

CHINA AUTO ELECTRONICS GROUP LIMITED
(Incorporated in Bermuda)

**RESPONSE TO SGX'S QUERIES ON THE ANNUAL REPORT
FOR FINANCIAL YEAR ENDED 31 DECEMBER 2015**

In response to queries from Singapore Exchange Securities Trading Limited (the "SGX-ST") in their email on 27 May 2016, the Board of Directors of the Company wishes to provide the information as set out below:

Queries

1.Guideline 2.6 of the Code of Corporate Governance 2012 (the "Code") states that the Board and its board committees should comprise directors who as a group provide an appropriate balance and diversity of skills, experience, gender and knowledge of the company. They should also provide core competencies such as accounting or finance, business or management experience, industry knowledge, strategic planning experience and customer-based experience or knowledge.

As required under Listing Rule 710, please make disclosures as recommended in the Code, or other otherwise explain the reason(s) for the deviation.

Company's Response

The Board is of the opinion that the Board and its Board Committees have the necessary core competencies and experience and have been disclosed in the Annual Report 2015 on page 8 to 10 and page 14 of the Report.

Queries

2.Guideline 11.3 of the Code of Corporate Governance 2012 (the "Code") states that the Board should comment on the adequacy and effectiveness of the internal controls, including financial, operational, compliance and information technology controls, and risk management systems, in the company's Annual Report. The Board's commentary should include information needed by stakeholders to make an informed assessment of the company's internal control and risk management systems. The Board should also comment in the company's Annual Report on whether it has received assurance from the CEO and the CFO:

- (a) That the financial records have been properly maintained and the financial statements give a true and fair view of the company's operations and finances; and
- (b) Regarding the effectiveness of the company's risk management and internal control systems.

As required under Listing Rule 710, please make disclosures as recommended in the Code. In particular, the effectiveness of the internal controls, including financial, operational, compliance and information technology controls, and risk management systems; and the adequacy of information technology controls, or otherwise explain the reason(s) for the deviation.

Company's Response

The Board is of the opinion that current internal controls and risk management system are adequate and effective in addressing financial, operational, compliance and IT risks, while noting that no system

of internal control could provide absolute assurance against the occurrence of materials mismanagement or loss, errors, fraud or other irregularities.

The Board has received assurance from the CEO and CFO that the financial records have been properly maintained and the financial statements give a true and fair view of the company's operations and finances, as well as regarding the effectiveness of the company's risk management and internal control systems has been disclosed on page 21 of the Annual Report.

Queries

Guideline 9.3 of the Code states that the company should name and disclose the remuneration of at least the top five key management personnel (who are not directors or the CEO) in bands of S\$250,000. Companies need only show the applicable bands. There should be a breakdown (in percentage or dollar terms) of each key management personnel's remuneration earned through base/fixed salary, variable or performance-related income/bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives.

In addition, the company should disclose in aggregate the total remuneration paid to the top five key management personnel (who are not directors or the CEO).

As required under Listing Rule 1207(12) of the Listing Manual, please make disclosure as recommended in the Code; or otherwise disclose and explain any deviation from the recommendation.

Company's Response

The Board is of the opinion that in view of the confidentiality of remuneration matters, it is in the best interest of the Group not to disclose the exact remuneration of the Directors and Key Executives in the Annual Report. Disclosure in aggregate the total remuneration has been disclosed on page 51, in addition, the percentages are disclosed on page 19 of the Annual Report.

By Order of the Board
Zhang Jing Tang
Executive Chairman

31 May 2016