

LIZHONG WHEEL GROUP LTD.
(Registration Number: 200407196C)
(Incorporated in the Republic of Singapore)

**RESPONSE TO QUERIES FROM SINGAPORE EXCHANGE SECURITIES TRADING LIMITED
ON THE UNAUDITED FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 30
JUNE 2015**

The Board of Directors (the “**Board**”) of Lizhong Wheel Group Ltd. (the “**Company**” and together with its subsidiaries, the “**Group**”) refers to the Company’s announcement on the unaudited financial statements for the second quarter ended 30 June 2015 released on 13 August 2015.

The Board would like to respond to the following queries raised by the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) on 26 August 2015 and 27 August 2015 (each, a “**SGX Query**”) as follows:

SGX Query 1

We refer to the increase of prepaid lease payments from RMB73.6 million as at 31 December 2014 to RMB119.9 million as at 30 June 2015. Please explain the reasons for the increase.

Company’s response

The prepaid lease payments are made for the land use rights. The increase of approximately RMB46.3 million (“**Increase**”) to RMB119.9 million as at 30 June 2015 as compared to RMB73.6 million as at 31 December 2014 was due to the land use rights in a newly acquired subsidiary, Baotou Shengtai Automobile Accessories Manufacturing Co., Ltd (the “**Subsidiary**”) (the relevant announcement on the acquisition was released on 12 June 2015).

The Increase was mainly due to RMB47.2 million land use rights in the Subsidiary, which was partially offset by the amortization of RMB0.9 million.

SGX Query 2

Please clarify on the “Fair value gain (loss) on derivative financial instruments” on page 1 and “Loss (Gain) from change in fair value of derivative instruments” on page 2 of the Company’s Financial Statements for the second quarter ended 30 June 2015.

Company’s response

Fair value gain (loss) on derivative financial instruments on page 1 represented the change in the fair value of the forward foreign currency contracts, which the group has designated as cash flow hedges. The change in the fair value of the forward foreign currency contracts was due to exchange rate difference and decrease in the volume of contracts. It is determined based on forward exchange rates at the end of the reporting period, contract forwards rates and the notional value of outstanding forward contracts. The change in fair value of the derivative financial instruments, amounting to a gain of RMB11.1 million, was recognised in other comprehensive income net of related tax of RMB1.4 million for the period ended 30 June 2015.

Loss (Gain) from change in fair value of derivative instruments on page 2 represented the change in the fair value of aluminium futures contracts, which the group has not designated for hedge accounting. The change in the fair value of aluminium futures contracts was due to change in

prices and increase in the volume of contracts. It is determined based on future contracts price at the end of the reporting period, future contracts price and the notional value of outstanding aluminium futures contracts. The change in fair value of the derivative financial instruments, amounting to a loss of RMB2.7 million was recognised in profit or loss for the period ended 30 June 2015.

By order of the Board

Mr Zang Ligen
Executive Chairman
2 September 2015