

CHINA AUTO ELECTRONICS GROUP LIMITED

(Incorporated in Bermuda)

(Company Registration Number: 34300)

UNAUDITED RESULTS FOR THE HALF YEAR ENDED 30 JUNE 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*

	Second Quarter Ended on			Full Year Ended on		
	30/06/2015	30/06/2014	Change	30/06/2015	30/06/2014	Change
	RMB'000	RMB'000	%	RMB'000	RMB'000	%
Revenue	635,221	552,946	14.9%	1,372,804	1,100,131	24.8%
Cost of sales	(497,100)	(430,995)	15.3%	(1,099,417)	(871,661)	26.1%
Gross profit	138,121	121,951	13.3%	273,387	228,470	19.7%
Other items of income						
Interest income	2,587	2,243	15.3%	5,188	5,785	-10.3%
Other income	3,229	5,803	-44.4%	5,922	6,867	-13.8%
Other items of expense						
Other expenses	(2,566)	(1,939)	32.3%	(4,519)	(7,355)	-38.6%
Selling and distribution expenses	(11,799)	(11,255)	4.8%	(25,503)	(21,682)	17.6%
Research and development expenses	(22,245)	(17,588)	26.5%	(39,113)	(29,911)	30.8%
General and administrative expenses	(40,786)	(29,255)	39.4%	(88,230)	(56,095)	57.3%
Finance costs	(7,696)	(13,988)	-45.0%	(16,697)	(27,408)	-39.1%
Profit before income tax	58,845	55,972	5.1%	110,435	98,671	11.9%
Income tax	(8,805)	(8,824)	-0.2%	(17,243)	(14,328)	20.3%
Profit for the period	50,040	47,148	6.1%	93,192	84,343	10.5%
Other comprehensive (loss)/income, net of tax						
Currency translation difference	285	4,261	-93.3%	(1,053)	(354)	N.M.
Total comprehensive income for the period	50,325	51,409	-2.1%	92,139	83,989	9.7%
Profit attributable to:						
Owners of the Company	47,320	43,792	8.1%	87,517	78,284	11.8%
Non-controlling interests	2,720	3,356	-19.0%	5,675	6,059	-6.3%
	50,040	47,148	6.1%	93,192	84,343	10.5%
Total comprehensive income attributable to:						
Owners of the Company	47,605	48,053	-0.9%	86,464	77,930	11.0%
Non-controlling interests	2,720	3,356	-19.0%	5,675	6,059	-6.3%
	50,325	51,409	-2.1%	92,139	83,989	9.7%

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):

	Second Quarter Ended on			Full Year Ended on		
	30/06/2015	30/06/2014	Change	30/06/2015	30/06/2014	Change
	RMB'000	RMB'000	%	RMB'000	RMB'000	%
Amortisation of intangible assets	702	424	65.6%	1,284	1,033	24.3%
Depreciation of property, plant and equipment	8,813	7,617	15.7%	17,227	15,417	11.7%
Interest income	(2,587)	(2,243)	15.3%	(5,188)	(5,785)	-10.3%
Interest expense	7,696	13,988	-45.0%	16,697	27,408	-39.1%
Provision/(write back) of allowance for slow-moving inventories	(3,230)	-	N.M	8,568	-	N.M
Provision for doubtful trade and other receivables	1,739	228	100.0%	14,363	237	N.M

"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	
	30/06/2015	31/12/2014	30/06/2015	31/12/2014
	RMB'000	RMB'000	RMB'000	RMB'000
ASSETS				
Non-Current Assets				
Property, plant and equipment	304,147	280,869	-	-
Intangible assets	103,533	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	417,343	358,570	198,512	198,512
Current Assets				
Inventories	464,104	448,160	-	-
Trade and other receivables	1,088,836	929,442	304,523	304,523
Financial assets, available-for- sale	1,800	1,800	-	-
Bank deposits pledged	193,730	237,547	-	-
Cash and cash equivalents	107,802	129,245	182	798
Total current assets	1,856,272	1,746,194	304,705	305,321
Total Assets	2,273,615	2,104,764	503,217	503,833
LIABILITIES				
Non-current liabilities				
Borrowings	43,118	20,247	-	-
Deferred income	44,793	20,439	-	-
Total non-current liability	87,911	40,686	-	-
Current Liabilities				
Trade and other payables	855,687	821,870	45,919	44,696
Short-term borrowings	481,973	479,383	-	-
Provision for income tax	2,820	7,340	-	-
Total current liabilities	1,340,480	1,308,593	45,919	44,696
Total Liabilities	1,428,391	1,349,279	45,919	44,696
NET CURRENT ASSETS	515,792	437,601	258,786	260,625
NET ASSETS	845,224	755,485	457,298	459,137
Equity				
Share capital	490,115	490,115	623,026	623,026
Other reserves	249,693	250,746	71,753	71,753
Retained earnings/ (Accumulated losses)	55,932	(31,585)	(237,481)	(235,642)
Non-controlling interests	49,484	46,209	-	-
Total Equity	845,224	755,485	457,298	459,137
Total Equity and Liabilities	2,273,615	2,104,764	503,217	503,833

Analysis of Statements of Financial Position

A. The Group

1. The increase in property, plant and equipment of RMB23.3 million to RMB304.1 million was mainly due to new purchases of machinery and equipment for production use.
2. The increase in intangible assets of RMB35.5 million to RMB103.5 million was due to addition of land use rights.
3. The increase in inventories and 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 increase in short-term borrowings by RMB 2.59 million to RMB 481.9 million was due to the higher working capital requirement as a result of higher level of sales activities during the financial period under review.

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

	GROUP	
	30/06/2015	31/12/2014
	RMB'000	RMB'000
Amount repayable in one year or less, or on demand		
Secured	228,531	245,383
Unsecured	253,442	234,000
	481,973	479,383
Amount repayable after one year		
Secured	43,118	20,247
Unsecured	-	-
	43,118	20,247

Details of any collateral

Short-term borrowings

As at 30 June 2015, the Group's secured borrowings were secured by the following collaterals:

	GROUP	
	30/06/2015	31/12/2014
	RMB'000	RMB'000
<u>Secured</u>		
Fixed deposits collateral	14,226	71,470
Accounts receivable	155,062	100,941
Production and office buildings	39,000	50,521
Finance lease	20,243	22,451
<u>Unsecured</u>		
Corporate guarantees		
Granted by unrelated third parties	155,000	185,000
Others	98,442	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

	Second Quarter Ended on		Full Year Ended on	
	30/06/2015	30/06/2014	30/06/2015	30/06/2014
	RMB'000	RMB'000	RMB'000	RMB'000
Cash flows from operating activities :				
Profit before income tax	58,845	55,972	110,435	98,671
Adjustments for :				
Amortisation of intangible assets	702	424	1,284	1,033
Depreciation of property, plant and equipment	8,813	7,617	17,227	15,417
Provision/(write back) of allowance for slow-moving inventories	(3,230)	-	8,568	-
Provision of allowance for doubtful trade and other receivables	1,739	228	14,363	237
Impairment loss on property, plant and equipment	-	(440)	-	(228)
Loss /(gain) from disposal of property, plant and equipment	10	26	23	(399)
Waiver of trade payables	-	-	-	-
Gain on disposal of property, plant and equipment	-	-	-	-
Interest income	(2,587)	(2,243)	(5,188)	(5,785)
Interest expense	7,696	13,988	16,697	27,408
Amortisation of government grant	(524)	(979)	(1,061)	(668)
Unrealised currency translation loss				
Operating profit before working capital changes	71,464	74,593	162,348	135,686
<i>Changes in working capital</i>				
Inventories	(19,934)	20,074	(24,512)	13,192
Trade and other receivables	(21,381)	(48,407)	(173,757)	(77,137)
Trade and other payables	(13,691)	(20,981)	64,729	(48,890)
Cash generated from operations	16,458	25,279	28,808	22,851
Interest received	2,587	2,243	5,188	5,785
Income tax paid	(16,824)	(7,847)	(21,763)	(12,265)
Net cash generated from operating activities	2,221	19,675	12,233	16,371
Cash flows from investing activities :				
Purchase of property, plant and equipment	(30,298)	(10,719)	(40,920)	(18,579)
Purchase of land use rights	(2,505)	-	(36,779)	(1,085)
Proceeds from disposal of property, plant and equipment	335	-	392	-
Cash subsidy received from government	25,415	-	25,415	-
Cash paid to acquire investments	-	(1,700)	-	(1,700)
Cash received from disposal of investment in equity funds	-	(426)	-	-
Net cash used in investing activities	(7,053)	(12,845)	(51,892)	(21,364)

	Second Quarter Ended on		Full Year Ended on	
	30/06/2015	30/06/2014	30/06/2015	30/06/2014
	RMB'000	RMB'000	RMB'000	RMB'000
Cash flows from financing activities :				
Net proceeds from short-term borrowings	34,810	501	25,461	21,731
Changes in bills payables	(13,151)	54,561	(30,912)	89,104
Cash restricted in use	(10,473)	(88,934)	43,817	(120,577)
Dividends paid to non-controlling interest	-	-	(2,400)	(2,400)
Interest paid	(7,696)	(12,734)	(16,697)	(26,154)
Net cash generated from/(used in) financing activities	3,490	(46,606)	19,269	(38,296)
Net decrease in cash and bank balances	(1,342)	(39,776)	(20,390)	(43,289)
Effects of currency translation difference	285	4,261	(1,053)	(354)
Cash and cash equivalents at beginning of financial period	108,859	94,429	129,245	102,557
Cash and cash equivalents at end of financial period (Note A)	107,802	58,914	107,802	58,914

Note A

Cash and cash equivalents comprise :

Cash and bank balances	301,532	433,300	301,532	433,300
Less: Pledged deposits	(193,730)	(374,386)	(193,730)	(374,386)
	107,802	58,914	107,802	58,914

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	-	-	87,517	87,517	5,675	93,192
Currency Translation Difference	-	(1,053)	-	(1,053)	-	(1,053)
Total comprehensive income	-	(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
Balance at 1 January 2014	490,115	237,373	(140,821)	586,667	40,052	626,719
Profit for the period	-	-	78,284	78,284	6,059	84,343
Currency Translation Difference	-	(354)	-	(354)	-	(354)
Total comprehensive income	-	(354)	78,284	77,930	6,059	83,989
Dividends paid to non-controlling interest	-	-	-	-	(2,400)	(2,400)
Changes in shareholding in non-controlling interests of subsidiaries	-	(1,321)	-	(1,321)	(378)	(1,699)
Balance at 30 June 2014	490,115	235,698	(62,537)	663,276	43,333	706,609

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	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
Balance at 1 January 2014	623,026	71,753	(235,340)	459,439	459,439
Loss net of tax, representing total comprehensive loss for the period	-	-	(2,097)	(2,097)	(2,097)
Balance at 30 June 2014	623,026	71,753	(237,437)	457,342	457,342

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 30 June 2014	<u>681,600,000</u>	<u>623,026</u>
As at 1 January 2015 and 30 June 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>30/06/2015</u>	<u>31/12/2014</u>	<u>30/06/2015</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)

	Second Quarter Ended on		Full Year Ended on	
	30/06/2015	30/06/2014	30/06/2015	30/06/2014
Profit attributable to shareholders of the Company (RMB'000)	47,320	43,792	87,517	78,284
Number of shares	681,600,000	681,600,000	681,600,000	681,600,000
Earnings per share (RMB cents)				
- Basic	6.94	6.42	12.84	11.49

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	
	30/06/2015	31/12/2014	30/06/2015	31/12/2014
Net assets (RMB'000)	795,740	709,276	457,298	459,137
Number of shares	681,600,000	681,600,000	681,600,000	681,600,000
Net assets value per share (RMB cents)	116.75	104.06	67.09	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		
	6 months FY2015	6 months FY2014	Change	6 months FY2015	6 months FY2014	Change	6 months FY2015	6 months FY2014	Change
	RMB'000	RMB'000	%	RMB'000	RMB'000	%	RMB'000	RMB'000	%
Revenue	1,079,323	828,933	30.2%	293,481	271,198	8.2%	1,372,804	1,100,131	24.8%
Cost of sales	(816,549)	(617,363)	32.3%	(282,868)	(254,298)	11.2%	(1,099,417)	(871,661)	26.1%
Gross profit	262,774	211,570	24.2%	10,613	16,900	-37.2%	273,387	228,470	19.7%
Gross profit margin	24%	26%		4%	6%		20%	21%	

The Group recorded a net profit after tax of RMB93.2 million for the financial period ended 30 June 2015 ("**2Q2015**") as compared to RMB84.3 million in 2Q2014.

Group revenue for 2Q2015 increased by 24.8% to RMB1.40 billion.

Revenue from China operations increased by 30.2% to RMB1.1billion, while Overseas operations increased by 8.2% to RMB293.4 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% point while the gross profit increased by 19.7% to RMB273.4 million. The increase in gross profit of China operation by 24.2% was mainly due to higher sales volume, while US operations decreased by 37.2%, which was mainly due to higher transportation cost.

Net profit before income tax

Interest income decreased by RMB0.6 million (or 10.3%), which was mainly due to reduced fixed deposits being placed with banks.

Other income decreased by RMB0.9 million to RMB5.9 million (or 13.8%), which was mainly due to government subsidy income being amortized during the financial period.

Other expenses decreased by RMB2.8 million (or 38.6%) to RMB4.5 million, which was mainly due to reduction in losses on foreign exchange by RMB3.6 million.

Selling and distribution expenses increased by RMB3.8 million(or 17.6%) to RMB25.5 million, which was due to the increase in transportation cost.

Research and development expenses increased by RMB9.2 million (or 30.8%) to RMB39.1 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 RMB32.1 million (or 57.0%) to RMB88.2 million, which was mainly due to increase in provision for bad and doubtful debts of RMB14.1 million and increase in staff related expenses of RMB12 million.

Finance cost decreased by RMB10.7 million (or 39.1%) to RMB16.7 million due to the reduction in interest rate and trade finance.

Taxation

Income tax expense increased by RMB2.9 million (or 20.3%), which was in line with higher taxable income from increased profits for the financial period under review.

Cash flows

The Group generated RMB12.2 million (2Q2014: inflow of RMB16.4 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 RMB51.9 million (2Q2014: RMB21.4 million) and cash generated from financing activities of RMB19.3 million (2Q2014: outflow of RMB38.3 million), the cash and cash equivalent as at 30 June 2015 amounted to RMB107.8 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 the first half of 2015 continued to show stable growth which would bode well for the Group's performance

The Group will continue to streamline its operations and concentrate on high end technological products, 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 30 June 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 30 June 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 30 June 2015 to be false or misleading in any material aspect.

BY ORDER OF THE BOARD

Zhang Jingtang (张景堂)

Executive Chairman

14 August 2015