

**THB AUTO ELECTRONICS LIMITED**  
(Company Registration Number: 1909352)  
(Incorporated in the British Virgin Islands)

27 December 2016

To: The Shareholders of China Auto Electronics Group Ltd.

Dear Sir/Madam

**COMPULSORY ACQUISITION OF ORDINARY SHARES IN THE CAPITAL OF  
CHINA AUTO ELECTRONICS GROUP LTD. PURSUANT TO SECTION 102 OF THE  
BERMUDA COMPANIES ACT BY THB AUTO ELECTRONICS LIMITED**

**1. INTRODUCTION**

1.1 **Offer Document.** We refer to:

- (i) the offer document dated 8 November 2016 (“**Offer Document**”) in relation to the mandatory unconditional cash offer (“**Offer**”) by Stirling Coleman Capital Limited for and on behalf of THB Auto Electronics Limited (“**Offeror**”) to acquire all the issued and paid-up ordinary shares in the capital of China Auto Electronics Group Limited (“**Company**”) other than those already owned, controlled or agreed to be acquired by the Offeror; and
- (ii) the announcement dated 20 December 2016 in relation to the Offeror having received valid acceptances of the Offer and having acquired Offer Shares during the Offer period (“**Announcement**”).

Unless otherwise defined, all capitalised terms used in this letter (“**Letter**”) shall bear the same meanings as set out in the Offer Document and the Announcement.

If you have already (a) accepted the Offer in respect of all your Shares by completing and returning a valid FAA and/or FAT; or (b) sold all your Shares on the SGX-ST prior to the date of this Letter, please disregard this Letter and the accompanying Notice (as defined below).

1.2 **Holdings of Shares.** On 20 December 2016, Stirling Coleman Capital Limited announced, for and on our behalf that, based on information provided to the Offeror, as at 5.30 p.m. (Singapore time) on 20 December 2016, pursuant to valid acceptances of the Offer and on-market purchases of the Shares and tendered towards the Offer, the Offeror held, controlled or agreed to acquire an aggregate of 1,269,830,785 Shares, representing approximately 94.18% of the total number of Shares.

1.3 **Compulsory Acquisition.** As the Offeror has received valid acceptances of the Offer and acquired Offer Shares during the Offer period which in aggregate amount to not less than 90% of the total number of Shares (other than those already held, at the date of the Offer, by the Offeror, the Offeror’s subsidiaries and

their respective nominees, excluding treasury shares), the Offeror is entitled to, and intends to, exercise its right under Section 102 of the Bermuda Companies Act to compulsorily acquire all the remaining Offer Shares which have not been tendered towards the Offer on the same terms as those under the Offer.

## **2. COMPULSORY ACQUISITION UNDER THE BERMUDA COMPANIES ACT**

**2.1 Dissenting Shareholders.** According to the records maintained by CDP and/or the Share Registrar, as the case may be, you have not accepted the Offer and/or your Shares have not been acquired by the Offeror as at the date of this Letter. Accordingly, we are writing to inform you that the Offeror is exercising its right of compulsory acquisition to acquire all your Shares at the Offer Price of **S\$0.16** for each Share that you own (the "**Consideration**") and on the same terms as those offered under the Offer.

We enclose, for this purpose, a Notice of Compulsory Acquisition (the "**Notice**") to you.

**2.2 Compulsory Acquisition.** The Offeror will exercise the right of compulsory acquisition under Section 102(1) of the Bermuda Companies Act to acquire all the Shares held by you and it is expected that the compulsory acquisition will be completed on or about 31 January 2017 (the "**Completion Date**"), subject to and on the terms set out in the enclosed Notice and the provisions of Section 102 of the Bermuda Companies Act.

**2.3 Registration of Transfer and Settlement.** Please refer to paragraph 4 of the Notice for the procedure for transfer and settlement for the compulsory acquisition.

**2.4 No action required.** No action needs to be taken by you in relation to the Notice to effect the transfer of your Shares and to entitle you to payment of the Consideration for your Shares, which payment will be made to you in accordance with paragraph 4 of the Notice.

## **3. DELISTING OF THE COMPANY**

Following completion of the compulsory acquisition, the Company will become a wholly-owned subsidiary of the Offeror and will be delisted from the SGX-ST. The date and time of the delisting of the Company from the SGX-ST is expected to be announced by the Company in due course.

## **4. GENERAL**

**4.1** If you are in any doubt about any of the matters referred to in this Letter, you should consult your stockbroker, bank manager, solicitor, accountant, tax adviser or other professional adviser immediately.

**4.2** If you have sold or otherwise transferred any or all of your Shares, please forward this Letter and the accompanying Notices immediately to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for onward transmission to the purchaser or transferee.

## **5. RESPONSIBILITY STATEMENT**

The directors of the Offeror (including those who may have delegated detailed supervision of this Letter) have taken all reasonable care to ensure that the facts stated and opinions expressed in this Letter are fair and accurate and that there are no other material facts not contained in this Letter, the omission of which would make any statement in this Letter misleading, and they jointly and severally accept full responsibility accordingly.

Where any information has been extracted or reproduced from published or otherwise publicly available sources or obtained from the Company, the sole responsibility of the directors of the Offeror has been to ensure, through reasonable enquiries, that such information is accurately extracted from such sources or, as the case may be, reflected or reproduced in this Letter.

Yours faithfully  
For and on behalf of  
**THB AUTO ELECTRONICS LIMITED**

Wang Laisheng  
Director