

**THB****CHINA AUTO ELECTRONICS GROUP LIMITED**

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

(Company Registration Number 34300)

NOTICE OF SPECIAL GENERAL MEETING

Unless otherwise defined, all capitalised terms herein shall bear the same meanings as used in the circular dated 19 October 2015 issued by China Auto Electronics Group Limited.

NOTICE IS HEREBY GIVEN that a Special General Meeting ("SGM") of China Auto Electronics Group Limited ("Company") will be held on 3 November 2015, at Rasa Suites 1 & 2, Level 6, Shangri-La's Rasa Sentosa Resort, 101 Siloso Road, Sentosa, Singapore 098970, at 10:00 a.m. for the purpose of considering and, if thought fit, passing with or without any modification, the following resolution:

AS SPECIAL BUSINESS**AS ORDINARY RESOLUTION – THE BONDS ISSUE**

THAT approval be and is hereby given to the Directors (or any of them):

- (A) to create and issue an aggregate principal amount of S\$60 million convertible bonds due 2018 (the "**Convertible Bonds**") to Oriental Success International Investment Ltd and Brain International Investment Ltd (collectively, the "**Investors**"), subject to the provisions of the Purchase Agreement dated 14 August 2015 between the Company and the Investors, such Convertible Bonds to be convertible, at the option of the Bondholders, into new ordinary shares in the capital of the Company (the "**Conversion Shares**") at a conversion price (the "**Conversion Price**") determined in accordance with the terms and conditions of the Convertible Bonds, and subject to such adjustments as the terms and conditions of the Convertible Bonds shall stipulate;
- (B) to allot and issue:
 - (i) such number of Conversion Shares as may be required or permitted to be allotted and issued on the conversion of the Convertible Bonds, to the Bondholders on the conversion thereof, subject to and otherwise in accordance with the terms and conditions of the Convertible Bonds, whereby such Conversion Shares when issued shall rank *pari passu* in all respects with the then existing ordinary shares in the capital of the Company, save as may be provided in the terms and conditions of the Convertible Bonds;
 - (ii) on the same basis as paragraph (B)(i) above, such further Conversion Shares as may be required to be allotted and issued on the conversion of any of the Convertible Bonds upon the adjustment of the Conversion Price in accordance with the terms and conditions of the Convertible Bonds; and
 - (iii) such number of Conversion Shares referred to in paragraphs (B)(i) and (B)(ii) above to the Investors and/or any Bondholder at the time of conversion;
- (C) to permit the potential transfer of a controlling interest in the Company arising from the issue of the Convertible Bonds, pursuant to Rule 803 of the Listing Manual; and
- (D) to take such steps, make such amendments to the terms and conditions of the Convertible Bonds (provided that the amendments are not material) and exercise such discretion as the Directors or any of them may from time to time deem fit, advisable, desirable, expedient or necessary in connection with all matters in connection with or arising from the Bonds Issue.

(See Explanatory Note 1)

BY ORDER OF THE BOARD

China Auto Electronics Group Limited

Zhang Jingtang
(Executive Chairman)
19 October 2015

Explanatory Note:

1. The ordinary resolution proposed in the Notice of SGM above, if passed, will empower the Directors to create and issue an aggregate principal amount of S\$60 million Convertible Bonds, and to allot and issue such number of Conversion Shares in the Company pursuant to the conversion of the Convertible Bonds (including such further Conversion Shares as may be required to be allotted and issued pursuant to adjustment of the Conversion Price), which may result in the potential transfer of a controlling interest in the Company.

Notes:

1. If a Shareholder is unable to attend the Special General Meeting and wishes to appoint a proxy to attend and vote at the Special General Meeting in his stead, then he should complete and sign the Member Proxy Form and deposit the duly completed Member Proxy Form at the registered office of the Company's share registrar, B.A.C.S. Private Limited, at 8 Robinson Road #03-00 ASO Building Singapore 048544 not less than 48 hours before the time fixed for the Special General Meeting.
2. A Depositor registered and holding Shares through The Central Depository (Pte) Limited ("**CDP**") who/which is (i) an individual but is unable to attend the Special General Meeting personally and wishes to appoint a nominee to attend and vote; or (ii) a corporation, must complete, sign and return the Depositor Proxy Form completed by CDP and deposit the duly completed Depositor Proxy Form at the registered office of the Company's share registrar, B.A.C.S. Private Limited, at 8 Robinson Road #03-00 ASO Building Singapore 048544 not less than 48 hours before the time fixed for the Special General Meeting.

A Depositor who is an individual and who wishes to attend the Special General Meeting in person is reminded that the proxy forms appointing themselves as proxies must similarly be deposited not less than 48 hours before the time fixed for the Special General Meeting in order for such persons to be able to attend and vote at the Special General Meeting.

Personal Data Privacy:

By submitting a proxy form appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the SGM and/or any adjournment thereof, a member of the Company: (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents or service providers) for the purpose of the processing, administration and analysis by the Company (or its agents or service providers) of proxies and representatives appointed for the SGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the SGM (including any adjournment thereof), and in order for the Company (or its agents or service providers) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"); (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents or service providers), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents or service providers) of the personal data of such proxy(ies) and/or representative(s) for the Purposes; and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.