

CHINA AUTO ELECTRONICS GROUP LIMITED
(Incorporated in Bermuda)

RESPONSE TO SGX'S QUERY ON THE FINANCIAL RESULTS ENDED 31 MARCH 2014

In response to the query from Singapore Exchange Securities Trading Limited (SGX) in their email dated 29 May 2014, the Board of Directors of the Company wishes to provide the information as set out below:

Query

1. It is stated on page 2 of the announced financial results that the Research and Development Expenses increased by approximately 20% from RMB 10,247,000 as at 31 March 2013 to RMB 12,323,000 as at 31 March 2014. Please explain the nature of the Research and Development Expenses and the reason(s) for the increase.

The increase in Research and Development Expenses was mainly due to increase in research and development activities on connectors products for our customers, and such expenses are expensed off and not being capitalised according to applicable accounting standards. On a year-on-year basis, the Research and Development Expenses remains fairly constant at 2.2% of sales.

By order of the Board,
Company Secretary
Cheong How Onn

30 May 2014