands every shareholder who is present in person or by a duly authorised corporate representative or by proxy shall have one (1) vote , and on a poll every shareholder present in person or by a duly authorised corporate representative or by proxy, shall have one (1) vote for every share of which he is the holder which is fully paid up or credited as fully paid up (but so that no amount paid up or credited as paid up on a share in advance of calls or instalments shall be treated for the purposes of this Bye-Law as paid up on the share). On a poll a shareholder entitled to more than one (1) vote need not use all his votes or cast his votes in the same way. | Votes of shareholders |
| 80. | Any person entitled under Bye-Law 49 to be registered as the holder of any shares may vote at any general meeting in respect thereof in the same manner as if he were the registered holder of such shares, provided that at least forty-eight (48) hours before the time of the holding of the meeting or adjourned meeting (as the case may be) at which he proposes to vote, he shall satisfy the Board of his right to be registered as the holder of such shares or the Board shall have previously admitted his right to vote at such meeting in respect thereof. | Votes in respect of deceased and bankrupt shareholders |
| 81. | Where there are joint registered holders of any share, any one (1) of such persons may vote at any meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto; but if more than one (1) of such joint holders be present at any meeting personally or by proxy, that one (1) of the said persons so present whose name stands first on the register in respect of such share shall alone be entitled to vote in respect thereof. Several executors or administrators of a deceased shareholder in whose name any share stands shall for the purposes of this Bye-Law be deemed joint holders thereof. | Joint holders |
| 82. | A shareholder of unsound mind or in respect of whom an order has been made by any court having jurisdiction in lunacy may vote, whether on a show of hands or on a poll, by his committee, receiver, curator bonis or other person in the nature of a committee, receiver or curator bonis appointed by that court, and any such committee, receiver, curator bonis or other person may on a poll vote by proxy. Evidence to the satisfaction of the Board of the authority of the person claiming to exercise the right to vote shall be delivered to such place or one of such places (if any) as is specified in accordance with these Bye-Laws for the deposit of instruments of proxy or, if no place is specified, at the Registration Office. | Votes of shareholder of unsound mind |

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- 83. (A)** Save as expressly provided in these Bye-Laws, no person other than a shareholder duly registered and who shall have paid everything for the time being due from him payable to the Company in respect of his shares shall be entitled to be present or to vote (save as proxy for another shareholder) either personally or by proxy or to be reckoned in a quorum (save as proxy for another shareholder), at any general meeting. Qualification for voting
- (B)** No objection shall be raised to the qualification of any voter except at the meeting or adjourned meeting at which the vote objected to is given or tendered, and every vote not disallowed at such meeting shall **be** valid for all purposes. Any such objection made in due time shall be referred to the Chairman, whose decision shall be final and conclusive.

PROXIES AND CORPORATE REPRESENTATIVES

- 84.** Any shareholder of the Company entitled to attend and vote at a meeting of the Company or a meeting of the holders of any class of shares in the Company shall be entitled to appoint another person as his proxy to attend and vote instead of him. Votes may be given either personally or by duly authorised corporate representative or by proxy. A shareholder who is the holder of two (2) or more shares may appoint not more than two (2) proxies to attend on the same occasion. A proxy need not be a shareholder. In addition, a proxy or proxies representing either an individual shareholder or a shareholder which is a corporation, shall be entitled to exercise the same powers on behalf of the shareholder which he or they represent as such shareholder could exercise including the right to vote individually on a show of hands. Proxies
- 85.** Provided that if the shareholder is the Depository:- Where the shareholder is the Depository
- (A)** the Depository may appoint more than two (2) proxies or a corporate representative to attend and vote at the same general meeting, notwithstanding Bye-law 84;
- (B)** the Company shall be entitled and bound:-
- (i)** to reject any instrument of proxy lodged if the proxy first named in that instrument, being the Depositor, is not shown, in the records of the Depository as at a time not earlier than forty-eight (48) hours prior to the time of the relevant general meeting supplied by the Depository to the Company, to have any shares credited to a securities account;
- (ii)** to accept as the maximum number of votes which in aggregate all the proxies appointed by the Depository in respect of a particular Depositor are able to cast on a poll a number which is the number of shares credited to the securities account of that Depositor, as shown in the records of the Depository as at a time not earlier than forty-eight (48) hours prior to the time of the relevant general meeting supplied by the Depository to the Company, whether that number is greater or smaller than the number specified in any instrument of proxy executed by or on behalf of the Depository; and

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- (iii) the Company shall accept as valid in all respects the form of proxy approved by the Depository (the “CDP Proxy Form”) for use at the date relevant to the general meeting in question notwithstanding that the same permits the Depositor concerned to nominate a person or persons other than himself as the proxy or proxies appointed by the Depository. The Company shall be entitled and bound, in determining rights to vote and other matters in respect of a completed CDP Proxy Form submitted to it, to have regard to the instructions given by and the notes (if any) set out in the CDP Proxy Form.
- 86. (A)** Any corporation which is a shareholder may by resolution of its directors or other governing body authorise such person as it thinks fit to act as its corporate representative at any meeting of the Company or any class of shareholders. The person so authorised shall be entitled to exercise the same powers on behalf of such corporation which he represents as the corporation could exercise if it were an individual shareholder. References in these Bye-Laws to a shareholder present in person at a meeting shall, unless the context otherwise requires, include a corporation which is a shareholder represented at the meeting by such duly authorised corporate representative or by one (1) or more proxies. Nothing contained in this Bye-Law shall prevent a corporation which is a shareholder of the Company from appointing one or more proxies to represent it subject to Bye-law 84.
- (B)** Any reference in these Bye-laws to a duly authorised corporate representative of a shareholder being a corporation shall mean a corporate representative authorised under the provisions of this Bye-law.
- 87.** The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under seal or under the hand of an officer or attorney duly authorised.
- 88.** The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority shall be deposited at such place or one (1) of such places (if any) as is specified in the notice of meeting or in the instrument of proxy issued by the Company (or, if no place is specified, at the Registration Office) not less than forty-eight (48) hours before the time for holding the meeting or adjourned meeting or poll (as the case may be) at which the person named in such instrument proposes to vote, and in default the instrument of proxy shall not be treated as valid. No instrument appointing a proxy shall be valid after the expiration of twelve (12) months from the date of its execution, except at an adjourned meeting or on a poll demanded at a meeting or an adjourned meeting in a case where the meeting was originally held within twelve (12) months from such date. Delivery of an instrument appointing a proxy shall not preclude a shareholder from attending and voting in person at the meeting or upon the poll concerned and, in such event, the instrument appointing a proxy shall be deemed to be revoked.
- 89.** Every instrument of proxy, whether for a specified meeting or otherwise, shall be in such form as the Board may from time to time approve.

Corporate
Representatives

Instrument
appointing
proxy to be in
writing

Appointment of
proxy must be
deposited

Form of proxy

**APPENDIX V:
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| 90. | The instrument appointing a proxy to vote at a general meeting shall: (i) be deemed to confer authority upon the proxy to demand or join in demanding a poll and to vote on any resolution (or amendment thereto) put to the meeting for which it is given as the proxy thinks fit. Provided that any form issued to a shareholder for use by him for appointing a proxy to attend and vote at a special general meeting or at an annual general meeting at which any business is to be transacted shall be such as to enable the shareholder, according to his intentions, to instruct the proxy to vote in favour of or against (or, in default of instructions, to exercise his discretion in respect of) each resolution dealing with any such business; and (ii) unless the contrary is stated therein, be valid as well for any adjournment of the meeting as for the meeting to which it relates. | Authority under instrument appointing proxy |
| 91. | A vote given in accordance with the terms of an instrument of proxy or power of attorney shall be valid notwithstanding the previous death or insanity of the principal or revocation of the proxy or power of attorney or other authority under which the proxy was executed or the transfer of the share in respect of which the proxy is given, provided that no intimation in writing of such death, insanity, revocation or transfer as aforesaid shall have been received by the Company at its Registration Office, or at such other place as is referred to in Bye-Law 88, at least two (2) hours before the commencement of the meeting or adjourned meeting at which the proxy is used. | When vote by proxy valid though authority revoked |
| 92. | In any case where a form of proxy appoints more than one (1) proxy (including the case where such appointment results from a nomination by the Depository), the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy.” | Proportion of shareholding on proxy |

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Rights in respect of dividends

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CAPITALISATION OF RESERVES

- 145. (A)** The Company in general meeting may, upon the recommendation of the Board, resolve to capitalise any part of the Company's reserves (including any contributed surplus account and also including any share premium account or other undistributable reserve, but subject to the provisions of the law with regard to unrealised profits) or undivided profits not required for the payment or provision of the dividend on any shares with a preferential right to dividend, and accordingly that such part be sub-divided amongst the shareholders in such proportion as may be approved by the Board, whether pro-rata to all shareholders or otherwise, on condition that the same be not paid in cash but be applied either in or towards paying up any amounts for the time being unpaid on any shares held by such shareholders respectively or paying up in full unissued shares or debentures or other securities of the Company to be allotted and distributed credited as fully paid to and amongst such shareholders in such proportion as may be approved by the Board as aforesaid, or partly in one way and partly in the other provided that for the purpose of this Bye-Law, any amount standing to the credit of any share premium account may only be applied in the paying up of unissued shares to be issued to shareholders of the Company as fully paid and provided further that any sum standing to the credit of the share premium account may only be applied in crediting as fully paid shares of the same class as that from which the relevant share premium was derived. Power to capitalise
- (B)** Whenever such a resolution as aforesaid shall have been passed the Board shall make all appropriations and applications of the reserves or undivided profits resolved to be capitalised thereby, and all allotments and issues of fully paid shares, debentures, or other securities and generally shall do all acts and things required to give effect thereto. For the purpose of giving effect to any resolution under this Bye-Law, the Board may settle any difficulty which may arise in regard to a capitalisation issue as it thinks fit, and in particular may disregard fractional entitlements or round the same up or down and may determine that cash payments shall be made to any shareholders in lieu of fractional entitlements or that fractions of such value as the Board may determine may be disregarded in order to adjust the rights of all parties or that fractional entitlements shall be aggregated and sold and the benefit shall accrue to the Company rather than to the shareholders concerned. The Board may appoint any person to sign on behalf of the persons entitled to share in a capitalisation issue a contract for allotment and such appointment shall be effective and binding upon all concerned, and the contract may provide for the acceptance by such persons of the shares, debentures or other securities to be allotted and distributed to them respectively in satisfaction of their claims in respect of the sum so capitalised. Effect of resolution to capitalise

DIVIDENDS, CONTRIBUTED SURPLUS AND RESERVES

- 146.** The Company in general meeting may declare dividends in any currency but no dividends shall exceed the amount recommended by the Board. Power to declare dividends

**APPENDIX V:
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- 147. (A)** The Board may subject to Bye-Law 148 from time to time pay to the shareholders such interim dividends as appear to the Board to be justified by the position of the Company and, in particular (but without prejudice to the generality of the foregoing), if at any time the share capital of the Company is divided into different classes, the Board may pay such interim dividends in respect of those shares in the capital of the Company which confer to the holders thereof deferred or non-preferential rights as well as in respect of those shares which confer on the holders thereof preferential rights with regard to dividend and provided that the Board acts bona fide the Board shall not incur any responsibility to the holders of shares conferring any preference for any damage that they may suffer by reason of the payment of an interim dividend on any shares having deferred or non-preferential rights.
- Board's power to pay interim dividends
- (B)** The Board may also pay half-yearly or at other suitable intervals to be settled by it any dividend which may be payable at a fixed rate if the Board is of the opinion that the profits justify the payment.
- 148. (A)** No dividend shall be declared or paid and no distribution of contributed surplus made otherwise than in accordance with the Statutes. No dividend shall be paid otherwise than out of funds available for distribution.
- Dividend not to be paid out of capital/
Distribution of contributed surplus
- (B)** Subject to the provisions of the Companies Act (but without prejudice to paragraph (A) of this Bye-Law), where any asset, business or property is bought by the Company as from a past date (whether such date be before or after the incorporation of the Company) the profits and losses thereof as from such date may at the discretion of the Directors in whole or in part be carried to revenue account and treated for all purposes as profits or losses of the Company, and be available for dividend accordingly. Subject as aforesaid, if any shares or securities are purchased cum dividend or interest, such dividend or interest may at the discretion of the Board be treated as revenue, and it shall not be obligatory to capitalise the same or any part thereof.
- (C)** Subject to Bye-Law 148 (D) all dividends and other distributions in respect of shares in the Company shall be stated and discharged in Singapore dollars, in the case of shares denominated in Singapore dollars, provided that, the Board may determine in the case of any distribution that shareholders may elect to receive the same in any other currency selected by the Board, conversion to be effected at such rate of exchange as the Board may determine.
- (D)** If, in the opinion of the Board, any dividend or other distribution in respect of shares or any other payment to be made by the Company to any shareholder is of such a small amount as to make payment to that shareholder in the relevant currency impracticable or unduly expensive either for the Company or the shareholder then such dividend or other distribution or other payment may, at the discretion of the Board, be paid or made in the currency of the country of the relevant shareholder (as indicated by the address of such shareholder on the register).
- 149.** Notice of the declaration of an interim dividend shall be given by advertisement in the Relevant Territory and in such other territory or territories as the Board may determine and in such manner as the Board shall determine.
- Notice of interim dividend

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- 150.** No dividend or other moneys payable on or in respect of a share shall bear interest as against the Company. No interest on dividend
- 151.** Whenever the Board or the Company in general meeting has resolved that a dividend be paid or declared, the Board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind and in particular of paid up shares, debentures or warrants to subscribe for securities of the Company or any other company, or in any one or more of such ways, with or without offering any rights to shareholders to elect to receive such dividend in cash, and where any difficulty arises in regard to the distribution the Board may settle the same as it thinks expedient, and in particular may disregard fractional entitlements or round the same up or down, and may fix the value for distribution of such specific assets, or any part thereof, and may determine that cash payments shall be made to any shareholders upon the footing of the value so fixed in order to adjust the rights of all parties and may determine that fractional entitlements shall be aggregated and sold and the benefit shall accrue to the Company rather than to the shareholders concerned, and may vest any such specific assets in trustees as may seem expedient to the Board and may appoint any person to sign any requisite instruments of transfer and other documents on behalf of the persons entitled to the dividend and such appointment shall be effective. Where requisite, the Board may appoint any person to sign a contract on behalf of the persons entitled to the dividend and such appointment shall be effective. The Board may resolve that no such assets shall be made available or paid to shareholders with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the Board, be unlawful or impracticable and in such event the only entitlement of the shareholders aforesaid shall be to receive cash payments as aforesaid. Shareholders affected as a result of the foregoing sentence shall not be or be deemed to be a separate class of shareholders for any purpose whatsoever. Dividend in specie
- 152. (A)** Whenever the Board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the Board may further resolve:- Scrip dividends
- either
- (i) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up on the basis that the shares so allotted shall be of the same class or classes as the class or classes already held by the allottee, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment. In such case, the following provisions shall apply:-
 - (a) the basis of any such allotment shall be determined by the Board;
 - (b) the Board, after determining the basis of allotment, shall give not less than two (2) weeks' notice in writing to the shareholders of the right of election accorded to them and shall send with such notice forms of election and specify the procedure to be followed and the place at which and the latest date and time by which duly completed forms of election must be lodged in order to be effective;

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- (c) the right of election may be exercised in respect of the whole or part of that portion of the dividend in respect of which the right of election has been accorded; and
- (d) the dividend (or that part of the dividend to be satisfied by the allotment of shares as aforesaid) shall not be payable in cash on shares in respect whereof the cash election has not been duly exercised ("the non-elected shares") and in lieu and in satisfaction thereof shares shall be allotted credited as fully paid up to the holders of the non-elected shares on the basis of allotment determined as aforesaid and for such purpose the Board shall capitalise and apply out of any part of the undivided profits of the Company or any part of any of the Company's reserve accounts (including any special account, contributed surplus account, share premium account and capital redemption reserve fund (if there be any such reserve)) as the Board may determine a sum equal to the aggregate nominal amount of the shares to be allotted on such basis and apply the same in paying up in full the appropriate number of shares for allotment and distribution to and amongst the holders of the non-elected shares on such basis.

or

- (ii) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Directors may think fit on the basis that the shares so allotted shall be of the same class or classes as the class or classes of shares already held by the allottee. In such case, the following provisions shall apply:-
 - (a) the basis of any such allotment shall be determined by the Board;
 - (b) the Board, after determining the basis of allotment, shall give not less than two (2) weeks' notice in writing to the shareholder of the right of election accorded to them and shall send with such notice forms of election and specify the procedure to be followed and the place at which and the latest date and time by which duly completed forms of election must be lodged in order to be effective;
 - (c) the right of election may be exercised in respect of the whole or part of that portion of the dividend in respect of which the right of election has been accorded; and

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(d) the dividend (or that part of the dividend in respect of which a right of election has been accorded) shall not be payable on shares in respect whereof the share election has been duly exercised ("the elected shares") and in lieu thereof shares shall be allotted credited as fully paid up to the holders of the elected shares on the basis of allotment determined as aforesaid and for such purpose the Board shall capitalise and apply out of any part of the undivided profits of the Company or any part of any of the Company's reserve accounts (including any special account, contributed surplus account, share premium account and capital redemption reserve fund (if there be any such reserve)) as the Board may determine a sum equal to the aggregate nominal amount of the shares to be allotted on such basis and apply the same in paying up in full the appropriate number of shares for allotment and distribution to and amongst the holders of the elected shares on such basis.

(B) The shares allotted pursuant to the provisions of paragraph (A) of this Bye-Law shall rank *pari passu* in all respects with the shares then in issue save only as regards participation:-

- (i) in the relevant dividend (or the right to receive or to elect to receive an allotment of shares in lieu thereof as aforesaid); or
- (ii) in any other distributions, bonuses or rights paid, made, declared or announced prior to or contemporaneously with the payment or declaration of the relevant dividend.

Unless, contemporaneously with the announcement by the Board of its proposal to apply the provisions of sub-paragraph (i) or (ii) of paragraph (A) of this Bye-Law in relation to the relevant dividend or contemporaneously with its announcement of the distribution, bonus or rights in question, the Board shall specify that the shares to be allotted pursuant to the provisions of paragraph (A) of this Bye-Law shall rank for participation in such distribution, bonus or rights.

(C) The Board may do all acts and things considered necessary or expedient to give effect to any capitalisation pursuant to the provisions of paragraph (A) of this Bye-Law with full power to the Board to make such provisions as they think fit in the case of shares becoming distributable in fractions (including provisions whereby, in whole or in part, fractional entitlements are aggregated and sold and the net proceeds distributed to those entitled, or are disregarded or rounded up or down or whereby the benefit of fractional entitlements accrues to the Company rather than to the shareholders concerned). The Board may authorise any person to enter into on behalf of all shareholders interested an agreement with the Company providing for such capitalisation and matters incidental thereto and any agreement made pursuant to such authority shall be effective and binding on all concerned.

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- (D) The Company may upon the recommendation of the Board by Special Resolution resolve in respect of any one particular dividend of the Company that notwithstanding the provisions of paragraph (A) of this Bye-Law a dividend may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.
- (E) The Board may on any occasion determine that rights of election and the allotment of shares under paragraph (A) of this Bye-Law shall not be made available or made to any shareholders with registered addresses in any territory where in the absence of a registration statement or other special formalities the circulation of an offer of such rights of election or the allotment of shares would or might be unlawful, and in such event the provisions aforesaid shall be read and construed subject to such determination.
153. The Board may, before recommending any dividend, set aside out of the profits of the Company such sums as it thinks fit as a reserve or reserves which shall, at the discretion of the Board, be applicable for meeting claims on or liabilities of the Company or contingencies or for paying off any loan capital or for equalising dividends or for any other purpose to which the profits of the Company may be properly applied, and pending such application may, at the like discretion, either be employed in the business of the Company or be invested in such investments (other than shares of the Company) as the Board may from time to time think fit, and so that it shall not be necessary to keep any investments constituting the reserve or reserves separate or distinct from any other investments of the Company. The Board may also without placing the same to reserve carry forward any profits which it may think prudent not to distribute by way of dividend. Reserves
154. Unless and to the extent that the rights attached to any shares or the terms of issue thereof otherwise provide, all dividends shall (as regards any shares not fully paid throughout the period in respect of which the dividend is paid) be apportioned and paid pro rata according to the amounts paid or credited as paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. For the purposes of this Bye-Law no amount paid on a share in advance of calls shall be treated as paid on the share. Dividends to be paid in proportion to paid up capital
155. (A) The Board may retain any dividends or other moneys payable on or in respect of a share upon which the Company has a lien, and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists. Retention of dividends, etc.
- (B) The Board may deduct from any dividend or bonus payable to any shareholder all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise. Deduction of debts
156. Any general meeting sanctioning a dividend may make a call on the shareholders of such amount as the meeting fixes, but so that the call on each shareholder shall not exceed the dividend payable to him, and so that the call shall be made payable at the same time as the dividend, and the dividend may, if so arranged between the Company and the shareholder, be set off against the call. Dividend and call together
157. A transfer of shares shall not pass the right to any dividend or bonus declared thereon before the registration of the transfer. Effect of transfer

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| <p>158. If two (2) or more persons are registered as joint holders of any share, any one of each persons may give effectual receipts for any dividends, interim dividends or bonuses and other moneys payable in respect of such shares.</p> | <p>Receipt for dividends by joint holders of share</p> |
| <p>159. Unless otherwise directed by the Board, any dividend or bonus may be paid by cheque or warrant sent through the post to the registered address of the shareholder entitled, or, in case of joint holders, to the registered address of the joint holder whose name stands first in the register in respect of the joint holding or to such person and to such address as the holder or joint holders may in writing direct. Every cheque or warrant so sent shall be made payable to the order of the person to whom it is sent, and the payment of any such cheque or warrant shall operate as a good discharge to the Company in respect of the dividend and/or bonus represented thereby, notwithstanding that it may subsequently appear that the same has been stolen or that any endorsement thereon has been forged.</p> | <p>Payment by post</p> |
| <p>160. All dividends or bonuses unclaimed for one (1) year after having been declared may be invested or otherwise made use of by the Board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six (6) years after having been declared may be forfeited by the Board and shall revert to the Company.</p> | <p>Unclaimed dividend</p> |
| <p>161. Any resolution declaring a dividend on shares of any class, whether a resolution of the Company in general meeting or a resolution of the Directors, may specify that the same shall be payable or made to the persons registered as the holder of such shares at the close of business on a particular date, notwithstanding that it may be a date prior to that on which the resolution is passed, and thereupon the dividend or other distribution shall be payable or made to them in accordance with their respective holdings so registered, but without prejudice to the rights inter se in respect of such dividend or other distribution between the transferors and transferees of any such shares. The provisions of this Bye-Law shall mutatis mutandis apply to bonuses, capitalisation issues, distributions of realised capital profits or offers or grants made by the Company to the shareholders.</p> | <p>Record dates</p> |

DISTRIBUTION OF REALISED CAPITAL PROFITS

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| <p>162. The Company in general meeting may at any time and from time to time resolve that any surplus moneys in the hands of the Company representing capital profits arising from moneys received or recovered in respect of or arising from the realisation of any capital assets of the Company or any investments representing the same and not required for the payment or provision of any fixed preferential dividend instead of being applied in the purchase of any other capital assets or for other capital purposes be distributed amongst the ordinary shareholders on the footing that they receive the same as capital and in the shares and proportions in which they would have been entitled to receive the same if it had been distributed by way of dividend, provided that no such profits as aforesaid shall be so distributed unless there shall remain in the bands of the Company a sufficiency of other assets to answer in full the whole of the liabilities and paid-up share capital of the Company for the time being.”</p> | <p>Distribution of realised capital profits</p> |
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