



China Auto Electronics Group Limited

## CHINA AUTO ELECTRONICS GROUP LIMITED

(Incorporated in Bermuda)

(Company Registration Number: 34300)

### UNAUDITED RESULTS FOR THE THREE MONTHS ENDED 31 MARCH 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*

	First Quarter Ended on		
	31/03/2016	31/03/2015	Change
	RMB'000	RMB'000	%
<b>Revenue</b>	<b>860,962</b>	<b>737,583</b>	16.7%
Cost of sales	(680,294)	(602,317)	12.9%
<b>Gross profit</b>	<b>180,668</b>	<b>135,266</b>	33.6%
Other items of income			
Other income	2,505	1,072	133.7%
Other items of expense			
Other losses-net	(32,108)	(730)	N.M
Selling and distribution expenses	(14,139)	(13,704)	3.2%
Research and development expenses	(25,944)	(16,868)	53.8%
General and administrative expenses	(56,816)	(48,502)	17.1%
Finance costs-net	(8,089)	(4,943)	63.6%
<b>Profit before income tax</b>	<b>46,077</b>	<b>51,591</b>	-10.7%
Income tax	(11,211)	(8,438)	32.9%
<b>Profit for the period</b>	<b>34,866</b>	<b>43,153</b>	-19.2%
Other comprehensive income/(loss), net of tax			
Currency translation difference	390	(1,338)	N.M
<b>Total comprehensive income for the period</b>	<b>35,256</b>	<b>41,815</b>	-15.7%
Profit attributable to:			
Owners of the Company	31,276	40,197	-22.2%
Non-controlling interests	3,590	2,956	21.4%
	<b>34,866</b>	<b>43,153</b>	-19.2%
Total comprehensive income attributable to:			
Owners of the Company	31,666	38,859	-18.5%
Non-controlling interests	3,590	2,956	21.4%
	<b>35,256</b>	<b>41,815</b>	-15.7%

Note: "N.M." means "Not Meaningful"

**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):

	<b>First Quarter Ended on</b>		
	<b>31/03/2016</b>	<b>31/03/2015</b>	<b>Change</b>
	<b>RMB'000</b>	<b>RMB'000</b>	<b>%</b>
Amortisation of intangible assets	876	582	50.5%
Depreciation of property, plant and equipment	13,190	8,414	56.8%
Interest income	(464)	(2,601)	-82.2%
Interest expense	8,332	9,001	-7.4%
(Write back)/Provision of allowance for slow-moving inventories	(979)	11,798	N.M
(Write back)/Provision/for doubtful trade and other receivables	(14)	12,624	N.M
Fair value losses on financial liabilities at fair value through profit or loss	26,042	-	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
	31.03.2015		31.03.2015
Statement of comprehensive income			
Interest income	2,601	(2,601)	-
Other income	2,693	(1,621)	1,072
Other expenses	(1,953)	1,953	-
Other losses - net	-	(730)	(730)
General and administrative expenses	(47,443)	(1,059)	(48,502)
Finance cost - net	(9,001)	4,058	(4,943)

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	
	31/03/2016 RMB'000	31/12/2015 RMB'000	31/03/2016 RMB'000	31/12/2015 RMB'000
<b>ASSETS</b>				
<b>Non-Current Assets</b>				
Property, plant and equipment	395,647	378,476	13	13
Land Use Rights	84,213	86,634	-	-
Intangible assets	21,543	19,161	-	-
Interest in subsidiaries	-	-	381,012	198,512
Deferred income tax assets	22,492	20,295	-	-
<b>Total non-current assets</b>	<b>523,895</b>	<b>504,566</b>	<b>381,025</b>	<b>198,525</b>
<b>Current Assets</b>				
Inventories	492,654	526,125	-	-
Trade and other receivables	1,293,244	1,177,562	304,524	304,524
Financial assets, available-for- sale	1,800	1,800	-	-
Bank deposits pledged	128,453	88,291	-	-
Cash and cash equivalents	356,565	382,098	89,662	276,040
<b>Total current assets</b>	<b>2,272,716</b>	<b>2,175,876</b>	<b>394,186</b>	<b>580,564</b>
<b>Total Assets</b>	<b>2,796,611</b>	<b>2,680,442</b>	<b>775,211</b>	<b>779,089</b>
<b>LIABILITIES</b>				
<b>Non-current liabilities</b>				
Borrowings	369,836	350,677	317,782	291,740
Deferred income	48,397	50,279	-	-
<b>Total non-current liability</b>	<b>418,233</b>	<b>400,956</b>	<b>317,782</b>	<b>291,740</b>
<b>Current Liabilities</b>				
Trade and other payables	1,031,244	964,036	50,250	52,009
Short-term borrowings	408,075	415,632	-	-
Provision for income tax	25,214	21,229	-	-
<b>Total current liabilities</b>	<b>1,464,533</b>	<b>1,400,897</b>	<b>50,250</b>	<b>52,009</b>
<b>Total Liabilities</b>	<b>1,882,766</b>	<b>1,801,853</b>	<b>368,032</b>	<b>343,749</b>
<b>NET CURRENT ASSETS</b>	<b>808,183</b>	<b>774,979</b>	<b>343,936</b>	<b>528,555</b>
<b>NET ASSETS</b>	<b>913,845</b>	<b>878,589</b>	<b>407,179</b>	<b>435,340</b>
<b>Equity</b>				
Share capital	490,115	490,115	623,026	623,026
Other reserves	260,409	260,019	71,753	71,753
Retained earnings/ (Accumulated losses)	109,301	78,025	(287,600)	(259,439)
Non-controlling interests	54,020	50,430	-	-
<b>Total Equity</b>	<b>913,845</b>	<b>878,589</b>	<b>407,179</b>	<b>435,340</b>
<b>Total Equity and Liabilities</b>	<b>2,796,611</b>	<b>2,680,442</b>	<b>775,211</b>	<b>779,089</b>

## **Analysis of Statements of Financial Position**

### **A. The Group**

1. The increase in property, plant and equipment of RMB17.2 million to RMB395.6 million was mainly due to new purchase of assets of RMB 30.4 million but was offset by depreciation of RMB 13.2 million.
2. The decrease in inventories was due to increase in sales of the available inventories in 1Q2016. 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.

### **B. The Company**

1. The increase in investment in subsidiary to RMB 381million is the increase in share capital of the immediate subsidiary Tianhai Electric (Group) Corporation

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

	<b>GROUP</b>	
	<b>31/03/2016</b>	<b>31/12/2015</b>
Amount repayable in one year or less, or on demand		
Secured	205,303	181,269
Unsecured	202,772	234,363
	<b>408,075</b>	<b>415,632</b>
Amount repayable after one year		
Secured	52,054	58,937
Unsecured	317,782	291,740
	<b>369,836</b>	<b>350,677</b>

### **Details of any collateral**

#### **Short-term borrowings**

As at 31 March 2016, the Group's secured borrowings were secured by the following collaterals:

	<b>GROUP</b>	
	<b>31/03/2016</b>	<b>31/12/2015</b>
	<b>RMB'000</b>	<b>RMB'000</b>
<b><u>Secured</u></b>		
Fixed deposits collateral	15,035	15,111
Accounts receivable	112,507	87,706
Production and office buildings	44,000	44,000
Finance lease	85,815	93,389
<b><u>Unsecured</u></b>		
Corporate guarantees		
Granted by unrelated third parties	45,000	69,000
Others	157,774	165,363

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*

	<b>First Quarter Ended on</b>	
	<b>31/03/2016</b>	<b>31/03/2015</b>
	<b>RMB'000</b>	<b>RMB'000</b>
<b>Cash flows from operating activities :</b>		
Profit before income tax	46,077	51,591
Adjustments for :		
Amortisation of intangible assets	876	582
Depreciation of property, plant and equipment	13,190	8,414
(Write back)/Provision of allowance for slow-moving inventories	(979)	11,798
(Write back)/Provision of allowance for doubtful trade and other receivables	(14)	12,624
Loss from disposal of property, plant and equipment	-	13
Interest income	(464)	(2,601)
Interest expense	8,332	9,001
Amortisation of government grant	(862)	(537)
Fair value losses on financial liabilities at fair value through profit or loss	26,042	-
<b>Operating profit before working capital changes</b>	<b>92,198</b>	<b>90,885</b>
<i>Changes in working capital</i>		
Inventories	34,450	(4,577)
Trade and other receivables	(115,667)	(152,376)
Trade and other payables	48,145	78,420
<b>Cash generated from operations</b>	<b>59,126</b>	<b>12,352</b>
Interest received	464	2,601
Income tax paid	(9,423)	(4,940)
<b>Net cash generated from operating activities</b>	<b>50,167</b>	<b>10,013</b>
<b>Cash flows from investing activities :</b>		
Purchase of property, plant and equipment	(30,555)	(10,622)
Purchase of land use rights	(838)	(34,274)
Proceeds from disposal of property, plant and equipment	193	56
<b>Net cash used in investing activities</b>	<b>(31,200)</b>	<b>(44,840)</b>

	<b>First Quarter Ended on</b>	
	<b>31/03/2016</b>	<b>31/03/2015</b>
	<b>RMB'000</b>	<b>RMB'000</b>
<b>Cash flows from financing activities :</b>		
Net proceeds from short-term borrowings	(15,458)	(9,349)
Changes in bills payables	19,062	(17,761)
Cash restricted in use	(40,162)	54,290
Dividends paid to non-controlling interest	-	(2,400)
Interest paid	(8,332)	(9,001)
<b>Net cash (used in)/generated from financing activities</b>	<b>(44,890)</b>	<b>15,779</b>
<b>Net decrease in cash and bank balances</b>	<b>(25,923)</b>	<b>(19,048)</b>
Effects of currency translation difference	390	(1,338)
Cash and cash equivalents at beginning of financial period	382,098	129,245
<b>Cash and cash equivalents at end of financial period (Note A)</b>	<b>356,565</b>	<b>108,859</b>

**Note A**

**Cash and cash equivalents comprise :**

Cash and bank balances	485,018	292,116
Less: Pledged deposits	(128,453)	(183,257)
	<b>356,565</b>	<b>108,859</b>

**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	Accumulated loss	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	-	-	31,276	31,276	3,590	34,866
Currency Translation Difference	-	390	-	390	-	390
Total comprehensive income	-	390	31,276	31,666	3,590	35,256
Balance at 31 March 2016	490,115	260,409	109,301	859,825	54,020	913,845
Balance at 1 January 2015	490,115	250,746	(31,585)	709,276	46,209	755,485
Profit for the period	-	-	40,197	40,197	2,956	43,153
Currency Translation Difference	-	(1,338)	-	(1,338)	-	(1,338)
Total comprehensive income/(loss)	-	(1,338)	40,197	38,859	2,956	41,815
Dividends paid to non-controlling interest	-	-	-	-	(2,400)	(2,400)
Balance at 31 March 2015	490,115	249,408	8,612	748,135	46,765	794,900

  

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
Loss net of tax, representing total comprehensive loss for the period		-	-	(28,161)	(28,161)
Balance at 31 March 2016		623,026	71,753	(287,600)	407,179
Balance at 1 January 2015		623,026	71,753	(235,642)	459,137
Loss net of tax, representing total comprehensive loss for the period		-	-	(475)	(475)
Balance at 31 March 2015		623,026	71,753	(236,117)	458,662

**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**

	<b>Number of Ordinary Shares</b>	<b>Share Capital RMB'000</b>
<b>Share capital:</b>		
As at 1 January 2015 and 31 March 2015	681,600,000	623,026
As at 1 January 2016 and 31 March 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 31 March 2016, there is no conversion into ordinary shares.

The Company does not have any outstanding treasury shares as at 31 March 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**

	<b>Group</b>		<b>Company</b>	
	<b>31/03/2016</b>	<b>31/12/2015</b>	<b>31/03/2016</b>	<b>31/12/2015</b>
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.



**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)

	<b>First Quarter Ended on</b>	
	<b>31/03/2016</b>	<b>31/03/2015</b>
Profit attributable to shareholders of the Company (RMB'000)	31,276	40,197
Number of shares	681,600,000	681,600,000
Earnings per share (RMB cents)		
- Basic	4.59	5.90

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

	<b>First Quarter Ended on</b>	
	<b>31/03/2016</b>	<b>31/03/2015</b>
Profit attributable to shareholders of the Company (RMB'000)	31,276	40,197
Interest Expense on Convertible Bond (net of tax) (RMB'000)	718	-
Profit used to determine earnings per share (RMB '000)	31,994	40,197
Weighted average number of ordinary shares	681,600,000	681,600,000
Assumed conversion	666,666,667	
Weighted average number of ordinary shares for the purpose of diluted earnings per share	1,348,266,667	681,600,000
Diluted earnings per share (RMB Cents)	2.37	5.90

**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	
	31/03/2016	31/12/2015	31/03/2016	31/12/2015
Net assets (RMB'000)	859,825	828,159	407,179	435,340
Number of shares	681,600,000	681,600,000	681,600,000	681,600,000
Net assets value per share (RMB cents)	126.15	121.50	59.74	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		
	3 months	3 months	Change	3 months	3 months	Change	3 months	3 months	Change
	FY2016	FY2015		FY2016	FY2015		FY2016	FY2015	
	RMB'000	RMB'000	%	RMB'000	RMB'000	%	RMB'000	RMB'000	%
Revenue	732,222	597,878	22.5%	128,740	139,705	-7.8%	860,962	737,583	16.7%
Cost of sales	(555,854)	(467,635)	18.9%	(124,440)	(134,682)	-7.6%	(680,294)	(602,317)	12.9%
Gross profit	176,368	130,243	35.4%	4,300	5,023	-14.4%	180,668	135,266	33.6%
Gross profit margin	24%	22%		3%	4%		21%	18%	

The Group recorded a net profit after tax of RMB34.9 million for the financial period ended 31 March 2016 ("1Q2016") as compared to RMB43.2 million in 1Q2015.

Group revenue for 1Q2016 increased by 16.7% to RMB861.0 million.

Revenue from China operations increased by 22.5% to RMB732.2 million, while US operations decreased by 7.8% to RMB128.7 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 3.0%, while the gross profit increased by 33.6% to RMB180.7 million. The increase in gross profit of China operation by 35.4% was mainly due to higher sales volumes while US operations decreased by 14.4% which was mainly due to cancellation of some projects.

### **Net profit before income tax**

Other income increased by RMB1.43 million to RMB2.50 million (or 133.7%), which was mainly due to the subsidy income from the government amortized during the financial period.

Other expenses decreased by RMB31.38 million to RMB32.10 million, which was mainly due to adjustment made on fair value of the convertible bond which resulted in a charge of RMB26.00 million.

Fair value losses on financial liabilities at fair value through profit or loss on the valuation of convertible bonds for the quarter ended 31.3. 2016 amounting to RMB 26.0 million resulted in profit before income tax of RMB 34.87 million. The profit before income tax would have been RMB 60.87 million in the event that this fair value losses is excluded.

Research and development expenses increased by RMB7.08 million (or 53.8%) to RMB25.9 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 RMB8.3 million (or 17.1%) to RMB56.8 million, which was mainly due to decrease in provision for bad and doubtful debts of RMB12.6 million and increase in staff related expenses of RMB14.5 million, increase in depreciation charge of RMB 1.3 million and bank charges increase of RMB 1.0 million.

Net finance cost increased by RMB 3.1 million to RMB 8.1 million due to the reduction in interest income of RMB 2.1 million and loss in foreign exchange of RMB 1.0 million.

### **Taxation**

Income tax expense increased by RMB2.8 million (or 32.9%), which was in line with higher taxable income from increased profits for the financial period under review.

### **Cash flows**

The Group generated RMB50.1 million (1Q2015: RMB10.0 million) from operating activities, which was mainly due to higher recovery of account receivables and lower holding of inventories and account payable during the financial period under review. After payments for investing activities of RMB31.2 million (1Q2015: RMB44.8 million) and cash outflow from financing activities of RMB44.9 million (1Q2015: RMB15.8 million-inflow), the cash and cash equivalent as at 31 March 2016 amounted to RMB356.6 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 31 March 2016**

*Any dividend declared for the current financial period reported on?*

None.

**(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 31 March 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 31.3.2016, no disbursement of the proceeds had been made.

**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 31 March 2016 to be false or misleading in any material aspect.

**BY ORDER OF THE BOARD**

Zhang Jingtang (张景堂)

Executive Chairman

14 May 2016