



China Auto Electronics Group Limited

# CHINA AUTO ELECTRONICS GROUP LIMITED

(Incorporated in Bermuda)

(Company Registration Number: 34300)

## UNAUDITED RESULTS FOR THE 9 MONTHS ENDED 30 SEPTEMBER 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*

|  | Third Quarter Ended on |                |         | 9 Months Ended on |                  |         |
|--|------------------------|----------------|---------|-------------------|------------------|---------|
|  | 30/09/2016             | 30/09/2015     | Change  | 30/09/2016        | 30/09/2015       | Change  |
|  | RMB'000                | RMB'000        | %       | RMB'000           | RMB'000          | %       |
| <b>Revenue</b>                                   | <b>820,047</b>         | <b>631,599</b> | 29.8%   | <b>2,498,818</b>  | <b>2,004,403</b> | 24.7%   |
| Cost of sales                                    | (651,613)              | (513,659)      | 26.9%   | (1,975,201)       | (1,613,076)      | 22.4%   |
| <b>Gross profit</b>                              | <b>168,434</b>         | <b>117,940</b> | 42.8%   | <b>523,617</b>    | <b>391,327</b>   | 33.8%   |
| Other items of income                            |                        |                |         |                   |                  |         |
| Other income                                     | 38,014                 | 1,070          | 3452.7% | 66,610            | 3,931            | 1594.5% |
| Other items of expense                           |                        |                |         |                   |                  |         |
| Other (losses)/gains-net                         | (22,581)               | 9,102          | -348.1% | (63,175)          | 8,301            | -861.1% |
| Selling and distribution expenses                | (14,933)               | (12,400)       | 20.4%   | (47,095)          | (37,903)         | 24.3%   |
| Research and development expenses                | (38,199)               | (21,121)       | 80.9%   | (98,799)          | (60,234)         | 64.0%   |
| General and administrative expenses              | (57,595)               | (34,101)       | 68.9%   | (172,119)         | (125,662)        | 37.0%   |
| Finance costs-net                                | 11,516                 | (5,587)        | -306.1% | (3,407)           | (14,422)         | -76.4%  |
| <b>Profit before income tax</b>                  | <b>84,656</b>          | <b>54,903</b>  | 54.2%   | <b>205,632</b>    | <b>165,338</b>   | 24.4%   |
| Income tax                                       | (10,598)               | (5,406)        | 96.0%   | (40,113)          | (22,649)         | 77.1%   |
| <b>Profit for the period</b>                     | <b>74,058</b>          | <b>49,497</b>  | 49.6%   | <b>165,519</b>    | <b>142,689</b>   | 16.0%   |
| Currency translation difference                  | 163                    | (330)          | N.M     | 181               | (1,383)          | N.M.    |
| <b>Total comprehensive income for the period</b> | <b>74,221</b>          | <b>49,167</b>  | 51.0%   | <b>165,700</b>    | <b>141,306</b>   | 17.3%   |
| Profit attributable to:                          |                        |                |         |                   |                  |         |
| Owners of the Company                            | 71,313                 | 49,031         | 45.4%   | 154,199           | 136,548          | 12.9%   |
| Non-controlling interests                        | 2,745                  | 466            | 489.1%  | 11,320            | 6,141            | 84.3%   |
|  | 74,058                 | 49,497         | 49.6%   | 165,519           | 142,689          | 16.0%   |
| Total comprehensive income attributable to:      |                        |                |         |                   |                  |         |
| Owners of the Company                            | 71,476                 | 48,701         | 46.8%   | 154,380           | 135,165          | 14.2%   |
| Non-controlling interests                        | 2,745                  | 466            | 489.1%  | 11,320            | 6,141            | 84.3%   |
|  | 74,221                 | 49,167         | 51.0%   | 165,700           | 141,306          | 17.3%   |

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):

|   | Third Quarter Ended on |            |        | 9 Months Ended on |            |        |
|---|------------------------|------------|--------|-------------------|------------|--------|
|   | 30/09/2016             | 30/09/2015 | Change | 30/09/2016        | 30/09/2015 | Change |
|   | RMB'000                | RMB'000    | %      | RMB'000           | RMB'000    | %      |
| Amortisation of intangible assets   | 1,177                  | 845        | 39.3%  | 2,943             | 2,129      | 38.2%  |
| Depreciation of property, plant and equipment                                   | 12,093                 | 9,020      | 34.1%  | 37,069            | 26,247     | 41.2%  |
| Interest income   | (1,062)                | (1,081)    | -1.8%  | (2,463)           | (6,269)    | -60.7% |
| Interest expense  | 8,259                  | 6,833      | 20.9%  | 24,350            | 23,530     | 3.5%   |
| Provision/(Write back) of allowance for slow-moving inventories                 | 4,090                  | (2,946)    | -80.0% | 2,464             | 5,622      | N.M    |
| (Write back)/Provision for doubtful trade and other receivables                 | (4,256)                | (9,679)    | -84.4% | (3,998)           | 4,684      | N.M    |
| Fair value losses on financial liabilities at fair value through profit or loss | 7,608                  | -          | N.M.   | 55,508            | -          | 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<br>30.09.2015 | Reclassification | As stated<br>30.09.2015 |
|-------------------------------------|--------------------------------------|------------------|-------------------------|
| Statement of comprehensive income   |                                      |                  |                         |
| Interest income                     | 6,269                                | (6,269)          | -                       |
| Other income                        | 16,754                               | (12,823)         | 3,931                   |
| Other expenses                      | (6,803)                              | 6,803            | -                       |
| Other losses - net                  | -                                    | 8,301            | 8,301                   |
| General and administrative expenses | (120,542)                            | (5,120)          | (125,662)               |
| Finance cost - net                  | (23,530)                             | 9,108            | (14,422)                |

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:**

|   | <b>GROUP</b>      |                   | <b>COMPANY</b>    |                   |
|---|-------------------|-------------------|-------------------|-------------------|
|   | <b>30/09/2016</b> | <b>31/12/2015</b> | <b>30/09/2016</b> | <b>31/12/2015</b> |
|   | <b>RMB'000</b>    | <b>RMB'000</b>    | <b>RMB'000</b>    | <b>RMB'000</b>    |
| <b>ASSETS</b>                           |                   |                   |                   |                   |
| <b>Non-Current Assets</b>               |                   |                   |                   |                   |
| Property, plant and equipment           | 455,416           | 378,476           | 13                | 13                |
| Land Use Rights                         | 129,915           | 86,634            | -                 | -                 |
| Intangible assets                       | 23,109            | 19,161            | -                 | -                 |
| Interest in subsidiaries                | -                 | -                 | 198,512           | 198,512           |
| Deferred income tax assets              | 22,565            | 20,295            | -                 | -                 |
| <b>Total non-current assets</b>         | <b>631,005</b>    | <b>504,566</b>    | <b>198,525</b>    | <b>198,525</b>    |
| <b>Current Assets</b>                   |                   |                   |                   |                   |
| Inventories                             | 540,519           | 526,125           | -                 | -                 |
| Trade and other receivables             | 1,481,234         | 1,177,562         | 587,123           | 304,523           |
| Financial assets, available-for- sale   | 1,800             | 1,800             | -                 | -                 |
| Bank deposits pledged                   | 248,752           | 88,291            | -                 | -                 |
| Cash and cash equivalents               | 263,374           | 382,098           | 8,024             | 276,040           |
| <b>Total current assets</b>             | <b>2,535,679</b>  | <b>2,175,876</b>  | <b>595,147</b>    | <b>580,563</b>    |
| <b>Total Assets</b>                     | <b>3,166,684</b>  | <b>2,680,442</b>  | <b>793,672</b>    | <b>779,088</b>    |
| <b>LIABILITIES</b>                      |                   |                   |                   |                   |
| <b>Non-current liabilities</b>          |                   |                   |                   |                   |
| Borrowings                              | 407,505           | 350,677           | 347,248           | 291,740           |
| Deferred income                         | 23,141            | 50,279            | -                 | -                 |
| <b>Total non-current liability</b>      | <b>430,646</b>    | <b>400,956</b>    | <b>347,248</b>    | <b>291,740</b>    |
| <b>Current Liabilities</b>              |                   |                   |                   |                   |
| Trade and other payables                | 1,182,556         | 964,036           | 51,750            | 52,007            |
| Short-term borrowings                   | 486,292           | 415,632           | -                 | -                 |
| Provision for income tax                | 22,901            | 21,229            | -                 | -                 |
| <b>Total current liabilities</b>        | <b>1,691,749</b>  | <b>1,400,897</b>  | <b>51,750</b>     | <b>52,007</b>     |
| <b>Total Liabilities</b>                | <b>2,122,395</b>  | <b>1,801,853</b>  | <b>398,998</b>    | <b>343,747</b>    |
| <b>NET CURRENT ASSETS</b>               | <b>843,930</b>    | <b>774,979</b>    | <b>543,397</b>    | <b>528,556</b>    |
| <b>NET ASSETS</b>                       | <b>1,044,289</b>  | <b>878,589</b>    | <b>394,674</b>    | <b>435,341</b>    |
| <b>Equity</b>                           |                   |                   |                   |                   |
| Share capital                           | 490,115           | 490,115           | 623,026           | 623,026           |
| Other reserves                          | 260,200           | 260,019           | 71,753            | 71,753            |
| Retained earnings/ (Accumulated losses) | 232,224           | 78,025            | (300,105)         | (259,438)         |
| Non-controlling interests               | 61,750            | 50,430            | -                 | -                 |
| <b>Total Equity</b>                     | <b>1,044,289</b>  | <b>878,589</b>    | <b>394,674</b>    | <b>435,341</b>    |
| <b>Total Equity and Liabilities</b>     | <b>3,166,684</b>  | <b>2,680,442</b>  | <b>793,672</b>    | <b>779,088</b>    |

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

### **A. The Group**

1. The increase in property, plant and equipment of RMB76.9 million to RMB455.4 million was mainly due to new purchase of assets of RMB 122.0 million but was offset by depreciation of RMB 37.1 million and disposal of RMB 8.0 million .
2. 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 increase in short-term borrowings was due to the increase of the revenue and new projects which required additional fundings but not earmarked under the borrowings of the Convertible Bonds during the financial period under review.

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

|  | <b>GROUP</b>      |                   |
|--|-------------------|-------------------|
|  | <b>30/09/2016</b> | <b>31/12/2015</b> |
|  | <b>RMB'000</b>    | <b>RMB'000</b>    |
| Amount repayable in one year or less, or on demand |                   |                   |
| Secured  | 277,292           | 181,269           |
| Unsecured  | 209,000           | 234,363           |
|  | <u>486,292</u>    | <u>415,632</u>    |
| Amount repayable after one year                    |                   |                   |
| Secured  | 33,733            | 58,937            |
| Unsecured  | 373,772           | 291,740           |
|  | <u>407,505</u>    | <u>350,677</u>    |

#### **Details of any collateral**

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

As at 30 September 2016, the Group's secured borrowings were secured by the following collaterals:

|                                    | <b>GROUP</b>      |                   |
|------------------------------------|-------------------|-------------------|
|                                    | <b>30/09/2016</b> | <b>31/12/2015</b> |
|                                    | <b>RMB'000</b>    | <b>RMB'000</b>    |
| <b><u>Secured</u></b>              |                   |                   |
| Fixed deposits collateral          | 83,271            | 15,111            |
| Accounts receivable                | 80,268            | 87,706            |
| Production and office buildings    | 80,000            | 44,000            |
| Finance lease                      | 93,990            | 93,389            |
| <b><u>Unsecured</u></b>            |                   |                   |
| Corporate guarantees               |                   |                   |
| Granted by unrelated third parties | 5,000             | 69,000            |
| Others                             | 204,000           | 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**

|   | Third Quarter Ended on |                 | 9 Months Ended on |                 |
|---|------------------------|-----------------|-------------------|-----------------|
|   | 30/09/2016             | 30/09/2015      | 30/09/2016        | 30/09/2015      |
|   | RMB'000                | RMB'000         | RMB'000           | RMB'000         |
| <b>Cash flows from operating activities :</b>                                   |                        |                 |                   |                 |
| Profit before income tax  | 84,656                 | 54,903          | 205,632           | 165,338         |
| Adjustments for :   |                        |                 |                   |                 |
| Amortisation of intangible assets   | 1,177                  | 845             | 2,943             | 2,129           |
| Depreciation of property, plant and equipment                                   | 12,093                 | 9,020           | 37,069            | 26,247          |
| Provision/(Write back) of allowance for slow-moving inventories                 | 4,090                  | (2,946)         | 2,464             | 5,622           |
| (Write back)/Provision of allowance for doubtful trade and other receivables    | (4,256)                | (9,679)         | (3,998)           | 4,684           |
| Impairment loss on property, plant and equipment                                | -                      | 269             |                   | 269             |
| Loss from disposal of property, plant and equipment                             | 5,483                  | (395)           | 5,483             | (372)           |
| Interest income   | (1,062)                | (1,081)         | (2,463)           | (6,269)         |
| Interest expense  | 8,259                  | 6,833           | 24,350            | 23,530          |
| Amortisation of government grant  | (25,415)               | (536)           | (51,691)          | (1,597)         |
| Fair value losses on financial liabilities at fair value through profit or loss | 7,608                  | -               | 55,508            | -               |
| <b>Operating profit before working capital changes</b>                          | <b>92,633</b>          | <b>57,233</b>   | <b>275,297</b>    | <b>219,581</b>  |
| <i>Changes in working capital</i>   |                        |                 |                   |                 |
| Inventories   | (60,460)               | (38,181)        | (16,859)          | (62,693)        |
| Trade and other receivables   | 23,920                 | 15,725          | (299,672)         | (158,032)       |
| Trade and other payables  | (27,071)               | (4,872)         | 7,077             | 59,857          |
| <b>Cash (used in)/generated from operations</b>                                 | <b>29,022</b>          | <b>29,905</b>   | <b>(34,157)</b>   | <b>58,713</b>   |
| Interest received   | 1,062                  | 1,081           | 2,463             | 6,269           |
| Income tax paid   | (7,845)                | (3,885)         | (40,713)          | (25,648)        |
| <b>Net cash (used in)/generated from operating activities</b>                   | <b>22,239</b>          | <b>27,101</b>   | <b>(72,407)</b>   | <b>39,334</b>   |
| <b>Cash flows from investing activities :</b>                                   |                        |                 |                   |                 |
| Purchase of property, plant and equipment                                       | (40,307)               | (41,237)        | (122,010)         | (82,157)        |
| Purchase of land use rights   | (48,692)               | (3,494)         | (50,172)          | (40,272)        |
| Proceeds from disposal of property, plant and equipment                         | 2,136                  | 262             | 2,519             | 653             |
| Cash subsidy received from government   | -                      | 17,000          | -                 | 42,415          |
| <b>Net cash used in investing activities</b>                                    | <b>(86,863)</b>        | <b>(27,469)</b> | <b>(169,663)</b>  | <b>(79,361)</b> |

|  | Third Quarter Ended on |                 | 9 Months Ended on |                 |
|--|------------------------|-----------------|-------------------|-----------------|
|  | 30/09/2016             | 30/09/2015      | 30/09/2016        | 30/09/2015      |
|  | RMB'000                | RMB'000         | RMB'000           | RMB'000         |
| <b>Cash flows from financing activities :</b>                        |                        |                 |                   |                 |
| Net proceeds from short-term borrowings                              | 133,386                | (12,388)        | 96,533            | 13,073          |
| Changes in bills payables  | 7,394                  | (30,527)        | 211,443           | (61,439)        |
| Cash restricted in use   | (51,008)               | 35,051          | (160,461)         | 78,868          |
| Dividends paid to non-controlling interest                           | -                      | -               | -                 | (2,400)         |
| Interest paid  | (8,259)                | (6,833)         | (24,350)          | (23,530)        |
| <b>Net cash generated from financing activities</b>                  | <b>81,513</b>          | <b>(14,697)</b> | <b>123,165</b>    | <b>4,572</b>    |
| <b>Net decrease in cash and bank balances</b>                        | <b>16,889</b>          | <b>(15,065)</b> | <b>(118,905)</b>  | <b>(35,455)</b> |
| Effects of currency translation difference                           | 163                    | (330)           | 181               | (1,383)         |
| Cash and cash equivalents at beginning of financial period           | 246,322                | 107,802         | 382,098           | 129,245         |
| <b>Cash and cash equivalents at end of financial period (Note A)</b> | <b>263,374</b>         | <b>92,407</b>   | <b>263,374</b>    | <b>92,407</b>   |

**Note A**

**Cash and cash equivalents comprise :**

|                        |                |               |                |               |
|------------------------|----------------|---------------|----------------|---------------|
| Cash and bank balances | 512,126        | 251,086       | 512,126        | 251,086       |
| Less: Pledged deposits | (248,752)      | (158,679)     | (248,752)      | (158,679)     |
|                        | <b>263,374</b> | <b>92,407</b> | <b>263,374</b> | <b>92,407</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    | Retained | Attributable   | Non-        | Total Equity |
|--|---------------|----------|----------|----------------|-------------|--------------|
|  | RMB'000       | reserves | Earnings | to the Equity  | controlling | RMB'000      |
|  | RMB'000       | RMB'000  | RMB'000  | holders of the | interest    | RMB'000      |
|  |               |          |          | Company        | 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                      | -             | -        | 154,199  | 154,199        | 11,320      | 165,519      |
| Currency Translation Difference            | -             | 181      | -        | 181            | -           | 181          |
| Total comprehensive income                 | -             | 181      | 154,199  | 154,380        | 11,320      | 165,700      |
| Balance at 30 September 2016               | 490,115       | 260,200  | 232,224  | 982,539        | 61,750      | 1,044,289    |
| Balance at 1 January 2015                  | 490,115       | 250,746  | (31,585) | 709,276        | 46,209      | 755,485      |
| Profit for the period                      | -             | -        | 136,548  | 136,548        | 6,141       | 142,689      |
| Currency Translation Difference            | -             | (1,383)  | -        | (1,383)        | -           | (1,383)      |
| Total comprehensive income/(loss)          | -             | (1,383)  | 136,548  | 135,165        | 6,141       | 141,306      |
| Dividends paid to non-controlling interest | -             | -        | -        | -              | (2,401)     | (2,401)      |
| Balance at 30 September 2015               | 490,115       | 249,363  | 104,963  | 844,441        | 49,949      | 894,390      |

  

| COMPANY   | Share capital | Other    | Accumulated | Attributable   | Total Equity |
|---|---------------|----------|-------------|----------------|--------------|
|   | RMB'000       | reserves | loss        | to the Equity  | RMB'000      |
|   | RMB'000       | RMB'000  | RMB'000     | holders of the | RMB'000      |
|   |               |          |             | Company        |              |
|   |               |          |             | RMB'000        |              |
| Balance at 1 January 2016   | 623,026       | 71,753   | (259,439)   | 435,340        | 435,340      |
| Loss net of tax, representing total comprehensive loss for the period | -             | -        | (51,580)    | (51,580)       | (51,580)     |
| Balance at 30 September 2016  | 623,026       | 71,753   | (311,019)   | 383,760        | 383,760      |
| 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 | -             | -        | (2,539)     | (2,539)        | (2,539)      |
| Balance at 30 September 2015  | 623,026       | 71,753   | (238,181)   | 456,598        | 456,598      |

**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<br/>Ordinary<br/>Shares</b> | <b>Share<br/>Capital<br/>RMB'000</b> |
|--|--|--------------------------------------|
| <b>Share capital:</b>                      |  |                                      |
| As at 1 January 2015 and 30 September 2015 | 681,600,000                              | 623,026                              |
| As at 1 January 2016 and 30 September 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 30 June 2016, there is no conversion into ordinary shares.

The Company does not have any outstanding treasury shares as at 30 September 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>30/09/2016</b> | <b>31/12/2015</b> | <b>30/09/2016</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)**

|  | Third Quarter Ended on |             | 9 Months Ended on |             |
|--|------------------------|-------------|-------------------|-------------|
|  | 30/09/2016             | 30/09/2015  | 30/09/2016        | 30/09/2015  |
| Profit attributable to shareholders of the Company (RMB'000) | 71,313                 | 49,031      | 154,199           | 136,548     |
| Number of shares   | 681,600,000            | 681,600,000 | 681,600,000       | 681,600,000 |
| Earnings per share (RMB cents)                               |                        |             |                   |             |
| - Basic  | 10.46                  | 7.19        | 22.62             | 20.03       |

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 30 September 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

|  | Third Quarter Ended on |             | 9 Months Ended on |             |
|--|------------------------|-------------|-------------------|-------------|
|  | 30/09/2016             | 30/09/2015  | 30/09/2016        | 30/09/2015  |
| Profit attributable to shareholders of the Company (RMB'000)                             | 71,313                 | 49,031      | 154,199           | 136,548     |
| Interest Expense on Convertible Bond (net of tax) (RMB'000)                              | 733                    | -           | 2,200             | -           |
| Profit used to determine earnings per share (RMB '000)                                   | 72,046                 | 49,031      | 156,399           | 136,548     |
| Weighted average number of ordinary shares   | 681,600,000            | 681,600,000 | 681,600,000       | 681,600,000 |
| Assumed conversion   | 666,666,667            | -           | 666,666,667       | -           |
| Weighted average number of ordinary shares for the purpose of diluted earnings per share | 1,348,266,667          | 681,600,000 | 1,348,266,667     | 681,600,000 |
| Diluted earnings per share (RMB Cents)   | 5.34                   | 7.19        | 11.60             | 20.03       |

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     |             |
|--|-------------|-------------|-------------|-------------|
|  | 30/09/2016  | 31/12/2015  | 30/09/2016  | 31/12/2015  |
| Net assets (RMB'000)                   | 982,537     | 828,159     | 394,674     | 435,341     |
| Number of shares                       | 681,600,000 | 681,600,000 | 681,600,000 | 681,600,000 |
| Net assets value per share (RMB cents) | 144.15      | 121.50      | 57.90       | 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              |                    |        |
|---------------------|--------------------|--------------------|--------|--------------------|--------------------|--------|--------------------|--------------------|--------|
|                     | 9 months<br>FY2016 | 9 months<br>FY2015 | Change | 9 months<br>FY2016 | 9 months<br>FY2015 | Change | 9 months<br>FY2016 | 9 months<br>FY2015 | Change |
|                     | RMB'000            | RMB'000            | %      | RMB'000            | RMB'000            | %      | RMB'000            | RMB'000            | %      |
| Revenue             | 2,102,771          | 1,568,329          | 34.1%  | 396,047            | 436,074            | -9.2%  | 2,498,818          | 2,004,403          | 24.7%  |
| Cost of sales       | (1,596,432)        | (1,191,330)        | 34.0%  | (378,769)          | (421,746)          | -10.2% | (1,975,201)        | (1,613,076)        | 22.4%  |
| Gross profit        | 506,339            | 376,999            | 34.3%  | 17,278             | 14,328             | 20.6%  | 523,617            | 391,327            | 33.8%  |
| Gross profit margin | 24%                | 24%                |        | 4%                 | 3%                 |        | 21%                | 20%                |        |

The Group recorded a net profit after tax of RMB165.5 million for the financial period ended 30 September 2016 ("3Q2016") as compared to RMB142.7 million in 3Q2015.

Group revenue for 3Q2016 increased by 24.7% to RMB2.5 billion.

Revenue from China operations increased by 34.1% to RMB2.1 billion, while US operations decreased by 9.2% to RMB396.0 million. The increase in sales for China operations was mainly due to increase in sales

of wire harnesses and connector products while the decrease in sales for US operations was due to the delay in some projects.

### **Gross profit and gross profit margin**

Gross profit margin for the Group increased by 1.0%, while the gross profit increased by 33.8% to RMB523.6 million. The increase in gross profit of China operation by 34.3% was mainly due to higher sales volumes while US operations increased by 20.6% which was mainly due to the increase in revenue in project tooling development.

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

Other income increased by RMB62.7 million to RMB66.6 million (or 1,594.5%), which was mainly due to the subsidy income from the government amortized during the financial period.

Other losses- net increased by RMB71.5million to RMB63.2 million, which was mainly due to adjustment made on fair value of the convertible bond which resulted in a charge of RMB55.5 million.

Fair value losses on financial liabilities at fair value through profit or loss on the valuation of convertible bonds for the quarter ended 30.9. 2016 amounting to RMB 7.6 million resulted in profit before income tax of RMB 84.6 million. The profit before income tax would have been RMB 92.2 million in the event that these fair value losses is excluded for the quarter and likewise, if the year to-date fair value loses on valuation of convertible bonds amounting to RMB 55.5 million is excluded, the profit before income tax as at 30.9.2016 would be RMB 261.10 million.

Selling expenses increase by RMB 9.2 million which was mainly due to increase in transport expenses of RMB 6.7 million.

Research and development expenses increased by RMB38.2 million (or 64.0%) to RMB98.8 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 RMB57.6 million (or 37.0%) to RMB172.1 million, which was mainly due to decrease in provision for bad and doubtful debts of RMB14.1 million and increase in staff related expenses of RMB25.4 million, increase in depreciation charge of RMB 2.3 million, increase in the write-off inventory of RMB 7.5 million and increase in welfare expenses of RMB 4.8 million.

Net finance cost decreased by RMB 10.0 million to RMB 3.4 million due to the reduction in interest income of RMB 3.8 million and changes in foreign exchange of RMB 15.6 million.

### **Taxation**

Income tax expense increased by RMB17.5 million (or 77.1%), which was in line with higher taxable income from increased profits for the financial period under review.

### **Cash flows**

The Group used RMB72.4 million (3Q2015: generated RMB39.3 million) from operating activities, which was mainly due to increase of account receivables during the financial period under review. After payments for investing activities of RMB169.7 million (3Q2015: RMB79.4 million) and cash generated from financing activities of RMB123.1 million (3Q2015: RMB4.6 million- inflow), the cash and cash equivalent as at 30 September 2016 amounted to RMB263.4 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 30 September 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 30 September 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 30.9.2016, the following disbursement of the proceeds had been made.

|                         | Amount<br>Allocated<br>(RMB) <sup>(2)</sup> | Amount<br>Allocated<br>(S\$) <sup>(2)(3)</sup> | Amount<br>Utilised<br>(RMB) | Balance<br>(RMB) |
|-------------------------|---|--|-----------------------------|------------------|
| Use of Proceeds         |   |  |                             |                  |
| Repayment of Bank Loans | 125,000,000                                 | 27,512,500                                     | 125,000,000                 | -                |
| Business Expansion      | 122,600,000                                 | 26,984,260                                     | 30,000,000                  | 92,600,000       |
| General Working Capital | 21,823,000                                  | 4,803,242                                      | 9,086,779                   | 12,736,221       |

Notes:

(1) The above figures do not take into account cost and expenses of S\$ 700,000 which had since been utilised for payment in the relevant professional involved in the bond issue.

(2) As stated in the Circular.

(3) Based on an exchange rate of RMB 1.00 to S\$0.2201 as stated in the Circular.

**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 30 September 2016 to be false or misleading in any material aspect.

**16. Confirmation that the issuer has procured undertakings from all its directors and executive officers (in the format set out in Appendix 7.7) under Listing Rule 720(1).**

The company confirms that the undertakings under Listing Rule 720 (1) of the Listing Manual have been obtained from all its directors and executive officers in the format set out in Appendix 7.7.

**BY ORDER OF THE BOARD**

Zhang Jingtang (张景堂)  
Executive Chairman  
28 November 2016