

CHINA AUTO ELECTRONICS GROUP LIMITED
(Incorporated in Bermuda)

**RESPONSE TO SGX'S QUERIES ON THE THIRD QUARTER RESULTS
FOR FINANCIAL PERIOD ENDED 30 SEPTEMBER 2015**

In response to queries from Singapore Exchange Securities Trading Limited (the "SGX-ST") in their email on 8 December 2015, the Board of Directors of the Company wishes to provide the information as set out below:

Queries

1. It is stated on page 2 of the announcement that:-
 - a. the provision/(write back) of allowance for slow-moving inventories for the third quarter ended on 30 September 2015 is RMB (2,946,000). Please clarify the reason(s) for the writeback of allowance for slow-moving inventories; and

Company's Responses

- a. the group managed to use the material which were previously deemed not usable due to the change in models by the customers after meetings with the customers who agreed the group could use the material on their new models of the products

Queries

2. it is stated on page 2 of the announcement that-
 - b. the (reversal)/provision for doubtful trade and other receivables for the third quarter ended on 30 September 2015 is RMB (9,679,000). Please clarify the reason(s) for the reversal of doubtful trade and other receivables.

Company's Responses

- b. the group managed to recover the long outstanding debts owed by some customers which were previously provided for as there were deemed not recoverable.

Queries

3. It is stated on page 3 of the announcement that deferred income has increased by approximately 199.7% from RMB 20,439,000 as at 31 December 2014 to RMB 61,257,000 as at 30 September 2015. Please provide the reason(s) for the increase in deferred income.

Company's Response

3. RMB 23,818,000 of the increase in deferred income was due to the subsidy given by the Provincial Government for the purchase of land use rights during the year, and RMB 17,000,000 was due to the error in recording of finance lease which was adjusted accordingly.

Queries

4. It is stated on page 5 of the announcement in relation to the section on “Changes in working capital” in the statement of cash flows that:-
 - a. Cash flow generated from trade and other receivables decreased by approximately 85.8% from RMB 110,847,000 for the third quarter ended 30 September 2014, to RMB 15,725,000 for the third quarter ended 30 September 2015. Cash flow generated from trade and other receivables also decreased by approximately 568.8% from RMB 33,710,000 for the 9 months ended 30 September 2014 to RMB (158,032,000) for the 9 months ended 30 September 2015. Please provide the reason(s) for the significant change.

Company's Response

- a. Cash flow generated from trade and other receivables decreased in balance for the third quarter 2015 and year to date 30.9.2015 compared to the corresponding period of 2014 because the outstanding trade and other receivables at 30.9.2015 is higher. This is due to higher turnover generated in third quarter 2015 compared to corresponding period in 2014 and also year to date 2015 is higher than that of 2014

Queries

5. It is stated on page 5 of the announcement in relation to the section on “Changes in working capital” in the statement of cash flows that-
 - b. Cash flow generated from trade and other payables decreased by approximately 133.5% from RMB 14,557,000 for the third quarter ended 30 September 2014, to RMB (4,872,000) for the third quarter ended 30 September 2015. Cash flow generated from trade and other payables also improved by approximately 274.3% from RMB (34,333,000) for the 9 months ended 30 September 2014 to RMB 59,857,000 for the 9 months ended 30 September 2015. Please provide the reason(s) for the significant change.

Company's Response

- b. During the third quarter of 2015, since most of the Notes Receivables matured, the group used the cash collected to pay off the suppliers which resulted in the decrease in cash flow when it was compared with the same quarter of 2014.

For 2015, the turnover to date was much higher than that of 2014, which resulted in increased transactions with the suppliers as the group required higher inventories and supplies of material when compared with the corresponding period in 2014, as a result the trade and other payables as at 30.9.2015 is higher than the corresponding period of 2014

By Order of the Board
Teo Chee Shi
Chief Financial Officer/Company Secretary

11 December 2015