

CHINA AUTO ELECTRONICS GROUP LIMITED

(Incorporated in Bermuda)

(Company Registration Number: 34300)

UNAUDITED RESULTS FOR THE THREE MONTHS ENDED 31 MARCH 2015

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		
	31/03/2015	31/03/2014	Change
	RMB'000	RMB'000	%
Revenue	737,583	547,185	34.8%
Cost of sales	(602,317)	(440,666)	36.7%
Gross profit	135,266	106,519	27.0%
Other items of income			
Interest income	2,601	3,542	-26.6%
Other income	2,693	1,064	153.1%
Other items of expense			
Other expenses	(1,953)	(5,416)	-63.9%
Selling and distribution expenses	(13,704)	(10,427)	31.4%
Research and development expenses	(16,868)	(12,323)	36.9%
General and administrative expenses	(47,443)	(26,840)	76.8%
Finance costs	(9,001)	(13,420)	-32.9%
Profit before income tax	51,591	42,699	20.8%
Income tax	(8,438)	(5,504)	53.3%
Profit for the period	43,153	37,195	16.0%
Other comprehensive (loss)/income, net of tax			
Currency translation difference	(1,338)	(4,615)	-71.0%
Total comprehensive income for the period	41,815	32,580	28.3%
Profit attributable to:			
Owners of the Company	40,197	34,492	16.5%
Non-controlling interests	2,956	2,703	9.4%
	43,153	37,195	16.0%
Total comprehensive income attributable to:			
Owners of the Company	38,859	29,877	30.1%
Non-controlling interests	2,956	2,703	9.4%
	41,815	32,580	28.3%

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):

	First Quarter Ended on		
	31/03/2015	31/03/2014	Change
	RMB'000	RMB'000	%
Amortisation of intangible assets	582	609	-4.4%
Depreciation of property, plant and equipment	8,414	7,800	7.9%
Interest income	(2,601)	(3,542)	-26.6%
Interest expense	9,001	13,420	-32.9%
Provision of allowance for slow-moving inventories	11,798	-	N.M
Provision for doubtful trade and other receivables	12,624	9	100.0%

"N.M" mean no meaningful

Note:

Please refer to item 8 on page 10 for details.

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	
	31/03/2015 RMB'000	31/12/2014 RMB'000	31/03/2015 RMB'000	31/12/2014 RMB'000
ASSETS				
Non-Current Assets				
Property, plant and equipment	283,008	280,869	-	-
Intangible assets	101,730	68,038	-	-
Interest in subsidiaries	-	-	198,512	198,512
Trade and other receivables-non-current	-	-	-	-
Deferred income tax assets	9,663	9,663	-	-
Total non-current assets	394,401	358,570	198,512	198,512
Current Assets				
Inventories	440,939	448,160	-	-
Trade and other receivables	1,069,194	929,442	304,523	304,523
Financial assets, available-for- sale	1,800	1,800	-	-
Bank deposits pledged	183,257	237,547	-	-
Cash and cash equivalents	108,859	129,245	323	798
Total current assets	1,804,049	1,746,194	304,846	305,321
Total Assets	2,198,450	2,104,764	503,358	503,833
LIABILITIES				
Non-current liabilities				
Borrowings	13,018	20,247	-	-
Deferred income	19,902	20,439	-	-
Total non-current liability	32,920	40,686	-	-
Current Liabilities				
Trade and other payables	882,529	821,870	44,696	44,696
Short-term borrowings	477,263	479,383	-	-
Provision for income tax	10,838	7,340	-	-
Total current liabilities	1,370,630	1,308,593	44,696	44,696
Total Liabilities	1,403,550	1,349,279	44,696	44,696
NET CURRENT ASSETS	433,419	437,601	260,150	260,625
NET ASSETS	794,900	755,485	458,662	459,137
Equity				
Share capital	490,115	490,115	623,026	623,026
Other reserves	249,408	250,746	71,753	71,753
Retained earnings/ (Accumulated losses)	8,612	(31,585)	(236,117)	(235,642)
Non-controlling interests	46,765	46,209	-	-
Total Equity	794,900	755,485	458,662	459,137
Total Equity and Liabilities	2,198,450	2,104,764	503,358	503,833

Analysis of Statements of Financial Position

A. The Group

1. The increase in property, plant and equipment of RMB2.1 million to RMB283.0 million was mainly due to new purchase of assets.
2. The increase in intangible assets of RMB33.7 million to RMB101.7 million was due to the addition of land use rights.
3. The decrease in inventories was due to additional provision for slow moving inventories made in 1Q2015. The increase in trade and other receivables was in line with the increase in sales activities.
4. 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.
5. 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	
	31/03/2015	31/12/2014
	RMB'000	RMB'000
Amount repayable in one year or less, or on		
Secured	200,658	245,383
Unsecured	276,605	234,000
	<u>477,263</u>	<u>479,383</u>
Amount repayable after one year		
Secured	13,018	20,247
Unsecured	-	-
	<u>13,018</u>	<u>20,247</u>

Details of any collateral

Short-term borrowings

As at 31 March 2015, the Group's secured borrowings were secured by the following collaterals:

	GROUP	
	31/03/2015	31/12/2014
	RMB'000	RMB'000
<u>Secured</u>		
Fixed deposits collateral	14,127	71,470
Accounts receivable	117,441	100,941
Production and office buildings	45,999	50,521
Finance lease	23,091	22,451
<u>Unsecured</u>		
Corporate guarantees		
Granted by unrelated third parties	185,000	185,000
Others	91,605	49,000

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**

	First Quarter Ended on	
	31/03/2015	31/03/2014
	RMB'000	RMB'000
Cash flows from operating activities :		
Profit before income tax	51,591	42,699
Adjustments for :		
Amortisation of intangible assets	582	609
Depreciation of property, plant and equipment	8,414	7,800
Provision of allowance for slow-moving inventories	11,798	-
Provision of allowance for doubtful trade and other receivables	12,624	9
Impairment loss on property, plant and equipment	-	212
Loss /(gain) from disposal of property, plant and equipment	13	(426)
Interest income	(2,601)	(3,542)
Interest expense	9,001	13,420
Amortisation of government grant	(537)	311
Operating profit before working capital changes	90,885	61,092
<i>Changes in working capital</i>		
Inventories	(4,577)	(6,882)
Trade and other receivables	(152,376)	(28,730)
Trade and other payables	78,420	(27,909)
Cash generated from /(used in) operations	12,352	(2,429)
Interest received	2,601	3,542
Income tax paid	(4,940)	(4,418)
Net cash generated from/(used in) operating activities	10,013	(3,305)
Cash flows from investing activities :		
Purchase of property, plant and equipment	(10,622)	(7,860)
Purchase of land use rights	(34,274)	(1,085)
Proceeds from disposal of property, plant and equipment	56	-
Cash received from disposal of investment in equity funds	-	426
Net cash used in investing activities	(44,840)	(8,519)

	First Quarter Ended on	
	31/03/2015	31/03/2014
	RMB'000	RMB'000
Cash flows from operating activities :		
Cash flows from financing activities :		
Net proceeds from short-term borrowings	(9,349)	21,230
Changes in bills payables	(17,761)	34,543
Cash restricted in use	54,290	(31,643)
Dividends paid to non-controlling interest	(2,400)	(2,400)
Interest paid	(9,001)	(13,420)
Net cash generated from financing activities	15,779	8,310
Net decrease in cash and bank balances	(19,048)	(3,514)
Effects of currency translation difference	(1,338)	(4,615)
Cash and cash equivalents at beginning of financial period	129,245	102,557
Cash and cash equivalents at end of financial period (Note A)	108,859	94,428
 Note A		
Cash and cash equivalents comprise :		
Cash and bank balances	292,116	379,882
Less: Pledged deposits	(183,257)	(285,453)
	108,859	94,429

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

GROUP	Share capital RMB'000	Other reserves RMB'000	Accumulated loss RMB'000	Attributable	Non- controlling interest RMB'000	Total Equity RMB'000
				to the Equity holders of the Company RMB'000		
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	-	(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
Balance at 1 January 2014	490,115	237,373	(140,821)	586,667	40,052	626,719
Profit for the period	-	-	34,492	34,492	2,703	37,195
Currency Translation Difference	-	(4,615)	-	(4,615)	-	(4,615)
Total comprehensive income	-	(4,615)	34,492	29,877	2,703	32,580
Dividends paid to non-controlling interest	-	-	-	-	(2,400)	(2,400)
Changes in shareholding in non-controlling interests of subsidiaries	-	-	-	-	311	311
Balance at 31 March 2014	490,115	232,758	(106,329)	616,544	40,666	657,210

COMPANY	Share capital RMB'000	Other reserves RMB'000	Accumulated loss RMB'000	Attributable	Total Equity RMB'000
				to the Equity holders of the Company RMB'000	
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
Balance at 1 January 2014		623,026	71,753	(235,340)	459,439
Loss net of tax, representing total comprehensive loss for the period		-	-	(712)	(712)
Balance at 31 March 2014		623,026	71,753	(236,052)	458,727

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

	<u>Number of Ordinary Shares</u>	<u>Share Capital RMB'000</u>
Share capital:		
As at 1 January 2014 and 31 March 2014	<u>681,600,000</u>	<u>623,026</u>
As at 1 January 2015 and 31 March 2015	<u>681,600,000</u>	<u>623,026</u>

The Company does not have any outstanding convertibles or treasury shares.

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

	<u>Group</u>		<u>Company</u>	
	<u>31/03/2015</u>	<u>31/12/2014</u>	<u>31/03/2015</u>	<u>31/12/2014</u>
Number of issued shares	<u>681,600,000</u>	<u>681,600,000</u>	<u>681,600,000</u>	<u>681,600,000</u>

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 2014.

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 2015. The adoption of these new and revised FRS 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)

	First Quarter Ended on	
	31/03/2015	31/03/2014
Profit attributable to shareholders of the Company (RMB'000)	40,197	34,492
<u>Number of shares</u>		
Earnings per share (RMB cents)		
- Basic	5.90	5.06

Diluted earnings per share is not presented as there was no potential dilutive ordinary share existing during the relevant financial period presented.

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	
	31/03/2015	31/12/2014	31/03/2015	31/12/2014
Net assets (RMB'000)	748,135	709,276	458,662	459,137
Number of shares	681,600,000	681,600,000	681,600,000	681,600,000
Net assets value per share (RMB cents)	109.76	104.06	67.29	67.36

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 FY2015	3 months FY2014	Change	3 months FY2015	3 months FY2014	Change	3 months FY2015	3 months FY2014	Change
	RMB'000	RMB'000	%	RMB'000	RMB'000	%	RMB'000	RMB'000	%
Revenue	597,878	415,799	43.8%	139,705	131,386	6.3%	737,583	547,185	34.8%
Cost of sales	(467,635)	(317,291)	47.4%	(134,682)	(123,375)	9.2%	(602,317)	(440,666)	36.7%
Gross profit	<u>130,243</u>	<u>98,508</u>	32.2%	<u>5,023</u>	<u>8,011</u>	-37.3%	<u>135,266</u>	<u>106,519</u>	27.0%
Gross profit margin	<u>22%</u>	<u>24%</u>		<u>4%</u>	<u>6%</u>		<u>18%</u>	<u>19%</u>	

The Group recorded a net profit after tax of RMB43.2 million for the financial period ended 31 March 2015 ("1Q2015") as compared to RMB37.2 million in 1Q2014.

Group revenue for 1Q2015 increased by 35.0% to RMB737.6 million.

Revenue from China operations increased by 44.0% to RMB597.9 million, while Overseas operations increased by 6.0% to RMB139.7 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 decreased by 1.0%, while the gross profit increased by 27.0% to RMB135.3 million. The increase in gross profit of China operation by 32.0% was mainly due to higher sales volumes while US operations decreased by 37.0% which was mainly due to higher transportation cost.

Net profit before income tax

Interest income decreased by RMB0.9 million (or 27.0%), which was mainly due to reduced fixed deposits.

Other income increased by RMB1.63 million to RMB2.69 million (or 153.0%), which was mainly due to the subsidy income from the government amortized during the financial period.

Other expenses decreased by RMB3.46 million (or 64.0%) to RMB1.95 million, which was mainly due to reduction in losses on foreign exchange by RMB3.52 million.

Research and development expenses increased by RMB4.5 million (or 37.0%) to RMB16.8 million, which was incurred for the development of new projects to seek opportunities to secure future sales with new and existing customers.

General and administrative expenses increased by RMB20.6 million (or 77.0%) to RMB47.4 million, which was mainly due to increase in provision for bad and doubtful debts of RMB12.6 million and increase in staff related expenses of RMB6 million.

Taxation

Income tax expense increased by RMB2.9 million (or 53.0%), which was in line with higher taxable income from increased profits for the financial period under review.

Cash flows

The Group generated RMB10.0 million (1Q2014: outflow of RMB3.3 million) from operating activities, which was mainly due to higher amount of profits during the financial period under review. After payments for investing activities of RMB44.8 million (1Q2014: RMB8.5 million) and cash generated from financing activities of RMB15.8 million (1Q2014: RMB8.3 million), the cash and cash equivalent as at 31 March 2015 amounted to RMB108.9 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 2015 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 2015.

11 ***Dividend***

(a) Current Financial Period Reported On 31 March 2015

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 2015.

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 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 2015 to be false or misleading in any material aspect.

BY ORDER OF THE BOARD

Zhang Jingtang (张景堂)

Executive Chairman

14 May 2015